



**TECHNIUM**  
**SOCIAL SCIENCES JOURNAL**

**Vol. 26, 2021**

**A new decade  
for social changes**

[www.techniumscience.com](http://www.techniumscience.com)

ISSN 2668-7798



9 772668 779000

## **King IV municipal supplements: the impact on the municipal's approach to governance**

**Richard Chauke**

University of Limpopo, South Africa

[richard.chauke@ul.ac.za](mailto:richard.chauke@ul.ac.za)

**Abstract.** In using King IV municipal supplement as a conceptual framework, this paper critically analyses the King IV supplement implementation and control system within the municipal sector. For the municipality to be trusted and accountable to the public, it needs to implement effective governance processes. The observance of municipal governance implementation framework poses a significant challenge for the municipalities. The prevalence of unsuccessful provision of essential services and unsuccessful audit is an indication of the failure by municipal boards that are charged with the implementation of effective governance practices. It is further indicative of the municipal board not to understanding their governance roles fully. The advent of King IV municipal supplement will give more impetus to the implementation of governance framework and effective control processes. The municipal supplement will serve as a guide to proper governance in the municipality and will push for all municipal stakeholders to be involved in the governance of the municipality. The implementation of the King IV municipal supplement will enable the municipality to fulfil the constitutional mandate and deliver on the essential services. It has also become evident that good governance in the municipality is beneficial for stakeholders as a well-governed organization inspires the confidence of the stakeholders and lowers the cost of its operations. Even though King IV is not law, the governance outcome that it can achieve are laudable. The adoption and implementation King IV code municipal supplements practices will become the criteria by which the required standard of care and appropriate standard of conduct of the council can be measured.

**Keywords.** Municipal governance; King IV report; King IV municipal supplements; Good corporate governance; Municipal Sector; Stakeholders

### **1. Introduction**

Corporate governance has become critical in the last decades both in South Africa and internationally (ACCG, 2016:70 -79; Malberbe & Segal, 2001:7). The concept of governance in any organisation is critical for the success of such an organisation in terms of its implementation framework and control systems (ACCG, 2016:70-79). For any organisation to run successfully, there is a need for corporate governance framework to be in place to allow for a successful competitive environment (Dibra, 2016:284). In the South African context, the citizens expect that the government will run smoothly and following the proper governance expectation because the governance agenda assist in fighting corruption (Santiso, 2001:17). With the use of corporate governance, the organisation could be steered in the right direction as the term governance means to steer (Dibra, 2016:283). The expectation of the citizens has however been scuppered by the failures of corporate governance that have been experienced in

various spheres of government and the private sector (Santiso, 2001:5-6). In the recent past, there have been failures of corporate governance that have been experienced in both the public sector and private sector (Mahajani, 2016:29). According to KPMG (2011:31), the concept of corporate governance is dependent and relies on the board of directors and should include implementation process and control of the system. The lack of good corporate governance has resulted in poor company performance in the private sector and poor service delivery in the public sector (Santiso, 2001:13). Corporate governance however covers an assortment of concepts and issues and can mean different things to different people (Mahajani, 2016:29; McGregor, 2008:2). Naidoo (2002:1), provides an initial laconic point for defining what corporate governance is and define it as follows:

*“Corporate governance is the practice by which the companies are managed and controlled”.*

Emanating from this definition, it can, therefore, be inferred that the practice that is used by companies in managing and controlling them constitute what corporate governance is. However, in King II (2005:5), corporate governance is defined in broad terms and is defined as follows:

*“Corporate governance is a participative, system of the enterprise with integrity in the interest of a wide range of stakeholders having regard to the fundamental principles of good financial, social, ethical and environmental practice”.*

This article is a conceptual paper and will outline the impact that King IV has on municipal governance, with specific reference to the sector supplement on municipalities.

