



<b>FACULTY/COLLEGE</b>	College of Business and Economics
<b>SCHOOL</b>	School of Economics
<b>DEPARTMENT</b>	Accountancy
<b>CAMPUS(ES)</b>	APK
<b>MODULE NAME</b>	Governance and Citizenship
<b>MODULE CODE</b>	GOV2AB0
<b>SEMESTER</b>	First
<b>ASSESSMENT OPPORTUNITY, MONTH AND YEAR</b>	Supplementary Assessment Opportunity July 2019

<b>ASSESSMENT DATE</b>	16 July 2019	<b>SESSION</b>	1 (08:00)
<b>ASSESSOR(S)</b>	Mrs C hohls-Du Preez and Ms M Marchbank		
<b>MODERATOR(S)</b>	Mrs P Rama, Ms K Dempsey		
<b>DURATION</b>	187,5 minutes	<b>TOTAL MARKS</b>	125

<b>NUMBER OF PAGES OF SCENARIO (Including cover page)</b>	<b>9</b>
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#### INFORMATION/INSTRUCTIONS:

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- This is a closed-book assessment.
  - There are 6 questions. **EACH question MUST be answered.**
  - Answer all questions in one book. Take note of which colours to use per question.
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|----------------------|--------------------|
| <b>ALL Questions</b> | <b>YELLOW BOOK</b> |
|----------------------|--------------------|
- Read the questions carefully and answer only what is required.
  - Number your answers clearly and correctly as per the question paper.
  - Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
  - **Delete** all (even single open lines) open spaces on your answer sheets with pen. Pages on your answer sheets that contain open spaces will be marked as such and those pages **will not be eligible for a remark.**
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## QUESTION 1

20 MARKS

This question comprises of multiple choice questions (MCQ). You must read the information given and then under the required, select the correct option. There are 5 MCQs. Each must be answered.

The answers to the MCQ will be given on the REQUIRED SHEET.

1. The government machinery is made up of three parts: (2)
2. Social dilemma's are resolved using the RIMS strategy. This strategy is based on four (4) assumptions. Which of the assumptions listed below means that differences are an inescapable feature of current culture? (2)
3. Sally is one of the cleaning ladies in an advertising company, she earns just a little above minimum wage, she finds R100,000 in the waste bin and decides to keep the money, which myth do you think is applicable to her action? (2)
4. Fraud risk management processes consist of three parts namely Prevention, Detection and response. Which of the following relates to the Detection part of the Fraud risk management process? (2)
5. There are two types of ethics management systems namely Proactive and Reactive management systems. Which of the following does NOT relate to the Proactive management system? (2)

5 x 2 = 10 Marks

## QUESTION 2

42 MARKS

SHAWLO Ltd is a very successful, JSE listed pharmaceutical company based in Johannesburg.

Lindsay McClaren was recently appointed as the executive secretary to Mr Willem Rust. With the next board meeting happening within her first week of employment the following brief was given to her regarding the composition of the board. The governing body has scheduled two meetings for the year.

Ntandazo Ntsasa is a 45 year old black African male. Mr Ntsasa assisted with some consulting with regards to a marketing strategy and is compensated for his services as director with a fee based on the increase in revenue of the company. He has been a non-executive director for two (2) years and has no outstanding fees owed to him by the company. He has a very good relationship with the remuneration committee.

Jones Tafeni is a 32 year old black African male. Mr Tafeni is well-connected in the industry and is paid small monthly fee for access to his network and introductions to strategic relationships. He also qualifies as a non-executive director.

Willem Rust is a 52 year old Caucasian male and serves as the financial director of SHAWLO.

Micheal Ndaba is a 44 year old black African male who is the HR (Human Resources) director at SHAWLO.

Thabo Lubisi a 49 year old black African male is the R&D (Research & Development) director at SHAWLO.

Ms McClaren was asked by Mr Willem Rust to make some informal notes that he wants to take into the meeting. Find below an extraction from these notes:

- Get feedback from the Risk Committee on the progress of newly implemented Information Technology (IT) risk management.
- Follow up progress of the integrated report for the current year as the previous year integrated report was not prepared.
- Discuss with Mbali Fente (the current chairman of the Audit Committee) regarding the current progress of the Audit Committee as the board doesn't usually obtain feedback from the Audit Committee at their meetings each semester.

Some of the duties of the Audit Committee include the following:

1. Assist the Remuneration Committee in determining the director's remuneration.
2. Assist in the appointment/renewal of appointment of the external auditors.
3. Reviewing compliance with Employment Equity Act for the workers.
4. Investigating suspected instances of fraud during with regards to ineffective internal controls.
5. Determine whether the auditor performs non-audit services and to what extent.

Mr Rust was overhead speaking to the company secretary saying that he is the "unofficial" CEO. Mr Rust says:

*"I do not believe in all these silly committees that are needed, and when I officially become the CEO, I will ensure that only the Audit Committee remains as that is a Companies Act requirement."*

### QUESTION 3

16 MARKS



We are proud to be members of ASTA (American Society of Travel Agents) and are pledged to support to the fullest ASTA's code of ethics:

- 1. Accuracy.** ASTA members will be factual and accurate when providing information about their services and the services of any firm they represent. They will not use deceptive practices.
- 2. Disclosure.** ASTA members will provide in writing, upon written request, complete details about the cost, restrictions, and other terms and conditions, of any travel service sold, including cancellation and service fee policies. Full details of the time, place, duration, and nature of any sales or promotional presentation the consumer will be required to attend in connection with his/her travel arrangements shall be disclosed in writing before any payment is accepted.
- 3. Responsiveness.** ASTA members will promptly respond substantively to their clients' complaints.
- 4. Refunds.** ASTA members will remit any undisputed funds under their control within the specified time limit. Reasons for delay in providing funds will be given to the claimant promptly.
- 5. Cooperation.** ASTA members will cooperate with any inquiry conducted by ASTA to resolve any dispute involving consumers.
- 6. Confidentiality.** ASTA members will treat every client transaction confidentially and not disclose any information without permission of the client, unless required by law.
- 7. Affiliation.** ASTA members will not falsely represent a person's affiliation with their firm.
- 8. Conflict of Interest.** ASTA members will not allow any preferred relationship with a supplier to interfere with the interests of their clients.
- 9. Compliance.** ASTA members shall not have been convicted of a violation of any federal, state and local laws and regulations affecting consumers. Pleas of nolo contendere, consent judgments, judicial or administrative decrees, or orders, and assurances of voluntary compliance and similar agreements with federal or state authorities shall be deemed convictions for purposes of these provisions.

## QUESTION 4

25 MARKS

Over the past few years, South Africa experienced an increase municipal / government employees striking in demand for more money. The strikes became so bad the services that used to be considered necessary, such as nurses and doctors working in public hospitals, have also started to strike for more money and better working conditions. The doctors and nurses strike, irrespective of the patients that need to be taken care of. The striking workers didn't want a percentage increase as usual, but demanded almost double their basic salary (before benefits were taken into account) as well as better equipment and working conditions. The minister of finance were, however prepared to offer a percentage based increase and launch an investigation into the current working conditions and state of equipment at state hospitals.

The respective government cannot afford to give everyone such exorbitant increases due to the fact that it is not sustainable in the long term. Another reason they cannot commit to such increase is due to the fact that the government does not have that amount of money. The annual budget has a big deficit and there is not enough income being collected through taxes to cover all the expenses the government needs to incur. The individual salary increase to R5 500 that the workers were demanding, would have caused overall labour costs to increase with R7 billion per year, which is an 80% increase from the previous year. Should government have given in to the demanded increase, economists estimated that the deficit on the budget will increase significantly which will have an impact on the economic growth of the country and the government won't have money to spend on other projects. A further increase in the deficit of the budget can lead to the rating agencies downgrading South Africa even further. Should we be downgraded, this can have a big impact on receiving foreign investment. Should SA loose foreign investment, this will put a further damper on the country's ability to improve economic growth and create job opportunities. As things currently stand, there is a high level of unemployment in the SA. Furthermore, should such an increase be allowed and the collection of income does not improve drastically, a lot of the current employees will be retrenched.

Foreign investors are also hesitant to invest in South Africa due to all the strike actions. They are afraid of further legislation being passed on the minimum wages that could be seen as an indication of statism.

The employees are not happy with the government and are of the opinion that

- they all have children and a family to support and they could not do it properly based on the salary they received. They felt it was unfair that the ministers received big salaries and they only got a "small salary";
- The doctors feel that they need to operate on patients, but there is not enough equipment / medication if they need it.

- Sometimes the equipment will be present, but they have not received training on how to use the state of the art equipment. This makes it very difficult for them to treat patients and give them the best care possible and
- They didn't have enough money to buy a proper and spacious house in a good area.

**QUESTION 5****19 MARKS**

*In 1996, Barry Adams, a registered nurse (RN) worked on a sub-acute care unit in a New England hospital. Adams became increasingly concerned about the quality, safety, and dignity of patient care as the hospital implemented staffing cuts and cost containment measures. He carefully documented unsafe practices and correlated these with inadequate staffing and a lack of adequate supervision of inexperienced nurses. There was an increased incidence of patient falls, treatments not being completed, and serious medication errors. These incidents resulted from a substantial increase in the nurses' patient assignments.*

*For three months, Adams and other nurses followed precisely the process outlined by the organization to communicate concerns to hospital administrators. He soon realized that the administrators were not interested in using the information he provided to correct the situation; in fact, he was harshly criticized for collecting this information. He further experienced organizational stonewalling, and hospital administrators started questioning his mental health. He then decided to proceed with a variation of the traditional saying: "If it's not documented, it's not done" and, instead, adopted the approach: "If it's not done, document it!" Also, at one point he refused to take narcotic orders from a technician working for a physician, citing that this was against the Nurse Practice Act. He then supplied the information he gathered and documented to a local newspaper.*

*Adams was threatened with the loss of his job and, in spite of previous performance reviews that were excellent, he was eventually fired. He sued and after a long period of difficult court proceedings he won his case (his attorney was an RN). The hospital appealed and lost again. Five units of the hospital have since closed "for financial reasons."*

Source: [http://www.nursingworld.org/ojin/topic8/topic8\\_3.htm](http://www.nursingworld.org/ojin/topic8/topic8_3.htm) (adapted)



**QUESTION 6****10 MARKS**

The current SCM environment was fragmented, high staff turnover of staff as senior management level, limited or no accountability, limited transparency, lack of coherence between departments, over emphasis on secondary objectives and the use of technology to automate, standardize and simply SCM was underutilized. The audit outcomes in national, provincial and national government consistently find SCM operations to be irregular. The root of the poor SCM performance in government was lack of clear, standard directives that represent all customer and commodity segments aligned to an optimal operating model and there was insufficient human resource capacity and management to complete activities in the expected time frames and per acceptable standards. There was lack of competency, the motivation and culture of the work force does not live the SCM code of conduct and public confidence in the role of oversight with relevant accountability arrangements and enforcement measures of finding was declining rapidly. Areas that needed urgent intervention were construction, human settlements, public entities, travel and accommodation, telecommunications, computer services, consultancy, education and health.

**Source:** <https://pmg.org.za/committee-meeting/21201/> **(Parliamentary Monitoring Group)**