AUE2602 – Assessment 3 (Semester 1, 2025)

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Question 1.1 – Removal of Director under Companies Act No. 71 of 2008

Before Ms Tar can be removed as a director of MM, the following requirements from the Companies Act must be satisfied:

1. Section 71(1): The board may remove a director if that director has neglected their duties or is disqualified under the Act or Memorandum of Incorporation (MOI).
2. Notice: The director must be given notice of the meeting considering the removal and the reasons for removal.
3. Representation: The director must be allowed to make a presentation (oral or written) before a resolution is passed.
4. Resolution: A board resolution or shareholders' resolution must be passed following the correct procedure.
5. Section 71(2): Alternatively, shareholders holding more than 10% of voting rights can request removal via a shareholders' meeting.
6. Fairness and Due Process: Removal must follow principles of fairness, transparency, and proper governance.

Question 1.2 – King IV Performance Evaluation Statements

1. The chair of the board's performance should be evaluated by the audit committee.
Answer: Incorrect. King IV recommends that the governing body or independent directors evaluate the chair, not the audit committee.

2. Governing body members' performance may be evaluated by the chair.
Answer: Correct. King IV allows the chair to lead performance evaluations of governing body members.

3. Only executive directors' performance needs to be evaluated.
Answer: Incorrect. King IV recommends performance evaluations of all governing body members, including non-executives.

4. The company secretary's performance should be evaluated at least once a year.
Answer: Correct. King IV encourages an annual assessment of the company secretary's performance.

5. Performance evaluation results should not be disclosed, except to the governing body.
Answer: Incorrect. While full details may remain internal, King IV recommends disclosing whether evaluations have been done.

6. The governing body should appoint the CEO.
Answer: Correct. King IV allocates the responsibility of appointing the CEO to the governing body.

7. The governing body should formally evaluate the performance of the CEO every two years.
Answer: Incorrect. King IV recommends an annual formal evaluation of the CEO's performance.

Question 1.3 – United Nations Global Compact: Three Principles

Three relevant principles for a mining company in South Africa are:

1. Principle 1: Human Rights – Businesses should support and respect the protection of internationally proclaimed human rights.
2. Principle 7: Environment – Businesses should support a precautionary approach to environmental challenges, which is crucial in mining due to land and resource impact.
3. Principle 10: Anti-Corruption – Businesses should work against corruption in all forms, including extortion and bribery, which is critical in procurement and licensing in the mining sector.

Question 1.4 – Email to Management: Spare Parts Purchase Controls

Weakness	Business Risks	Controls to be Implemented
Store manager adds parts without segregation.	Fraud or unauthorised items added to the system.	Implement approval segregation: only purchasing manager updates master file.
No authorised supplier list maintained.	Orders placed with unapproved or fraudulent suppliers.	Maintain and regularly update an authorised supplier list.
System generates automatic orders without oversight.	Over-ordering or unnecessary purchases.	Introduce approval step before finalising system-generated orders.

Receiving clerk both receives and records goods.	Fictitious receipts or theft of goods.	Separate receiving and recording duties; implement supervisory checks.
No price details on GRNs.	Price discrepancies go undetected.	Include price details or reconcile GRNs with invoices carefully.
Pending orders can remain incomplete indefinitely.	Unfulfilled orders delay operations or payments on incomplete deliveries.	Enforce regular follow-up and cancellation rules for long-pending orders.
Price changes not linked to order approvals.	Unauthorised price changes affecting payments.	Link price change approvals directly to order records.
Temporary files for incomplete orders.	Misplaced documents, leading to unrecorded liabilities.	Use an integrated system to track incomplete orders automatically.
Automatic month-end ledger entries without review.	Posting errors or inaccurate financial reporting.	Conduct monthly reconciliations and management reviews.