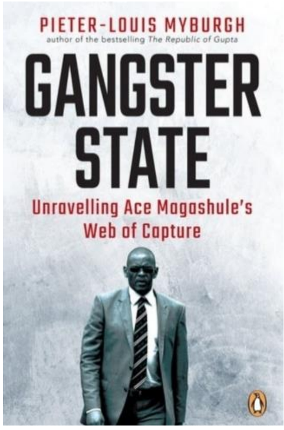
Lucidum Literature Review

Title	**Gangster State** Unravelling Ace Magashuyle's Web of Capture		
Author	**Pieter-Louis Myburgh**		
Published	2019 by Penguin Books		
Review By	**Christelle Marais (Executive Director, Lucidum)**		
Review Date	September 2019		
		Relevance	**Overall Rating**
Lessons For	Directors, Prescribed Officers, Executives	10	
	Governance Officers, Company Secretaries	10	
	Ethics Officers, Risk Managers, Compliance Managers	10	
	Audit Professionals	10	**9**
	Strategy Professionals	7	
	Line Managers	7	



Synopsis

Reading 'Gangster State', one is struck by the many people who warned about what was happening in the Free State, such as Patrick Lekota, who's highlighting of concerns went ignored (at best) and purposely thwarted (at worst); the Goldhawk report, with scathing findings on irregular loans; the Auditor-General, with many reports on the lack of financial controls and disregard for legislative compliance; Beatrice Marshoff, trying to appoint effective MECs, but instructed to appoint Ace Magashule; and Noby Ngombane, whose efforts to implement oversight of the Free State municipalities' spending may have cost him his life. One wonders what Presidents Nelson Mandela and Thabo Mbeki would say about the fact that they wished away the warnings, tip-toed around the issues and bowed to public and party pressures (diplomatically trying to keep a fragile governing system stable, but creating huge future problems for many people, not least of which is the legitimacy of government in the eyes of the citizens of our country). What is most concerning is the clear demonstration of how workplace fear and malicious manipulation was used to great effect to direct people's behaviours – a condition precedent in our country's psyche that continues to deny our people the benefits of democracy.

Key Concept: Fear

A distressing, and often debilitating emotion induced by real or imagined impending danger that invokes a fight, flight, or freeze reaction, and (in the absence of a real or perceived alternative) makes people manipulable.

Quotes:

"Ace had the ability to instil a deathly fear in people. Those who did not obey his orders were threatened with redeployment, suspension, or demotion. He was in control of people's careers, their futures, so they did as he asked them to do."

"This book and the myriad media reports over the years should contain enough material to at least prompt the authorities to begin looking in the right places. But that will only happen once the Hawks, the SAPS, and the NPA are released from the clutches of their captors."

"Ramaphosa's 'new dawn' has so far been just that – a faint glimmer of hope peeking over the horizon. What this country needs now is direct sunlight."

Practical Tips

- Executives and Board/Governing Body Members must have an exemplary understanding of what the risk management process should deliver to them to govern ethically and effectively. Risk reports must be read with more than a 'compliance'-mindset, negation of risk-related accountabilities must be dealt with, Executives and Management must be held to account visibly, risk reports should be unredacted, and risk information must flow unfettered,
- Active decisions must be made when risk appetite, risk tolerance, and risk bearing capacity is breached. The preventive link between such breaches and the organisation's 'going concern' status must be clearly defined, and proactive decisions must be aligned.
- Risk managers must build exemplary business acumen. Without a meticulous understanding of business processes in a well governed organisation should work, risk managers can only rely on second-hand information. Without the technical know how to interrogate what is said in risk workshops and which leads to risk-based decisions, risk managers will fail in their duty to be an effective second line of defense and/or third line of assurance.

Think About

- Executives, directors, society leaders, political heads, and members of parliament should –
  - understand that operating within 'risk appetite'-levels when pursuing an 'ethical culture', 'legitimacy', 'good performance' and 'effective control' will help organisations succeed;
  - enable risk managers and include them in key decisions (to integrate all risk-related information across entire organisations) to inform risk and assurance related decisions;
  - heed warnings that expose the risk of wrongdoing; from the Free State to Steinhoff, it is clear that organisations can only tolerate so much – once the tolerance threshold has been breached, there is no turning back.
- Risk managers, auditors, ethics officers, and compliance officers should recognise organisational and/or professional fear as a root cause for the fraud, corruption, and governance failure risks.

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