

POLD 707 CORPORATE GOVERNANCE

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THE CORPORATE GOVERNANCE AND ETHICS STRUCTURE ON BUSINESS SUSTAINABILITY. A CASE STUDY OF UGANDA NATIONAL SOCIAL SECURITY FUND.

1. Introduction.

As the world's economy becomes more globalized, the behaviour of companies as key institutions in the generation and distribution of society's capital has become a critical concern. On this basis, more diverse and interconnected structures of corporate governance to control corporate activity have developed. Many factors are thought to be significant in shaping corporate governance processes around the world. These factors include; a) the pursuit of economic efficiency, b) the presence of political restrictions on financial institutions, and c) the diversity of legal systems (Monks & Minow, 1995).

As a result, every corporate governance structure must address a fundamental question: "What is the corporation's goal?" Berle and Means posed a similar question at the end of their book in the early 1930s: By whom should the company be run? They contended that there were only three options: I the owners, (ii) the managers (who they referred to as "the control"), or (iii) the society. They believed that, when choosing between the interests of shareholders and managers, the security of shareholder interests should be prioritized. However, they indicated in a letter written during the Great Depression that there was a need to find ways to make the company more receptive to community needs. They contended that the community was in a position to demand that modern businesses represent not just the owners or the power, but all of society (Monks & Minow, 1995).

Corporate governance emerged as a public policy concern in 1932, but not as a name, and was published in the classic work “The Modern Corporation and Private Property,” by Adolf Berle, Jr., a law professor, and Gardiner Means, an economist. Berle and Means analyzed the modern corporation's increasing concentration of economic power and noted the emergence of skilled managers with organizational control but little or no ownership of the company. The word "corporate governance" as a label first became popular in the United States in the 1970s, following the Watergate scandal and the realization that major American corporations had engaged in secret political donations at home and unethical payments abroad. It eventually gained prominence as a separate topic from corporate management or corporate organization (Monks & Minow, 1995).

As a result, corporate governance in this context refers to processes by which a business or an entity is managed, governed, and controlled under which the company's owners (the shareholders) do not engage in the day-to-day activities of the company. The Corporate Governance theory, which is directed at companies, discusses five factors, namely: 1). Shareholder Rights; 2). Shareholder Equitable Treatment; 3). Stakeholder Position in Corporate Management; 4). Disclosure and Transparency; 5). Board Responsibility (Monks & Minow, 1995).

While some scholars and analysts describe corporate governance solely as the management of companies or corporations, the current Managerial study revolution widely defines corporate governance as the framework and mechanism used to direct and administer the economic affairs of a company or an entity with the ultimate aim of maximizing prosperity and transparency (Jeswald, 2003). According to Jeswald (2003), corporate governance also refers to an institutional structure under which the transaction's legitimacy is determined. In other words, it is the structured accountability structures placed on the principals by the agents (corporation management) (shareholders).

This concept includes not only the corporation's internal structure, but also its external climate, which includes capital and labour markets, bankruptcy processes, and governmental competition policies. Jeswald's concept of corporate governance narrowly breaks down the perception of corporate governance and accountability, as well as providing a broader meaning of corporate governance's place in an organization. Corporate governance laws and mechanisms are drawn from a wide range of public and private sources. The business or corporation law of the respective countries is a primary source. This law regulates the formation, basic structure, and primary operating rules of the business, corporation, or another corporate legal type that a company chooses. It also outlines some of the fundamental rights of shareholders, such as the right to vote, obtains information about company matters, and contest management decisions in court. The scope of these rights differs greatly between countries. Global acts and regulations governing the selling, delivery, and exchange of securities affecting the public are another supreme derivation of corporate governance (Jeswald, 2003).

One fundamental aim of securities regulation in almost all countries is to ensure that investors obtain sufficient information about the company and its operations so that they can make informed investment decisions and exercise their shareholder rights. The scope of security provided to shareholders by securities legislation varies by region, as it does by company laws and codes.

The history of corporate governance in Uganda is unclear, but available jurisprudence connects it to the Salomon v Salomon decision and the post-colonial period. As a result, the establishment of corporate governance in Uganda is related to the life of a corporation as a legal entity. Some scholars associate the origins of corporate law with the underpinnings of current company law that exist in Salomon's case since incorporation essentially separates the principals (owners) from the management of the company (Kyeepa, 2013).

As a result, the company may be seen as a conduit of two principals, namely, the directors' board making decisions collectively and the other members voting at a general meeting. In turn, the aim of this research is to look into the corporate governance and ethics systems in Uganda. It also seeks to investigate and assess the core governance and regulatory concepts, as well as define the theories underpinning the governance approaches, as well as the challenges confronting the growth and domestication in the best practices of corporate governance in Uganda, with a particular focus on the National Social Security Fund (NSSF).

1. **National Social Security Administration (NSSF).**

The National Social Security Fund (NSSF Uganda) is a National Saving Scheme established by the government under the National Social Security Fund Act, Cap 222 (Laws of Uganda) to provide social security services to Ugandan employees. NSSF Uganda is a Provident Fund that provides benefits to workers in the private sector, including Non-Governmental Organizations that are not compensated by the government's pension scheme. It is a program designed to shield workers from the uncertainties of social and economic life (NSSF, 2020). The Fund is a contributory scheme financed by employee and employer contributions of 5% and 10% of the employee's gross monthly salary, respectively. The Fund manages assets worth over UGX 10 trillion, which are invested in Fixed Income, Equities, and Real Estate in East Africa (NSSF, 2020).