## **2. Municipality at a local government context**

In terms of the local government, they are responsible for promoting, upholding the principles of good governance (Masegare, 2016:6; IODSA, 2016:2-6). The administration level of the municipality is under the leadership of the municipal manager, and the other managers report directly to the municipal manager and they are accountable to him. The entire personnel complement within the municipality reports to the various managers (Masegare, 2016:60; IODSA, 2016:2-6). At the political level of the municipality, the governance structure is comprised of the municipal council and its committees (IODSA, 2016:5).

In the context of the municipalities, the main characteristic feature is that they are accountable to the community that voted them and should serve that particular community (IODSA, 2016:7). Section 152 of the constitution provides that, the object of local government consists of the municipalities, and they are expected to:

- *Provide a democratic and accountable government for local communities*
- *Ensure the provision of services to communities in a sustainable manner*
- *Promote social and economic development*
- *Promote a safe and healthy environment and*
- *Encourage the environment of communities and community organisations in the matters of local government.*

It is expected that for the municipality to structure and manage the budget, planning processes and administration. The municipality should also give priority to the basic needs of the community that it serves and promote the economic and social needs of the community (MFMA, 2003:40). Section 152 and 153 of the Constitution of the Republic, 1996 (Constitution) provides for the developmental mandate and the object of local government. Emanating from this, it can be inferred that the legislator intended to promote and to uphold the

principles of good governance as the promotion of good governance is crucial for the running of the municipality.

Good governance in the context of local government deals with the ability of the local government to acknowledge the need for the effective and efficient running of the municipalities (ECA, 1991:1). In the White Paper on Local Government, of 9 March 1998, it states that "developmental local government is a local government committed to working with the citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives". The White paper further provides that the principles for service delivery include "accountability for services" and "sustainability of services", while the basis of financial policy principles includes "sustainability" as well as "accountability, transparency and good governance".

According to Tricker (1984:1) if management is about running the business, then it means that corporate governance is about seeing to it that it is run properly and it can, therefore, be inferred that for that to happen, there is need if not requirement to effectively and efficiently run of local government in accordance with good governance.

### **3. The outline of King IV report**

On the 1<sup>st</sup> of November 2016, the South African King IV report on corporate governance was published. The publication of the King reports is done by the Institute of Directors in Southern Africa (IODSA). In this report, Professor Mervin King emphasised that "*the overarching objective of King IV is to make corporate governance more accessible and relevant to a wider range of organisations, and to be the catalyst for a shift from a compliance-based mindset to one that sees corporate governance as a lever for value creation*".

The structure of the report provides a solid base of principles in which the municipalities can work from in order to traverse through the ever-changing local government environment. The sector supplement on local government is aimed at upholding the principles of good governance in the local government sector. It is very evident in the report that it promotes transparency and point out to a strong need for good corporate citizenship (Masegare, 2016:20). Emanating from this discussion, it can, therefore, be inferred that there is the expectation that the municipality should be transparent in the application of corporate governance practices.

The promotion of corporate governance is an integral part of running an organisation (governing body) and delivering governance outcomes such as ethical value, good performance, effective control and legitimacy (Masegare, 2016:33; IODSA, 2016:2-3). It can be accepted that the promotion of corporate governance is aimed at reinforcing corporate governance as a holistic and interrelated set of arrangement to be understood and to be implemented in an integrated manner.

Corporate governance has the propensity to promote and encourage transparency and to ensure meaningful reporting to the stakeholders (IODSA, 2-7, Green & Hubbell, 1996:20-26). To ensure that corporate governance is not only concerned with structure and process but also with an ethical consciousness and conduct (Masegare, 2016:33).

