An analysis of the trends in integrated reporting by South African government-owned enterprises

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Article submitted as thesis in fulfilment of the requirements for the degree of Masters of Accountancy
In the
DISCIPLINE OF ACCOUNTING

School of Accounting, Economics And Finance, College Of Law And Management Studies
University of Kwazulu-Natal, Durban, South Africa.

September 2023

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ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude to all those who have supported me throughout this challenging yet rewarding journey in completing my dissertation.

First and foremost, I am deeply thankful to my supervisor, Ms. Salma Vanker, for her unwavering guidance, insightful feedback, and constant encouragement. Her expertise and dedication have been invaluable in shaping the direction and quality of this research.

I am also incredibly grateful to my parents, Suleiman and Nafisah Omarjee, for their boundless love, encouragement, and belief in my abilities. Your continuous support, both emotionally and morally, has been a driving force behind all my achievements, and I dedicate this work to you.

Furthermore, I want to extend my appreciation to my husband, Luqmaan. Your patience, understanding, and unwavering support have been my pillars of strength throughout this journey. Your belief in me has given me the confidence to overcome challenges and pursue excellence.

Finally, to my younger brother, Mohamed-Yusuf, your words of encouragement and motivation kept me going, and I am truly blessed to have you in my life.

ABSTRACT

In recent times, government-owned enterprises have faced a deficit in terms of accountability. Addressing this issue, there has been a call for an oversight mechanism to enhance governance and consequently, accountability within state-owned companies (IOD and PWC, 2011). Integrated reporting has emerged as a response to this demand, primarily due to its capacity to offer a comprehensive perspective on the factors that contribute to value creation for an organisation over different time frames. Recognising the advantages that integrated reporting brings to corporate governance, South African government-owned enterprises have acknowledged its potential and subsequently incorporated integrated reporting in accordance with King IV principles and the IR Framework. The objective of this research is to analyse the patterns in integrated reporting among government-owned enterprises according to The Public Finance Management Act of 1999, focusing on the financial periods of 2018, 2019, and 2020. This study assesses the depth of information disclosed by government-owned enterprises and its alignment with the suggestions and criteria set forth by the King IV guidelines and IR Framework for integrated reporting. This evaluation utilizes a scorecard methodology to gauge the degree of disclosure achieved by each individual government-owned enterprise. Based on the empirical facts from the analysis, it is clear and conclusive that the level of reporting and disclosure of government-owned enterprises has improved consistently over the years. This assertion is based on the evident adoption and the upward trend in the application of the Integrated Reporting Framework for integrated reporting by government-owned enterprises. Whilst the overall average level of disclosure is good, there is without debate a necessity for improvement in some critical areas highlighted in this research . Notable among these areas are leadership, governance, stakeholder relationships, organizational ethics, and corporate citizenship.

Keywords: Accountability; Governance; Leadership; Integrated reporting; IR Framework; King IV; Non-financial information; Government-owned enterprises

Table of Contents

LIST OF ABBREVIATIONS

Abbreviation	Definition
GOE	Government-owned Enterprise
Companies Act	The Companies Act No.71 of 2008
IIRC	International Integrated Reporting Council
IOD	Institute of Directors
IR Framework	Integrated Reporting Framework
IT	Information Technology
JSE	Johannesburg Securities Exchange
King III	The King Report and Code of Governance Principles for South Africa 2009
King IV	The King Report and Code of Governance Principles for South Africa 2016
PFMA	Public Finance Management Act of 1999

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

BACKGROUND AND INTRODUCTION

As with many other countries within the African continent and globally, South Africa's government-owned enterprises (GOEs) have become prominent figures within the country's economic environment (Cheteni and Khamfula 2018). GOEs are thus seen as key players in the corporate governance system employed by both public and private sector entities (Corrigan 2014). GOEs are business entities that are loosely described as being founded by the government to engage in commercial activity (Cheteni and Khamfula 2018). Control of such enterprises is held in full or in part by the government itself (Mashamaite and Raseala 2018). The importance of GOEs is essential in understanding the role they play within the South African economy. GOEs provide essential services to the public and play a pivotal part in leading socio-economic development and poverty reduction within South Africa (Cheteni and Khamfula 2018, Kikeri 2018). In South Africa, the majority of GOEs partake in duties and infrastructure services in strategic sectors like energy, minerals, transport, and the healthcare system (Cheteni and Khamfula 2018). Thus, South African GOEs are expected to properly adhere to the norms of corporate governance in order to ensure financial stability in GOEs, sustainable development in the economy, and equitable access to social services for all of its residents (Kikeri 2018, OECD 2018).

Since the dawn of democratic South Africa, GOEs have found themselves in deepening financial distress (Cheteni and Khamfula 2018). Many have attributed financial mismanagement, unclear policies, and poor governance as the root cause of these issues (Corrigan 2014). Over the last six years, the economy has witnessed a downward spiral, which has raised pressure on the government to find new methods to aid in the execution of its important policies and agendas, such as the Developmental State Agenda (Kikeri 2018).

Over the years, many South African public and private companies have been faced with organisational governance challenges and failures (Moyo 2010). The South African government was thus forced to establish legislative and regulatory corporate governance frameworks (Mashamaite and Raseala 2018). The establishment of corporate governance frameworks serves the purpose of establishing and promoting a standard of "ethical and effective leadership" (Institute of Directors in Southern Africa, 2016). Over the course of time, South Africa has established benchmarks and emerged as a frontrunner in the realm of corporate governance, including both emerging and developed countries (IIRC, 2013).

In recent years, there has been a notable and continuous advancement in integrated reporting, particularly in the areas of social, environmental, and ethical reporting (Atkins and Maroun 2015). Integrated reporting aims to provide a comprehensive and holistic view of an organization's value creation process. This method takes into account several forms of capital, including financial, manufactured, intellectual, human, social, and natural capital. The scope of this concept is beyond traditional financial reporting and focuses on the broader impacts and interactions of the firm with many stakeholders (Dumay, Bernardi et al., 2016). According to Busco, Frigo et al. (2013), integrated reports often prioritize the organization's strategy, governance, performance, and prospects in a manner that is succinct, interconnected, and comprehensible.

The primary aim of this research study is to analyze the progression of integrated reporting inside government-owned enterprises (GOEs) subsequent to the implementation of the King IV Report on Corporate Governance for South Africa (King IV Report) in conjunction with the Integrated Reporting Framework (IR Framework). The present research investigation was conducted by analyzing the extent to which Government-Owned Enterprises (GOEs) have complied with the philosophies, concepts, and practices outlined in the King IV Report and the Integrated Reporting (IR) Framework. In the context of South Africa, government-owned businesses (GOEs) refer to entities within the public sector, and their categorization is regulated by the Public Finance Management Act of 1999 (PFMA). The research has used the PFMA to identify the Government-Owned Enterprises (GOEs) that were included in the analysis. The analysis conducted in this research includes data from the fiscal years 2018, 2019, and 2020.

Surty (2016) conducted a study to evaluate the extent of transparency carried out by government-owned firms, along with the principles specified in the King III Report on Corporate Governance for South Africa and the recommendations put forward in the IR Framework. The review undertaken by Surty (2016) included an investigation of the patterns seen in integrated reporting by government-owned firms as stipulated by the Public Finance Management Act (PFMA) for the fiscal periods of 2013, 2014, and 2015. According to Surty's (2016) study, government-owned firms have made progress in enhancing their integrated reporting practices. However, the research also highlights notable deficiencies in their reporting capabilities. According to Surty's (2016) study, it was determined that deficiencies in reporting were identified in the areas of general governance, governance of information technology, and the dissemination of information. These aspects serve as the foundation for the development of integrated reports.

This research builds upon the insights and outcomes of Surty's (2016) study, with the objective of conducting a more comprehensive examination of the patterns in integrated reporting across South African Government-Owned Enterprises (GOEs) over the fiscal years of 2018, 2019, and 2020. This analysis will be undertaken by considering the implementation of the King IV Report and the Integrated Reporting (IR) Framework. In addition, this research aims to evaluate the extent to which the enhanced reporting practices outlined in the King IV Report and IR Framework have contributed to the enhancement of government-owned firms' responsibility towards their diverse stakeholders. The stakeholders of government-owned enterprises (GOEs) in South Africa include persons, organizations, or entities who possess a significant interest in the functioning, effectiveness, and results of these state-controlled corporations.

Through an analysis of the contextual transition from the implementation of King III to King IV, this research endeavor has the potential to provide valuable insights into the progression of integrated reporting within South African Government-Owned Enterprises (GOEs). An assessment will be conducted to see whether the deficiencies and gaps in integrated reporting within these organizations have been enhanced as a result of compliance with the stipulations outlined in the King IV Report and the IR Framework.

1.2 Research study context

The focus of this research study is on the reporting obligations that are applicable to Public Sector Companies in South Africa. The principal legislative and regulatory frameworks governing South Africa's governance are the Companies Act 71 of 2008 (Companies Act), Public Finance Management Act 1 of 1999 (PFMA), and the King Reports on Corporate Governance, among others.

The Act distinguishes corporations as either profit or non-profit enterprises. Moreover, the Act proceeds to classify a "government-owned company" as a for-profit entity. The enterprises Act mandates that all enterprises, including those classified as "Government-Owned Enterprises" (GOEs), must adhere to the specified regulations.

The Public Finance Management Act (PFMA) establishes and governs the financial management requirements of Public Sector firms, including government-owned firms. The primary aim of the Public Finance Management Act (PFMA) is to guarantee the promotion of openness, accountability, and efficient administration of financial matters within institutions that fall within the purview of this legislative framework (PFMA, 1999).

The voluntary adoption of the principles outlined in the King IV Report is the general practice unless a company is legally obligated or mandated by the JSE to adhere to these standards. The criteria outlined in the King IV Report are extensively used within South African courts as the prescribed benchmark of diligence in their judgments pertaining to directors. According to Mazaars (2017), it has been seen in recent years that these principles have acquired legal enforceability on Government-Owned Enterprises (GOEs) and have become an integral component of the common law in South Africa.

Similar to King III, King IV establishes itself as the mandated benchmark for corporate governance across all organizations, as shown by its principles and practices (IOD 2016). According to the Institute of Directors (IOD, 2016), King IV places significant emphasis on the integration of corporate governance into the operations of an organization, with the aim of attaining governance outcomes such as the cultivation of an ethical culture, the attainment of robust performance, the establishment of effective control mechanisms, and the preservation of legitimacy. This research utilizes the King IV Report on Corporate Governance for South Africa 2016 and the International Reporting Council's (IIRC's) methodology for integrated reporting to assess the extent of integrated reporting implemented by government-owned enterprises (GOEs).

1.3 Research on the Problem Statement

South Africa has had a considerable number of occurrences characterized by corporate governance problems in the private and governmental sectors, indicating a disconcerting pattern. In the recent past, both Eskom, a government-owned electricity provider in South Africa, and Steinhoff International, a company listed in both South Africa and Germany, experienced substantial breakdowns in corporate governance. These lapses in corporate governance have had far-reaching consequences, leading to substantial harm to South Africa's standing in the realm of corporate governance (Chauke 2018).

South African Government-owned enterprises have been found to have significant deficiencies and weaknesses in their governance structures (IOD and PWC 2011). It has further been discovered that GOEs are managed more like government departments rather than being managed as efficient, competent, and autonomous enterprises, which has resulted in numerous governance issues (Kikeri 2018). One of the prevailing concerns is the presence of political boards and management, which has led to an escalation in degrees of corruption (Kikeri 2018). In the case of Eskom, South Africa, has experienced significant negative impacts on economic growth and development due to the country's electricity load-shedding. These detrimental consequences stem from the ongoing cycle of poor corporate governance practices upheld by successive boards within the organization. Consequently, Eskom has suffered financial losses, operational inefficiencies, and reputational harm as a direct result of these practices (Tladi and Madue 2022).

There is a global need for governments to design and implement a framework to promote effective corporate governance standards, with the aim of enhancing transparency and accountability in the operations of government-owned enterprises (GOEs). By applying integrated reporting principles like those outlined in the King Reports and IR Framework, government-owned enterprises (GOEs) have the potential not only to confront but also to rectify their existing corporate governance challenges (KPMG 2012). Surty (2016) discovered that despite enhancements in their disclosure practices concerning the King Reports and IR Framework, the disclosures provided by GOEs continue to exhibit deficiencies in terms of their overall quality. The implementation of integrated reporting serves as a catalyst for fostering effective governance practices and may significantly contribute to the attainment of infrastructure development and economic growth by government-owned enterprises (GOEs) (Kikeri 2018). Merely having governance structures and systems in place does not automatically guarantee good corporate governance. However, they do provide the foundational elements for fostering good corporate governance. Robust external and internal governance frameworks and processes are essential cornerstone elements of sound corporate governance. Their absence can leave boards susceptible to making decisions in a disorderly and haphazard fashion (Tladi and Madue 2022). Hence, this research examines the patterns in integrated reporting across government-owned firms in South Africa by considering the implementation of King IV and the IR Framework over the fiscal years of 2018, 2019, and 2020.

1.4 Aim and Objectives of the study

Aim

The primary goal of this research is to examine the patterns in integrated reporting across government-owned firms in South Africa, to evaluate if the adoption of the King IV Report and IR Framework has assisted government-owned enterprises in improving their integrated reporting disclosures and as a result, their accountability to their various stakeholders.

Objectives

Firstly, to highlight the patterns in the adoption of integrated reporting by GOEs throughout the 2018, 2019, and 2020 fiscal years, specifically focusing on the use of the King IV Report and the Integrated Reporting (IR) Framework.

Secondly, to assess if the adoption of the King IV Report and Integrated Reporting (IR) Framework has assisted in the enhancement of integrated reporting disclosures by GOEs and as a result, their accountability to their various stakeholders.

1.5 Questions of the study

Firstly, what patterns can be identified in the adoption of integrated reporting by GOEs throughout the 2018, 2019, and 2020 fiscal years, specifically focusing on the use of the King IV Report and the Integrated Reporting (IR) Framework?

Secondly, how has reporting through the King IV Report and IR Framework assisted GOEs in improving their accountability to their various stakeholders?

1.6 Relevance of the study

The notion of integrated reporting and the value it has to both public and private enterprises has been and will be the topic of discussion going forward (Haji and Anifowose 2016). In conducting this study, the researcher envisages that it contributes to growing body of literature on the importance of Integrated Reporting in GOE's. Conducting such research could help ascertain the adaptability and compliance of both public and private enterprises with the continuously evolving trends and demands of integrated reporting. Additionally, by evaluating and documenting the integrated reporting practices of GOEs, the study can serve as a guide to other private and public enterprises that wish to adopt the framework.

1.7 Research rationale

Over time, the significance of GOEs has become the centre of many debates and discussions in countries worldwide (Mbo and Adjasi 2013). In recent times, GOEs, and the importance of the role they play has seen growth within developing countries (Florio 2014). Competent and well-performing government-owned enterprises (GOEs) have acquired notable influence, especially within vital industries like transportation, telecommunications, banking, etc (Fourie 2014). Within the country and the majority of other countries, GOEs take on positions within vital industries and are seen as instruments of increased global expansion and growth (Bank 2014). In addition to this, governments use GOEs as a means to assist them in achieving economic growth, improving service delivery, and providing tax relief (Fourie 2014). GOEs continue to play an essential role in developed and developing economies worldwide (Bank 2014). Thus, the success of GOEs can be measured against whether the outcomes required by the society in which they operate are being met by the GOE (PWC 2015). In spite of the fact that GOEs' involvement in the economy of South Africa remains fundamental to the success of the country, there is an increasing concern about their poor performances and the future of the country (Momoniat 2023). MostGOEs have become a symbol exemplifying board failures, fraud, corruption, and insufficient performance monitoring and accountability systems (Mashamaite and Raseala 2018). All these challenges highlight the need for improved governance structures and accountability within GOEs who have lagged behind the private sector with their advancements in governance (IOD and PWC 2011).

Historical reporting requires an entity to look at the past rather than the future (Owens and Wendy 2013). In contrast, integrated reporting provides entities with a multi-faceted image (Owens and Wendy 2013). One of the benefits of integrated reporting is that it gives a business an overview of its operations, which in turn assists in creating and sustaining value(ACCA 2011). Integrated reporting also provides an overview of how an entity manages challenges both in the long and short term (ACCA 2011). To increase "*the trust and confidence of its stakeholders and the legitimacy of its operations" (IOD 2016)*, private and government-owned entities should prepare and issue internal as well as external integrated reports. Furthermore, integrated reporting will empower GOEs to assess their ethics, core principles, and governance while enhancing external trust and confidence among stakeholders *(IOD 2016)*. Given the lack of accountability within GOEs, this is of critical importance (Luke 2010). The King IV report focuses on increasing transparency and accountability by placing increased emphasis on reporting requirements (Mazaars 2017). Hence, it is widely acknowledged that King IV provides appropriate direction for the formulation of integrated reports (IOD 2016).

Governmental organizations (GOEs) have extensively used the integrated reporting framework to aid them in fulfilling their reporting obligations pertaining to the main goals they are mandated to achieve (KPMG 2012). Considering the key involvement of GOEs in South Africa's economy and the governance challenges that they face; this research study intends to provide useful information relating to how integrated reporting is progressing within these GOEs.

1.8 Research limitations

The primary objective of this research project is to only investigate companies that are classified as Government-Owned and Controlled Corporations (GOEs) under the Public Financial Management Act (PFMA). The evaluation of integrated reporting patterns will be limited to a period of three years (2018, 2019, 2020) due to the recent adoption of King IV by Government-Owned Enterprises (GOEs) in their reporting procedures. It is important to acknowledge that the International Integrated Reporting Framework released in January 2021 replaces the Reporting Framework issued in December 2013. Nonetheless, the revised edition was not included in this research since it pertains only to reporting periods commencing in January 2022.

1.9 Research structure

This study report is organized into five chapters in the following manner:

The first chapter covers the introductory section of this research work, including an exploration of the contextual background, research problem, purpose, and importance of the study.

A comprehensive examination of the existing body of literature pertaining to the study subject matter is covered in the second chapter. This study examines the significant role of GOEs and their potential to improve accountability via the implementation of integrated reporting. Furthermore, this study provides insights into the use of the King IV Report and IR Framework as guiding principles by GOEs in the development of their annual or integrated reports.

In chapter three, a comprehensive elucidation of the study's methodology is presented, comprising information about the sample, the utilization of a scorecard as a research instrument, and the methodologies applied for data analysis and interpretation.

In the fourth chapter, the acquired outcomes are presented and a comprehensive analysis of these findings is provided.

Finally, the fifth chapter of the dissertation presents closing comments that are derived from the findings of the study. Additionally, proposals are put out for prospective avenues for research in the future.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In an age where news can spread instantly with the tap of a button via the internet and other technological platforms, the desire for accountability and openness by the organisation's shareholders alongside other stakeholders has increased exponentially (Abeysekera 2013). In the past, the development and expansion of aspects related to social and environmental disclosures amongst corporations were presented in the form of corporate annual (financial) reports (Hopwood, Unerman et al. 2010). These reports were "necessary but insufficient" for substantive corporate accountability as the reports failed to integrate with financial information (Hopwood, Unerman et al. 2010, de Villiers, Unerman et al. 2014). However, over the past 20 years, reporting has progressed into social and environmental disclosures being made into two independent reports (Cho, Phillips et al. 2009). These independent reports posed significant issues as they were often complex and lengthy (De Villiers, Unerman et al. 2014).

The International Integrated Reporting Council (IIRC) was in 2010 founded as a groundbreaking development in corporate reporting, with its principal mission being the creation of a worldwide standard for corporate reporting commonly known as integrated reporting. Integrated reporting was designed as a single report that provides its users with a valuable understanding of how an organisation creates value by taking into account financial and non-financial capital (IIRC 2013, King 2016). As integrated reporting aligns information more accurately to the needs of investors, it represents numerous advantages such as improved public standing through greater accountability as well as more effective decision-making (Frias-Aceituno, Rodríguez-Ariza et al. 2014).

2.2 Theoretical background

Agency Theory

Resulting from the financial crisis that impacted the world economy in 2008, increased emphasis was placed on accountability amongst the management team and board of directors towards the stakeholders of such entities. Since 2008, corporate governance has been a key area of concern amongst entities worldwide (IIRC 2013, King 2016). Entities have shifted their attention to improving the effectiveness of corporate governance mechanisms that they adopt in order to enhance their accountability (IIRC 2013, King 2016). The necessity for accountability within entities can be elucidated through the lens of agency theory. In its core concept, agency theory pertains to a dynamic involving two entities: an agent and a principal (Jensen and Meckling 1979). Under the power given to an agent by the principal, the agent can act on behalf of the principal as well as make decisions in certain circumstances on behalf of the principal (Jensen and Meckling 1979, Eisenhardt 1989). One of the challenges that can emerge within the agent-principal relationship is the possibility that the agent may not consistently act in the principal's best interests (Jensen and Meckling 1979, Eisenhardt 1989). An example of this would be a situation in which management, the agent, through their power to control an entity, decides not to disclose or release information regarding that entity (Rossouw, Van der Watt et al. 2002). To align the interests of both the principal and agent, an appropriate mechanism is required. Corporate governance, specifically in the context of integrated reporting, can be viewed as a mechanism wherein the responsibility lies with an entity's management and board of directors to remain answerable to shareholders and consistently operate for their utmost benefit (IIRC 2013).

