



KWAZULU-NATAL PROVINCE

ECONOMIC DEVELOPMENT, TOURISM
AND ENVIRONMENTAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

BOARD EVALUATION FRAMEWORK AND REPORTING FOR EDTEA PUBLIC ENTITIES

OBJECTIVE

To provide key areas to be reported on in relation to the Board assessments conducted by the various public entities under the KZN Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The **seven (7)** broad categories for reporting purposes are capacity of the Board, Board processes, audit & risk committee, chairperson of the Board, secretary of Board, the Chief Executive Officer (CEO) and the departmental Board representative/alternative representative. The words "Board" and "Accounting Authority (AA)" are used interchangeably.

1. Capacity of the Board

The main objective of this category is to assess whether the relevant public entities' accounting authorities (AAs) under EDTEA have the capacity to effectively carry out their governance duties while complying with best governance practises. Furthermore, this category seeks to assess the transformation profile of the board within the context of race and gender. Moreover, it seeks to identify key weaknesses as this will form a basis for providing recommendations to the AAs for better and improved governance practises.

Educational Background of Board Members (Lower than NQF 6, NQF 6 or 7, NQF 8, NQF 9 or Higher)

This area seeks to understand the educational background qualification of board members and the suggested grouping of the outcome are, lower than NQF 6, NQF 6 or 7, NQF 8 and NQF 9 or Higher). This will assist in assessing and getting an indication of the skills and level of expertise of members of the AA.

Experience of members

This area will assist in getting an indication of whether the members of the AAs have sufficient experience to be adding value and carrying out governance duties effectively and competent.

Membership mix (Executive, Non-Executive and Independence)

The purpose of this area is to mainly get an indication of the compliance of the AA to the founding legislation as well as, KING IV.

Race of board members

The purpose of this area is to get an indication of the transformation status of the board within the context of transformation agenda considering the historic background of South Africa and the instrumental role government should play

(leading by example) in correcting the divisions of the past in terms of providing equal opportunities irrespective of race.

Gender Mix

The purpose of this area is to get an indication of the transformation status of the board within the context of transformation agenda considering the historic background of South Africa and the instrumental role government should play (leading by example) in correcting the divisions of the past in terms of providing equal opportunities irrespective of gender.

Age of directors

This is included to get an indication of the sustainability of the board as well as succession planning practises of the AA.

Other Directorships

This is included to get an indication if the members of the AA have sufficient time to attend to governance duties of the relevant public entity.

Board Vacancy Rates

This indicator is included to understand if the board have sufficient members to carry out their duties as a collective, in line with their respective Acts or Memorandum of Incorporation (MOIs). Also, this indicator is included to identify key issues within the entities that have high vacancy rates, for instance, a high vacancy rate can be a potential indicator of other underlying governance issues.

2. Board Processes

The main objective of this category is to assess the overall board performance in line with the best governance practises i.e. KING IV. It should be noted that the sector supplement guide applicable to public entities/SOEs was used as a point of departure in determining the performance areas below.

Effective and Ethical Leadership

- Integrity
- Competence
- Responsibility
- Accountability
- Fairness

Governance Functional Areas

The governance functional areas below are in terms of KING IV and seek to assess the governance practises of the boards.

- Setting strategic direction (Including policies to support the strategy)
- Risk Management and Governance of the entity
- Technology and Information Management



- Adopting Combined Assurance Model
- Ensuring Compliance with laws and regulations

Stakeholder Relationships (EDTEA, Legislature, Provincial Treasury and other strategic partners)

Board Charter

- Has the Board developed a Board Charter which clearly defines the respective roles, responsibilities and authorities of the board of directors both individually and as a collective, including those relating to delegations given to management within the entity?
- Is the Board Charter reviewed regularly by the Board?
- Does the Board Charter contain a clause relating to the when the evaluation of the board and its committees (Assessments) need to be conducted by the Board?

Does the entity's Board Charter contain other elements such as *Membership, Access to Information, Meeting Procedures, and Company Secretary etc.*, as detailed in the *General Guidance Note (issued August 2018) – The Board Charters which is aligned to KING IV*? This guide provides best practice recommendations on the development of Board Charters in order for them to be aligned to KING IV.

Appointments and Delegations to Management

- Is the CEO Appointed to oversee, lead and implement strategic direction?
- Appropriate delegation of powers to management of the entity.
- Access to professional governance services by the board of the entity.

3. Audit & Risk Committee

- Skills and Expertise of audit committee members
- Balance of Power and Composition
- Leadership of the Committee (Chair)
- Meetings of the committee
- Ongoing Training
- Quality of Information and reports received
- Value added to the Board Oversight
- Fulfilment of its mandate
- Interaction with Management of Public Entity

4. Chairperson of the AA

KEY PERFORMANCE AREAS TO BE ASSESSED/REPORTED ON

- a. Presiding over governing body meetings and ensuring that time in meetings is used productively.