1. **An examination of the NSSF Governance Approach in relation to Corporate Governance and Ethics System.**

According to the study results, the Fund's Governance strategy is based on the key principles and provisions outlined in the UK Corporate Governance Code, the King IV Code on Corporate Governance, and the Uganda Retirement Benefits Regulatory Authority (URBRA). The UK Corporate Governance Code, formerly known as the Combined Code, consists of good practice principles for listed companies in the areas of board structure and growth, remuneration, shareholder relations, transparency, and audit (Kyeepa, 2013).

The code is issued by the United Kingdom Financial Reporting Council (FRC), and its ideology consists of three main principles of good corporate practice: leadership, sustainability, and good corporate citizenship. It believes that leaders should guide the organization toward long-term economic, social, and environmental success.

* 1. **Corporate Citizenship, Ethics, and Leadership (case of NSSF)**

*a) Management*

This King IV Code of Corporate Governance key Leadership concept notes that there should be efficient and ethical leadership, fostering an ethical community, and becoming a good corporate citizen. It states that the Board of Directors must lead ethically and effectively while adhering to the NSSF's mission, principles, and strategy and ensuring that these and the organization's culture are in sync. It also notes that the board should be capable of directing and setting the strategic course of the NSSF, as well as overseeing management's execution of approved strategies, ensuring transparency for the fund's success. The Board should also ensure that processes are in place for workers to raise complaints, with proportionate and impartial review and follow-up action (OECD, 1999).

According to the theory, the board should set the standard for transparency, ethics, and honesty in the company and preserve the highest degree of integrity when working in the best interests of all stakeholders. The Board should ensure successful interaction with the workforce and other stakeholders, as well as promote involvement from them. The Board should understand the effect of NSSF's activities on society and the environment, as well as key risks and opportunities, and work to ensure long-term value development for all stakeholders. The board should encourage two-way relationships with our stakeholders that are founded on openness, accountability, confidence, and a clear understanding of expectations. Management must ensure that a policy of ongoing strategic communication with key stakeholders is in place to ensure that their perspectives are heard (NSSF, 2020).

*b) Personal actions*

Directors should always exude honesty and transparency, informed judgment, financial literacy, and be able to address issues openly and candidly. They should be loyal to the Fund and ensure that it maintains a positive reputation in the business, national economy, and general public.

*c) Conflict of interest resolution*

Directors have a contractual obligation to avoid cases in which their interests interfere with those of the Fund. As a result, the Board should establish policies and guidelines to deal with real or possible conflicts of interest, and at the start of each Board meeting, Directors should announce their interest in any item on the agenda that may result in a conflict of interest.

*d) Ethics, Values, and Society*

The board should commit to being ethical and fair in all NSSF business activities by upholding the Fund's principles. The Fund has a comprehensive ethics policy and code of conduct in place, as well as committed resources to embed criteria and examine ethics and honesty issues posed by the Fund's "Whistleblowing Policy." (NSSF, 2020).

*e) Corporate ethics and honesty*

The Fund's code of ethics defines the ethical principles that trustees, staff, and other stakeholders who work with the Fund must obey to make appropriate decisions and conduct the Fund's affairs. Furthermore, as an entity that holds members' savings in trust, the board strives to uphold the highest levels of ethical business practice. The code of conduct integrates and articulates the Fund's standards in greater detail, as well as offering value-based decision-making criteria to guide the board's actions. It is consistent with other policies and practices, and it complies with industry regulations and rules. The Managing Director is the code's formal custodian and is largely responsible for its execution. Whistleblowing lines, human resources and administration units, risk departments, and business unit ethics officers are all used to track ethics events (Tumuheki, 2007).

Internal Audit reviews recorded incidents in a confidential and timely manner, and the investigative findings are sent for oversight to Management and the Audit and Risk Assurance Committee. The board should develop a framework to continuously create strategic alliances and preserve relationships with our stakeholders to promote business continuity, ethics, and organizational credibility within the country's social, legal, and economic context. The Audit, Risk, and Assurance Committee is in charge of overseeing ethics.

*f) Good corporate citizenship for a long-term future*

This concept states that sustainability should be central to the Fund's focus areas and that its purpose-driven leadership model should strive to put value creation at the core of NSSF members. To enable a healthier, cleaner, and more integrated environment, the fund board should provide value to NSSF stakeholders and the broader society across the entire value chain. Through Corporate Social Responsibility activities and sponsorship of the Sustainable Development Goals, we should concentrate on giving back to the community by encouraging education, community health, a clean environment, and sports. The Personnel Administration and Corporate Relations Committee is in charge of maintaining sustainability (NSSF, 2020).

* 1. **Improved efficiency, value development, and long-term viability**

*a) Evaluation and Reporting*

According to this principle code, a good business or organization should be led by an efficient and entrepreneurial Board, which promotes long-term sustainable growth of the company, generates value for shareholders, and contributes to wider society.

*b) Performance monitoring and strategy*

The Fund's function is driven by the Board-approved strategy, and established key performance metrics are aligned with the strategic goals, resulting in an organizational scorecard that cascades into individual scorecards against which performance is assessed. The Deputy Managing Director is responsible for plan implementation at NSSF. Risk is critical to the Fund's performance in both maintaining and generating value, and associated threats and opportunities are constantly monitored to ensure plan implementation (NSSF, 2020).