As a concept that is centrally concerned with the alignment of the interests of management (agents) with the shareholders (principal), the agency theory enables corporate reporting via its framework tenets:

Information asymmetry: When there is a difference in knowledge or information between two parties involved in a transaction or connection, this is termed information asymmetry. Information asymmetry between principals (like shareholders or owners) and agents (like managers or workers) inside an organization may happen in the context of business and corporate reporting. By giving both parties timely and accurate information, corporate reporting is essential in resolving and managing information asymmetry.

Principal-agent relationship: The principal-agent relationship, central to agency theory, revolves around the interaction between principals (such as owners or shareholders) and agents (such as management or employees) within an organization. Corporate reporting addresses possible conflicts of interest, information asymmetry, and incentive misalignment to manage and shape this relationship.

Agency costs: In order to reduce conflicts of interest and information asymmetries that might occur in the principal-agent relationship inside an organization, principals (owners or shareholders) must suffer agency fees. These expenses are necessary in order to oversee, regulate, and ensure that managers' and workers' activities are in the principals' best interests. Corporate reporting significantly reduces the need for unnecessary monitoring and control by bringing openness, accountability, and information to the table.

Risk aversion: The propensity for people to prefer avoiding risks or unclear outcomes is known as risk aversion. Risk aversion may affect the actions of both principals (owners or shareholders) and agents (managers or workers) inside a company, according to agency theory and corporate reporting. By providing information that aids stakeholders in risk assessment and management, corporate reporting may assist in alleviating risk aversion.

This study adopts agency theory as a lens to study Integrated reporting among GOEs in South Africa.

2.3 The Role and Importance of Government-Owned Enterprises (GOEs)

Despite ongoing debates about their role in the economy, many countries, including South Africa, are increasingly recognizing government-owned enterprises (GOEs) as vital tools for achieving rapid development and expanding globally (Bank 2014). Most countries develop GOEs within strategic sectors and industries as a stepping stone to becoming a global player within an increasingly globalised economy (Bank 2014). GOEs are partly or wholly owned by the government (Mashamaite and Raseala 2018). Being the shareholder of GOEs, governments concern themselves with being the shareholders of GOEs, that perform essential public services using a business model designed to generate profits, rather than acting as a non-profit entity controlled by the government (Gildenhuys, Fox et al. 1991). When the government provides these essential public services using GOEs, they are viewed as an 'economic entrepreneur' (Gildenhuys, Fox et al. 1991).

In countries worldwide, GOEs have become a vitally important part of a country's ability to tackle issues such as those impacting the economy as well as social and service delivery (Presidential Review Committee 2013). However, like many other developing countries, South African GOEs have found themselves in the face of continued and significant financial weaknesses and threats to their ability to continue as a going concern (Presidential Review Committee 2013). Government-owned enterprises (GOEs) occupy a distinctive position where they are owned by the same entity that establishes the legal and regulatory framework within which they function. As such, the board of directors and management of GOEs tend to be less motivated by the bottom line and more susceptible to politicisation, as they are supported by the government in the form of bailouts if required, no matter their performance (Corrigan 2014). The statement above underscores the necessity for a robust oversight and performance system that prevents any bias in favour of government-owned enterprises (GOEs) and guarantees that the boards of GOEs consistently act in the best interests of the entities under their purview (Corrigan 2014).

2.4 The need for Accountability by Government-Owned Enterprises (GOEs)

South Africa has positioned itself as a leading African country due to its highly progressive economy and developing national economic infrastructure (Export Entreprises 2020). The South African government's key economic priorities, under President Cyril Ramaphosa, focus on, amongst others, encouraging economic growth, reducing unemployment, and preventing further credit-rating downgrades (Export Entreprises 2020). However, in 2020, the South African economy saw a decrease in growth, unemployment figures reaching record highs, and significant downgrades by influential rating agencies and lending institutions (Khumalo 2019, Cronje 2020). Failings, in terms of the government's economic mandate, have burdened an already weakened economy and have reduced South Africa's global competitiveness. Export Entreprises (2020) found that one of the reasons the economy is under tremendous pressure is in part due to "inefficient GOEs" that are currently facing financial collapse.

Over the past decade, South African GOEs have had a notorious track record of weaknesses in governance, performance reporting processes, irregular expenditure, non-compliance, continued financial losses, corruption, and most recently, their involvement in state capture (BusinessTech 2019, Khumalo 2019, Tsusi 2019). The financial challenges that these enterprises face are so significant that many cast doubt on their future operations if government intervention in the form of a bailout is not exercised (BusinessTech 2019). That being said, rating agencies and international lending institutions have repeatedly called for GOEs to reduce their dependence on the government, as these bailouts are often funded by taxpayers' money (Khumalo 2019). The need for increased accountability by GOEs has been driven by social, economic, and technological factors as taxpayers have become increasingly dissatisfied with respect to how taxpayer funds are being used by the state (Rivlin 1996). Issues such as poor accountability and transparency, inadequate governance disclosures, and increased politicisation can be attributable to a lack of an effective oversight mechanism, which often leads to unfulfilled mandates (IOD and PWC 2011). Just like any other corporation, the implementation of sound corporate governance through integrated reporting by the boards of government-owned enterprises (GOEs) leads to enhanced performance and greater safeguarding of their assets. This is of utmost importance and will be further explored in the discussion below (IOD and PWC 2011, Tsusi 2019).

2.5 Integrated Reporting as a tool for Improved Accountability

Mervyn King elucidated that the King Committee received requests from various entities beyond the private sector, urging them to craft King IV in a manner that would facilitate its broader applicability to organizations of all types: public and private, irrespective of size, and encompassing both for-profit and not-for-profit entities (Gwala 2020). Through the application of its framework, integrated reporting can take the objectives and goals of GOEs into account and can thus assist these enterprises in their quest to improve their accountability (KPMG 2012). Additionally, integrated reporting provides GOEs the ability to not only address a vast number of issues but also provide accountability to a wide spectrum of shareholders. It was confirmed by Nkonki (2014) that integrated reporting assists entities in making sustainable decisions and can thus benefit GOEs in the same light. This is a means, through its application, by which GOEs can participate in the integrated reporting regime. GOEs are able to apply the principles of the King IV report as

"King IV…aspires to apply to all organisations, regardless of their form of incorporation" (IOD 2016).

Under King III, the principles of the report were applied by companies on an "apply or explain" basis, which meant that the board of directors was not required to apply all the principles of the report, and where they did not apply a principle/recommendation, they were required to explain why (Institute of Directors in Southern Africa 2009). However, King IV has shifted the basis of the application away from "apply or explain" to "apply and explain" (IOD 2016). By the Board of Directors providing an explanation of their application of the principles of King IV, stakeholders of the company are able to evaluate whether the entity is or is not meeting the objectives of the King IV Report and in turn, maintaining an effective corporate governance system (IOD 2016).

In addition to the King IV Report, organisations may utilise a framework specifically developed by the IIRC for the requirements of Integrated Reporting, more commonly referred to as the "IR Framework." The IR Framework, like the King IV report, is principle-based and can be adopted by both state and private companies alike. By applying the principles of integrated reporting provided, GOEs are able to rectify inadequacies in governance structures and become more efficient and effective enterprises.

2.6 Integrated Reporting Defined - Including Its Advantages and Disadvantages

Integrated reporting, as defined by the International Integrated Reporting Council (IIRC), can be summed up as a comprehensive report that demonstrates the connections between a company's strategy, governance, financial results, and the larger social, environmental, and economic context in which it operates. Through enhancing these connections, integrated reporting can aid businesses in making more sustainable decisions and enable investors and other stakeholders to gain a deeper understanding of an organization's authentic performance (IIRC 2011). The aforementioned description allows us to gain further insight into the role that integrated reporting plays in communicating information on how an entity creates value not only in the short term but the long term as well (Rinaldi, Unerman et al. 2018). Integrated reporting encourages such reporting by requiring an abridged account of how an entity creates and preserves value in specific areas such as social, environmental, sustainable development, and governance (Rinaldi, Unerman et al. 2018).

Amongst the drawbacks of integrated reporting that have been identified over the years is the lengthy, repetitive, and complexity of information contained in these reports produced by entities (Atkins and Maroun 2015). Atkins and Maroun (2015) found in their study that most integrated reports contained information in excess of 500 pages each and as such, completely went against the essence of sustainability. Matuszyk and Rymkiewicz (2018) highlighted the same issue and concluded that “excessive multiplication of corporate publications, often large in size, can sometimes lead to counterproductive effects”. Additionally, they found that reports lacking conciseness may lead to a decrease in the effectiveness of the information contained in them and as such, disrupts the organization’s informational role of reporting (Matuszyk and Rymkiewicz 2018). Due to the complex nature of these reports interpreting and understanding the information contained in them has proven to be an extremely difficult and time-consuming exercise, and thus makes it evident that entities have failed to attain the original aim and purpose of integrated reporting (Frias-Aceituno, Rodríguez-Ariza et al. 2014). In addition to regulatory requirements, entities have chosen to use integrated reporting as a tool that enables them to confront pertinent social, environmental, and governance issues in a way that meets the expectations of both stakeholders and society as a whole (Vitolla, Raimo et al. 2019) Even if this is an improvement in the way information about value creation is communicated, most reports generated by corporations make sure they are viewed as good corporate citizens rather than offering a balanced report on topics like social, environmental, and governance concerns.(Eccles, Krzus et al. 2015, Rinaldi, Unerman et al. 2018). Furthermore, rather than attempting to capture the core of an integrated report, it appears that these reports are being generated in order to satisfy all the standards of integrated reporting. (Atkins and Maroun 2015). These issues noted may be resolved through the application of the IIRC’s IR Framework for reporting which follows a principle-based approach to integrated reporting, rather than a tick box approach (Surty 2016). Lastly, the lack of assurance on these reports has resulted in reduced stakeholder confidence in the information being reported as investors and stakeholders perceived assured reports as more reliable (Jones and Solomon 2010, Atkins and Maroun 2015).

Matuszyk and Rymkiewicz (2018) explain how integrated reporting has been able to fill the gaps that traditional reporting has, namely, its inability to meet the needs of a wide range of stakeholders. Some of the advantages of integrated reporting include its ability to present financial information as well as non-financial information such as human, intellectual, and social capital, which often reflects the true value of an entity (Matuszyk and Rymkiewicz 2018). Risk is taken into account in integrated reporting as an essential component of its disclosure. and, as such, provides stakeholders greater insight into not only the positive aspects of an entity but also the challenges they face and how these challenges will be dealt (Atkins and Maroun 2015, Tshipa 2017). Integrated reporting grants entities the ability to communicate the link between various operating and functional units and the nature of the resources they use or affect, in a single, concise report (De Villiers and Maroun 2018). This is accomplished by fusing an organization's strategic goals with concerns about performance and sustainability. (Atkins and Maroun 2015). Through the mandatory use of integrated reporting, countries such as South Africa have been able to strengthen their competitiveness internationally and are seen to be more respectable in global financial markets (Atkins and Maroun 2015). The advantages of integrated reporting as explained above will thus grant GOEs the ability to attain accountability year after year, and in turn, gain the respect of the public on both the local and international front (Mashamaite and Raseala 2018).

The diagram below illustrates some of the essential elements of integrated reporting that make it advantageous if adopted:

Figure 2.1: *Diagram of the benefits of integrated reporting (Frias-Aceituno, Rodríguez-Ariza et al. 2014)*

2.7 Integrated Reporting and the King IV Report

Over the years, the integrated report has evolved into a single comprehensive report that integrates the mutual connectivity of both financial and non-financial performance data (Matuszyk and Rymkiewicz 2018). Financial performance is thus evaluated based on the entity's impact on the society it operates in, regardless of whether it is negative or positive (Institute of Directors in Southern Africa 2009). The King Reports, as developed by Professor Mervin King, have played a momentous role in formally institutionalising corporate governance in South Africa and the rest of the world (Tshipa 2017). South Africa has been at the forefront of corporate government since the inception of the first king report (Padayachee 2017). The King IV Report is the fourth iteration of that report and like its predecessors, was developed to ensure ethical and effective leadership as well as a high standard of governance in South African public, private, profit, and non-profit entities (IOD 2016). Professor Mervin King believed that good governance is important to establish confidence in South African entities and in effect, enhance their economic prospects locally and internationally, if they chose to adopt the King IV Report (IOD 2016)

King IV's approach to corporate governance has shifted from "apply or explain" to "apply and explain" and the report has subsequently reduced the 75 principles contained in King III to 17 principles. Of the 17 principles, one applies to institutional investors only. By shifting to this new approach, King IV reduces the risk of corporate governance as an act of mindless compliance by entities and rather as a tool that promotes performance and results (IOD 2016).

King IV consists of 5 parts as illustrated in the diagram below:

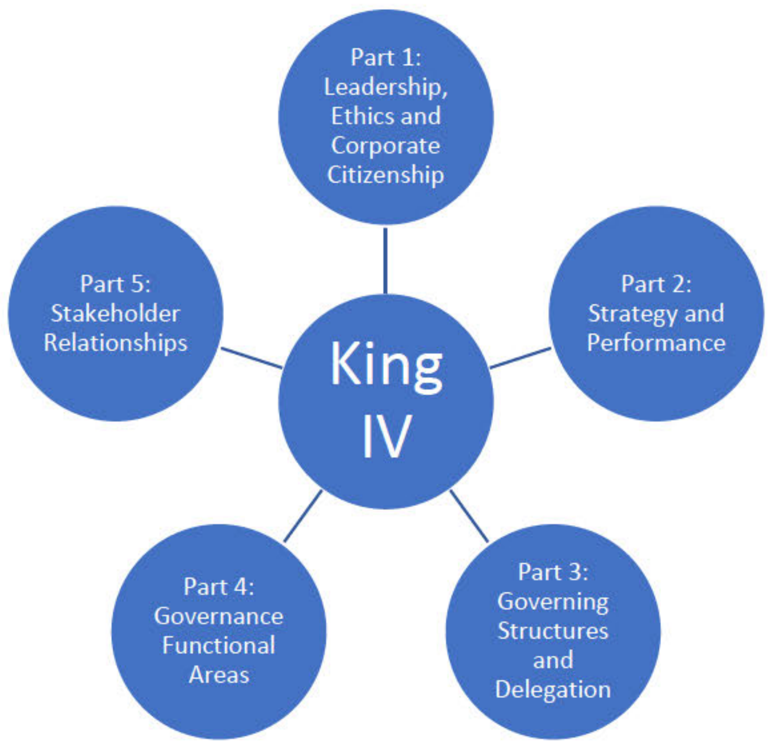

Figure 2.2: *Diagram illustrating the different parts that make up the King IV report (IOD 2016)*

Each of the five parts contained in the King IV Report addresses its own unique area of corporate governance (De Lange 2019). The 5 parts consist of 17 principles and numerous recommended practices. Given the importance of each part to an integrated report, it is essential that each of the five parts is given careful consideration (De Lange 2019). Subsequently, a breakdown of each component will ensue to illuminate the specifics of the principles outlined in the King IV Report. This breakdown is integral to the indicators utilised within this research endeavour, aimed at comprehending the patterns in integrated reporting among South African Government-Owned Enterprises (GOEs), and gauging the efficacy of their application of these principles.

2.7.1 Part 5.1: Leadership, Ethics, and Corporate Citizenship

Part 5.1 of King IV is made up of 3 principles that deal with leadership, ethics, and citizenship. The King IV Report requires entities to follow a hierarchal approach to ethics and ethical leadership (IOD 2016). It is the responsibility of an entity's governing authority to create and reinforce an environment that encourages a high level of ethical behaviour throughout the entity (IOD 2016). An entity's governing authority should steer ethical behaviour through their decision-making (Surty 2016). These decisions should not only be ethical in keeping with laws and regulations but should be factually ethical giving due consideration to the entity's stakeholders (IOD 2016). Furthermore, these decisions should be influenced by morality rather than by industry expectations (Makiwane 2012). These sentiments are shared by Sahuridu (2015) who explains that there is a distinguishing factor between ethics and law. Generally, it is the law that sets the standards for what is prohibited and what is permitted, and therefore, "sets minimum standards of behaviour while ethics set maximum standards" (Sahuridu 2015). The following example aims to further explain this notion.

The petroleum giant, Shell, was due to commence acoustic surveying, in December 2021, along South Africa's famous Wild Coast after their plans were approved by the Department of Minerals Resources and Energy in 2014. The plans were approved by the Department as a necessary step to unlock South Africa's "oceans economy", in order to promote job creation amongst other reasons. Environmentalists and the general public voiced their concerns over the devastating impact the surveying will have on the sea life as well as the after-effects of possible drilling and extraction, and oil spills. Shell's public relations officer responded to these concerns by stating that operating within our legal rights and have met all our obligations concerning the survey (Button 2021).

It is evident from the example above that conducting oneself within the confines of the law does not equate to ethical behaviour. Michaelson (2006) believed that ethics and ethical behaviour must be steered within an organisation. He underscored the significance of the notion that ethics holds importance, which forms a crucial aspect of the implicit assertion within the integrity strategy. This assertion aligns with both established wisdom and ethical theory, asserting that the goal of conscientious behaviour cannot solely be accomplished by externally enforcing obligations, but should also resonate with internal motivations (Michaelson 2006). GOEs that lack accountability and are seeking ways to improve should ensure that they operate on firm ethical (Sands 2004, IOD 2016).

King IV requires each decision made by an entity to be evaluated against its economic, environmental, and social impacts prior to it being finalised (IOD 2016). With reference to the Shell example cited above, Shell, in its pursuit of oil discovery at a profit, should also consider the impact this project will have on the sea life and the surrounding habitat and community. It can thus be seen that in order to establish an ethical culture within an entity, the governing authority should ensure the implementation and communication of a code of conduct that is easy to interpret for all employees (IOD 2016). Furthermore, King IV addresses stakeholder needs by ensuring the code of conduct of an entity encompasses "the organisation's interaction with both internal and external stakeholders" (IOD 2016).

King IV requires a governing authority to pilot and set strategic direction within an entity (IOD 2016). An entity's purpose, vision, and mission should take into consideration the society in which it operates, and in order to do so, it is required to direct the objectives and strategies of the entity in a logical manner (IOD 2016). Thus, by linking its purpose, vision, and mission to sustainability objectives, an entity takes a step forward in its quest to achieve sustainability (Mirvis, Googins et al. 2010). In summary, it is the responsibility of the governing authority to ensure that the needs of every stakeholder are considered through the examination of various strategies and the risks attached to them (IOD 2016). Strategic direction and decision-making are areas where GOEs face challenges (Mashamaite and Raseala 2018). King IV provides guidance in this respect and could not only assist GOEs in developing their own strategic objectives that are comprehensible but will also allow them to prioritise these objectives (PWC 2016).

2.7.2 Part 5.2: Strategy, Performance, and Reporting

Part 5.2 of The King IV Report is made up of 2 principles that deal with strategy, performance, and reporting. Strategy and performance are dealt with by principle 4. In order for the governing authority of an entity to be leaders in the value creation process, they should appreciate that amongst others, an entity's core purpose, strategy, risk and opportunities, performance, and sustainable development are all inseparable elements of this process (IOD 2016). Some of the recommended practices as per the King IV report include that the governing authority shall approve a strategy that outlines the core objective of the entity as well as its short, medium, and long-term goals (Chauke and Motubatse 2020). Additionally, measures of performance criteria should be set across all economic, social, and environmental contexts and the entity should not only assess but also address the outcomes of its operations in the short, medium, and long term (Chauke and Motubatse 2020).

The reporting aspect is dealt with by principle 5 which requires the governing authority of an entity to ensure that reports, as well as all disclosures, enable stakeholders to make a well-informed assessment of the entity's performance as well as and its ability to create value sustainably in the short, medium and long-term (Esser 2018). This is a significant change from King III which centred on the content of integrated reports rather than the outcomes of reporting. These practices concerning reporting provide a mechanism by which an entity's governing authority could be held accountable by stakeholders (IOD 2016, Esser 2018).

2.7.3 Part 5.3: Governing structures and delegation

Details pertaining to the structure of an entity's governing authority, including details relating to the directors, are dealt with in great detail in Part 5.3. As per the requirements of principle 6, an entity's governing authority should serve as the focal point and custodian of corporate governance within an entity (IOD 2016). This requires the governing authority to not only provide direction and strategy but to oversee the implementation and ensure through their disclosures they are able to demonstrate accountability as well as transparency (IOD 2016). The Auditor General has recently called for the government to urgently finalise and implement key reforms to the governance of GOEs to allow these enterprises to deliver on their developmental mandates which they have not been able to do for a number of years (Ensor 2022). Based on this media release, it is clear that the governing authority of South African GOEs is in direct contravention of this principle.

