



DIE VERANDERING IN ONDERWYS
THE CHANGE IN EDUCATION



FINANCIAL MANAGEMENT

KING IV
CORPORATE GOVERNANCE & MANAGEMENT



CORPORATE GOVERNANCE AND MANAGEMENT



The key dimensions of corporate governance are strategy oversight, policy making, accountability and monitoring – Pearl Zhu

- Great and good school have one distinctive feature in common : QUALITY LEADERSHIP.
- Schools have principals who are effective, provide meaningful leadership (all levels) and display absolute integrity.
- Schools are served by SGBs that understand, demonstrate and implement good governance.
- Corporate entities are primary driven by a profit motive, but in all other respects the governance of schools is comparable to the principles for corporate governance
- Public schools are governed by defined stakeholders (each with an single vote).
- Task of SBG is to act in the BEST INTERESTS of the school.

ETHICAL CULTURE AND MINDSET



- We need to recognise that no law or code can realistically hope to prevent criminal activity. If somebody wants to do something wrong, he or she will do it either by disregarding the law or finding a loophole within it.

Difference between a law and a voluntary code.

- A law provides the **framework** that people **must not transgress** and provides the sanctions they will face if they do. By contrast, a voluntary code, like King, seeks to set out the **principles and best practices** that organisations with a sincere desire to achieve good governance should follow.

KING CODE



NOT
CONE



KING IV



- **King IV** is principle- and outcomes-based rather than rules-based. Corporate governance should be concerned with **ethical leadership, attitude, mindset and behaviour**. The focus is on transparency and targeted, well-considered disclosures.
- **School Governance vs School Management**. **School governance** has to do with the creation of policies and rules for the **school** and its members (staff, learners and parents). In other words, it is about making decisions about how the **school** will be run. SGBs are responsible for **school governance**.

ETHICAL BEHAVIOUR



- Because it is not trying to be a law, and because it recognises that **ethical behaviour is ultimately a matter of choice**, King is a *voluntary* code. King IV's "apply and explain" approach reflects this ethos, and prompts the governing body to apply its mind to achieving the principles, rather than simply following a set of rules blindly.

CHARATERISTICS OF CORPORATE GOVERNANCE



- Discipline.. ...
- Transparency. ...
- Independence. ...
- Accountability. ...
- Responsibility. ...
- Fairness. ...
- Social responsibility. ...

DISCIPLINE



- Corporate discipline is a commitment by a company's senior management to adhere to **behaviour that is universally recognized and accepted to be correct and proper**. This encompasses a company's awareness of, and commitment to, the underlying principles of good governance, particularly at senior management level.

"All involved parties will have a commitment to adhere to procedures, processes, and authority structures established by the organization."

TRANSPARENCY



- Transparency is **the ease with which an outsider is able to make meaningful analysis** of a company's actions, its economic fundamentals and the non-financial aspects pertinent to that business.
- This is a measure of how good management is at making necessary information available in a candid, **accurate and timely manner** – not only the audit data but also general reports and press releases. It reflects whether or not investors obtain a true picture of what is happening inside the company.

“All actions implemented and their decision support will be available for inspection by authorized organization and provider parties.”

INDEPENDENCE



- Independence is the extent to which mechanisms have been put in place to **minimize or avoid potential conflicts of interest that may exist** (such as dominance by a strong chief executive or large share owner).
- These mechanisms range from the composition of the board, to appointments to committees of the board, and external parties such as the auditors. The decisions made, and internal processes established, should be objective and not allow for undue influences.

“All processes, decision-making, and mechanisms used will be established so as to minimize or avoid potential conflicts of interest.”

ACCOUNTABILITY



- **Individuals** or groups in a company, who make decisions and take actions on specific issues, **need to be accountable for their decisions and actions.** Mechanisms must exist and be effective to allow for accountability. These provide investors with the means to query and assess the actions of the board and its committees.

“Identifiable groups within the organization - e.g., governance boards who take actions or make decisions - are authorized and accountable for their actions.”

RESPONSIBILITY



- With regard to management, **responsibility pertains to behaviour that allows for corrective action and for penalizing mismanagement.**
- Responsible management would, when necessary, put in place what it would take to set the company on the right path.
- While the board is accountable to the company, it must act responsively to and with responsibility towards all stakeholders of the company.

“Each contracted party is required to act responsibly to the organization and its stakeholders.”

FAIRNESS



- The systems that exist within the company must be balanced in taking into account all those that have an interest in the company and its future. **The rights of various groups have to be acknowledged and respected.** For example, minority share owner interests must receive equal consideration to those of the dominant share owner(s).

“All decisions taken, processes used, and their implementation will not be allowed to create unfair advantage to any one particular party.”

SOCIAL RESPONSIBILITY



- A well-managed company will be aware of, and respond to, social issues, placing a **high priority on ethical standards**.
- A good corporate citizen is increasingly seen as one that is **non-discriminatory, non-exploitative, and responsible with regard to environmental and human rights issues**.
- A company is likely to experience indirect economic benefits such as improved productivity and corporate reputation by taking those factors into consideration.