*c) Fair reporting*

The move to a fully integrated annual report should be interpreted as a pledge to enhance the fund's reporting and communication to its stakeholders while demonstrating long-term value development. The consolidated reports should provide a holistic picture of the NSSF's overall activities and financial results for the period under consideration. The board should ensure that reports conform to the reporting criteria of various leading practice codes/guidance/frameworks, such as the International IR, Structure, the King IV Report on Corporate Governance, the UK Corporate Governance Code, the Global Reporting Initiative (GRI standards), the Sustainable Development Goals (SDGs), the International Financial Reporting Standards (IFRS), and the Uganda Retirement Benefits Regulatory Authority (URBRA) (Kyeepa, 2013).

*d) Information accessibility*

To allow the Directors to discharge their duties, the Board and its committees are provided with full and timely information. Both Directors have access to the Corporation Secretary, who is responsible for advising the Board on corporate governance issues through the Chairman. The Board should ensure that the organization has the tools it needs to achieve its goals and assess success against them. Besides, the Board should develop a system of prudent and effective controls that enable risk to be assessed and controlled (NSSF, 2020).

* 1. **Administrative Structures and Delegation (Board Composition & Development)**

The Board of Directors should have a fair, balanced, and understandable evaluation of the company's status and prospects.

*a) The Board as keeper of good governance*

Under the terms of an approved Board Charter, the Board provides strategic guidance to NSSF, ensuring that sound corporate governance standards are implemented within the Fund. The Charter is revised annually and is intended to provide minimum standards and guidance for the Board in carrying out their duties to encourage proper and consistent standards of conduct and sound practices, as well as to ensure that they carry out their duties and responsibilities with consistency, assurance, and effectiveness. As the Board, they can discuss and review the efficacy of:

• the current Fund's output and progress toward the Fund's goal of being the social security provider of choice on a regular basis.

* The corporate identity and image, as well as how the board will ensure that management behaviors and procedures safeguard the fund in the future.
* The people and how the board will build a high-performing team, as well as opportunities for future growth and succession, as well as sufficient encouragement and compensation.
* Consumers, vendors, and local communities are all handled equally and respectfully by the company.
* NSSF members and how the board can publicly interact about how it manages and challenges the company.
* Legislation and planned consultations that will impact the organization's legal and regulatory responsibilities, including plans to change the pension sector, will be updated by the Board committees and management.
* Assurance that governance mechanisms are still sufficient for the Fund.

The Board's composition, diversity, and how successfully members collaborate to accomplish goals should be evaluated on an annual basis. Person reviews can indicate if each director is still contributing effectively.

*b) Reviews by the Board*

The Board of Directors should be committed to quality improvement and assess its own results. The NSSF Charter states that the Board of Directors will perform audits to assess if the Board and its Committees are successfully carrying out their mandates in accordance with the Board Charter and leading corporate governance standards. The Board assesses its own results using a mix of internal peer and externally facilitated reviews.

During the evaluation year, the performance of the Board as a whole, boards, individual directors, Board and committee chairpersons, and the Corporation Secretary is evaluated. The evaluation must be independently facilitated by a professional auditing company, and the results must be reviewed by the Board in order for all to agree on a course of action for its progress.

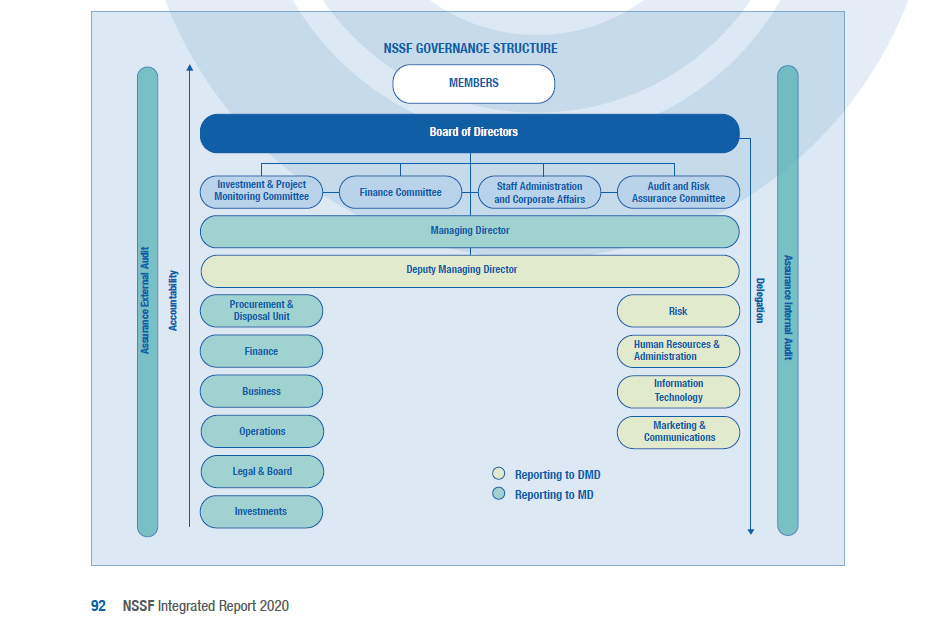
*c) Individuality*

According to the code, Directors should be considered independent of management and free of any contractual arrangement or other situation that might materially interfere with the exercise of impartial, unfettered, or independent judgment by the Board. The Board should evaluate each Director's independence as part of its annual Board Effectiveness Review.