Principle 7 deals with the structure of the governing authority. The principle provides guidance on the composition of the governing authority to ensure its duties are performed objectively and effectively. It also ensures that the needs of all relevant stakeholders are considered in the decision-making process (IOD 2016). The governing authority must comprise a balance of skills, experience, diversity, independence, and knowledge (IOD 2016, Esser and Delport 2018). The integrated report also requires the disclosure of the skill and experience of each director appointed to the governing authority (IOD 2016). The principle provides further detail on the composition which includes:

- an appropriate mix of executive, non-executive, and independent members;
- the majority of members on the board should be non-executive directors and the majority of these members should be independent; and
- the CEO should be appointed by the governing authority.

Due to past racial injustices suffered by black people in South Africa, the diversity aspect of the governing authority's composition is especially important (Surty 2016). The broad-based Black Economic Empowerment Act was introduced post-1994 to rectify the inequalities experienced by previously disadvantaged groups in areas such as politics, society, and economics. The government undertook a comprehensive programme to ensure an increase in the economic participation of black people in the South African economy. In addition to the detailed composition of the governing authority, the recommended practices provide details on the appointment process of the governing authority, their independence as well as the chair (Chauke and Motubatse 2020). Each director must meet various requirements and continually be assessed on those requirements in order to be deemed independent (IOD 2016). In order for GOEs to operate successfully, they require management who possess the relevant skills, knowledge, and experience, as such, the requirements of the King IV Report, if appropriately applied, could aid in fulfilling this need (Mbo and Adjasi 2013).

The delegation aspect of part 5.3 relates to the committees as appointed by the governing authority. In order to ensure the effective discharge of its roles and responsibilities, principle 8 requires the governing authority to ensure its delegation processes encourage independent judgment, based on the specific needs of an entity and assist with the balance of power. By establishing and prescribing the roles and responsibilities of numerous committees such as audit, remuneration, social and ethics, and risk the governing authority is able to break down work and allow for more concentrated focus in each committee (Institute of Directors in Southern Africa 2018).

In order to ensure continued improvement and effectiveness, principle 9 requires the governing authority to conduct a performance evaluation for its performance as well as that of its committees, chair, and individual members (IOD 2016).

Principle 10 requires the governing authority to ensure that the appointment of, and delegation to, competent executive management contributes to an effective arrangement by which authority and responsibilities are exercised. Further guidance relating to the specific roles of both the CEO and company secretary is provided in the recommended practices (IOD 2016).

2.7.4 Part 4: Governance functional areas

Part 4 of the King IV Report discusses functional governance areas. Principle 11 requires an entity's governing authority to govern both risk and opportunity. It's widely known that accounting information has many weaknesses (Cabedo and Tirado 2004). In order for investors to make an informed decision on whether they should invest in an entity or not, they require information relating to the expected returns, as well as the risk associated with those returns (Cabedo and Tirado 2004). If information relating to the risk involved in their investment decisions is not provided, this could result in an investor making an incorrect investment decision (Cabedo and Tirado 2004). Based on the above, it is evident that disclosures relating to risk are vitally important in ensuring that investors as well as the relevant stakeholders are provided with all information relating to the entity to make a well-informed decision (Cabedo and Tirado 2004). Within the context of GOEs where accountability is significantly lacking, risk disclosure in terms of principle 11 provides a transparent account of an entity's affairs and assists in improving accountability.

Due to advancements in information technology, its role and importance in the current business world have become a critical component in the success of an entity (Orji 2019). In the past, Information Technology (IT) did not play a significant role in businesses and its importance was often overlooked (Orji 2019). However, in recent times, IT development and implementation have become a deciding factor in both the success and failure of a business (Joshi, Bollen et al. 2018). If correctly aligned with the business strategy of an entity, IT can assist a business in achieving its objectives (Joshi, Bollen et al. 2018). On the other hand, investment in IT systems is often extremely costly and if not appropriately aligned with the strategy, it could result in losses as a result of this investment not being used effectively (Joshi, Bollen et al. 2018). With its many advantages it provides, IT also brings along new risks and challenges for the entity such as network outages, computer system downtime, various malfunctions, and most notably, increased security risk (De Haes and Van Grembergen 2015, Joshi, Bollen et al. 2018). Apart from aligning IT to one's strategy, risks associated with IT need to be mitigated and a strategy to address these issues needs to be put into place (De Haes and Van Grembergen 2015). IT can and should be used by government-owned enterprises to create a competitive advantage, especially in sectors such as the aviation industry (Surty 2016).

Based on the above, it can be seen that the use of IT presents opportunities and threats (Surty 2016). In order to ensure efficient and effective use, the King IV Report deals with the governance of information technology. Principle 12 requires technology and information to be governed in such a way that it will support the organisation in setting and achieving its strategic objectives (IOD 2016).

IT governance can be characterised as the collective ability of board and IT leadership in overseeing the development and execution of IT strategy, thereby guaranteeing the seamless integration of its endeavours (Van Grembergen and Amelinckx 2002). It's been noted that the majority of governing authorities lack supervision of investment in IT and entity's strategy (Nolan and McFarlan 2005). Thus, it is the responsibility of an entity's governing authority to govern IT and ensure it is used efficiently rather than being the reason for the entity's failure (Nolan and McFarlan 2005). If IT is governed effectively, it can be used to gain a competitive advantage for government-owned enterprises in South Africa (De Haes and Van Grembergen 2015).

As per principle 13, the governing authority is required to ensure compliance with laws, non-binding rules, codes, and standards (IOD 2016). The recommended practices of the King IV Report state that compliance with the relevant laws and regulations is treated as an ethical imperative (IOD 2016). The Companies Act requires all entities to comply with all relevant laws and regulations and thus, through its principles, the King IV Report can be seen as an instrument that entities can use to ensure continuous monitoring of compliance with the relevant laws (IOD 2016). The King IV Report recommends that the governing authority delegates the responsibility of implementation and execution of effective compliance to management (IOD 2016). Investors' need for a greater level of non-financial information in order to make a well-informed decision has dramatically increased over the past few years (Frias-Aceituno, Rodríguez-Ariza et al. 2014). Through its recommended practices relating to disclosure of compliance with laws and regulations, the King IV Report can assist investors in making decisions.

Principle 14 requires the governing authority of an entity to ensure that remuneration is fair, responsible, and transparent (IOD 2016). The recommended practices also provide insight into the remuneration report as well as voting on remuneration (IOD 2016). As government-owned enterprises traditionally perform poorly, lack of accountability in terms of remuneration in these enterprises gathers widespread interest in taxpayers as they seek to determine whether their hard-earned money is being used effectively or for wasteful expenditure (Hoque and Moll 2001). Through compliance with principle 14 and its recommended practices, government-owned enterprises can improve their accountability and in turn, gather public support.

Principle 15 requires the governing authority of an entity to ensure that an effective control environment is created through assurance services and functions and these support the integrity of reports for better decision-making. The Companies Act requires all government-owned enterprises to appoint an audit committee.

2.7.5 Part 5: Stakeholder relationships

In the structural context of GOEs, the government (representative of the people) is akin to the shareholders who delegate its decision-making to the governing council. Based on this structure, the government expects that the council acts in its best interests to satisfy the expectations of all stakeholders within the GOEs (IODSA, 2016).

The governing bodies overseeing government-owned enterprises (GOEs) should take an active approach in initiating assessments of GOE service delivery from the public, utilising this as a mechanism for monitoring and evaluating performance. Additionally, if relevant, they should undertake the duty of overseeing these GOE entities, ensuring that the business plans they formulate are in harmony and alignment (IODSA, 2016).

Concludingly, Section 5.5 pertains to interactions with stakeholders. Principle 16 emphasises that while carrying out its governance duties, the governing body should embrace an approach that incorporates stakeholders, effectively managing the requirements, concerns, and anticipations of significant stakeholders in the organisation's best interests across time. Moving on, Principle 17 centres on the obligations of institutional investors, drawing a connection with the Code for Responsible Investing in South Africa (CRISA). They are responsible for ensuring that the organisation practices responsible investment, fostering effective governance, and generating value within the companies it invests in. According to the stakeholder approach endorsed by King IV, directors owe their fiduciary obligations exclusively to the company. This is because the company possesses independent legal status from the moment of its registration until its dissolution. The company represents a range of interests, encompassing those of shareholders, employees, consumers, the community, and the environment. As a result, the requirement for directors to act in the "company's" best interest must now encompass a fusion of these interests. However, their foremost obligation remains to act in the utmost interest of the company as an independent legal entity.

2.8 The International Integrated Reporting Framework 2013

The continual globalisation of businesses across the world has highlighted the integral interconnection between knowledge, human beings, and finance within an entity (IIRC 2013). In the quest for greater financial stability and continual growth since the great depression of 2008. The World Bank found that traditional reporting standards and requirements have significant flaws in their reporting of the risk affecting an entity. In order to address these specific issues of traditional reporting, the IR Framework was developed as a modern solution to encourage integrated thinking through its integrated reporting requirements (IIRC 2013, Matuszyk and Rymkiewicz 2018).

The main aim of the IR Framework is to facilitate the communication of information to a broad range of stakeholders, both internal and external to an entity (Matuszyk and Rymkiewicz 2018). One of the main objectives of the IR Framework is to improve the effectiveness of investment decisions by increasing the quality of the information available to financial capital donors (IIRC 2013). In addition, the IR Framework seeks to attain increased accountability by entities with reference to the various sources of financial capital as non-financial capital, such as production, natural and human capital, they have chosen to utilise (IIRC 2013). GOEs often lack effective strategies as they fail to align with their objectives. The IOD and PWC (2011) and KPMG (2012) concluded in their various reports that the ultimate objectives of the IR Framework could provide invaluable assistance to GOEs in trying to align their strategy to their objectives and to improve their transparency in reporting results.

2.9 IR Framework Indicators

Using the integrated reporting framework, the International Integrated Reporting Council (IIRC) encourages enterprises to provide a thorough account of their value generation and performance over time. This report offers a holistic and balanced perspective which emphasizes the linkages between its financial and sustainability concerns using several indicative measures. This section of the study extensively explores the IR framework indicators as proposed by the IIRC.

2.9.1 Connectivity of information (IR 3B)

Connectivity of information acknowledges the complexity and interconnectedness of an organization's value-generating process (Cavicchi, Oppi et al. 2019). Organizations are encouraged to provide data demonstrating the connections and interdependencies including strategy, governance, risks, opportunities, performance, and the many types of capital (McGuigan, Haustein et al. 2021).

The Integrated Reporting (IR) Framework on the connectivity of information highlights how important it is for businesses to show how different elements and resources are linked and interact with one another, both internally with other business units and externally with stakeholders (IoDSA 2016).

The necessity of understanding how various components of an institution's operations and activities interact with one another and contribute to value creation through time is highlighted by the connectivity of information (Dumay, Bernardi et al. 2017). Hence, this shows how government-owned enterprises can successfully manage their resources and connections to generate sustainable value by offering a more comprehensive perspective (Tirado-Valencia, Cordobés-Madueño et al. 2020).

2.9.2 Stakeholder relationships (IR 3C)

Stakeholder relationships posit that institutions do not function in a vacuum; rather, they interact with and depend on a variety of stakeholders, including staff members, clients, suppliers, local communities, investors, regulators, and others (Arora, Lodhia et al. 2022). This principle underlines the need for enterprises to recognize and comprehend their stakeholders, interact with them, and consider their wants and interests.

The Integrated Reporting (IR) Framework on stakeholder relationships otherwise referred to as the IR 3C, stresses how crucial it is to comprehend and handle stakeholder interactions well within the framework of an organization's value generation process (IoDSA 2016).

For government-owned enterprises to establish trust, create mutually beneficial connections, and improve their long-term survival, it is imperative to address the idea of stakeholder relationships (Andrews and Hodgkinson 2022). This also aids such enterprises to incorporate stakeholders' viewpoints in decision-making processes to ensure ethical, accountable, and sustainable business practices.

2.9.3 Conciseness (IR 3E)

The idea of conciseness considers the fact that stakeholders have a certain amount of attention and time to devote and that providing them with excessive or superfluous information may make it difficult for them to comprehend how an organization creates value (Wee, Tarca et al. 2016). This generally encourages corporations to be discerning and provides information that aids stakeholders in making sensible choices.

The Integrated Reporting (IR) Framework on conciseness also referred to as the IR 3E of the Integrated Reporting Framework, accentuates the need for enterprises to deliver succinct and clear information in their integrated reports (IoDSA 2016).

Government-owned enterprises in South Africa can improve information clarity, expedite reporting processes, and make it easier for stakeholders to comprehend the enterprise's performance, risks, opportunities, and long-term prospects (Laggren and Larsson 2019). Hence, concise reporting makes it possible for stakeholders to quickly obtain pertinent information and make informed decisions based on the most important elements to them.

2.9.4 Reliability and completeness (IR 3F)

The reliability and completeness concept asserts that stakeholders depend on accurate, full, and timely information to make wise choices (Girella 2021). This concept ensures that institutions' data is accurate and provides a full account of their performance, risks, opportunities, and effects on different types of capital (Hoang, Vu et al. 2020).

The Integrated Reporting (IR) Framework on reliability and completeness otherwise referred to as the IR 3F of the Integrated Reporting Framework, points out the significance of delivering accurate and comprehensive information in integrated reports to ensure that stakeholders can trust the information and have a clear knowledge of an organization's value creation process (IoDSA 2016).

In the context of government enterprises in South Africa, it is essential to enhance the credibility of integrated reports, develop trust with stakeholders, and provide decision-makers with a solid foundation by adhering to the concept of dependability and completeness (Altarawneh and Al-Halalmeh 2020). This is because stakeholders such as creditors and multilateral institutions, may desire to analyse the entity's efficiency, comprehend its risks and possibilities, and appraise its future prospects due to accurate and thorough reporting.

2.9.5 Consistency and comparability (IR 3G)

The consistency and comparability concept notes the requirement for stakeholders to comprehend how an organization's performance has changed and how it contrasts with earlier times or industry standards (Selimoglu and Yesilcelebi 2021). This encourages institutions to employ standardized reporting procedures, common metrics, and frameworks to increase the accuracy and value of the data being given.

The Integrated Reporting (IR) Framework on consistency and comparability also referred to as the IR 3G of the Integrated Reporting Framework, focuses on how pertinent it is to provide comparable and consistent data in integrated reports so that stakeholders may evaluate an organization's performance and value generation process over time (IoDSA 2016).

The consistency and comparability concept within government enterprises underscores the requirement for stakeholders to comprehend how an organization's performance has changed and how it contrasts with earlier times or industry standards (Ahmed Haji and Anifowose 2017). It encourages businesses to employ standardized reporting procedures, common metrics, and frameworks to increase the accuracy and value of the data being given.

2.9.6 Organizational overview and external environment (IR 4A)

The principle of an institution's background and external environment emphasizes that organizations work within a larger context that includes economic, social, environmental, and regulatory components (Adams 2017). This encourages firms to provide pertinent details about their business model, governance, strategy, and the external elements that influence their operational environment.

The Integrated Reporting (IR) Framework on organisation overview and external environment also referred to as the IR 4A of the Integrated Reporting Framework, highlights the need for enterprises to give a precise and thorough knowledge of their organizational environment and the outside variables that affect their capacity to generate value (IoDSA 2016).

Government Organizations may provide stakeholders with a thorough grasp of their context, strategy, and the outside factors that influence their value-creation process by addressing the idea of organizational overview and external environment (Pärl, Paemurru et al. 2022). This makes it possible for stakeholders to examine the organization's performance, determine how well it aligns with larger social and environmental trends, and come to wise conclusions about its sustainability and long-term prospects.

2.9.7 Governance (IR 4B)

Governance as a principle of the Integrated Reporting (IR) Framework opines that effective governance is necessary for organizational performance, accountability, and ethical decision-making (Manes-Rossi 2018). Organizations are urged to provide details about their governance structure, procedures, and ways in which governance supports their capacity to generate value over the long term.

The Integrated Reporting (IR) Framework on governance otherwise referred to as the IR 4B of the Integrated Reporting Framework, reiterates how critical efficient governance structures and procedures are to generating and maintaining value for businesses and their stakeholders (IoDSA 2016).

Enterprises may reassure stakeholders that they are well-governed, responsible, and committed to generating lasting value by addressing the governance principle (Maroun and Cerbone 2020). In order for an organization to succeed and be able to manage opportunities and challenges responsibly, effective governance must increase trust, lower risk and encourage a long-term perspective.

2.9.8 Business Model (IR 4C)

The guiding concept of the business model within the context of the Integrated Reporting (IR) Framework is that businesses work inside a certain framework and have a distinctive strategy for creating and protecting value (Hamad, Draz et al. 2020). Organizations are urged to clearly state their business models and describe how their many initiatives, assets, and connections work together to generate value over the short, medium, and long term.

The Integrated Reporting (IR) Framework on business model also referred to as the IR 4C of the Integrated Reporting Framework, stresses the need for enterprises to provide stakeholders a thorough knowledge of how they produce and deliver value (IoDSA 2016).

Government enterprises must provide stakeholders with a clear picture of how they produce value and how they are positioned in the market by addressing the business model concept (Farneti, Casonato et al. 2019). Stakeholders may evaluate the institution's competitiveness, innovative skills, and possible risks and opportunities in its operational environment using this information. Stakeholders may make well-informed choices about how to interact with the organization and its long-term prospects by having a clear understanding of the business model.

2.9.9 Risks and opportunities (IR 4D)

The concept of risks and opportunities suggests that enterprises function within dynamic and unpredictable environments (Vitolla, Raimo et al. 2019). This implies that possible critical risks and opportunities that may have a significant influence on an organization's capacity to generate value over the short, medium, and long terms should be identified and disclosed.

The Integrated Reporting (IR) Framework on risks and opportunities also referred to as the IR 4D of the Integrated Reporting Framework, notes that to create and maintain value, enterprises must give a thorough evaluation of the risks they confront and the opportunities they seek (IoDSA 2016).

It is critical for government enterprises to provide stakeholders with a clear sense of the difficulties they confront and the opportunity for value creation by addressing risks and opportunities (Manes-Rossi 2018). This allows stakeholders to evaluate the organization's risk management skills, flexibility in responding to changing conditions, and capacity to seize new possibilities. Stakeholders may make wise choices about their involvement in the organization and its long-term survival by being aware of the risks and possibilities.

2.9.10 Strategy and resource allocation (IR 4E)

The strategy and resource allocation principle of the Integrated Reporting (IR) Framework posits that businesses need a clear, well-defined plan in order to accomplish their goals and provide stakeholders with lasting value (Dameri and Ferrando 2022). Organizations are encouraged to provide details about their strategic goals, choices on how to allocate resources, and how these decisions relate to their value-creation process.

The Integrated Reporting (IR) Framework on strategy and resource allocation also referred to as the IR 4E of the Integrated Reporting Framework, illustrates how businesses must clearly state their strategic goals and justify how resources are distributed in order to support the implementation of their plan and generate long-term value (IoDSA 2016).

Government enterprises may provide stakeholders insights into their strategic direction, resource use, and the alignment between strategy and value generation by addressing the concept of strategy and resource allocation (Cabral, Mahoney et al. 2019). Stakeholders can further evaluate the organization's strategic focus, resource management skills, and potential for long-term value development with the use of this information. Stakeholders may make wise judgments and assess the organization's long-term prospects by understanding the organization's strategy and decisions about the allocation of resources.

2.9.11 Performance (IR 4F)

The premise of performance points out that companies must show they can offer value and accomplish their strategic goals (Wachira, Berndt et al. 2020). It encourages businesses to evaluate their accomplishments and share information about their potential futures by reporting on their financial and non-financial performance metrics.

The Integrated Reporting (IR) Framework on performance also referred to as the IR 4F of the Integrated Reporting Framework, demonstrates the need for enterprises to provide a thorough evaluation of their effectiveness in generating and maintaining value for stakeholders (IoDSA 2016).

In the context of the public sector, enterprises can provide stakeholders with a complete picture of their financial and non-financial success as well as insights into their prospects for the future by addressing the concept of performance (Ahmed 2023). With the use of this information, stakeholders may analyse the organization's resilience, determine its capacity to create value, and decide how they want to interact with it. Assessing performance enables stakeholders to evaluate the organization's overall health and potential for long-term sustainable value development.

2.9.12 Outlook (IR 4G)

The concept of outlook emphasizes that stakeholders are interested in an organization's future course as well as its previous success (Deegan 2020). It promotes businesses to be open about their goals, objectives, and any possibilities or dangers that might affect their long-term performance.

The Integrated Reporting (IR) Framework on outlook also referred to as the IR 4G of the Integrated Reporting Framework stresses the importance of firms giving stakeholders a comprehensive knowledge of their future prospects and the variables that might affect their capacity to produce and maintain value is emphasized (IoDSA 2016).

It is imperative for government enterprises to provide stakeholders with insightful information about their prospects for the future as well as the variables that can affect their performance and value creation over time by addressing the concept of outlook (Pigatto, Cinquini et al. 2023). Stakeholders may evaluate the organization's strategic direction, risk management procedures, and readiness to deal with present difficulties and take advantage of new possibilities using this information. Understanding the outlook enables stakeholders to assess the organization's sustainability and long-term viability and to make educated choices.

2.9.13 Basis of preparation and presentation (IR 4H)

The foundation for preparation and presentation concept highlights that stakeholders must have faith in the accuracy and applicability of the information provided in the integrated report (Hamad, Draz et al. 2020). It encourages businesses to make public the accounting principles, measuring approaches, and reporting strategies they use.