If King IV were to be summarised, it would be said to be about transparency, which is part of the overarching principles of corporate governance, with the others being fairness, accountability, and responsibility (Khurama, 2016:3592; Wilson, 2015:5). The structure of the King IV, reflects a rejection of the tick box or compliance based mindset that is referred to by Professor King in that it contains the 17 aspirational principles that support four fundamental governance outcomes that is an ethical culture, good performance, effective control and legitimacy (Masegare, 2016:33; Kirkpatrick, 2009:11). It can, therefore, be deduced that the principles will be achieved by careful consideration and application of the practices that are

recommended in respect of each principle. The expected outcome through the use of the principles are fundamental to good corporate governance and may be applied universally across the different types of organisation, whereas the selection and application of the recommended practices will depend on the nature and size of the organisation. The approach used in corporate governance allows for inclusivity and flexibility, and it is the intention of King IV that various types of organisations may use it, and this is the reason why reference has been made to organisations instead that company and the governing body rather than the board and an organisation as each is free to tailor its corporate governance policy to meet the need and demands specific to it (IODSA, 2016:1-2).

King IV report on corporate governance is premised on its predecessors positioning of what sound corporate governance is all about as it is an essential element of good corporate citizenship (EY, 2016:3-5). The development and use of good corporate governance requires an acknowledgement and understanding by organisations as the municipality does not operate in a vacuum, but forms an integral part of the society where it is applied and therefore has to be accountable to the current and the future stakeholders (IODSA, 2016:7; EY, 2016:3-5). The King IV report has introduced a new regime of applying and explain, and this will force organisations to be transparent in the application of corporate governance practices (EY, 2016:3; Kirkpatrick, 2009:11). The King IV report, reinforces the notion that good corporate governance is a holistic and interrelated set of arrangement to be understood and implemented in an integrated manner, which means that it is not an exercise of tick box or compliance exercise as it asks for mindful application of the King Code and its recommended practices in a way that is appropriate and the organisation and the sector concerned (EY, 2016:3; Kirkpatrick, 2009:11). It can, therefore, be deduced that by careful application of the code, the benefit of good corporate governance will be harnessed. King IV focuses on outcomes, which means that the code's principles are linked to the desired outcomes, and therefore articulating of the benefits of good corporate governance (EY, 2016:3). In terms of the code the principles and practices are differentiated, and the principles are achieved by careful consideration and application of recommended practices, through the concept of applying and explain regime (EY, 2016:3). The recent corporate scandals have rightly provoked renewed focus on the role of directors and the importance of corporate governance. Even though King code is not law but voluntary code, adherence to it gives the stakeholders the expectation that things are run following expected principles. There is a vast difference between a law and voluntary code, as there have been concerns that despite the presence of King Code, organisations continue to fail in their governance compliance expectations as there are many corporate governance failures (Kirkpatrick, 2009:2; Mwaira, 2007:40). There was expectation from stakeholders that the King code to prevent corporate scandals, it should, however, be noted that the difference between the voluntary code and law is that law provides the framework that people must not transgress and provides the sanctions they will face if they do, but by contrast, a voluntary code seeks to set out the principles and best practices that organisations with a sincere desire achieve good governance (ACCG, 2016:70-79; Moloji, 2008:31-47; Sobczak, 2006). It can, therefore, be inferred that the King IV code and other voluntary codes are intended as guides aimed at assisting organisations to achieve good governance principles through the adoption and application of good governance practices ways that do not unduly burden and constrain them, and such should be appropriate to their particular circumstance.

King IV report on corporate governance introduced sector supplements, and five sector supplements were published for this purpose (IODSA, 2016:1). The supplements covers, municipalities, non-profit organisation, small and medium enterprises, state-owned enterprises and retirements funds (IODSA, 2016:1). The King IV also focus on four governing body 's

governance roles and responsibilities which are aimed at steering and setting strategic target direction ( strategy); approves policy and planning ( Policy); Overseas and Monitors ( Oversight) and ensures accountability ( accountability) (IODSA, 2016:1).