*d) System of governance*

According to the UK Corporate Governance Code, companies should have strong mechanisms in place to ensure that management delegation flows across the Board and its committees to the MD and Executive Committee (EXCO). Simultaneously, liability flows from the corporation to its shareholders. This protocol assists in the coordination and transparent contact of principals (shareholders) and all stakeholders (Tumuheki, 2007).

The NSSF's governance structure is depicted in the diagram below, which illustrates how the Board Committee structure promotes the relationship between the Board and the Managing Director and indicates the flow of delegation from Members.



*Source: NSSF, 2020 report*

*e) Board membership and tenure (Case of NSSF)*

The Board of Trustees is the Fund's governing body, and it is responsible for updating, assessing, and making recommendations on the Fund's strategic plan and objectives. The Board is led by the Chairman and is made up of nine (9) Directors, each of whom is named by the Minister of Finance, Planning, and Economic Development for a three-year renewable term. Each of the main stakeholder groups of members, employees, and government is represented by one (1) Executive Director and eight (8) Non-executive Directors on the Board of Directors. The Chairman is autonomous, and his functions are distinct from those of the Chief Executive Officer, as is best practice. The Board Charter of the NSSF outlines the Board's functions and obligations. The Board should have an appropriate mix of executive and non-executive (especially independent non-executive) directors.

*f) Promotions and resignations from the Board of Directors*

The Minister in charge of Social Security, who is currently the Minister of Finance, Planning, and Economic Development, appoints directors for three-year renewable terms. The appointment of Directors is subject to the Regulator's due diligence and approval (URBRA). Following an interview process, the Board recommends and the Minister appoints the Managing Director. The Executive Committee is appointed by the Board. Section 3(4) of the NSSF Act states that a Director can resign his or her position by writing a letter addressed to the Minister of Finance in his or her hand.

*g) Effective board structures and delegation of authority.*

As part of the NSSF Board Charter, the declaration of delegated authority summarizes, concerning the roles and responsibilities of the Directors under the NSSF Act and the URBRA Act, those matters delegated by the Board to:

The Board Committees or any other person as the Board might consider appropriate to assist the Board in fulfilling its duties. Four committees assist the Board. These committees have been delegated the authority to manage and monitor the Fund's day-to-day affairs concerning matters other than those reserved to the Board. Appointments to the Board should be subject to a systematic, comprehensive, and open process and an appropriate succession plan for the Board and senior management should be maintained. Both appointments and succession plans should be based on merit and objective standards and should encourage gender, social and ethnic diversity, cognitive and personal strengths (NSSF, 2020).

*Director of Operations*

The Managing Director is the Fund's Chief Executive Officer and is subject to the NSSF Act and the Board's general influence on policy matters, as well as responsibility for operating the Fund's day-to-day activities, general management, administration, and organization. He also ensures that the board's plans and policies are followed.

*Reserved for the Board of Directors*

They are detailed in the NSSF Act, the URBRA Act, the Board of Directors' Charter, and the Fund's current policies, and they include the following:

1. Appointment and dismissal of senior management, as well as deciding their terms and conditions of service.
2. Investing member funds
3. Approval of the Fund's policy, annual budget, major adjustments in organizational structure, acquisition and disposition of any Fund assets (subject to applicable laws), annual financial reports, and Fund policies.

*Relationships between the board and management*

The Board is ultimately in charge of succession planning for Directorships and key management positions. Throughout the year, the Board and the Personnel Administration and Corporate Relations Committee addressed and reviewed management composition and succession planning to ensure that key role successors are established and their performance is evaluated. This is important for ensuring that the Fund has the right structure and talent in place to carry out its plan now and in the future (Kyeepa, 2013).

*Secretary of Companies*

The Minister of Finance, Planning, and Economic Development appoints the NSSF Secretary. The Corporation secretary has custody of the Fund's seal and is responsible for ensuring good information flows within the Board and its Board committees, as well as between management and the Board, in addition to any other duties bestowed on the secretary by the Minister and the Board. The Board, with the assistance of the company secretary, should ensure that it has the policies, procedures, knowledge, time, and resources it requires to work effectively and efficiently (NSSF, 2020).

1. **Areas of Practical Governance** (Risk Management, Technology and information, Compliance, Assurance, Remuneration, Accountability & Audit, Shareholder Relations).

Via risk, technology and information, enforcement, remuneration, and assurance governance, this Governance concept ensures adequate and efficient controls.

*a) Risk administration*

The goal of risk management is to define and manage risks within the agreed risk appetite framework to minimize uncertainty associated with the Fund's strategy execution and generate value for its members. The Board of Trustees is responsible for the Fund's corporate governance and risk management.

This mandate is carried out by the Board's committees, which include the Investment and Project Committee, the Finance Committee, the Staff Administration and Corporate Affairs Committee, and the Audit and Risk Assurance Committee, which is in charge of risk control and financial reporting transparency.

According to the study results, NSSF has adopted an Enterprise-wide risk management (ERM) approach, in which risk management is viewed as an integral part of business operations, suggesting that with each main business operation, risk recognition and evaluation must be carried out to recognize the downside and the upside.