The Integrated Reporting (IR) Framework on the basis of preparation and presentation also referred to as the IR 4H of the Integrated Reporting Framework, highlights the need for organizations to disclose the methodology used in the preparation and presentation of their integrated reports, in order to ensure openness and understanding among stakeholders (IoDSA 2016).

Of necessity, government enterprises may provide stakeholders trust in the accuracy, applicability, and comparability of the information offered in the integrated report by addressing the basis of preparation and presentation (Veltri and Silvestri 2020). Stakeholders may evaluate an organization's commitment to producing accurate and insightful reports by looking at how transparently it goes about its reporting process, the quality of the data it provides, and its adherence to reporting standards. Understanding the foundation of preparation and presentation enables stakeholders to assess the performance and future prospects of the company and make educated choices.

2.10 Conclusion

Chapter two of this research study comprehensively considered relevant and applicable literature on the subject matter of integrated reporting trends within government-owned enterprises in South Africa. The chapter explored the agency theory as the theoretical and foundational basis of corporate governance in public enterprises. Thereafter, the role of government-owned enterprises and the need for their accountability were extensively discussed. Lastly, the chapter further delved into integrated reporting as a plausible tool for improving the accountability of government-owned enterprises in South Africa. This was done via an in-depth and exhaustive review of the King IV report standards as well as the Integrated reporting framework indicators.

The next chapter of this thesis will provide a detailed and succinct clarification of the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The process of conducting research involves a set of essential procedures that must be undertaken to gather data. These procedures encompass the research design, sampling method, data collection approach, and any additional steps necessary for completing the study (Bell, Bryman et al. 2022). This chapter describes the research methodology used in the study, including the methodologies selected, the strategy used, the design, the target audience, the model specification, and the validity of the results. The various elements of research are illustrated using the Honeycomb framework.

3.2 Research model

Wilson (2014) developed the honeycomb model to make a distinction between study design and technique. Research designs act as guidelines or frameworks for collecting and evaluating data, whereas research methodologies describe the procedures used to obtain the data.

Figure 3.1: *Fundamental components of research adapted from Wilson (2014:32)*

3.2.1 Research philosophy

A research paradigm serves as the underlying philosophical framework upon which your research is founded. It provides a set of beliefs and perspectives that shape the theories and practices employed in your research project (Crossan 2003). Paradigms are categorized primarily as interpretivist or positivist (Aliyu, Bello et al. 2014). Texts, interpretations, and observations are the foundation of the interpretivist paradigm, which is qualitative and subjective in character (Mitchell 2014). In academic disciplines including philosophy, psychology, and sociology, this paradigm is widely accepted. It seeks to produce irrational data that clarifies the world from the viewpoint of those who live in it (Henning, Van Rensburg et al. 2004). The interpretivist paradigm essentially places a focus on participants' individualised experiences and comprehension.

The positivist paradigm views knowledge as being grounded in sensory experience and can be obtained through observations and experimentation (Henning, Van Rensburg et al. 2004). Positivists assume that knowledge is objective and can be measured quantitatively (Kruger 2003). In this paradigm, researchers maintain a sense of detachment and independence from the participants, believing that knowledge exists independently "out there." On the other hand, in the interpretivist paradigm, researchers are more engaged and connected, actively participating in the data generation process to gather subjective data. For this particular study, the data will be sourced from online databases and publicly available domains. No direct meetings will be conducted with representatives from the sample companies.

Positivism is concerned with the discovery and disclosure of truth, aiming to provide objective descriptions through empirical methods (Henning, Van Rensburg et al. 2004). Through the use of the King IV Report and IR Framework, this study aims to investigate and assess the trends in integrated reporting by South African government-owned firms. It will present its findings using tables, graphs, and other statistical approaches. Therefore, as the research incorporates numerical measurements, the positivist paradigm is used. Approaches to numerical analysis frequently use primary or secondary data.

3.2.2 Research approach

The research approach acts as a road map for researchers, pointing them in the direction of appropriate methods and procedures for data collection and analysis (Mitchell 2014). In essence, it gives the researcher a feeling of direction to follow throughout the investigation. This includes deciding on the type of research to be done and picking the best research methodology.

Research encompasses three main types: exploratory, causal, and descriptive. Exploratory research is particularly suitable when there is limited information available on the topic, as highlighted by Zikmund, Babin et al. (2013). They further explain that causal studies allow researchers to examine whether one event leads to another (Zikmund, Babin et al. 2013). In contrast, descriptive research typically requires the researcher to possess data that describes the characteristics of the topic, individuals, or companies. Given that this research relies on numeric data, the descriptive research type is well-suited for this study.

3.2.3 Research Strategy

Research can be approached through three primary methods: qualitative, quantitative, and mixed methods. The mixed methods approach is a research methodology that integrates both qualitative and quantitative approaches throughout the research process, with the goal of generating, analysing, and merging the two approaches within a study (Creswell 2013).

To assess the level of integrated reporting among GOEs, this study used a quantitative research methodology. To analyse the data for the study, mathematical measurements, numerical analysis, and statistical methods are used. The positivist paradigm, which is appropriate for quantitative investigations, is in line with this approach.

3.2.4 Research design

This study's research design included identifying the research problem, looking into and studying the problem, evaluating the data and presenting the findings, and ultimately coming to conclusions. This study includes evaluating the yearly reports and/or integrated reports of each GOE listed per Schedule 2 of the PFMA, for the years 2018, 2019, and 2020, in order to assess the trends in integrated reporting. In cases where the results for the 2020 fiscal year were unavailable, the 2017, 2018, and 2019 fiscal years were studied. The King Report and Code of Governance Principles for South Africa 2016 (King IV) and the International Integrated Reporting Framework 2013 (IR Framework) disclosures were examined in the reports.

Consequently, the research approach used is a component of archival research, which uses "administrative records and documents as a principal source of data." Research issues can be centred on historical data that have evolved over time thanks to archival research (Saunders et al., 2009:177).

To identify any changes in the extent of disclosure relating to the annual/integrated reports prepared, the annual/integrated report of each GOE, the level of disclosure as well as the details provided in each GOE's annual/integrated report issued for the 2020 year have been compared to the preceding two years' reports (2019 and 2018).

This exploratory research project does not seek to change the perception of the significance of integrated reporting to its users but rather to examine trends in integrated reporting in South African GOEs as specified under schedule 2 of the PFMA. In summary, this research study examines how far GOEs have gone in implementing the rules and guidelines outlined in the King IV Report and the IR Framework.

3.2.5 Population and Sampling of the Study

3.2.5.1 Population

The population chosen for the exploratory study included all of the 21 GOEs that the PFMA categorises as Schedule 2 entities. According to the PFMA, GOEs fall under Schedules 2 (21 firms) or 3 (269 enterprises) (Treasury 2019). Schedule 2 companies are classified as being South Africa's most important GOEs. They are typically strategic or high-impact entities that play a crucial role in the country's economy and public service delivery. Schedule 2 companies are often engaged in sectors such as energy, telecommunications, transportation, and other vital infrastructure. They are considered to have a significant impact on the country's development and are subject to greater government control and oversight. Schedule 3 Companies are classified as "other government-owned entities." They represent a broader range of government-owned companies that may not fall under the category of the most critical or strategic entities. Schedule 3 companies can include a variety of enterprises, such as smaller state-owned enterprises, research institutions, cultural organizations, and other government-controlled entities. While they may still have importance, their significance in terms of economic impact or public service delivery may be relatively lower compared to Schedule 2 companies (Treasury 2019). In summary, Schedule 2 companies are regarded as the most significant GOEs in South Africa. Schedule 3 companies, on the other hand, represent a wider spectrum of GOEs that might not have the same level of strategic or essential importance. Since this is an exploratory study, it was crucial to select businesses that are listed on Schedule 2 of the PFMA in order to understand the trends in integrated reporting in GOEs.

3.2.5.2 Sampling

Calculation and judgement are needed to choose an adequate sample size for a specific population (Thornhill, Saunders et al. 2009). According to Leedy and Ormrod (2005), the entire population should be used as the sample size if there are fewer than 100 items in the complete set of data. According to the central limit theory, a sample's distribution will resemble the normal distribution more closely the greater the sample size utilised in relation to the population (Thornhill, Saunders et al. 2009). A statistical analysis requires a minimum sample size of at least 30 items, regardless of the size of the population (Stutely 2003). The whole population of 21 GOEs was chosen as the sample in light of the explanation above and the fact that only Schedule 2 GOEs as defined by the PFMA were included in the analysis.

3.3 The Research Instrument

The scorecard approach was used as the research instrument for this study. The King IV Report and the IR Framework requirements had to be recorded for this research tool, and it had to be scored in relation to the disclosures made in the 21 GOEs' integrated reports. The King IV Report seeks to move away from a "tick box" or compliance approach, yet the consistency of the conclusions of this research study has been made possible by this testing procedure.

The analysis of the information contained in the King IV Report and the IR Framework was conducted using a rating scale. This scale was adapted from the study performed by Makiwane (2012) and Surty (2016) and applied to each principle/requirement, as indicated by Appendix A - Table 3.1 of the appendices. The requirements of the King IV Report and the IR Framework are referred to as an "indicator." Each "indicator" that was used to conduct the study was allocated a score of "1, 2, 3, 4, or 5" based on the level of compliance by each GOE to that indicator. A score of "1" to "5" indicates the following:

- "1" classified as "non-compliance" – Indicates the report provides no information on the requirement.
- "2" classified as "poor or average" – Indicates the report provides a small amount of details/information on the requirement
- "3" classified as "satisfactory" – Indicates the report provides satisfactory details/information on the requirement

- "4" classified as "good" – Indicates the report provides more details/ information on the requirement
- "5" classified as "Excellent" – Indicates the report provides a large amount of details/information on the requirement

3.4 Data Collection

The study has made use of data obtained from a secondary source. Secondary data can be defined as data that has already been collected by previous researchers or for purposes other than research (Hox and Boeije 2005). The annual/integrated reports that each GOE issued in accordance with schedule 2 of the PFMA for the fiscal years 2017, 2018, and 2019 served as the research's data source. A list of GOEs that the PFMA has designated as Schedule 2 for the fiscal years 2017, 2018, and 2019 was retrieved from the National Treasury website. The Bloomberg database, a credible database utilised by a wide range of people and organisations, was then used to extract the annual/integrated reports of each member.

The researcher examined and applied the rating scale to the yearly integrated reports of each GOE, for each designated indicator, in order to ascertain the level of detail reported in terms of the King IV Report and the IR Framework.

3.5 Validity and Reliability

According to White (2003:25), "validity is concerned with the idea that the study design fully addresses the questions and objectives [that] are [intended to be] attained. Consistency, research, and the question of whether another researcher might use the plan and produce identical results are all aspects of reliability. This study complies with White's (2003:25) assertion because it uses annual/integrated reports of GOEs. The use of annual/integrated reports is beneficial to the researcher as it consists of financial statements that have been audited in line with the requirements of International Standards on Auditing 720 (ISA 720). ISA 720 provides guidance on the auditor's responsibilities relating to "other information," which is defined in the standard as "financial and non-financial information, other than the audited financial statements, that is included in entities' annual reports" (IAASB 2015). Therefore, as per the requirements of ISA 720, the auditors of the GOEs would review the "other information" enclosed in the annual/integrated report and inspect for any material inconsistency between the information and the financial statements, as well as any material inconsistency between the information and the auditor's knowledge obtained during the audit of the GOEs (IAASB 2015).

In conducting the integrated reporting by each GOE, the study required the quantification of disclosures made. Therefore, the study involved an element of subjectivity. Unerman (2009) found that the subjectivity required in content analysis quantification does not necessarily compromise the validity and reliability of the study (Unerman 2009). In addition, two research supervisors have reviewed the results of the study in order to reduce the element of subjectivity involved in the study.

3.6 Data analysis and presentation of data

In order to conduct the statistical analysis of this study, the expertise of a statistical consultant was utilised. The data analysis for this study was based on deductive statistics. Deductive data analysis allows researchers to draw findings from the information they have collected in such a way that protects the researchers against bias and allows for assumptions to be made (Creswell 2013). The statistical analysis has made use of descriptive statistics through the use and assessment of frequency and multiple bar graphs. When data is qualitative in nature, utilization of non-parametric data is beneficial to the user, as it is impartial to the data population (Hanke and Reitsch 1993). This makes non-parametric data a suitable mechanism for decision-making (Hanke and Reitsch 1993). Non-parametric data was used to inspect for significant variances in the extent of disclosures made by each GOE between the 2017, 2018, and 2019 financial years. The non-parametric data that was utilised is Spearman's rho (Rs). In order to assess whether there is a monotonic relationship between each GOE's overall disclosures rated against the rating scale, for the fiscal years 2018, 2019, and 2020, Spearman's rho was utilised.

A statistical technique called repeated measures analysis of variance (ANOVA) is utilised to see if there are differences between one year and the next in the amount of disclosures made by GOEs. When there is one parametric dependent variable and one or more independent variables, analysis of variance (ANOVA) is a technique used to look at variations in the means of a group of data (Sawyer 2009). The mean disclosure level scores for the fiscal years 2018, 2019, and 2020 were compared using the Friedman test.

As per Makiwane (2012), To determine whether, on average, the GOEs assessed showed any improvements in their level of reporting disclosures, mean scores and the variations recorded in the scores across the 2018, 2019, and 2020 timeframe were used. The average or middle position of any distribution is determined using the distribution's mean (Kohler and Kreuter 2005). The adoption of the mean scores approach is thought to be the most appropriate since it reveals whether or not the pattern of integrated reporting observed is due to an improvement in GOEs' disclosures (Makiwane 2012). An indication of an improvement in the level of disclosures made by a GOE is an increase in the mean score from one year to the next and vice versa. In addition, the extent of any such improvement noted can also be quantified through the use of mean scores.

This study did not use standard deviations, variances, or standard errors due to the non-normality of the data being evaluated in this report. This choice was made in light of the research done by Makiwane (2012) as well as the slight standard deviation variations found in this study.

3.7 Limitations of the Study

The research was based on South African GOEs that the PFMA categorised as schedule 2 organisations, which was the study's initial restriction. The research was also restricted to the examination of the annual/integrated reports of these companies that were obtained from the Bloomberg database. This research examined the trends in integrated reporting by GOEs throughout the 2017, 2018, and 2019 financial years instead, in the case that the annual/integrated report for the 2020 fiscal year of a specific organisation has not yet been published and is thus inaccessible for analysis. Due to the annual/integrated reports of two GOEs for all three financial years not being available for all three of the financial years being analysed, they were eliminated and thus the study analysed 19 of the 21 companies.

The second limitation is that the researcher did not attempt to assess the accuracy of the material provided in the annual/integrated reports because doing so would introduce a degree of subjectivity into the scoring system, which is explained in the research methodology.

The final limitation was based on the principles of the King IV Report, where principle 17 only applies to institutional investors and was thus not considered in the study.

3.8 Conclusion

To conclude on the above, this chapter covered a wide range of topics related to the design, data collection, and research methods used to carry out this study. A quantitative research technique was used due to the descriptive nature of this study, which aimed to assess any changes in integrated reporting by GOEs over a period of three financial years. The researcher had to get the annual/integrated reports of each GOE chosen for examination in order to conduct this analysis for the study. Thereafter, the level of disclosure made by each GOE was scored, using a scorecard approach against the requirement of King IV and the IR Framework.

Each GOE has employed means scores, bar graphs, tables, and non-parametric tests to assess and determine the statistical significance of the results for disclosure in accordance with the King IV Report and the IR Framework. The analysis of the findings utilising the study methodology and design described in this chapter is covered in detail in the following chapter.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter begins by carefully analysing the GOEs' patterns of reporting disclosures and taking variations in the level of integrated reporting of GOE enterprises over a specified 3-year consideration period into account. A thorough examination of the trends and patterns in GOEs' integrated reporting disclosures during a three-year period from 2018 to 2020 is included in chapter four of this research project. Thereafter, the study further evaluated the patterns and trends in integrated reporting and disclosures per subcategory of indicators relating to the codes of the King IV and the Integrated Reporting (IR) frameworks.

Upon the analysis of the data using both descriptive and inferential methods, this study further presents and interprets the findings of the study whilst providing the necessary and relevant discussions in tandem with the presented and interpreted results of the study. Lastly, the chapter provides and presents a general summary of the overall observations for a simplified understanding as well as conclusions that can be deduced from the chapter.

4.2 Patterns in Reporting Disclosure

This research study utilised the Spearman Rho coefficient in order to determine whether there is a consistent link between the overall disclosure scores of South African Government-owned Enterprises (GOE) during a three-year study period of 2018, 2019, and 2020

As outlined in the third chapter of this research study, this study's hypothesis is that, on average, a GOE tends to be consistent with a pattern of disclosure from one year to the next if there is a strong correlation between two consecutive years. On the other hand, a low correlation between two consecutive years, according to the study, would indicate that the GOE's pattern of reporting disclosure has altered significantly between years.

4.3 Changes in the level of integrated reporting by government-owned companies over the three-year period analysed.

This study used the repeated measures of ANOVA using the Friedman's test to examine the levels of mean disclosure scores for years 2018, 2019, and 2020 in order to ascertain whether there is a significant difference in the pattern of reporting disclosures among GOEs from one year to the next.

A statistically significant difference between the mean rankings of the Chi-square (2) = 21.895, p.01, for at least one pair of the mean disclosure rank values was found using Friedman's test.

Mean disclosure scores increased year on year over the 3-year period, ranging from 2018- 2020. This is evident as the level of mean disclosure score increased from years 2018 to 2019, and also increased from years 2019 to 2020. Nevertheless, to further evaluate if these increases were statistically significant, an error bar chart (as presented in Figure 4.1) was used to comparatively analyse the confidence intervals at 95% for each level of disclosure scores for the years 2018, 2019, and 2020. Likewise, the variation among the levels of the mean disclosure scores was explained using a Standard Deviation (SD) approach (presented in Table 4.1).

Table 4.1: Results of the Friedman Test

Score per year	Number of companies	Mean	Std. deviation	Minimum	Maximum
2018	19	3,103759398	0,54	2	4
2019	19	3,156390977	0,53	2	5
2020	19	3,209022556	0,54	2	6

Table 4.1b: Chi-Square Test statistics

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	21.895[a]	1	.000
Continuity Correction[b]	83.363	1	.000
Likelihood Ratio	91.668	1	.000
Linear-by-Linear Association	85.136	1	.000
N of Valid Cases	19		

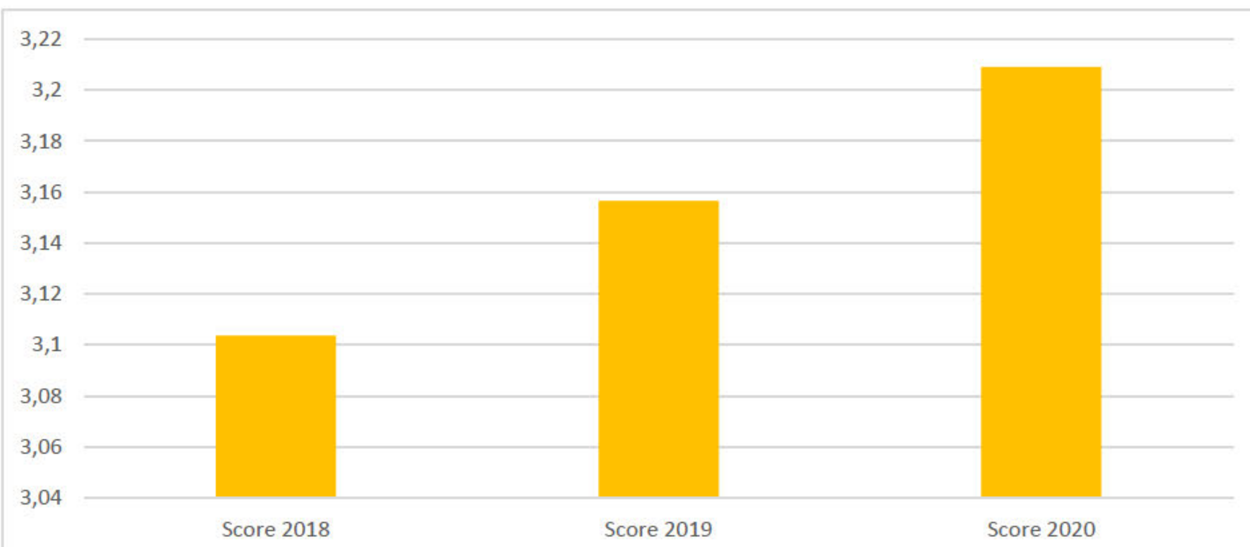

Figure 4.1: Diagram representing confidence intervals over 2018, 2019 and 2020

Figure 4.1: Diagram representing confidence intervals over 2018, 2019 and 2020

4.4 Evaluating the Trends in integrated reporting per sub-category of indicators

This section will identify the overall mean scores for each subcategory of indicators used in this report and provide insight into the trends in reporting by government-owned enterprises based on each subcategory of indicators.