#### **4. King IV municipal sector supplement**

Sector supplement as they pertain to specific sectors explains how King IV code should be applied by such organisations and specific and being specific to such organisations or sectors (IODSA, 2016:1). The King IV Code as represented in the supplement has its governance outcomes, and principles that apply to the municipalities with the necessary adaptation in terminology to be aligned to the municipalities (IODSA, 2016:1-2). In the municipal supplement, certain recommended practices in the King IV Code have been referenced to illustrate how they are accustomed to meet the demands and requirements of governing a municipality (IODSA, 2016:1-2).

Concerning the functions performed by municipalities, they are derived from the Constitution of the Republic of South Africa 1996 (The Constitution). Due to the different types of municipalities, the structural and institutional arrangement is different for the different types of municipalities in line with the embedded differences; that is metropolitan, district and local municipalities. The characteristic feature is that they are all accountable to the community they serve and such community serves as part of being their stakeholder (IODSA, 2016:7; Ngoepe, 2012:30). Section 152 of the Constitution provides that the object of local government which consists of the municipalities are:

*To provide a democratic and accountable government for local government for local communities*

*To ensure the provision of services to communities in a sustainable manner*

*To promote social and economic development*

*To promote a safe and healthy environment and*

*To encourage the environment of communities and community organisations in the matters of local government.*

Section 153 of the constitution, it refers to the developmental duties of municipalities and indicates that the services of the municipality are far-reaching and affect communities which include residents and businesses. According to the Constitution, the municipalities or local government should provide the foundation for democracy and its service delivery should be the basis for economic and social cohesion in the context of a developmental state. Emanating from the fact that municipalities use taxpayer money through the levies, surcharges on services such as the electricity, water, sanitation, refuse removal and others (IODSA, 2016:1-2). Good corporate governance is paramount for the successes of the municipality itself and those who are impacted by it (IODSA, 2016:1-2). The application of good corporate governance assists with putting in place leadership and other structures which are inclusive of the processes and frameworks for the municipality to be responsive to the needs of the community (IODSA, 2016:1-2).

As indicated earlier, King IV report, published the municipal supplement on corporate governance apply to different categories of municipalities, and these are category A, B and C and the categories of the municipalities as laid out in the Municipal Structures Act, 2000 (Structures Act). To apply the King IV code municipal supplement to municipalities, it is necessary to align and explain the terminology that is found in King IV report to ensure that it is contextualised to the municipal environment (IODSA, 2016:1-2). The purpose of the explanation is to provide an understanding as to how the terminology as used in the Code could

be interchanged with the terminology that applies to the municipalities (IODSA, 2016:1-2). In using the context of the King code, any reference to organisation, in the municipal environment, it will be a municipality; Governing body, will be the municipal council, Management will be administered, and members of the governing body will be councilors (IODSA, 2016:1-2). The person referred to as the Chair of the governing body, is the speaker in the municipal environment, CEO, is the municipal manager or accounting officer; External auditor, is the Auditor General or any accounting firm as contracted by the Office of the Auditor General; Shareholders, are not there in the municipalities environment, the stakeholders that come close to be shareholders will be the community members (Masegare, 2016:60; IODSA, 2016:102). Concerning Stakeholders, these are primarily the community in which the municipality serves (IODSA, 2016:1-2. Concerning the office of the office of the mayor or executive mayor, there is no King IV code equivalent as such in these positions the Structures Act and other pertinent legislation are followed (IODSA, 2016:1-2).

The municipalities operate within a system of cooperative governance as provided for in the Constitution (IODSA, 2016:2). As a constitutional requirement, the other spheres of government being national, provincial and local government (which consists of municipalities) cooperate in exercising their powers and in the performance of their functions (IODSA, 2016:2). The governance of municipalities are viewed in the following context.