The Fund's risk management mechanism is participative, with process owners and risk advisors involved. The ongoing materiality determination process defines material matters and emerging threats that could have a direct effect on the Fund's business model and ability to generate value in the short, medium, and long term (NSSF, 2020). The three lines of defense model is a key component of the ERM system to ensure a consistent division of responsibilities between risk-taking functions and risk-control functions in order to achieve successful risk management and prevent conflict of interest. The three lines of defense are as follows:

1. *Risk management*; it implements risk management strategies and procedures, as well as performs control self-assessments.
2. *Risk assurance*; establishes risk management strategies and manages risk management operations.
3. *Risk ownership*; assesses the adequacy and efficacy of internal controls about the risks, and offers assurance to the Board about the state of the internal control system.

The Audit, Risk, and Assurance Committee are in charge of risk and opportunity management. The Board should ensure responsible and efficient risk evaluation and management activities, as well as a rigorous process for identifying emerging risks that could affect the business model school's potential success and sustainability.

*b) Governance of Responsible Investment*

According to this governance theory, businesses should ensure that responsible investment is exercised to encourage good governance and the development of value by the companies in which they invest. According to the NSSF report (2020), approval of member fund investment is reserved for the Board in consultation with the Minister of Finance, Planning, and Economic Development, which complies with Section 30 of the Act. The Fund invests prudently, mostly in developed markets with stable returns. An investment strategy governs the aggressiveness for growth in asset allocation, (NSSF, 2020).

*c) Information and technology governance*

Technology and information governance policies are in place. The Board has oversight of the Information and Technology Policy, programs, and plans as part of its charter. The Finance Committee is charged with assisting the Board in carrying out its oversight duty for technology governance. With the Fund's accelerated digitalization strategy and the ongoing search to enhance the efficiency of operational processes and connectivity through automation and the use of digital channels, the Fund has made substantial investments in information security and continuously assesses the strength of the security infrastructure through penetration tests and vulnerability assessments (O’Sullivan, 2000). Appropriate preventive, investigative, and corrective controls have been put in place. The Finance Committee is in charge of overseeing technology and information governance.

*d) Compliance monitoring*

The study demonstrates that NSSF is committed to compliance with all applicable legislation, particularly that relating to prudential regulation, and that it tracks the status of regulatory relationships to improve constructive cooperation through key regulatory adjustments and areas of focus. Through the Audit, Risk, and Assurance Committee, the Board maintains compliance with legislation, regulations, and codes of best practice regulating the retirement benefits market, and aims to uphold the highest levels of sound governance, including openness, accountability, and fairness to its members, the Regulators, and all our stakeholders.

The Board of Directors has developed policies and processes to guide legal enforcement and service delivery. Management regularly tracks its compliance with key regulations by quarterly reports to the Board, discloses its results at the Annual General Meeting of Members, and publishes its audited financial statements in the press and on its website. The Audit, Risk, and Assurance Committee is in charge of monitoring compliance.

*e) Governance of remuneration*

Employee remuneration governance is important in assessing equal employee remuneration; the company should perform an annual benchmarking exercise to compare market-related remuneration. Its goal is to attract, motivate, and retain talented individuals. Policies and procedures for remuneration should be developed to help policy and foster long-term sustainable growth. When approving remuneration outcomes, directors should use impartial judgment and discretion, taking into account both company and individual success.

The NSSF Board of Directors, through the Staff Administration and Corporate Affairs Committee, has developed human resource policies regulating employment terms and conditions, remuneration, training, promotions, discipline, and other benefits that are equitable and will attract, motivate, and retain high-calibre employees (NSSF, 2020).

The fund has also introduced a Recognition program to identify and reward individuals and groups of employees that make outstanding contributions that support the Fund's strategic goals, as well as those who address operational challenges. The reward and remuneration systems are specifically related to the KPIs identified under each strategic goal, ensuring that success is linked to both company and individual performance, fostering a high-performance culture and strategy achievement. Remuneration is subject to an annual performance review.

Sustainable remuneration should be carried out responsibly, and the Fund's remuneration system should be adaptable to meet the changing needs of the sector and economy. The executive management remuneration plan and long-term benefit should be calculated on the same basis and by the same qualifying requirements as other employees. The Staff Administration and Corporate Affairs Committee is in charge of remuneration governance.

*f) Governance of Assurance (Function of Internal Audit)*

The Internal Audit mechanism offers independent and objective verification of the design and operational efficacy of the system of risk management, controls, and governance processes, with a focus on high-risk areas. The Head of Internal Audit reports to the Chairman of the Audit and Risk Assurance Committee, and engagements are performed on a regular basis throughout the year. To strengthen the Fund's independence, the Head of Internal Audit reports functionally to the Board (Audit and Risk Assurance Committee of the Board) and administratively to the Managing Director, who is responsible for ensuring that concerns posed by the Internal Audit role are handled adequately within negotiated timelines. The Chief Internal Auditor receives confirmation to that effect. The Board of Directors created the Internal Audit function, and its duties are determined by the Audit and Risk Assurance Committee of the Board as part of their oversight function. The Board's policy is to develop, motivate, and help the Internal Audit Department. The Internal Audit Charter defines the basis for Internal Audit activities. The Board of Directors has authorized the Charter, which states the intent, authority, and duty of Internal Audit.