Table 4.2 below lists the average mean scores for each subcategory over the 2018, 2019 and 2020 reporting period. Figure 4.2 and Figure 4.3 reveals these scores in order to visualize the trends identified more effectively.

Table 4.2: Average Score comparisons across the three-year period analysed

Higher classification per indicator	Statistical Value			
	Number of companies	Mean Per Year		
		2018	2019	2020
Leadership, organisational ethics, and corporate citizenship	19	2,77	2,84	2,96
Governing structures and delegations	19	2,82	2,87	2,97
Governance functional areas	19	2,80	2,92	3,04
Stakeholder relationships	19	2,74	2,89	3,05
Connectivity of information (IR 3B)	19	3,16	3,21	3,11
Stakeholder relationships (IR 3C)	19	3,26	3,47	3,53
Conciseness (IR 3E)	19	3,00	3,05	3,11
Reliability and completeness (IR 3F)	19	2,74	2,79	2,79
Consistency and comparability (IR 3G)	19	3,58	3,68	3,68
Organizational overview and external environment (IR 4A)	19	3,74	3,74	3,74
Governance (IR 4B)	19	3,58	3,58	3,58
Business Model (IR 4C)	19	3,72	3,71	3,71
Risks and opportunities (IR 4D).	19	3,37	3,37	3,37

Higher classification per indicator	Statistical Value			
	Number of companies	Mean Per Year		
		2018	2019	2020
Strategy and resource allocation (IR 4E)	19	3,00	3,00	3,00
Performance (IR 4F)	19	3,21	3,26	3,26
Outlook (IR 4G)	19	3,24	3,21	3,21
Basis of preparation and presentation (IR 4H)	19	3,00	3,00	3,00

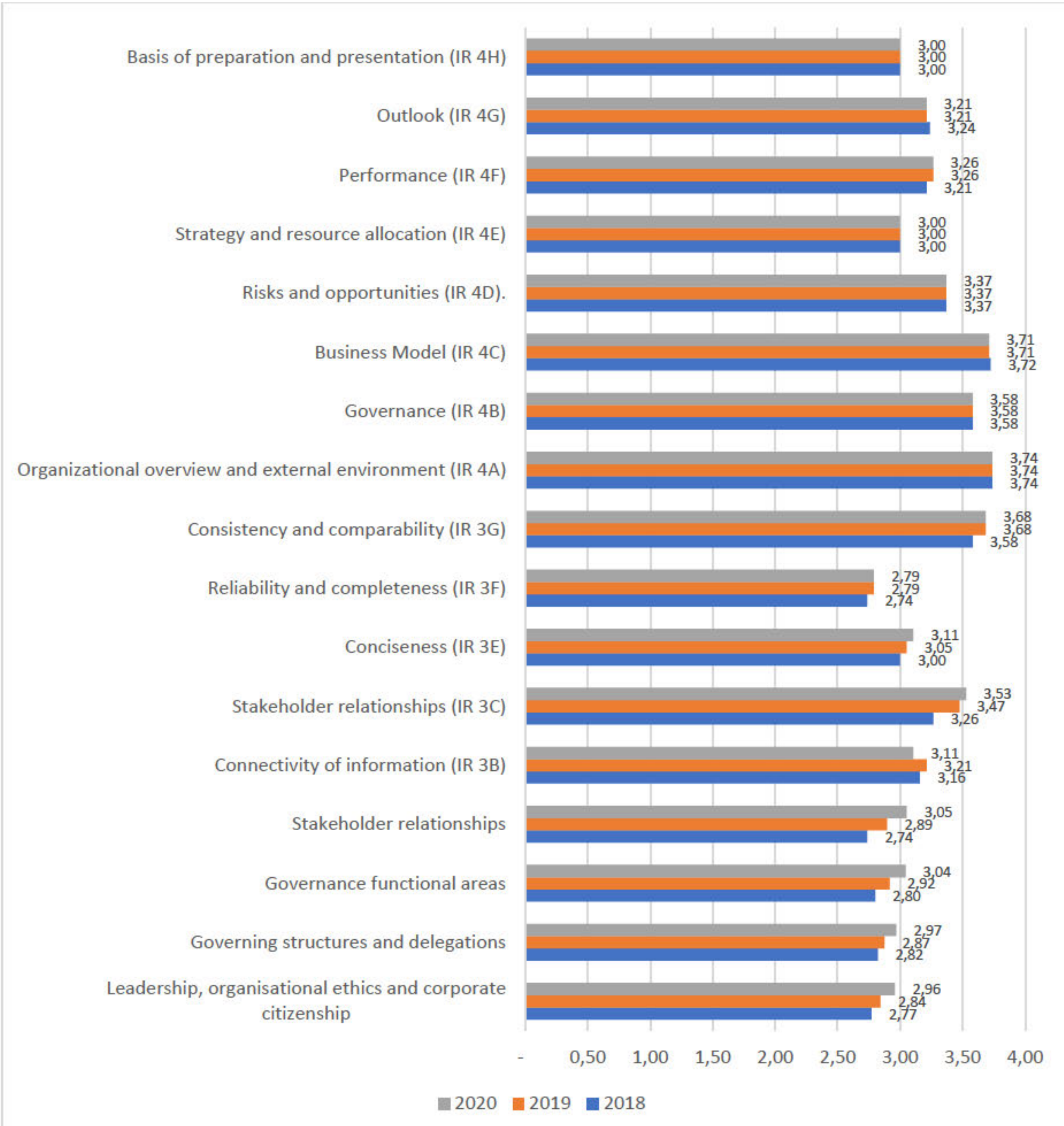

Figure 4.2: Diagram representing the average scores per indicator

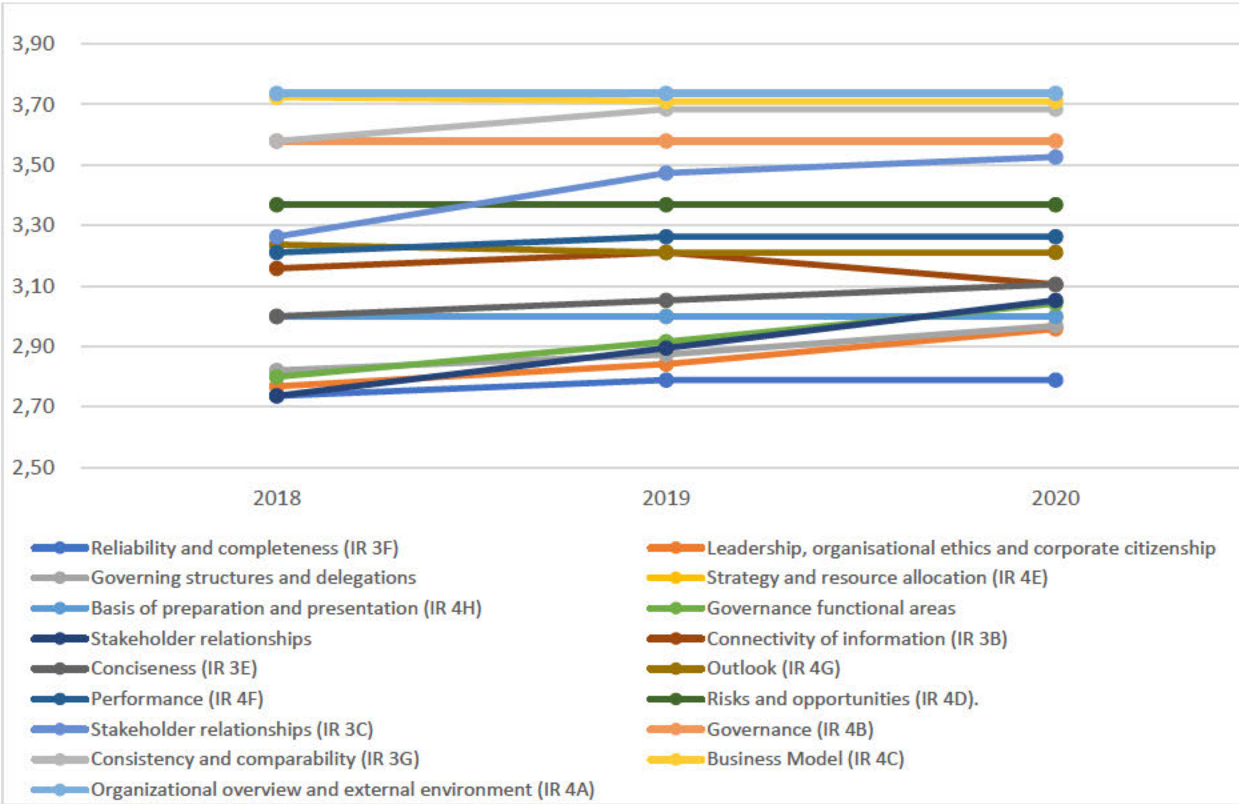

Figure 4.3: An alternative representation of the average scores pre-sub category over the three-year

4.4.1 Leadership, organizational ethics, and corporate citizenship

With the overall rising trend, it can be seen that the disclosures made by GOEs in the categories of leadership, organisational ethics, and corporate citizenship have improved year over year. As evident in Table 4.2, the level of reporting disclosures regarding leadership, organizational ethics, and corporate citizenship remained average across the 3-year period with mean scores of 2.77, 2.84, and 2.96 for the years 2018,2019, and 2020 respectively. However, in comparison to a previous similar study by Surty, Yasseen et al. (2018), these mean scores are slightly below the recorded averages in the years 2013, 2014, and 2015.

It can be deduced that the majority of the GOEs provided "little detail" or "some detail" when reporting and disclosing their leadership, organizational ethics, and corporate citizenship status (Figure 4.4). According to the King IV Report (IOD 2016), organisations must adopt a hierarchical approach to ethics and ethical leadership. The governing body of an institution is tasked with developing and sustaining an environment that promotes high ethical standards across the board (IOD 2016). While the proportion of GOEs providing "little detail" for this subcategory remained constant, the proportion of GOEs providing "more detail" showed a considerable increase, rising from 15.79% in 2018 to 36.84% in 2020.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs. An entity's governing authority should steer ethical behaviour through their decision-making (Surty 2016). These choices should align with both legal and regulatory standards while also ensuring they are ethically sound, taking into account the interests of the organization's stakeholders (IOD 2016). Furthermore, these decisions should be influenced by morality rather than by industry expectations (Makiwane 2012). These sentiments are shared by Sahuridu (2015) who explains that there is a distinguishing factor between ethics and law. Generally, it is the law that sets the standards for what is prohibited and what is permitted, and therefore, "law sets minimum standards of behaviours while ethics set maximum standards" (Sahuridu 2015).

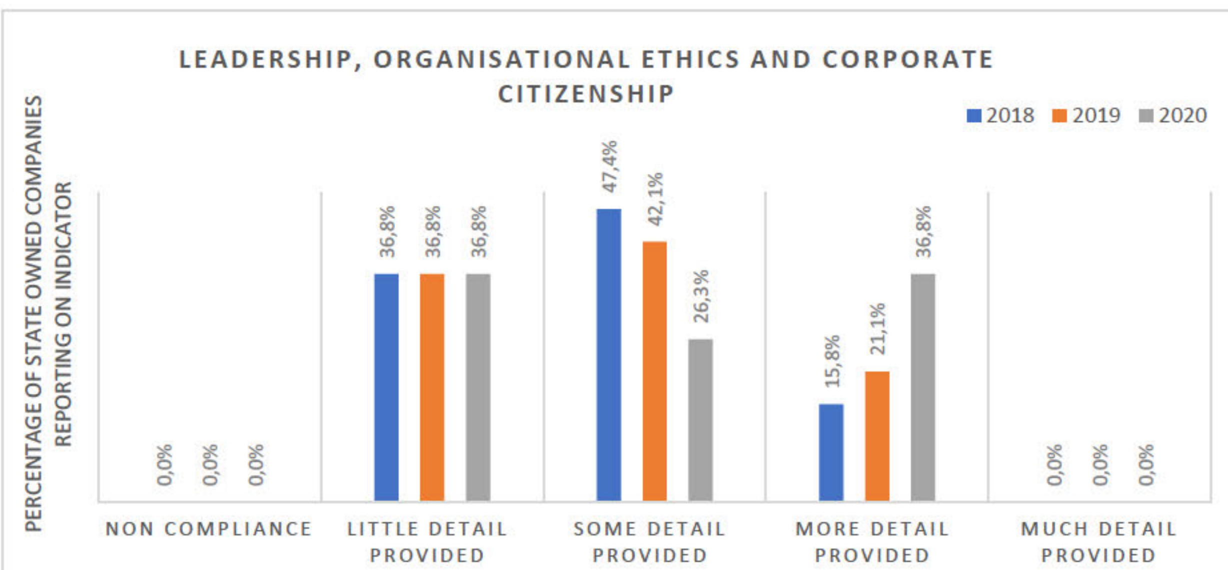

Figure 4.4: Graph representation of GOEs reporting on 'Leadership, Organisational Ethics and Coprorate Citizenship' '

4.4.2 Governing structures and delegations

The observable improvement and increase in the level of disclosure by GOEs with regard to items relating to the governance structures and delegations improved marginally. The pattern remained average across the period with mean scores of 2.82, 2.87 and 2.97 for years 2018, 2019 and 2020 respectively (Table 4.2). Whereas, in comparison to a similar study done by Surty, Yasseen et al. (2018), these mean scores are below the recorded averages in the years 2013, 2014, and 2015. Details pertaining to the structure of an entity's governing authority, including details relating to the directors, are dealt with in great detail in Part 3 of the recommended practices (IOD 2016).

Similarly majority of GOEs reported and disclosed their governance structures and delegation status with little or no detail (Figure 4.5). The GOE's governing body or board should act as the subject of corporate governance and its keeper. However, it may be claimed that what is taking place in the South African GOE right now is against this premise (IODSA, 2016).

Although the proportion of GOEs that submitted data on this subcategory with "little detail" remained the same, a significant increase can be observed with GOEs submitting data with "more detail", which increased from 15.79% in 2018 to 31.58% in 2020. The Institute of Directors in South Africa (IODSA) suggests that the governing body should think about establishing additional governing structures to help with the effective discharge of duties without compromising accountability in order to further improve this trajectory. In order to effectively execute authority and responsibility, the governing body or board should make sure that competent executive management is appointed and given authority (IODSA, 2016).

Additionally, the governing body or board is in charge of ensuring that the performance evaluation of the governing body, its components, members, executive mayor, GOE manager, GOE secretary, or corporate governance experts yields ongoing performance and effectiveness improvements. The board or the governing body shall act as the focal point of corporate governance when imposing fiduciary obligations on the GOE manager in his or her capacity as chief accounting officer (IODSA, 2016).

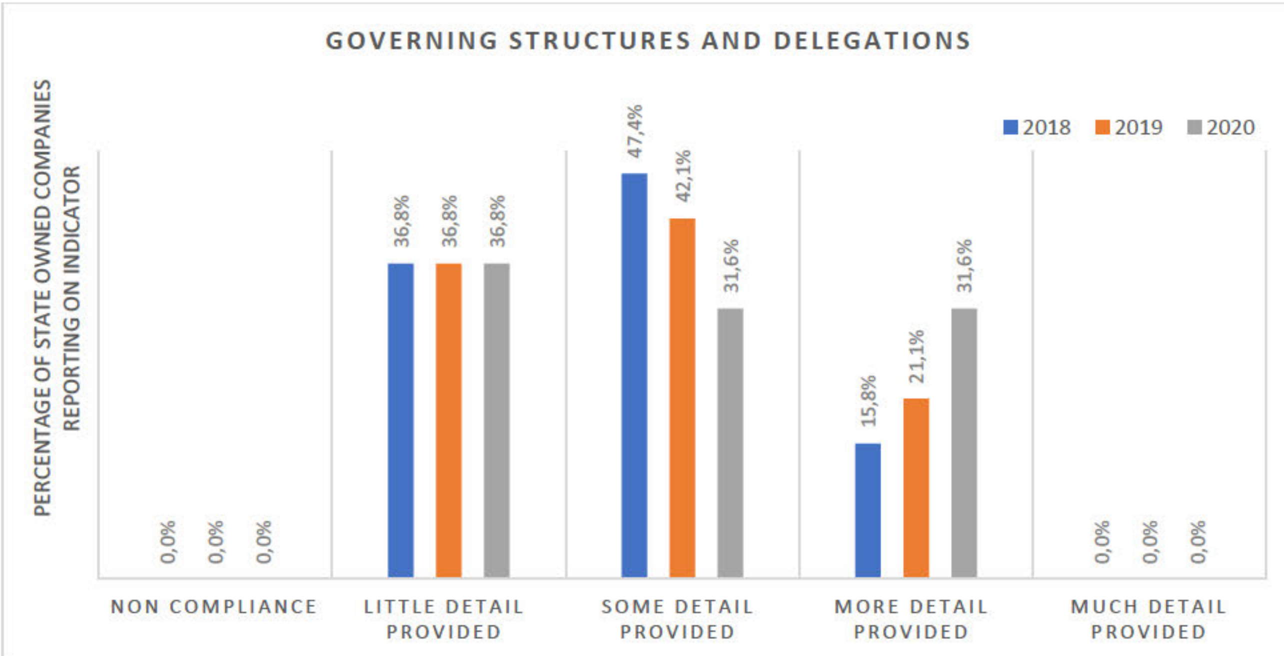

Figure 4.5: Graph representation of GOEs reporting 'Governing Structures and Delegations''

4.4.3 Governance functional areas

The observable improvement and increase in the level of disclosure by GOEs with regard to items relating to the governance functional areas improved marginally. The pattern of reporting and disclosure with regards to the governance structures and delegation's category remained average across the 3-year period with mean scores of 2.82, 2.87, and 2.97 for years 2018,2019, and 2020 respectively (Table 4.2).

The governing body should have adequate and effective control over the functional governance domains. As a result, the governing body should manage risk and opportunity in a way that helps the GOE create and meet strategic goals (Mosegare, 2016:60–70).

It can be deduced that the majority of the GOEs provided "some detail" when reporting and disclosing their governance structures and delegation status (Figure 4.6). To improve this disclosure level, the governing body or the board should govern technology and information in a way that supports the GOE and set and achieve strategic objectives (Mosegare, 2016:82). The governing body should govern compliance with the laws and ensure consideration of adherence to non-binding rules, codes, and standards. The governing body has the responsibility to ensure that the GOE remunerates fairly, responsibly, and transparently to promote the creation of value sustainably (IODSA, 2016). The percentage of GOEs that provided information regarding the subcategory of governance functional areas in "satisfactory detail" was at the highest and most significant level with percentages of 63.16%, 52.63%, and 36.84% in the years 2018, 2019, and 2020.

Perhaps, as the governing body works to guarantee that assurance results in a sufficient and effective control environment and integrity of reporting for better decision-making, this shows that there is a drive for more disclosures and sharing of more details by GOEs (IODSA, 2016). When there are insufficient resources, the shared service model should be used to put these concepts into practise.

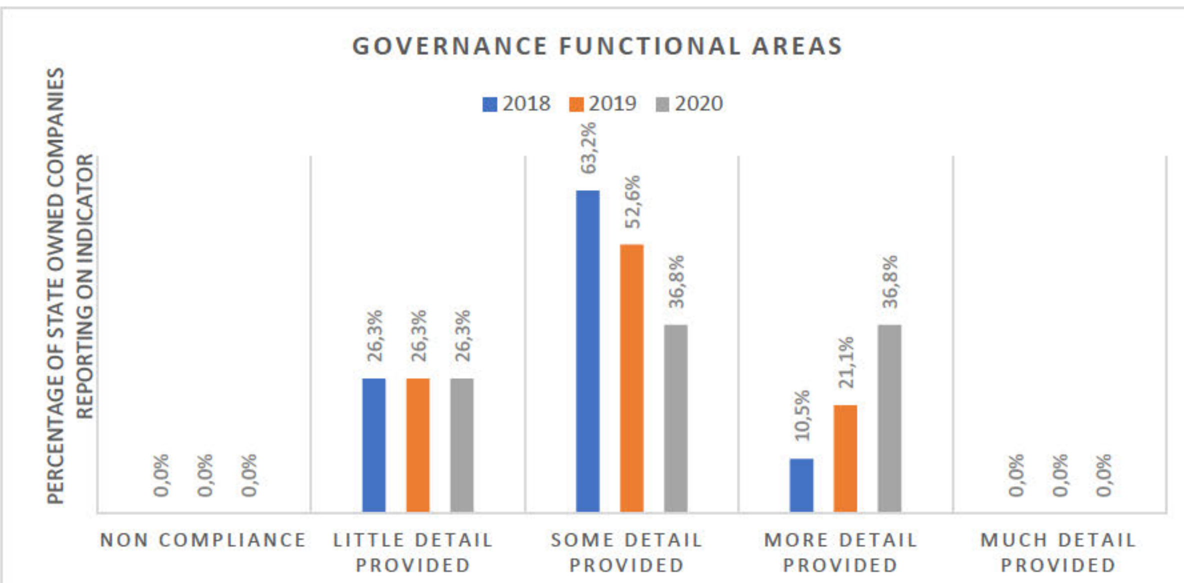

Figure 4.6: Graph representation of GOEs reporting on 'Governance Functional Areas'

4.4.4 Stakeholder relationships

The disclosure made by GOEs with regard to the stakeholder relationships category can be observed to have a year-on-year improvement with a general upward trend. The level of reporting disclosures regarding the stakeholder relationships remained average across the 3-year period with mean scores of 2.74, 2.89, and 3.05 for years 2018,2019, and 2020 respectively (Table 4.2).