#### **4.1 Leadership, ethics and corporate citizenship**

In terms of this element, it requires that the council should set the tone to lead ethically and effectively (Masegare, 2016:33; EY, 2016:5). The council ensures that the municipality's ethics are managed effectively and in the same context, the municipality should ensure that it is a responsible corporate citizen (IODSA, 2016:3; IODSA, 2016:3). The council is expected on its own to set the tone for a culture that fosters and nurtures accountability for the proper execution of the objectives of the municipalities (IODSA, 2016:2). Concerning the values of accountability, responsibility, fairness and transparency exemplify ethical leadership, and they are the cornerstone upon which any enterprise stands to be conducted regardless of size and nature of operations (Masegare, 2016:33; IODSA, 2016:3). The in-depth governance and leadership start with a focus by the members of the governing body, the individual and collective character and behaviour that they display (IODDA, 2016:3). The governance and leadership focus is compatible with the Code of Conduct for Councilors as per Schedule 1 of the Municipal Systems Act, 2000 (MSA). The principle of corporate citizenship is an alternative expression of the core purpose of the municipality and is aligned to section 151(2) of the Constitution.

#### **4.2 Performance and reporting**

It is expected of the council to lead the value creation process by appreciating that the opportunity, strategy, risk, performance and sustainable development are inseparable elements and should be pursued with the necessary rigour (EY, 2016:4; IODSA, 2016:3-4). The supplement indicates that it is the responsibility of the council to ensure that they provide disclosures and reports that enable stakeholders to make an informed assessment of the performance of the municipality and to determine its ability to create value in a sustainable manner (IODSA, 2016:3). Performance and value creation should be interpreted following the Constitution that proves that the objectives of the municipality areas espoused in section 152(1) of the Constitution. The integrated development plan as provided for in MSA sets out the strategy for municipalities, and the accountability and implementation of these IDPs rest with the Council as well as the responsibility to oversee the performance as part of legal duties. The

use of meaningful disclosures is vital as it is the instrument by which the Council can be held accountable by community members and other stakeholders that they represent (IODSA, 2016:7). Municipalities should consider the envisaged practice of disclosures and reports as a means for meaningful communication and to demonstrate accountability to the stakeholders (IODSA, 2016:7).

#### **4.2.1 Governing structures and delegation**

The council should ensure that it serves as the focal point and custodian of corporate governance in the municipality, and display an exemplary behaviour in this regards (IODSA, 2016:4-7). It should ensure that the composition comprises of the balance of knowledge, skills, experience, diversity, and independence needed to discharge its role and responsibilities (IODSA, 2016:4-7). The council has the responsibility to create additional governing structures that promote the balancing of the power and the effective discharge of the responsibilities, but without abdicating accountability (IODSA, 2016:4-7). The council has further responsibility of ensuring that they appoint and the delegate competent executive management that will contribute to the effective arrangement in which authority and responsibilities are exercised (IODSA, 2016:4-7).

It is expected of the council to serve as the focal point of the corporate governance (IODSA, 2016:4-7). According to the Municipal Systems Act, a municipality is “*an organ of state within the local sphere of government exercising legislative and executive authority within an area*”. According to section 151 of the Constitution, both legislative and executive authority vest in council. This vesting of power in the council is despite the Municipal Finance Management Act, 2003 (MFMA) ascribing fiduciary duties to the municipal manager as accounting officer, council shares in these fiduciary duties under its constitutional role. The Constitution, MFMA, Structures Act and MSA approve specific responsibilities of the council. These legislated responsibilities are in line with the role of the governing body following King IV code, which provides for providing direction and strategy; giving effect to strategy by approving the policy, including plans, frameworks, structures and procedures; providing oversight of implementation and demonstrating accountability and transparency through disclosure. The municipality should provide direction and strategy that should be understood as part of the adoption of a single, inclusive and strategic plan for the development of the municipality as provided for in section 25(1) of the MSA. Resources should be aligned and capacity for implementation and the approval of annual budget which is in terms of section 25 of the MSA. The oversight of implementation can be achieved through the performance management systems provided for in the MSA, and the accountability could be realised and demonstrated through the annual report in compliance with section 46 of the MSA. As part of the overarching role, the specific responsibilities of the board in the council's responsibility of serving a focal point and custodian of corporate governance in the municipality, the council will have to affect its legislated responsibilities (IODSA, 2016:4-7). The process of appointment procedures of and composition of the governing body should be done in line with the requirement or bearing in mind the fact that council is a political structure which is composed of councilors which are either representing a political party or being independent who are democratically elected by registered voters within the jurisdictions of the municipality (IODSA, 2016:4-7). The legislative provisions prevail over the recommended practices for the nomination, election and rotation (IODSA, 2016:5-7). Because the composition of the council cannot be pro-actively planned from skill and experience required, there should be a strong emphasis on an in-depth induction for newly elected councilors at the start of a new political term (IODSA, 2016:5-6). The council should furthermore ensure that there is a continued and