The Internal Audit function's responsibilities include:

* Evaluating the soundness of the Fund's internal control system/processes and making recommendations for change.
* Evaluating the economy, productivity, and effectiveness with which resources are allocated, as well as identifying opportunities for change.
* Reviewing the processes in place to ensure that they are in line with the rules, legislation, laws, policies, and procedures.
* Offering internal management advisory services.
* Carrying out inquiries as directed by Management and the Board.

Overall, the Internal Audit role assists the Fund in achieving its goals by assessing and enhancing the efficacy of risk management, internal control, and governance processes. The Board should develop structured and consistent policies and procedures to ensure the independence and efficacy of internal and external audit functions, as well as to reassure itself about the financial and narrative statements' credibility.

*g) Governance Reporting and Monitoring*

This theory states that Internal Audit's function is consistent with the Fund's strategic goals.

A risk-based audit plan is established in conjunction with Management and approved by the Audit and Risk Assurance Committee on an annual basis. The strategy is based on annual risk assessments and aims to cover any significant auditable unit within the Fund. Quarterly, internal audit reports are sent to the Audit and Risk Assurance Committee. Key audit results are presented to Management and are meticulously recorded for resolution. Management is responsible for taking the necessary steps to correct any control weaknesses identified in audit reports within a reasonable time frame. Furthermore, Internal Audit monitors the implementation progress of all internal control guidelines issued by external auditors to ensure that all problems identified are adequately addressed within a reasonable time frame (Tumuheki, 2007).

According to the report, the Fund's control environment is constantly improving. The control environment serves as the basis for an efficient internal control system. It offers discipline and structure to help the system of internal controls achieve its primary goals. The control environment components are captured in the Fund's various policy structures, which are continually modified to reflect changes in the business model.

*Internal Audit's Approach to Consolidated Reporting*

Internal audit brings value to the Fund by offering objective and relevant verification, as well as adding to the efficacy and reliability of governance, risk management, and control processes (O’Sullivan, 2000). Internal Audit explicitly evaluated and made appropriate suggestions for strengthening the governance process to meet the following goals:

* Fostering appropriate ethics and fund values, and
* Ensuring efficient performance management and transparency to achieve strategic objectives.
* Transmitting risk and control information to appropriate Fund areas; and
* Organizing activities and communicating information among key stakeholders, including the Board, Management, and external auditors.

By offering objective assurance on business continuity, the Internal Audit feature contributes to the quality and accountability underlying integrated reporting. Internal audit plays a role in promoting the core goals of integrated reporting by assuring financial and non-financial reporting, governance, risk management, and control processes (GARP, 2012).

Furthermore, Internal Audit has used technology to integrate data accuracy and integrity, greater coordination among functions, succinct information, and real-time visibility to assist in identifying key areas of focus patterns and opportunities to build and protect strategic business value. It also allows for accurate and continuous data tracking, as well as predictive analytics to recognize holes, main threats, and metrics.

*External Examiners*

The Office of the Auditor General of Uganda has the right to select foreign auditors for public agencies such as the NSSF (OAG). According to Section 23 of the National Audit Act (2008), the Auditor-General can appoint private auditors to assist him or her in carrying out his or her duties under this Act. Section 32(2) of the NSSF Act mandates the Auditor General or an auditor appointed by the Auditor General to audit its financials. As a result, the Auditor General has exclusive authority over the selection of foreign auditors (NSSF, 2020).

*Relationships between stakeholders*

This governance concept allows the fund to take a stakeholder-inclusive approach that incorporates the needs, desires, and aspirations of material stakeholders in the organization's best interests over time. According to the results of the report, the NSSF board engages with all of its stakeholders regularly to consider and respond to their needs, interests, and aspirations. The government, the general public, members, and suppliers such as bankers, custodians, administrators, and fund managers are among them.

Building strategic alliances and maintaining relationships with company stakeholders is recommended by good corporate governance because it helps corporate managers handle societal expectations, reduce reputational risk, and form strong partnerships, all of which support business sustainability. Daily interaction and assessment of the quality and value provided to corporation stakeholders is crucial for resolving sustainability issues and interests, as well as informing our strategic goals (Tumuheki, 2007).

The NSSF has a diverse group of stakeholders of different priorities and clout. The risk appetite of the Fund is calculated by stakeholders who have the most interest in and control over its activities and strategic direction. The NSSF board has implemented a program of ongoing strategic interaction with its core stakeholders to ensure that management listens to and respects their perspectives. To fulfil the company's obligations to shareholders and stakeholders, the Board should ensure successful communication with, and involvement from, these groups.

**5. An overview of the effect of corporate governance and ethics systems on business sustainability in terms of the “Triple Bottom Line” of people, earth, and benefit.**

Corporate Responsibility (CR) is correlated with corporate viewpoints of sustainable growth, according to environmental economic theories. It takes action to keep business actors responsible for their intentions and behaviour, setting goals and taking actions that go above and beyond simply enforcing the business act or legislation and optimizing the return on investment for stockholders. This summary includes a short overview of a CR system. It is based on the concept of corporate governance based on the so-called "triple bottom line," in which sustainable corporate behaviour is governed with economic, environmental, and social principles in mind, to meet various stakeholder needs holistically.