It can be deduced that the majority of the GOEs provided "little detail" or "some detail" when reporting and disclosing their stakeholder relationship status (Figure 4.7). The government is the shareholder in a GOE structure, and it is expected that the governing body will make decisions that are in the best interests of the GOE while taking into account and balancing the legitimate and reasonable needs, interests, and expectations of all stakeholders (IODSA, 2016:7). Although the proportion of GOEs that submitted data on this subcategory with "little detail" remained the same, a significant increase can be observed with GOEs submitting data with "more detail", which increased from 15.79% in 2018 to 42.11% in 2020.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs. To further sustain this growth path, The board or the governing body shall make sure that the GOE appropriately executes its obligations, rights, needs, and legitimate and reasonable interests as the holder of a beneficial interest in the company's stocks. A GOE's principal responsibility under the law is to serve the community and has the right to participate in the decision-making process (IODSA, 2016:7). The practice recommendation is a part of decision-making in the GOE's best interests, a governing body to make sure the stakeholder inclusivity approach is applicable to carry out the governing body's duties as well as with regard to other stakeholders, such as employees and regulators.

Furthermore, GOE's governing bodies should take the initiative to set up citizen reviews of GOE service delivery as a performance monitoring and assessment method. Where applicable, they should also take on the duty of overseeing their GOE businesses and make sure that the business plans they produce for these entities are in line with one another (IODSA, 2016:7).

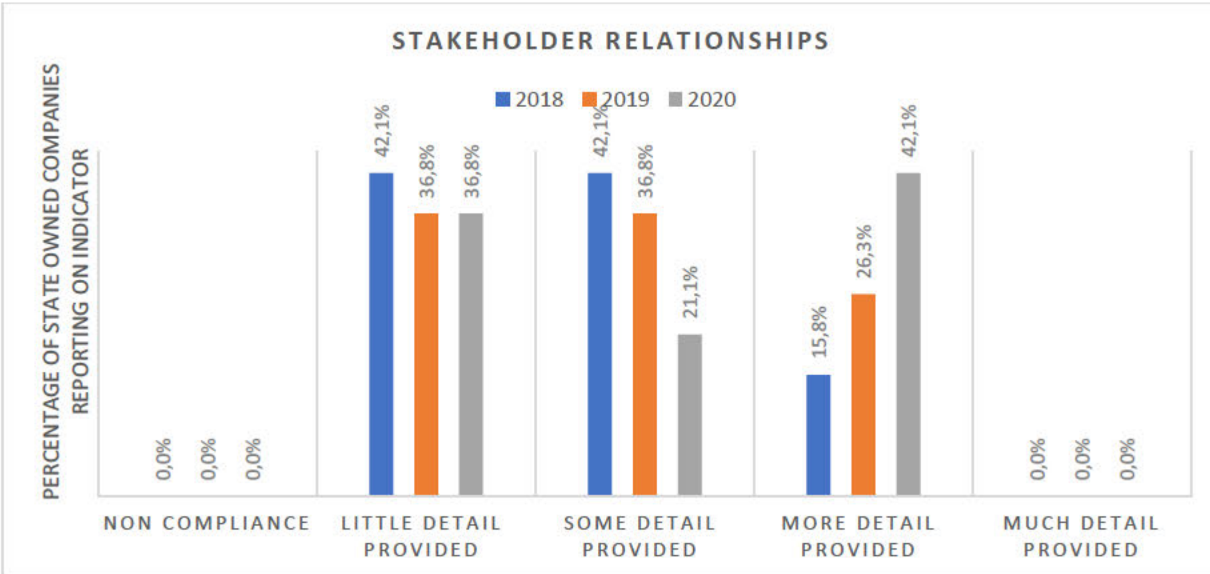

Figure 4.7: Graph representation of GOEs reporting on 'Stakeholder Relationships'

4.4.5 Connectivity of information (IR 3B)

The observable improvement and increase in the level of disclosure by GOEs with regard to items relating to the connectivity of information improved marginally from 2018- 2019 and decreased in 2020. The pattern of reporting and disclosure with regards to the connectivity of information category remained average across the 3-year period with mean scores of 3.16, 3.21, and 3.11 for years 2018,2019, and 2020 respectively (Table 4.2).

It can be deduced that the majority of the GOEs provided "some detail" when reporting and disclosing their connectivity of information status (Figure 4.8). The percentage of GOEs that provided information regarding the subcategory of connectivity of information areas in "satisfactory detail" was at the highest and most significant levelwith percentages of 84.21%, 78.95%, and 72.22% in the years 2018, 2019, and 2020.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

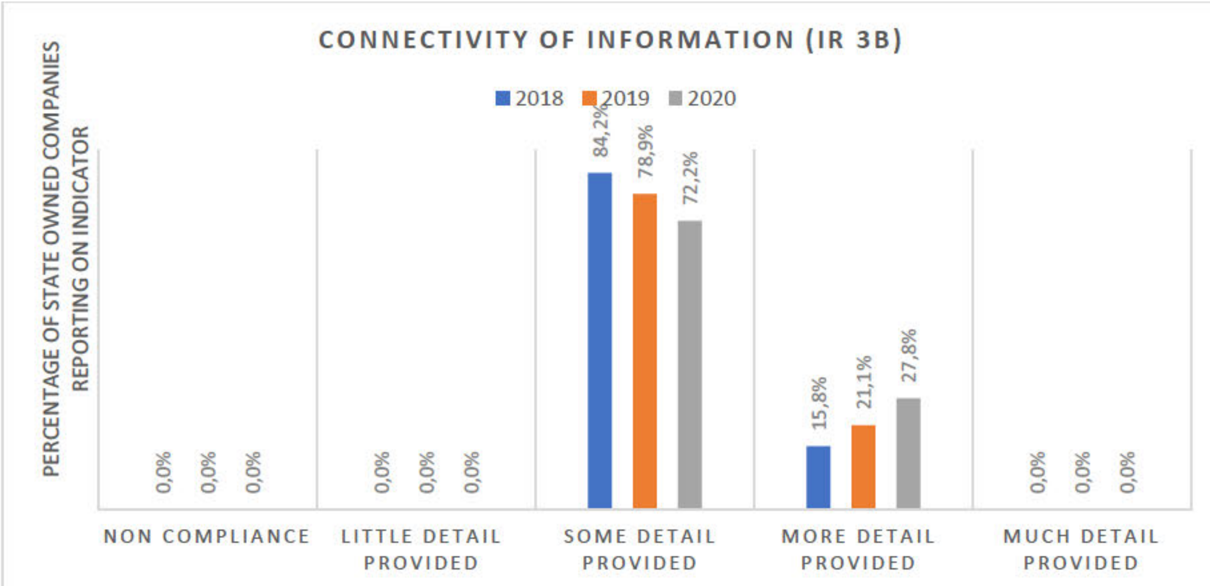

Figure 4.8: Graph representation of GOEs reporting on 'Connectivity of Information'

4.4.6 Stakeholder relationships (IR 3C)

The observable improvement and increase in the level of disclosure by GOEs with regard to items relating to stakeholder relationships improved marginally. The pattern of reporting and disclosure with regards to the stakeholders' relationships category remained average across the 3-year period with mean scores of 3.26, 3.47, and 3.53 for years 2018,2019, and 2020 respectively (Table 4.2).

It can be deduced that the majority of the GOEs provided some details when reporting and disclosing their stakeholders' relationship status (Figure 4.9). The percentage of GOEs that provided information regarding the subcategory of stakeholders' relationships areas in "satisfactory detail" was at the highest and most significant level with percentages of 84.21%, 78.95%, and 72.22% in the years 2018, 2019, and 2020.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

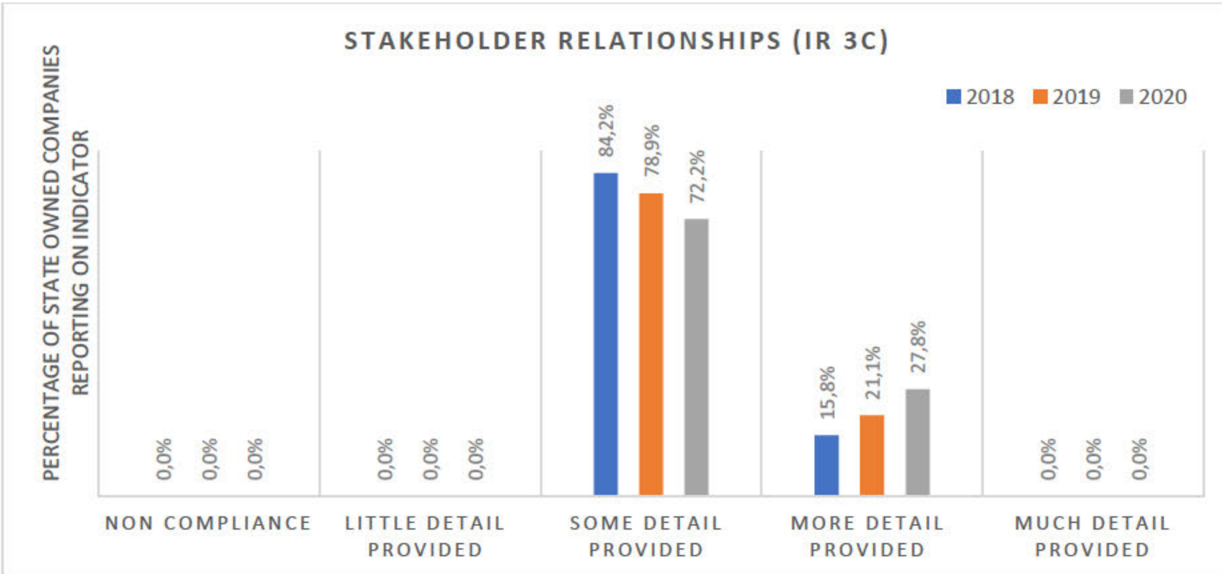

Figure 4.9: Graph representation of GOEs reporting on 'Stakeholder Relationships (IR 3C)'

4.4.7 Conciseness (IR 3E)

The disclosure made by GOEs with regard to the conciseness category can be observed to have a year-on-year improvement with a general upward trend. The level of reporting disclosures regarding conciseness remained average across the 3-year period with mean scores of 3.00, 3.05, and 3.11 for years 2018,2019, and 2020 respectively (Table 4.2).

It can be deduced that the majority of the GOEs provided "some detail" or "more detail" when reporting and disclosing their conciseness status (Figure 4.10). While the percentage of GOEs that provided "satisfactory detail" regarding this subcategory was at the highest in 2018 at 63.16%, a significant increase can be observed with GOEs providing "more detail", which increased from 31.58% in 2018 to 52.63% in 2020.

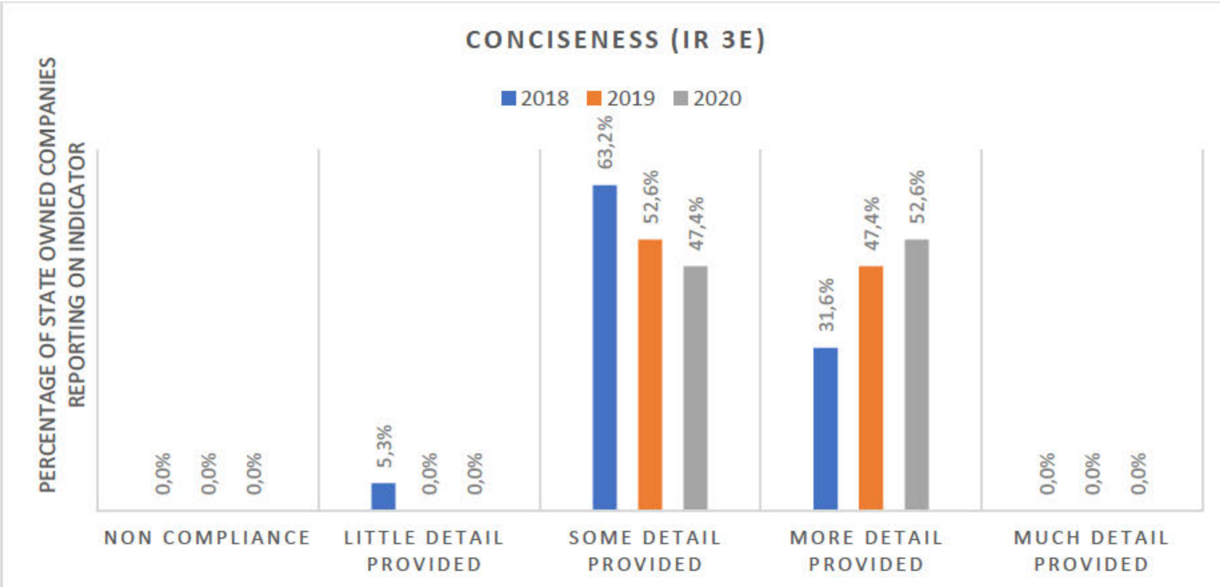

Figure 4.10: Graph representation of GOEs reporting on 'Conciseness (IR3E)'

4.4.8 Reliability and completeness (IR 3F)

The observable improvement and increase in the level of disclosure by GOEs with regard to items relating to reliability and completeness improved marginally. The pattern of reporting and disclosure with regards to the reliability and completeness category remained average across the 3-year period with mean scores of 2.74, 2.79, and 2.79 for years 2018, 2019, and 2020 respectively (Table 4.2).

Itcan be deduced that the majority of the GOEs provided "some detail" when reporting and disclosing their reliability and completeness status (Figure 4.11). The percentage of GOEs that provided information regarding the subcategory of reliability and completeness areas in "satisfactory detail" was at the highest and most significant level with percentages of 78.95%, 84.21%, and 89.47% in years 2018, 2019, and 2020.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

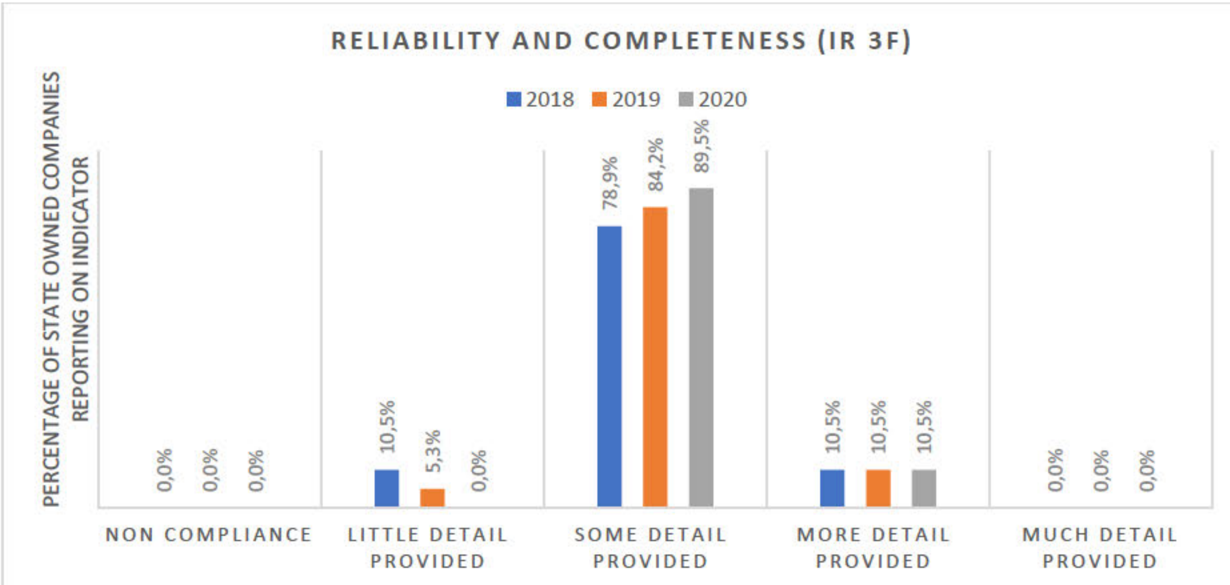

Figure 4.11: Graph representation of GOEs reporting on 'Reliability and Completeness (IR 3F)'

4.4.9 Consistency and comparability (IR 3G)

The observable improvement and increase in the level of disclosure by GOEs with regard to items relating to consistency and comparability improved marginally. The pattern of reporting and disclosure with regards to the consistency and comparability category remained average across the 3-year period with mean scores of 3.58, 3.68, and 3.68 for years 2018,2019, and 2020 respectively (Table 4.2).

Itcan be deduced that the majority of the GOEs provided "some detail" when reporting and disclosing their consistency and comparability status (Figure 4.12). The percentage of GOEs that provided information regarding the subcategory of consistency and comparability areas in "satisfactory detail" was at the highest and most significant level with percentages of 73.68%, 78.95%, and 78.95% in years 2018, 2019, and 2020.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

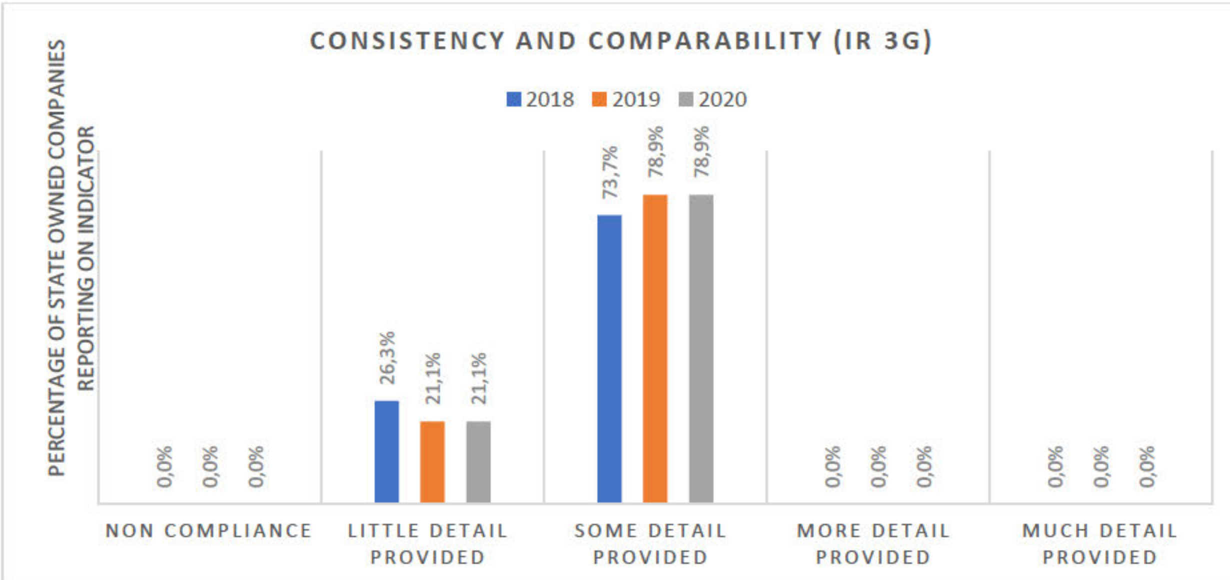

Figure 4.12: Graph representation of GOEs reporting on 'Consistency and Comparability (IR 3G)'

4.4.10 Organizational overview and external environment (IR 4A)

It is possible to see an improvement year over year and a general rising trend in the disclosure given by GOEs in relation to organisational overview and external environment category. Organisational overview and external environment reporting disclosure levels remained average over the course of the three years, with mean scores of 3.74, 3.74, and 3.74 for the years 2018, 2019, and 2020, respectively (Table 4.2).