robust professional education programme is established that should runs for the full term of office (IODSA, 2016:5-6). Obtaining independent advice to assist it in the execution of its duties as is recommended in the practices. The independence of the members of the governing body as envisages that the council should ensure that the composition comprises a balance of skill, experience, diversity, independence and knowledge needed to discharge its role and responsibilities (IODSA, 2016:5-6). Municipal councilors are elected to represent local communities on the council, and they may have party political affiliation which results in not being independent in form (IODSA, 2016:5). As a matter of legal duty, councils must act in substance with the independence of mind in the best interest of the municipality following the Code of Conduct per Schedule 1 of MSA. The constitutional integrity of the council as the collective body acting at all time in the best interest of the municipality enjoy priority over the interest which individual councilors may have. There is no independent chair in the council as provided for in the code (IODSA, 2016:5). The role and function of the chair is fulfilled by the speaker (IODSA, 2016:5-6). It is recommended that the practice concerning the chair be considered for how these could supplement the role of the speaker IODSA, 2016:5-5). The principle of delegation of governing structures and administration is consistent with the MSA that provides that in section 59 that provides that council must develop a system of the delegation that will maximise administrative and operational efficiency of the municipality and provide adequate checks and balances. The MSA prescribes a wide range of powers and functions that MSA or may not be delegated council can only delegate authority if it is expressly or by implication authorised to do so by regulation (IODSA, 2016:5). While the Constitution recognises the principle of separation of powers of the three branches of government being the executive, legislative and judiciary, a municipal manager is vested with both the legislative and executive authority. The MFMA requires a certain level of oversight by the municipality over the executive authority which includes, the annual report including the financial statements, the Service Delivery and Budget implementation plan and the performance of the municipal manager and other section 57 employees. In order to give effect to these guidelines have been issued for the establishment of the Municipal Public Accounts Committee (MPAC). An MPAC is set up council as a committee thereof in terms of section 79 of the Structures Act to perform general oversight over the executive. The constitutes an expansion of the practices as recommended wherein the council is expected to consider creating additional governing structures to assist with the balancing of power and the effective discharge of responsibilities, but without abdicating accountability, this particular principle deals with the delegation to committees of the governing body.

Audit committee duties concerning the appointment and independence of the auditor apply differently as the office of the Auditor-General serves as the external auditor for a municipality (IODSA, 2016:6). The composition of the audit committee of the municipality is prescribed by legislation and prevails over the recommended practices in the code (IODSA, 2016:6). The practices recommended by the Code for the execution of the duties of the audit committee apply to provide substance to legislated duties. The measurement of performance of members of the council as dealt with applies to the municipalities in respect of the council members who are deployed by the political parties it is recommended that council and political parties collaborate on how the assessment of councilors is conducted (Masegare, 2016:60).

The municipalities do not appoint a municipal secretary in the same way a company appoint a company secretary as required by the Companies Act, the King IV code through the municipal supplement recommend that the council should access the services of a corporate governance professional as a source of guidance on governance (IODSA, 2016:6).