*a) The three bottom lines*

John Elkington coined the word "triple bottom line" in 1994 to develop a new vocabulary to express what was seen as an imminent extension of current business structures, from solely economic values to economic values as part of managing sustainable actions. This new model has three value grounds: economic, environmental, and social aspects of value development, with aspirations to embrace the Bruntland Report's corporate sustainability objectives (UNWCED, 1987).

Since 1994, the use of the triple bottom line in academic literature dealing with sustainability concerns has increased dramatically, as has the number of (graphical) interpretations of the model, which include:

* People, Planet, Profit.
* Natural Environment, Healthy Communities, and Economic Vitality.
* Social Well-being & Equity, Environmental Protection & Resource Conservation, Economic Prosperity & Continuity.

Elkington rationalizes that companies, not governments or non-governmental organizations (NGOs), drive the "cultural revolution," and that the fact that businesses, rather than governments or NGOs, drive these processes does not make it any simpler (UNWCED, 1987). However, this revolution is compounded by external factors such as constant globalization, deregulation, and social stresses, making it vital for companies to be adaptable and responsive to change. He identified the following dimensions for change and their effect on sustainability:

Markets include:

While there is no substantial competition in NSSF's services and in its investment accounts, which are not directly controlled by NSSF, the Three Bottom Line study notes that competition causes corporate needs to distinguish, stand out, and deliver something new relative to their competitors (UNWCED, 1987). It may help companies and organizations that see opportunities in transparency and are willing to "educate the consumer," thus creating new markets. In certain situations, current market knowledge has already provided a business opportunity with first-mover advantages.

Values: Shifts in values are linked to a better understanding of challenges, circumstances, and results. Consumers around the world are becoming more informed about the issues associated with sustainability, and these ideals are manifesting themselves in many ways, including shifts in buying habits and perceptions of corporate behaviour. This can be seen in customer behaviour, where they find businesses that are active in the community to be more trustworthy and likeable, and they tend to buy from them (Mark-Herbert & Rorarius, 2009)

If CR is viewed as accountable, the importance of taking responsibility will benefit a diverse range of stakeholders, including workers, who would benefit from a positive, equitable, and healthy working atmosphere, local communities, who could receive financial support through corporate philanthropy, business partners, whose images would be enhanced, and customers, who would be provided with a term synonymous with added (soft) values (Mark-Herbert & Rorarius, 2009).

According to recent surveys, more than 70% of end-users are more likely to buy goods from companies that have a greater commitment to a cause that they endorse, and nearly 90% of respondents would turn from an ordinary brand to a comparable one if the latter brand was associated with a good cause (World Bank, 2020).

Communication: An increased expectation of accountability has ramifications for communication in general, especially for governmental agencies, non-governmental organizations, and corporations (OECD, 1999).

Individuals can move knowledge more effectively thanks to technological advances (such as cell phones, security systems, and internet tools). Emerging social media channels, especially Twitter and Facebook, are influencing how people communicate and share information. Corporations must convey their goals, commitments, and activities through a variety of more or less voluntary disclosures.

Partnership: Various types of partnerships, a partnership between companies and other actors (businesses, non-governmental organizations, and transnational organizations) are manifestations of expanded stakeholder dialogue. Corporations understand that they can benefit from synergy by gaining access to external resources and, in exchange, provide other resources for which they demand control (Kyeepa, 2013).

Organizations that were once sworn enemies (businesses and non-governmental organizations) are gradually finding potential in cooperation by attempting to build win-win situations (Outcomes that benefit both corporations and NGOs). However, these partnerships can result in blurred positions between companies and non-governmental organizations, which can provide opportunities as well as contradictions and challenges in finding harmony and staying true to organizational principles and identities.

Life cycle technology: Rethinking corporate value creation refers to focusing on what the customer wants, especially on a product's purpose, from cradle to grave (Rainey, 2006).

Although the Life Cycle Technology factor may not be relevant in the NSSF Triple Bottom Line strategy, there is still space for NSSF to partner with other companies that use Life Cycle Technology or with its investment portfolios as part of its CSR programs. Cradle-to-grave or life cycle assessment aims to improve environmental performance while remaining economically viable. In reality, Xerox, an American office solution provider, is a good example (www, Xerox). They support a target of waste-free goods by emphasizing recycling and enhanced product design based on the cradle-to-grave approach (Mark-Herbert & Rorarius, 2009).

It can also mean tailoring the product to market conditions, as in the case of Unilever's sales of soap in large multi-packages in markets where the ability to pay corresponds to these needs, and sales of individual small soaps in bottom-of-the-pyramid markets where the ability to pay is lower.

Time is capital, and the business world is quick to respond to developments, such as those on the stock market, in news from different media outlets, and when market inquiries uncover changing customer tastes. The systems and resources built to report annually, yearly, monthly, weekly, regular, and even hourly provide opportunities to respond quickly. Production processes such as "just in time" and "LEAN" are designed with versatility and resource efficiency in mind.

In comparison, the idea of sustainability is a long-term target, and analyses of corporate actions necessitate long-term perspectives and the creation of additional metrics for sustainable behaviour (Mark-Herbert & Rorarius, 2009).