CORNERSTONES OF KING IV



- **Transparency and accountability** are cornerstones of King IV. They are explicit in the first Principle, and are two of the six characteristics of ethical and effective leadership.
- However, King IV is designed to be flexible enough for the governing body to exercise its own judgment in ensuring that all the governance arrangements are appropriate to the organisation's size, nature, maturity and specific needs.
- King IV makes it very clear that transparency and accountability are two sides of the same coin; **the need to disclose not only what was done but the thinking behind it promotes both accountability and the flexibility** any organisation needs to adapt the code to its particular circumstances.
- Disclosure of this nature gives stakeholders the opportunity come to their own conclusions.

INTEGRATED GOVERNANCE



- Governance based on **integrated thinking** and the formulation of **integrated strategic plans**, which jointly **result in integrated reporting**
- Three focus areas that create this integration;
 - School's nurturing of its **financial resources**
 - Its **value added for society**
 - Its collective respect for **environmental considerations**
- Schools should accept the value of the triple focus on finance, society and environment
- Reports must also reflect on the sustainability of the school in all three of these focus areas

ALTERNATIVE OPTION



Alternative approach that schools may find easier to use for integrating thinking, strategic planning and integrated reporting = 6 CAPITALS available to any organisation

- **FINANCIAL CAPITAL** (savings and income less financial liabilities; Focus on the source of funds rather than the way in which they are used)
- **MANUFACTURED CAPITAL** (human created, production-orientated equipment include items produced within the school community and sold for fund-raising)
- **INTELLECTUAL CAPITAL** (innovations, human recourses and external relationships which can determine the organisation's competitive advantage) INTELLECTUAL CAPITAL – the carrier is the nature and character of school itself – teaching aids publications)

ALTERNATIVE OPTION



Alternative approach that schools may find easier to use for integrating thinking, strategic planning and integrated reporting = 6 CAPITALS available to any organisation

- **HUMAN RESOURCE CAPITAL** (the intangible competitive asset is vested in each individual person – knowledge, skills and experience of individuals)
- **SOCIAL AND RELATIONSHIP CAPITAL** (derived from internal or external organisational networks. Relationships between the school and its community, government, neighbouring schools)
- **NATURAL (PHYSICAL) CAPITAL** (land, water, the footprint that the school creates)

PRINCIPLES UNDERLYING THE TWO OPTIONS



- 3 Principles for the entity's **ethical culture** (15 recommended practises)
- 2 Principles for **performance, value creation, sustainability and transparency** (15 recommended practises)
- 10 Principles for **adequate and effective control** (61 recommended practises)
- 2 Principles for **trust, good reputation and legitimacy** (25 recommended practises)
- Good corporate principle (not applicable to schools)

PRINCIPLES FOR ETHICAL CULTURE



- The GB should set the tone **and lead ethically and effectively**
- The GB should govern the ethics of the organisation in such a way that it supports the **establishment of an ethical culture**
- The GB should ensure that the **organisation is and is seen to be a responsible corporate citizen**



PRINCIPLES FOR PERFORMANCE, VALUE CREATION SUSTAINABILITY AND TRANSPARENCY

- The GB should appreciate the organisation's **core purpose**, its **risks and opportunities**, strategy, business model and **sustainable development**
- The GB should ensure that **reports issued** enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects

PRINCIPLES FOR ADEQUATE AND EFFECTIVE CONTROL



- GB should serve as **the focal point and custodian of corporate governance in the organisation**
- GB should comprise the appropriate **balance of knowledge, skills, experience, diversity and independence** for it to discharge its governance role and responsibilities objectively and effectively
- GB should ensure that its arrangements for **delegation within its own structures** promote independent judgement and assist with balance of power and the effective discharge of duties
- GB should ensure that the **evaluation of its own performance** and that of the committees, its chair and its individual members, support continued improvement in its performance and effectiveness
- GB should ensure the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities

PRINCIPALS FOR ADEQUATE AND EFFECTIVE CONTROL



- GB should **govern risk** in a way that supports the organisation in setting and achieving its strategic objectives
- GB should **govern technology and information** in a way that supports the organisation in setting and achieving its strategic objectives
- GB should govern **compliance with applicable laws** and adopted non-binding **rules, codes and standards** in a way that supports the organisation being ethical and a good corporate citizen
- GB should govern should ensure that the organisation **remunerates fairly, responsibly and transparently** so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term
- GB should govern should ensure that assurance services and functions enable an effective control environment, and these support the integrity of information for internal decision-making and of the organisation's external reports

SUMMARY



- Building of reputation and trust while ensuring legitimacy
- Commitment to ethical openness
- Comprehensive transparency
- Fiduciary responsibility
- Financial governance means predictability and control in implementing budgets
- All activities in a school contain some element of risk – risk management is a core responsibility of the SGB (identifying, assessing, responding to, monitoring and reporting risks)
- Governance is not only about policies and procedures, strategies and action plans, checks and balances, or best practices of ethical leadership and decisions made in the interest of the school. Importantly its also about communication. Communication strategies and practices are significant

CONCLUSION



- When a school begins to acquire the reputation of being a great school it is not based on a sudden shift, but rather incremental habits of better governance
- The aim is sustainable, transparent, ethical advancement
- Governance is about measured success that is sustainable

It is crucial to understand that King IV and other voluntary codes are intended as guides to help organisations achieve good governance principles through the adoption of governance practices in a way that does not unduly constrain them, and that is appropriate to their particular circumstances.





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Thank you
Dankie