#### **4.2.2 Governance functional areas**

In terms the functional governance areas, the council should have adequate and effective control as such the council should govern risk and opportunity in a way that supports the municipality to set and achieve strategic objectives (Masegare, 2016:60-70). The council has the responsibility to govern technology and information in a way that supports the municipality and to set and achieve strategic objectives (Masegare, 2016:82). The council should govern compliance with the laws and ensure consideration of adherence to non-binding rules, codes and standards (IODSA, 2016:7). It is also the responsibility of the municipality through its counsel to ensure that the employees are remunerated fairly, transparently and responsibly to promote the creation of value in a sustainable manner (IODSA, 2016:7). The council should ensure that assurance results in an adequate and effective control environment and integrity of report for better decision making (IODSA, 2016:7). In order to implement these principles, in instances where there is a shortage of resources, the shared service model should be adopted.

#### **4.3 Stakeholder relationships**

There are no shareholders in a municipal structure but community member, however, the outcome expected is that of as part of decision making in the best interest of the municipality the council should ensure that stakeholders-inclusive approach is adopted, which takes into account and balances their legitimate and reasonable needs, interest and expectations of the community (IODSA, 2016:7). It is the responsibility of the council should ensure that the municipality responsibly exercises its right, obligations, legitimate and reasonable needs, interest and expectations as the holder of the beneficial interest in the securities of the company (IODSA, 2016:7). In the absence of shareholders in the municipal structure, the community members serve the same purpose, and in terms of legislation, a municipality's primary duty is to serve the community, who have the right to contribute to decision-making processes (IODSA, 2016:7). It can, therefore, be deduced that the council and the community should form part of decision making in the best interest of the municipality, council should without fail ensure that stakeholder inclusivity approach is adopted which is applicable give effect to the duties of council and also take cognisance of other stakeholders, such as employees and regulators.

Councils of municipalities should be proactive in setting up reviews of municipal service delivery by the citizenry as a performance monitoring and evaluation mechanism. The council should also assume the responsibility for oversight of its municipal entities, where applicable (IODSA, 2016:7). The council should take responsibility of ensuring that there is alignment between the business plan of the municipal entity developed in terms of section 87 of the MFMA, the municipal mandate and the IDP. There should be an integration of the municipality and the Municipal Entity's strategy and execution so that the Municipal Entity does not operate outside mandate, powers and functions assigned and agreed with the municipality, and the council have the responsibility to monitor that on an ongoing basis. The council should furthermore legally obliged to oversee the performance of administration and executive organ of the municipality, including Municipal Entities (IODSA, 2016:7).

#### **5. Conclusion**

From the preceding discussion, it can be concluded that the advent of sector supplement in King IV, particularly the sector supplement on municipalities have brought a renewed focus on how the issue of governance should be the approach. King IV codes on corporate governance have brought in a new different on how it is supposed to be applied. Previously it was mainly applicable to companies, the private sector in particular, but now it applies to all private sector companies and public sector organisation and also includes all the municipalities. The

stakeholders in this regard have also been well articulated, which includes the customers, employees, suppliers, civil society and local communities. At the forefront of corporate governance in terms of King IV is the exercise of ethical and effective leadership by the municipal council with the aim of achieving the ethical culture, good performance, active control, and legitimacy. It is evident that King IV, municipal supplement, in particular, will play a more prominent role and will impact the municipalities from the corporate governance perspective. It can, therefore, be concluded that the municipalities will be positively impacted by the introduction of King IV municipal supplement, as they will be forced to apply and explain how they will have dealt with the different outcomes and principles of governance about municipalities. Based on where the municipalities are in terms of governance, there is a sizeable gap that will need to be closed. The adoption and application of the code, will, however, create trust and build confidence from the stakeholders and will professionalise the municipalities.