Majority of the GOEs provided "some detail" or "more detail" when reporting and disclosing their organizational overview and external environment status (Figure 4.13). While the percentage of GOEs that provided information regarding this subcategory with "satisfactory detail" was at the highest in the year 2018 at 42.11%, a significant increase can be observed at level 4, which increased from 57.89% in 2018 to 68.42% in 2020.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

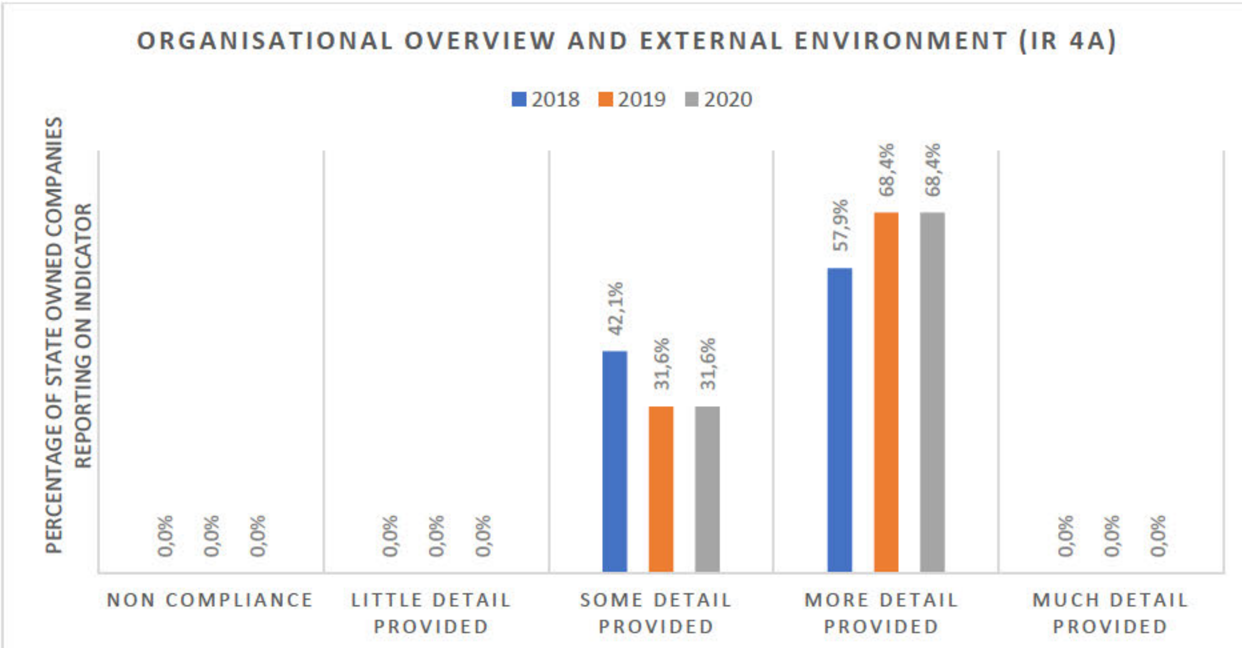

Figure 4.13: Graph representation of GOEs reporting on 'Organisational overview and external environment (IR 4A) '

4.4.11 Governance (IR 4B)

It can be shown that the disclosures provided by GOEs in the governance category have improved year over year and are generally trending upward. The degree of reporting disclosures regarding governance remained average over the course of the three years, with mean scores of 3.58, 3.58, and 3.58 for the years 2018, 2019, and 2020, respectively (Table 4.2).

It can be deduced that the majority of the GOEs provided "some detail" or "more detail" when reporting and disclosing their governance status (Figure 4.14). While the percentage of GOEs that provided information regarding this subcategory with "satisfactory detail" remained unchanged, this can also be observed with GOEs that provided "more detail", which has a steady percentage of 68.42% across the 3-year period.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

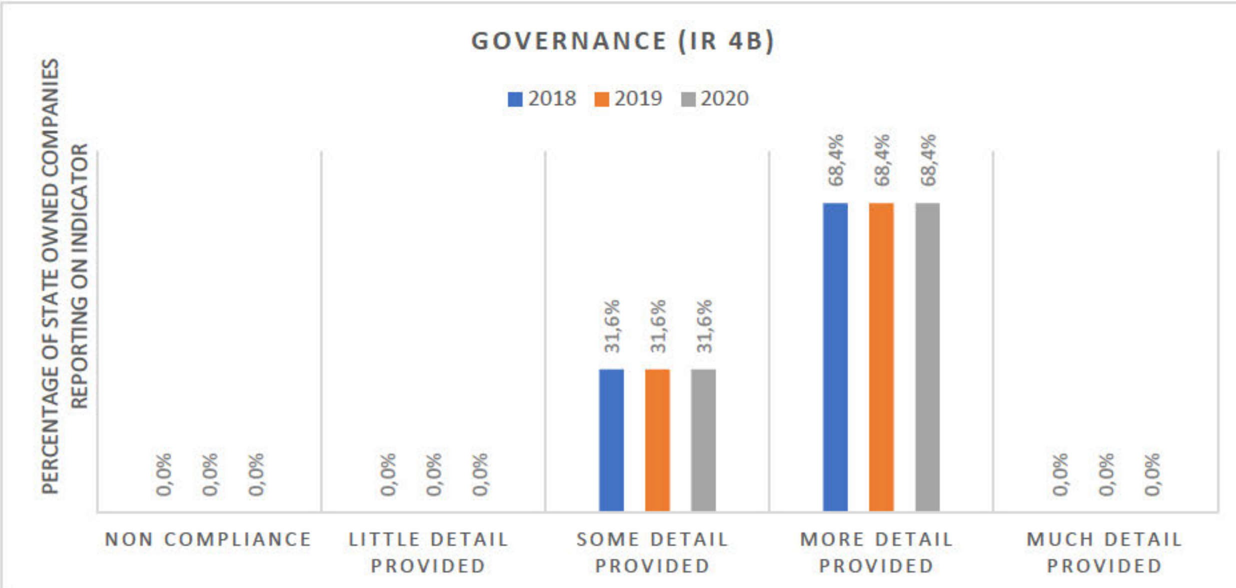

Figure 4.14: Graph representation of GOEs reporting on 'Governance (IR 4B)'

4.4.12 Business Model (IR 4C)

It can be shown that the disclosures made by GOEs in the business model category have improved year over year and are generally trending upward. With mean scores of 3.72, 3.71, and 3.71 for the years 2018, 2019, and 2020, respectively, the degree of reporting disclosures regarding business models remained average across the 3-year period (Table 4.2).

It can be deduced that the majority of the GOEs provided "some detail" or "more detail" when reporting and disclosing their business model status (Figure 4.15). While the percentage of GOEs that provided information regarding this subcategory with "satisfactory detail" remained unchanged, this can also be observed with GOEs that provided "more detail", which has a steady percentage of 57.89% across the 3-year period.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

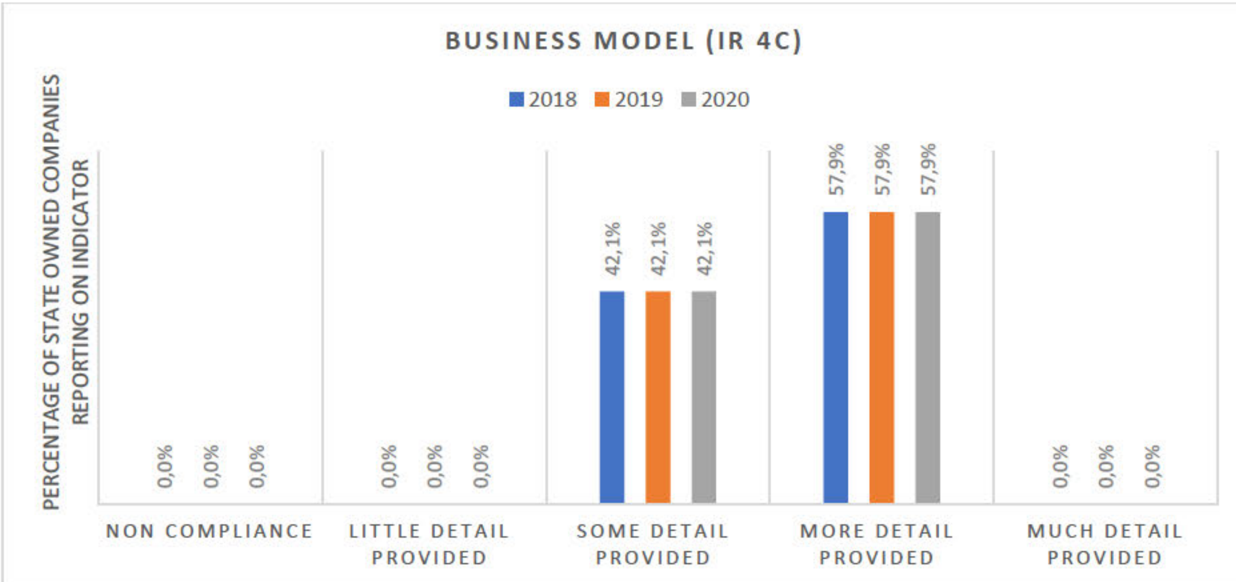

Figure 4.15: Graph representation of GOEs reporting on 'Business Model (IR 4C)'

4.4.13 Risks and opportunities (IR 4D)

It can be shown that the disclosure provided by GOEs with regard to the category of risks and opportunities has improved year over year and is generally trending upward. The degree of risk and opportunity reporting disclosures remained average throughout the course of the three years, with mean scores of 3.37, 3.37, and 3.37 for the years 2018, 2019, and 2020, respectively (Table 4.2).

It can be deduced that the majority of the GOEs provided "some detail" or "more detail" when reporting and disclosing their risks and opportunities status (Figure 4.16). While the percentage of GOEs that provided information regarding this subcategory with "satisfactory detail" remained unchanged, this can also be observed with GOEs that provided "more detail", which has a steady percentage of 78.95% across the 3-year period.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

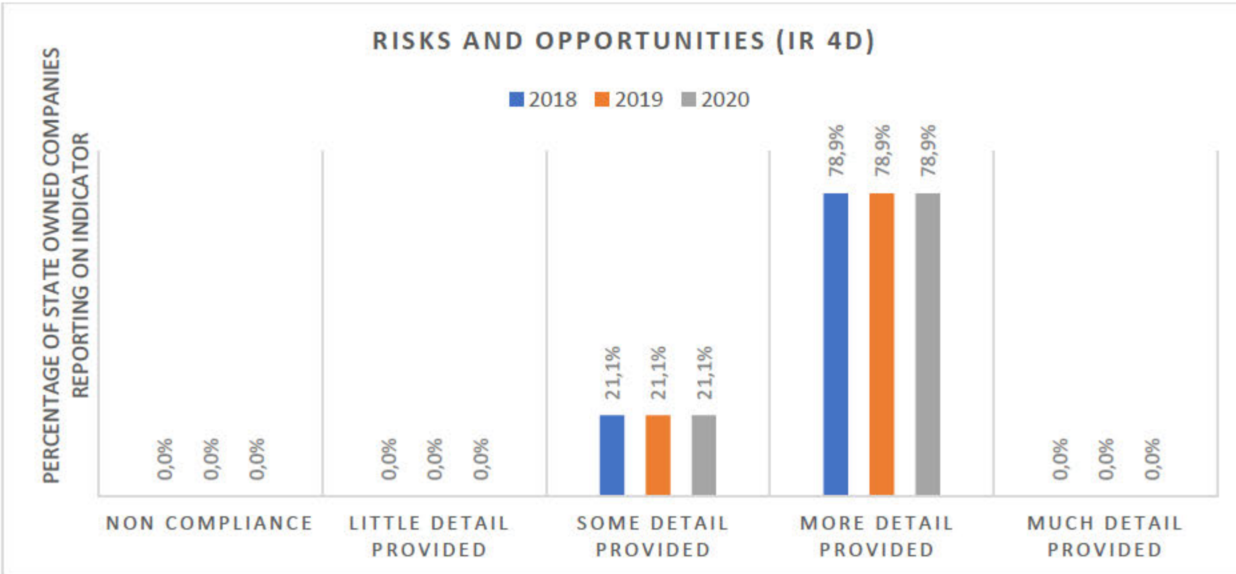

Figure 4.16: Graph representation of GOEs reporting on 'Risk and Opportunities (IR 4D)'

4.4.14 Strategy and resource allocation (IR 4E)

The disclosure made by GOEs with regards to strategy and resource allocation category can be observed to have a year-on-year improvement with the general upward trend. The level of reporting disclosures regarding strategy and resource allocation remained average across the 3-year period with mean scores of 3.00, 3.00, and 3.00 for years 2018, 2019, and 2020 respectively (Table 4.2).

It can be deduced that the majority of the GOEs provided "some detail" or "more detail" when reporting and disclosing their strategy and resource allocation status (Figure 4.16). While the percentage of GOEs that provided information regarding this subcategory with "satisfactory detail" remained unchanged with the highest percentage of 63.16%, this can also be observed with GOEs that provided "more detail", which has a steady percentage of 36.84% across the 3-year period.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

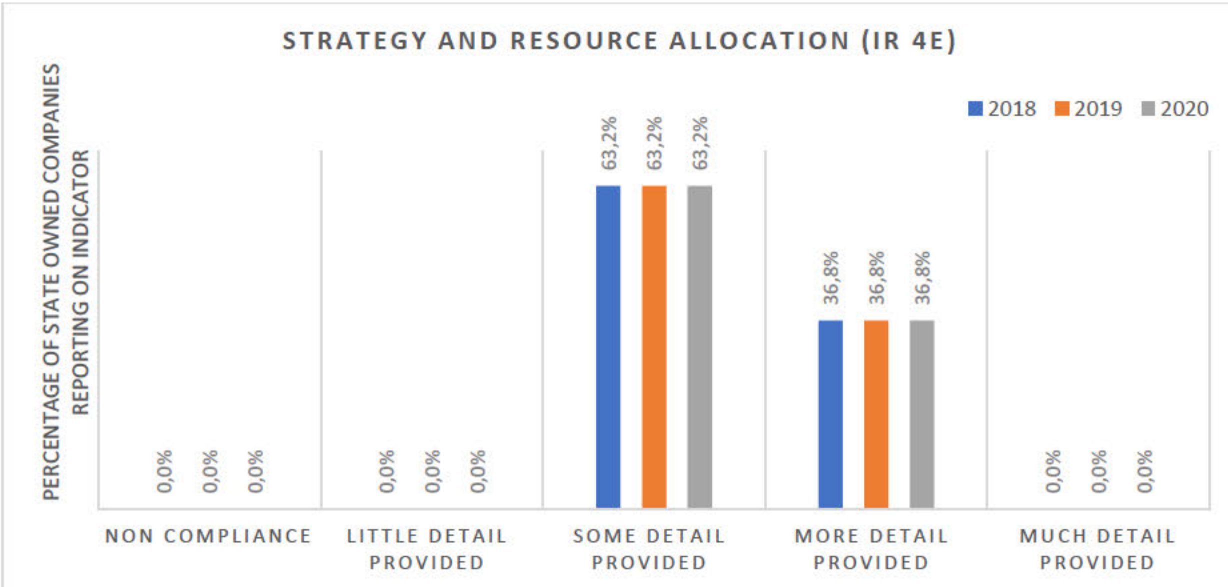

Figure 4.17: Graph representation of GOEs reporting on 'Strategy and resource allocation (IR 4E) '

4.4.15 Performance (IR 4F)

The disclosure made by GOEs with regard to performance category can be observed to have a year-on-year improvement with the general upward trend. The level of reporting disclosures regarding performance remained average across the 3-year period with mean scores of 3.21, 3.26, and 3.26 for years 2018, 2019, and 2020 respectively (Table 4.2).

It can be deduced that the majority of the GOEs provided "some detail" when reporting and disclosing their performance status (Figure 4.17). The percentage of GOEs that provided information regarding this subcategory with "satisfactory detail" remained unchanged with the highest percentage of 100%, across the 3-year period.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

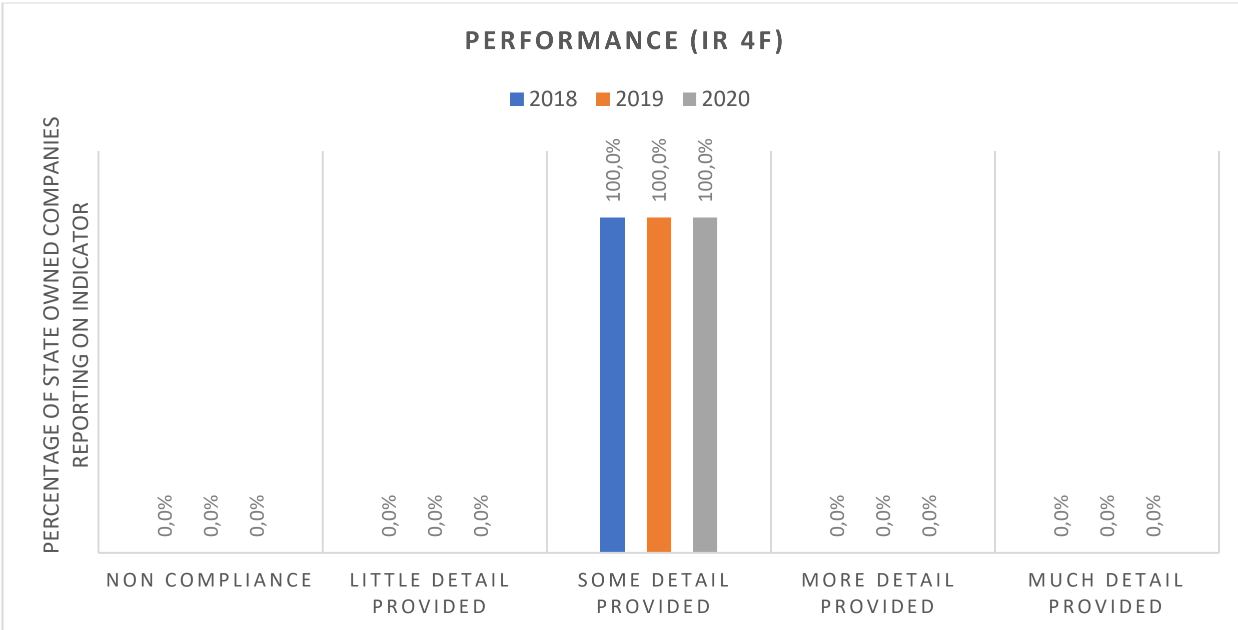

Figure 4.18: Graph representation of GOEs reporting on 'Performance (IR 4F)'

4.4.16 Outlook (IR 4G)

The disclosure made by GOEs with regard to the outlook category can be observed to have a year-on-year improvement with a general upward trend. The level of reporting disclosures regarding outlook remained average across the 3-year period with mean scores of 3.24, 3.21, and 3.21 for years 2018, 2019, and 2020 respectively (Table 4.2).

It can be deduced that the majority of the GOEs provided "some detail" or "more detail" when reporting and disclosing their outlook status (Figure 4.18). While the percentage of GOEs that provided information regarding this subcategory with "satisfactory detail" remained unchanged with the highest percentage of 94.74%, this can also be observed with GOEs that provided "more detail"4, which has a steady percentage of 5.26% across the 3-year period.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs.

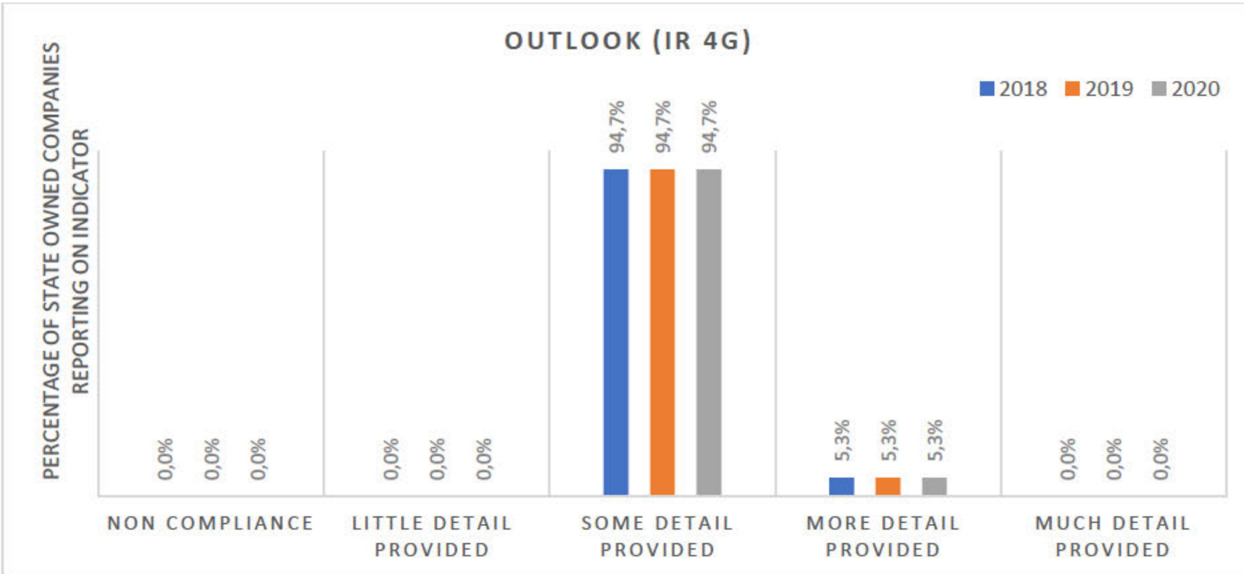

Figure 4.19: Graph representation of GOEs reporting on 'Outlook (IR 4G)'

4.4.17 Basis of preparation and presentation (IR 4H)

The observable improvement and increase in the level of disclosure by GOEs with regard to items relating to the basis of preparation and presentation improved marginally. The pattern of reporting and disclosure with regards to the basis of preparation and presentation category remained average across the 3-year period with mean scores of 3.00, 3.00, and 3.00 for years 2018, 2019, and 2020 respectively (Table 4.2).

It can be deduced that the majority of the GOEs provided "some detail" when reporting and disclosing their basis of preparation and presentation status (Figure 4.19). The percentage of GOEs that provided information regarding the subcategory of the basis of preparation and presentation areas with "satisfactory detail" was at the highest and most significant level with percentages of 89.47%, 94.74%, and 94.74% in years 2018, 2019, and 2020.