- b. Exercising judgement as to when additional interventions and or additional meetings of the governing body may be required and the format thereof.
- c. Ensuring that complete, timely, relevant, accurate, and appropriately assured information is placed before the governing body to enable governing body members to reach informed decisions.
- d. Holding rigorous standards of preparation for governing body meetings, by for example, meeting with the company secretary and CEO before meetings and studying the meeting information packs prior to distribution.
- e. Formulating (with the CEO and company secretary/other professional providing corporate governance services) the yearly work plan for the governing body against agreed objectives, and playing an active part in setting the agenda for governing body meetings.
- f. Ensuring that sufficient time and effort has been devoted to preparation for meetings by members.
- g. Ensuring that those present constitute a quorum at meetings before decisions are taken.
- h. Ensuring that an effective company secretary or other governance professional is in place to support the governing body.
- i. Ensuring that decisions by the governing body are suitably recorded in the minutes and executed.
- j. Determining when independent professional advice may be necessary and ensuring that this is procured within the approved protocol.
- k. Independent and free of conflicts of interest so as to provide objectivity.
- l. Relationship between the Chairperson and CEO.

5. Secretary of the AA

KEY PERFORMANCE AREAS TO BE ASSESSED/REPORTED ON

- a. The Board is satisfied that the office of the Public Entity's Secretary is empowered and that the position carries the necessary authority.
- b. The Public Entity's Secretary has the necessary competence, gravitas, objectivity, skills and experience in order to appropriately discharge his/her duties in line with entity's charter and King IV.
- c. The Public Entity's Secretary provides guidance to the Board on governance, compliance and its fiduciary roles and responsibilities.
- d. The Public Entity's Secretary ensures that Board procedures, regulations and governance codes are observed.
- e. The Public Entity's Secretary ensures the continuous update of Board and various Committees' Charters.
- f. The Public Entity's Secretary has a direct channel of communication with all members of the Board, including the Chairperson.



- g. The Public Entity's Secretary ensures the Board and Committees are effectively evaluated annually by an independent reviewer and individual Board members are evaluated at least once during their term of office.
- h. The Public Entity's Secretary has acted well as a confidential sounding board to the Chairperson, non-executive directors and executive directors on points that may concern them and has taken a lead role in managing difficult inter-personal issues on the Board.
- i. The Public Entity's Secretary maintains an arm's length relationship with the Board and its directors.
- j. The Public Entity's Secretary ensures the timeous compilation and dissemination of Board and its various Committees' papers and minutes.
- k. The Public Entity's Secretary is available and accessible and provides logistics and administrative support to the Board and Committees.

6. Chief Executive Officer of the Entity (CEO)

KEY PERFORMANCE AREAS TO BE ASSESSED/REPORTED ON

- a. The CEO demonstrates ethical and transparent leadership by living the entity's culture and reinforcing its mission and values.
- b. The CEO demonstrates the culture and values of public entity and ensures alignment of the organisational culture with the strategy of public entity.
- c. The CEO is receptive to the Board's direction and instruction.
- d. The CEO has responded appropriately to unanticipated or difficult situations.
- e. The CEO is mainly focused on key material and strategic matters.
- f. The CEO's leadership style is constructive and he/she inspires and motivates others.
- g. The CEO effectively acts as a point of interaction and coordination between the Board and public entity's Executive Management.
- h. The CEO has effectively aligned risk, strategy, performance and sustainability at public entity.
- i. The CEO has strong stakeholder relationships and communicates harmoniously and effectively with public entity's stakeholders to fulfil the entity's strategy.
- j. The CEO has the appropriate educational qualification and experience which will enable them to effectively carry out his/her functions.



7. Department Board Representative

KEY PERFORMANCE AREAS TO BE ASSESSED/REPORTED ON

- a. The departmental board representative or alternative representative should form part of the board evaluation/assessment exercise undertaken by the public entity.

This indicator will assist in strengthening the reliability of the assessment undertaken by the various boards. This is due to the fact that, if an independent person who represents the department partakes in this exercise, his/her ratings in this regard, will provide the department with additional assurance on the outcomes of the specific boards assessment/evaluation.

- b. No. of board meetings attended by board representative or alternative representative for period under review?

This indicator will assist in assessing the level of involvement of the board representative or alternative representative during the year under review. Furthermore, it will highlight if they were able to accurately rate the board based on them being actively available during the course of the year to witness the board executing its fiduciary duties

- c. Assessment of the impact made by the shareholder/departments board representative?

This indicator will assist in assessing if the board representative or alternative representative provide the any value during the year under review at the board meetings that they were able to attend. These value add factors include, but are not limited to, active participation during the meetings, provision of policy guidance or governance framework, just to name a few. It will also provide details on areas where the shareholder/departments board representative can improve in going forward.

ENDORSED BY:

DATE.....14/01/22.....

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