**5. An examination of Corporate (Social) Responsibility and Corporate Citizenship concerning NSSF Corporate Governance.**

The word "Corporate Responsibility (CR)" and/or "Corporate Social Responsibility (CSR)" emerged in 1953 with the publication of Bowen's book "Social Responsibilities of Businessmen. Following the growing hostility of the public, who, as a result of the social issues, demanded business changes. Whereas the word "corporate citizenship (CC)" was coined in the late 1990s by practitioners seeking to "link business behaviour to greater social responsibility and service for mutual benefit," reinforcing the perception that a company is an institution with status equal to that of an individual. Businesses, regardless of sector or scale, are active members of society, as demonstrated by context-bound dreams, social realities, and regulatory-compliant operations. The conventional understanding of the function of business goals is to maximize profit (Friedman, 2007).

It was once thought that growing profit for shareholders was solely the responsibility of the company. Old studies have claimed that by creating economic value or optimizing return on investment, social capital would be created.

In the past, companies were thought to create more employment openings, consumer loyalty, and more taxes, all of which added to societal values. However, the current understanding of what corporate identity means involves a plethora of goals that go beyond profit (Mark-Herbert & Rorarius, 2009): these include:

* supplying products and services that consumers require/want • creating employment for customers, manufacturers, distributors, and employees
* Constantly designing innovative products, facilities, and processes;
* Investing in new technology and employee skills; and
* Developing and disseminating international standards, such as those for sustainable practices.
* Disseminating "best practices" in various sectors, such as the environment and occupational safety.

As in the case of NSSF, these priorities keep companies responsible for building value and behaving responsibly. The concept of corporate responsibility (CR) relates to participating in ongoing stakeholder dialogues and developing new methods of evaluating corporate results (financially, socially and environmentally). It is a delicate management problem for companies that seek to balance the interests of a large number of stakeholders (for example, shareholders, consumers, suppliers, employees, local communities, civil society, and Non-Governmental Organizations), as this often conflicts with local law in terms of short-term benefit maximization for shareholders (Freidman, 2007).

**6. An examination of the possible threats that the NSSF could pose as a result of its Corporate Governance Philosophy and Corporate Social Responsibility**.

Corporate governance is mainly concerned with how successful different governance structures are at fostering long-term investment and engagement among various stakeholders; however, when it comes to Corporate (Social) Accountability, it has several components and facets. As a result of having more options, more potential issues can occur as a result of those options, making the definition of Corporate Responsibility more ambiguous (Howell & Sorour, 2016). Nonetheless, it means a plethora of possibilities for NSSF to explore and leverage, where increased stakeholder dialogue is at the core of accountability. Since the majority of CR activities are voluntary, NSSF can actively participate and demonstrate their contribution to society, which may result in added value in their services through an improved corporate image. However, the issue of how far down the supply chain the company can assume liability arises.

The perplexed logic surrounding the concept of corporate responsibility (CR), particularly in terms of transparency, has unfortunately resulted in NSSF misusing or being viewed as misusing the concept of CR as part of their green-washing agendas, and thus breaching their stakeholders' confidence. For example, in the case of NSSF, the fund has undertaken a range of projects such as the investment in Nsimbe Estates, the purchase of shares in UMEME, and the contentious purchase of Temangalo land, among others; the management has never consulted or disclosed to the members at any point in time.

Another problem is the role of politics in the selection of NSSF Directors. Politics in Uganda has stifled the growth of corporate entities, especially those owned by the state, such as the National Social Security Fund (NSSF). Section 3 of the NSSF Act creates the board of directors and the managing director, and it transferred the power to appoint them to the Minister of Finance, who influenced the appointments politically. For example, in the NSSF, although the fund retains workers' social benefits, the government's interest is for the fund's board of directors to be controlled by technocrats from the Ministry of Finance, Planning, and Economic Development, who are politically appointed by the government.

Another obstacle that NSSF faces is the legal uncertainty surrounding how State-Owned Companies are governed in terms of corporate governance. Since SOEs are created by separate legislation, they are not incorporated under the Companies Act. This means that the Companies Act, 2012 does not control or bind government parastatals, even though the code of corporate governance is incorporated in that Act (Tumuheki, 2007). As a result, one of the key problems confronting policymakers is determining how to establish a good corporate governance structure for the NSSF that can protect the advantages associated with advising members and having them serve as direct monitors while also ensuring that they do not expropriate disproportionate rentals at the expense of other stakeholders. As a result, policymakers in NSSF insider structures must pay careful attention to establishing corporate governance mechanisms that do not obstruct the growth of NSSF members' activities (Tumuheki, 2007).

1. **Conclusion: *(****Overall assessment of the NSSF Corporate Governance Model****).***

Based on NSSF outlined corporate governance code and ethics structure as well as the principle of its business sustainability that looks forward to improving corporate governance principles, the NSSF board seems to be more serious in considering transparency and public disclosure. The board has efforts to enhance transparency and to furnish its shareholders with relevant information about fund management.

However in general terms and after analyzing the NSSF key ethical framework and the ethical theories applied including the demonstration of their application to organizational objectives, I can summarize that; although the NSSF Corporate governance concept is member-focused, it is more of management dominant model. Second, it has fewer strong member rights due to its management being politically influenced. Furthermore, it is seen to be a consensus or divided leadership but with a less strong litigation culture.

Although this analysis of the NSSF corporate governance model is drawn from intellectual constructs. The analysis may not capture reality in all its complexity Nonetheless, the elements indicated in the analysis represent important issues that influence the NSSF approaches to corporate governance.

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