Perhaps, this suggests that there is a drive for more disclosures and sharing of more details by GOEs

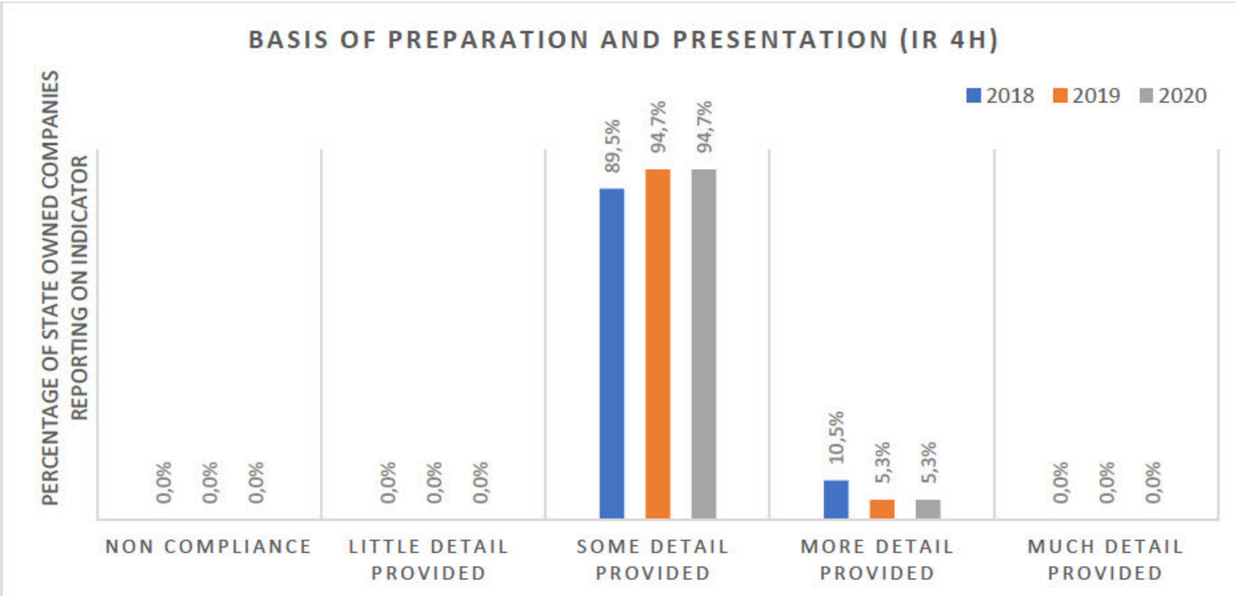

Figure 4.20: Graph representation of GOEs reporting on 'Basis of preparation and presentation (IR 4H)'

4.5 Overall observations

Table 4.3 and Figure 4.21, present the overall average level of reporting made by observed Government-owned Enterprises (GOEs) over the 3-year period, 2018 – 2020. From the analysis presented in the table and chart, it can be depicted that the overall level of disclosure of all 19 GOEs clustered around levels 3 and 4 only. In 2018, of the total observed GOEs, only 3 (16%) provided a "more detailed" disclosure level of reporting, whilst 16 (84%) provided a "some detail" disclosure level of reporting. Likewise, in 2019, of the total observed GOEs, only 4 (21%) provided a "more detailed" disclosure level of reporting, whilst 15 (79%) provided a "some detail" disclosure level of reporting. However, in 2020, of the total observed GOEs, a remarkable 7 (37%) provided a "more detailed" disclosure level of reporting, whilst 12 (63%) provided a "some detail" disclosure level of reporting.

Table 4.3: Overall average level of disclosure made by GOEs in their integrated reports

Year		Level of Disclosure

		1	2	3	4	5	Total
2018	Number of companies	0	0	16	3	0	19
	Percentage of companies	0	0	84%	16%	0	100%
2019	Number of companies	0	0	15	4	0	19
	Percentage of companies	0	0	79%	21%	0	100%
2020	Number of companies	0	0	12	7	0	19
	Percentage of companies	0	0	63%	37%	0	100%

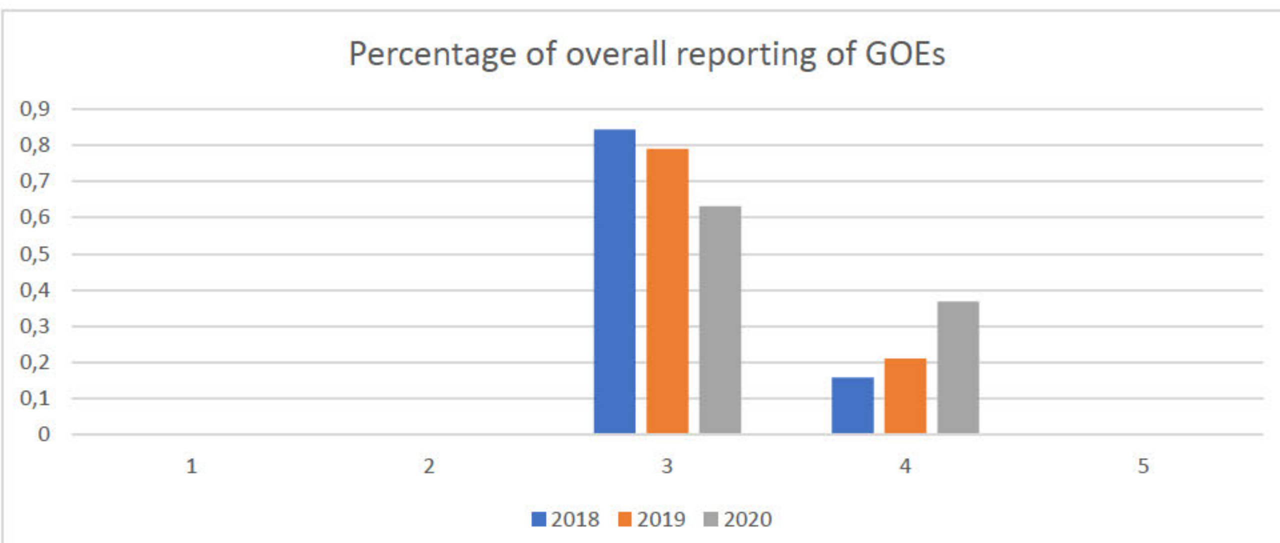

Figure 4.21: Graph representation of GOEs 'overall reporting'

Thus, based on the analysis of the overall scores across all reporting metrics tested in this research inquiry, it is clear that the level of disclosure of Government-owned Enterprises (GOEs) in general has witnessed a steady and consistent upward trend from the year 2018 to 2020. This implies that Government-owned Enterprises (GOEs) are increasingly more inclined to disclose and report more details of their performance in their yearly integrated reports. This is further proven by the steady increase in the overall average scores per year which are: 3.10, 3.15, and 3.20 for years 2018, 2019, and 2020 respectively.

4.6 Conclusion

Based on the empirical data from the analysis, it is clear and conclusive that the level of reporting and disclosure of GOEs has improved consistently over the years. This assertion is based on the evident adoption and the upward trend in the application of the Integrated Reporting (IR) framework for integrated reporting by the GOEs. Whilst the overall average level of disclosure is good, there is without debate a necessity for improvement in some critical areas highlighted in this research investigation. Notably among these areas are leadership, governance, stakeholder relationships, organizational ethics, and corporate citizenship.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This study's objective was to assess the developments in integrated reporting among South African government-owned businesses. The examination of the GOEs' annual and integrated reports, which are included in Schedule 2 of the PFMA and prepared in accordance with King IV and the Integrated Reporting (IR) Framework, served as the basis for this assessment. For each GOE, this evaluation was conducted across the fiscal years 2018, 2019, and 2020. The disclosure levels presented in the integrated and annual reports of the GOEs were calculated and compared to the disclosure ranking scorecard in order to properly analyze the levels of transparency among the GOEs. In this scorecard, degrees of disclosures were graded from level 1 to level 5 in the following categories: non-compliance, little information, some detail, more detail, and extensive detail. The research calculated the mean scores for the GOEs' degree of disclosure based on each subcategory of indicators and the overall indicators as a whole to achieve a thorough and reliable analysis. Additionally, the percentage evaluation of the numerical mean scores was done in order to comprehend the percentage levels of disclosures throughout the various GOEs. The Friedman and Spearman rho tests were also used in the research (see Chapter 4) to determine whether or not disclosure levels have improved and if a trend in reporting disclosure of GOEs could be identified.

The level of disclosure of GOEs has a pattern of a steady and consistent upward trend from the financial years 2018 to 2019, and from the financial years 2019 to 2020, based on the analysis of the overall results of the trends across all reporting metrics tested in this research inquiry. Furthermore, the Chi-square test's findings further demonstrated that the increase in government-owned enterprises' (GOEs') level of disclosure from the fiscal years 2018 to 2019 and from the fiscal years 2019 to 2020 is statistically significant. Additionally, it was discovered that from 2018 to 2020, the total mean scores for each year showed a consistent and rising trend in the degree of disclosures made by Government-owned Enterprises (GOEs). Government-owned Enterprises (GOEs) are progressively more likely to reveal and publish more information about their performance in their annual integrated reports, despite the fact that there are still areas that need improvement.

This assumption was further supported by a clinical examination of the 19 Government-owned Enterprises' (GOEs') total degree of disclosure across the 5 category categories of disclosure scorecard. Despite the fact that none of the 19 Government-owned Enterprises (GOEs) had overall scores of 1 or 2, which represent "non-compliance" and "minimal disclosure," no GOE was able to achieve the overall score of level 5 disclosure, which represents "full disclosure," according to the review's findings. However, the analysis's findings showed that the 19 GOEs' combined degree of disclosure only varied between levels 3 and 4, which correspond to average and adequate disclosures, respectively.

This level of disclosure thus indicates that, despite the Government-owned Enterprises' (GOEs') current disclosure and reporting levels being generally satisfactory, there is still room for improvement in the areas that have been pointed out as needing attention in order to achieve more thorough and satisfactory disclosures across all domains. In addition, this study identified the reliability and completeness (IR 3F), stakeholder relationships, governance functional areas, governing structures and delegations, leadership, organizational ethics, and corporate citizenship as the lagging areas crucial for enhancing the levels of disclosures and reporting of the Government-owned Enterprises (GOEs). Similarly, consistency and comparability, organizational overview and external environment (IR4a), governance (IR4b), and business model (IR 4c) are the top areas where Government-owned Enterprises (GOEs) succeeded. Furthermore, it was noted that the adoption and implementation of the Integrated Framework reporting improves the level of disclosure of the Government-owned Enterprises (GOEs), as it provides a reliable foundation for disclosing performance levels across standardized metrics and indicators.

Comparing the implementation of the integrated reporting system in South African public and private entities will provide interesting research for the future. It would also be fascinating to investigate the economic benefits that South African Government-owned Enterprises (GOEs) have received from the implementation of the integrated reporting system.

This study contributes to the understanding of integrated reporting and disclosure in South Africa, particularly among South African government owned entities. Based on the general findings of the study as succinctly discussed in this chapter, the study adds to empirical knowledge on the application of integrated reporting framework, especially within public sector. In this dimension, the study contributes to the notion that the framework can be a veritable tool for ensuring accountability and performance management even in public institutions. In addition to this, the study further contributes to understanding the adoption and implementation of the integrated reporting framework in government entities. From this standpoint, the study evident successful applicable methodology as well as focus implementation areas for long term improvements.

Hence, the research contribution of this study is essential for policy formulation, implementation and development on improving reporting, disclosures and overall accountability of government owned entities. More so, as an exhaustive scientific investigation, this research work further contributes to the existing body of empirical knowledge on themes such as integrated reporting, public sector reporting, government owned entities in South Africa, et cetera.

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APPENDICES

APPENDIX A - Table 3.1: Rating Scale

Score	Indicator	Classification
1	The report provides no information on the requirement.	(Non-compliance)
2	The report provides a small amount of details/information on the requirement.	(Poor/average)
3	The report provides satisfactory details/information on the requirement.	(Satisfactory)
4	The report provides more details/ information on the requirement.	(Good)
5	The report provides a large amount of details/information on the requirement.	(Excellent)

Adapted from Surty (2016)

APPENDIX B - Table 4.4: The percentage of GOE that reported on each subcategory of indicators and the levels of disclosure the companies scored on average

Higher classification		Score per year	Statistical Value					
			1	2	3	4	5	Total
			Non-compliance	Little detail provided	Some detail provided	More detail provided	Much detail provided	
1	Leadership, organizational ethics, and corporate citizenship	2018	0	7	9	3	0	19
			0,00%	36,84%	47,37%	15,79%	0,00%	100,00%
		2019	0	7	8	4	0	19
			0,00%	36,84%	42,11%	21,05%	0,00%	100,00%
		2020	0	7	5	7	0	19
			0,00%	36,84%	26,32%	36,84%	0,00%	100,00%
2	Governing structures and delegations	2018	0	7	9	3	0	19
			0,00%	36,84%	47,37%	15,79%	0,00%	100,00%
		2019	0	7	8	4	0	19
			0,00%	36,84%	42,11%	21,05%	0,00%	100,00%
		2020	0	7	6	6	0	19
			0,00%	36,84%	31,58%	31,58%	0,00%	100,00%
3	Governance functional areas	2018	0	5	12	2	0	19
			0,00%	26,32%	63,16%	10,53%	0,00%	100,00%
		2019	0	5	10	4	0	19
			0,00%	26,32%	52,63%	21,05%	0,00%	100,00%

Higher classification		**Score per year**	**Statistical Value**					
			1	**2**	**3**	**4**	**5**	**Total**
			Non-compliance	**Little detail provided**	**Some detail provided**	**More detail provided**	**Much detail provided**	
		2020	0	5	7	7	0	19
			0,00%	26,32%	36,84%	36,84%	0,00%	100,00%
4	Stakeholder relationships	2018	0	8	8	3	0	19
			0,00%	42,11%	42,11%	15,79%	0,00%	100,00%
		2019	0	7	7	5	0	19
			0,00%	36,84%	36,84%	26,32%	0,00%	100,00%
		2020	0	7	4	8	0	19
			0,00%	36,84%	21,05%	42,11%	0,00%	100,00%
5	Connectivity of information (IR 3B)	2018	0	0	16	3	0	19
			0,00%	0,00%	84,21%	15,79%	0,00%	100,00%
		2019	0	0	15	4	0	19
			0,00%	0,00%	78,95%	21,05%	0,00%	100,00%
		2020	0	0	13	5	0	18
			0,00%	0,00%	72,22%	27,78%	0,00%	100,00%
6	Stakeholder relationships (IR 3C)	2018	0	0	16	3	0	19
			0,00%	0,00%	84,21%	15,79%	0,00%	100,00%
		2019	0	0	15	4	0	19

Higher classification		Score per year	Statistical Value					
			1	2	3	4	5	Total
			Non-compliance	Little detail provided	Some detail provided	More detail provided	Much detail provided	
			0,00%	0,00%	78,95%	21,05%	0,00%	100,00%
		2020	0	0	13	5	0	18
			0,00%	0,00%	72,22%	27,78%	0,00%	100,00%
7	Conciseness (IR 3E)	2018	0	1	12	6	0	19
			0,00%	5,26%	63,16%	31,58%	0,00%	100,00%
		2019	0	0	10	9	0	19
			0,00%	0,00%	52,63%	47,37%	0,00%	100,00%
		2020	0	0	9	10	0	19
			0,00%	0,00%	47,37%	52,63%	0,00%	100,00%
8	Reliability and completeness (IR 3F)	2018	0	2	15	2	0	19
			0,00%	10,53%	78,95%	10,53%	0,00%	100,00%
		2019	0	1	16	2	0	19
			0,00%	5,26%	84,21%	10,53%	0,00%	100,00%
		2020	0	0	17	2	0	19
			0,00%	0,00%	89,47%	10,53%	0,00%	100,00%
9	Consistency and	2018	0	5	14	0	0	19
			0,00%	26,32%	73,68%	0,00%	0,00%	100,00%

Higher classification		Score per year	Statistical Value 1 Non-compliance	2 Little detail provided	3 Some detail provided	4 More detail provided	5 Much detail provided	Total
	comparability (IR 3G)	2019	0	4	15	0	0	19
			0,00%	21,05%	78,95%	0,00%	0,00%	100,00%
		2020	0	4	15	0	0	19
			0,00%	21,05%	78,95%	0,00%	0,00%	100,00%
10	Organizational overview and external environment (IR 4A)	2018	0	0	8	11	0	19
			0,00%	0,00%	42,11%	57,89%	0,00%	100,00%
		2019	0	0	6	13	0	19
			0,00%	0,00%	31,58%	68,42%	0,00%	100,00%
		2020	0	0	6	13	0	19
			0,00%	0,00%	31,58%	68,42%	0,00%	100,00%
11	Governance (IR 4B)	2018	0	0	6	13	0	19
			0,00%	0,00%	31,58%	68,42%	0,00%	100,00%
		2019	0	0	6	13	0	19
			0,00%	0,00%	31,58%	68,42%	0,00%	100,00%
		2020	0	0	6	13	0	19
			0,00%	0,00%	31,58%	68,42%	0,00%	100,00%
12		2018	0	0	8	11	0	19

Higher classification		Score per year	Statistical Value					
			1	2	3	4	5	Total
			Non-compliance	Little detail provided	Some detail provided	More detail provided	Much detail provided	
	Business Model (IR 4C)		0,00%	0,00%	42,11%	57,89%	0,00%	100,00%
		2019	0	0	8	11	0	19
			0,00%	0,00%	42,11%	57,89%	0,00%	100,00%
		2020	0	0	8	11	0	19
			0,00%	0,00%	42,11%	57,89%	0,00%	100,00%
13	Risks and opportunities (IR 4D).	2018	0	0	4	15	0	19
			0,00%	0,00%	21,05%	78,95%	0,00%	100,00%
		2019	0	0	4	15	0	19
			0,00%	0,00%	21,05%	78,95%	0,00%	100,00%
		2020	0	0	4	15	0	19
			0,00%	0,00%	21,05%	78,95%	0,00%	100,00%
14	Strategy and resource allocation (IR 4E)	2018	0	0	12	7	0	19
			0,00%	0,00%	63,16%	36,84%	0,00%	100,00%
		2019	0	0	12	7	0	19
			0,00%	0,00%	63,16%	36,84%	0,00%	100,00%
		2020	0	0	12	7	0	19
			0,00%	0,00%	63,16%	36,84%	0,00%	100,00%

Higher classification		**Score per year**	**Statistical Value**					
			1	**2**	**3**	**4**	**5**	**Total**
			Non-compliance	**Little detail provided**	**Some detail provided**	**More detail provided**	**Much detail provided**	
15	Performance (IR 4F)	2018	0	0	19	0	0	19
			0,00%	0,00%	100,00%	0,00%	0,00%	100,00%
		2019	0	0	19	0	0	19
			0,00%	0,00%	100,00%	0,00%	0,00%	100,00%
		2020	0	0	19	0	0	19
			0,00%	0,00%	100,00%	0,00%	0,00%	100,00%
16	Outlook (IR 4G)	2018	0	0	18	1	0	19
			0,00%	0,00%	94,74%	5,26%	0,00%	100,00%
		2019	0	0	18	1	0	19
			0,00%	0,00%	94,74%	5,26%	0,00%	100,00%
		2020	0	0	18	1	0	19
			0,00%	0,00%	94,74%	5,26%	0,00%	100,00%
17	Basis of preparation and presentation (IR 4H)	2018	0	0	17	2	0	19
			0,00%	0,00%	89,47%	10,53%	0,00%	100,00%
		2019	0	0	18	1	0	19
			0,00%	0,00%	94,74%	5,26%	0,00%	100,00%
		2020	0	0	18	1	0	19

Higher classification		**Score per year**	**Statistical Value**					
			1	**2**	**3**	**4**	**5**	**Total**
			Non-compliance	**Little detail provided**	**Some detail provided**	**More detail provided**	**Much detail provided**	
			0,00%	0,00%	94,74%	5,26%	0,00%	100,00%

ETHICAL CLEARANCE

UNIVERSITY OF KWAZULU-NATAL
INYUVESI YAKWAZULU-NATALI

14 October 2020

Miss Ayesha Omarjee (220101352)
School Of Acc Economics&Fin
Westville

Dear Miss Ayesha Omarjee,

Protocol reference number: 00007269
Project title: An analysis of the trends in integrated reporting by South African government-owned enterprises

Exemption from Ethics Review

In response to your application received on 12 October 2020, your school has indicated that the protocol has been granted **EXEMPTION FROM ETHICS REVIEW.**

Any alteration/s to the exempted research protocol, e.g., Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through an amendment/modification prior to its implementation. The original exemption number must be cited.

For any changes that could result in potential risk, an ethics application including the proposed amendments must be submitted to the relevant UKZN Research Ethics Committee. The original exemption number must be cited.

In case you have further queries, please quote the above reference number.

PLEASE NOTE:
Research data should be securely stored in the discipline/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours sincerely,

[redacted] 14 October 2020

Prof Josue Mbonigaba
Academic Leader Research
School Of Acc Economics&Fin

UKZN Research Ethics Office
Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X54001, Durban 4000
Website: http://research.ukzn.ac.za/Research-Ethics/

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