2025/06/09

Director Accountability: Global Lessons for South African Boards from the ASIC v Star Entertainment Case

The Australian Federal Court's landmark ruling in *ASIC v Star Entertainment* has sent shockwaves through boardrooms worldwide. Justice Michael Lee's blunt message: "*If you take the fees, do the work*"— resonates deeply in South Africa's corporate governance landscape, where director accountability is already enshrined in law but tested by high-profile failures. This case, alongside recent South African precedents and innovative tools like Corethix's Integrity Risk Index (IRI), offers critical insights for boards navigating evolving fiduciary expectations.

The Star Entertainment Precedent: A Wake-Up Call for Directors

In December 2022, ASIC launched civil penalty proceedings against 11 current and former Star directors and executives for alleged breaches of their statutory duty of care under Australia's *Corporations Act*. The case centred on failures to address money laundering risks linked to high roller "junket" operators, with executives accused of ignoring red flags, including cash deliveries in paper bags to private gaming rooms.

Justice Lee's rebuke of directors who claimed board materials were "*too difficult*" to scrutinise underscores a universal truth: **remuneration creates obligation**. His ruling reinforces that directors must exercise "an inquiring mind" rather than relying on passive assurances from management. Two former Star executives faced penalties of $180,000 and $60,000 respectively, alongside disqualification from future corporate roles.

South Africa's Legal Framework: Stronger Teeth, Sharper Consequences

South Africa's *Companies Act 71 of 2008* and *King IV Report* impose even stricter accountability measures. Key provisions include:

- **Section 76(3)**: Directors must act with care, skill, and diligence, taking "*reasonably diligent steps*" to inform themselves.
- **Section 77**: Personal liability for directors who "*acquiesce*" in reckless or fraudulent conduct.
- **Section 162**: Courts may declare directors "*delinquent*" for life for gross negligence or breaches of fiduciary duty.

Recent cases demonstrate enforcement consistency:

1. **OUTA v Myeni** (15996/2017) [2020] ZAGPPHC 779: Former SAA chair Dudu Myeni was declared a delinquent director for life after approving irregular transactions and undermining governance.
2. **Venator Africa v Watts** (053/2023) [2024] ZASCA 60; 2024 (4) SA 539 (SCA): Directors faced liability for enabling fraudulent SARS payments, with the SCA affirming that passive oversight constitutes recklessness.
3. **Ryan v Groenendaal** (12142/2022) [2022] ZAGPJHC 309: A *de facto* director controlling finances without formal appointment was held liable, proving accountability follows substantive control, not titles.

Comparative Insights: Australia vs. South Africa

Aspect	Australia (ASIC v Star)	South Africa
Legal Basis	*Corporations Act 2001* (s180)	*Companies Act 2008* (ss76–77) + *King IV*
Enforcement Focus	Non-financial risks (AML, criminal associations)	Financial misconduct, fraud, reckless trading
Penalties	Fines, disqualification	Delinquency declarations, personal liability, asset seizure

Implications for South African Boards

1. **Beyond Compliance to Active Oversight**
   Directors must move beyond box-ticking exercises. The *Star* case shows that reliance on management reports without critical engagement is indefensible. Tools like Corethix's Integrity Risk Index (IRI) provide real-time insights into the effectiveness of conduct risk programs, enabling boards to proactively address issues. South African boards should implement:

- Enhanced due diligence: Regular third-party audits of high-risk areas (e.g., AML, ESG compliance).
- **Board education**: Mandatory training on emerging risks like AI governance and cybersecurity.

2. **Documentation as a Defence**
Courts increasingly scrutinise board minutes for evidence of robust debate. The *Venator Africa* case highlights that failing to question suspicious transactions—or document such scrutiny—can lead to personal liability. Platforms like Corethix streamline policy management and attestation, ensuring compliance activities are tracked and auditable.

3. **Stakeholder-Centric Governance**
King IV's emphasis on ethical leadership and stakeholder inclusivity aligns with global shifts toward ESG accountability. Corethix's modules for managing conflicts of interest, gifts, and workplace incidents help organisations align with these principles while mitigating risks.

A Call to Action: Elevating Governance Standards

The *Star* judgment and South African precedents signal a new era of director accountability. To avoid becoming the next case study, boards should:

- **Challenge management constructively**: Foster a culture where dissenting views are valued, not stifled.
- **Leverage technology**: Deploy AI-driven risk analytics and tools like Corethix's IRI to identify red flags in real time.
- **Engage independent advisors**: Seek external expertise for complex areas like regulatory compliance and cybersecurity.

Cyclopedic Consulting, in partnership with Corethix, offers tailored solutions to South African boards aiming to bridge the gap between governance standards and practical implementation. Its cloud-based platform centralises policy management, incident reporting, and compliance tracking, providing boards with a holistic view of organisational integrity. The IRI's diagnostic algorithms prioritise risk mitigation actions, transforming compliance from a reactive chore to a strategic asset.

Cyclopedic Consulting advises and empowers boards to navigate complex governance landscapes. Contact us to transform your oversight frameworks with cutting-edge solutions.

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