



CS PART III SECTION 5

GOVERNANCE AND ETHICS

FRIDAY: 27 November 2020.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

LAKESIDE FERRY LIMITED (LFL)

Lakeside Ferry Limited (LFL) is a public limited company that provides both vehicle and passenger ferry services on a border lake connecting two landlocked Countries in Central Africa. The company was established in Maloa, a landlocked country in 1946 during the colonial period to promote commerce and international relations between Maloa and its neighbours.

LFL has had a good corporate governance reputation and has received a number of governance awards over the years. In 2016, LFL was ranked fourth in a Corporate Governance Index administered by the Country's Corporate Secretarial Professional Body. The award assessed participating institutions; corporate governance, transparency, stakeholder relations, legal compliance and compliance with varied codes of corporate governance, structure of the board, directors compensation, integrated reporting and corporate social responsibility.

LFL believes in effective board and executive management, board composition, diversity and experience are key parameters in the appointment of board members. LFL believes that board diversity brings in new skills and perspectives to the board. Term limits also ensure board members are constantly changed to ensure an independent and diverse board. The board is led by a Chairman and other non-executive board members who hold directorships in other organisations and bring a wealth of board experience.

In 2016 LFL had a board of nine members, six executive and three non-executive and four board Committees. These were Audit Committee, Remuneration Committee, Finance Committee and Nomination Committee.

In the past couple of years LFL board has experienced significant changes in board and executive management. Four senior managers have left the Company. They held key positions such as Chief Finance Officer, Chief Maintenance Officer, Chief Operating Officer and Chief Manager Corporate Communications.

In the financial year 2017/2018 two non-executive directors resigned citing personal reasons and there was no reappointment leaving LFL with only seven directors. Despite being a public organisation, LFL had a good financial performance and safety track record. However, it had its own challenges the most pressing being overcrowding on the ferries. Other customer complaints have been on long queues, lateness and pick pockets on the ferries. In 2018, LFL announced a fare hike of 3% citing rising costs of fuel in international oil markets. The previous fare hike had been in 2010. Commuters grudgingly accepted the fare hike but on the other hand expected better services. The commuters felt that despite the hike, there was no improvement in service delivery leading to increased discontent among them.

On the morning of 17 November 2018, LFL services experienced a major disruption. Two ferries, one on the South-West service and another on the Middle Service stalled Mid-lake leaving passengers stranded on the ferries and onshore. Engineers were dispatched and were able to carry out repair after two hours, after which the ferry services resumed. Again on 8 December 2018 ferry services were disrupted on the East-North service when two ferries collided mid-lake. There were no fatalities but a number of passengers were injured and two vehicles were tossed overboard and sunk. The management reassigned one ferry from the Middle line to serve the East-North service as salvage and recovery activities went on. After three days of transport chaos and public outcry, LFL contracted one of the small private ferry to ease services. Commuters complained that this was too little too late. Also during the crisis, the company issued a number of contradictory statements and inaccurate information which it later corrected.