### References

- [1] ACCG. 2016. State of Corporate Governance in Africa: An Overview of 13 Countries. African Corporate Governance Network.
- [2] Dibra, R. 2016. Corporate Governance Failure: The Case of Enron and Parmalat. European Scientific Journal. June 2016. Edition vol12 No 16.
- [3] Economic Commission on Africa. 1999. Conference on Progress in Good Governance. Report on the Conference of ECA. 15 – 17 March 1999. <http://www.un.org/depts/eca/summit/govkenya.htm>. (Accessed 02 December 2018).
- [4] Ernst & Young. 2016. Insight for boards: King IV update Comments on the Municipalities supplement. 2016 EYGM Limited.
- [5] Green, R.T and Hubbell, L. 1996. On Governance and Reinventing Government. Wamsley, GL.
- [6] Institute of Director in Southern Africa. 2016. King IV code: Sector Supplement, Supplement for Municipalities. Institute of Directors. South Africa.
- [7] Institute of Directors in Southern Africa. 2005. King II Report on Corporate Governance. The Institute of Directors in Southern Africa. Johannesburg.
- [8] Institute of Directors in Southern Africa. 2016. King IV Report on Corporate Governance for South Africa. Municipal Supplement. The Institute of Directors in Southern Africa. Johannesburg.
- [9] Institute of Directors in Southern Africa. 2016. King IV Report on Corporate Governance for South Africa. Sector Supplements. The Institute of Directors in Southern Africa. Johannesburg.
- [10] Khurama, A. 2016. Corporate Governance: A case of SATYAM Computers Ltd. Scholarly Research for Humanity Science and English Language. Scholarly Research Journal.
- [11] Kirkpatrick, G. 2009. The Corporate Governance Lessons from the Financial Crisis. Financial Market Trends. OECD.
- [12] Mahajani, N. 2016. Strategies that let to Failure – Case Study of Corporate Governance. Global Journal of Management and Business Research Interdisciplinary. Volume 16 issue 1. Global Journal Inc. The USA.
- [13] Malherbe, M and Segal, N. 2001. Corporate Governance in South Africa. 2001 Annual Forum at Misty Hills. Muldersdrift. South Africa.
- [14] Masegare, P.M. 2016. Critical analysis of Corporate Governance Implementation and Control System within the Municipal Sector in Gauteng Province in South Africa. Graduate School of Business and Leadership. University of KwaZulu- Natal.

- [15] McGregor, L. 2008. Improving Corporate Governance in South Africa. Discussion paper submitted for the 1<sup>st</sup> USB Colloquium on Corporate Governance 18 September 2008.
- [16] Mwaira, K. 2007. Failure of Corporate Governance in State Owned Enterprises and the Need for Restructured Governance in Fully and Partially Privatized Enterprises: The Case of Kenya. *Fordham International Law Journal*. Vol. 31. Issue1. Article1. The Berkeley Electronic Press.
- [17] Naidoo, R. 2002. *Corporate Governance: An Essential Guide for South African Companies*. Double Storey Books.
- [18] Ngoepe, M.S. 2012. Fostering a Framework to embed record management into the auditing process in the South African public sector. Unpublished thesis (PhD). University of South Africa.
- [19] Republic of South Africa. 1996. *The Constitution of the Republic of South Africa*. Pretoria. Government Printing Works.
- [20] Republic of South Africa. 1998. *White Paper on Local Government*. Pretoria. Government Printing Works.
- [21] Republic of South Africa. 1998. *Local Government: Municipal Structures Act*. Pretoria. Government Printing Works.
- [22] Santiso, C. 2001. Good Governance and Aid Effectiveness: The World Bank and Conditionality. *The Georgetown Public Policy Review*. Vol 7 No1. Fall 2001.
- [23] Sobczak, A. 2006. Are codes of conduct in global supply chains voluntary? From Softlaw Regulation of Labour Relations to Consumer law. *Business Ethics Quarterly* 16(2).
- [24] Tricker, R. 1984. *Corporate Governance: Principles, Policies and Practices*. Oxford. Oxford University Press.
- [25] Wilson, J. 2015. VW: A Case Study in Failed Governance. *Global Thematic Research*. Cornerstone Capital Group.