

# **UNIVERSITY OF CAPE TOWN**

**(Incorporated in terms of the Higher Education Act, 1997, and the statute of the University of Cape Town,  
promulgated under Government Notice No. 1199 of 20 September 2002)**

## **ANNUAL REPORT**

**2003**

# UNIVERSITY OF CAPE TOWN

## ANNUAL REPORT

<b>CONTENTS</b>	<b>Page</b>
Details of the Council of the University of Cape Town	<a href="#">2</a>
<b>STATEMENTS ON GOVERNANCE AND REPORTS ON OPERATIONS</b>	
Report of the Chair of Council	<a href="#">3</a>
Report of the Vice-Chancellor	
Part 1: Strategy and Implementation	<a href="#">5</a>
Part 2: Senate: Teaching, Learning and Research	<a href="#">7</a>
Part 3: Management and Administration	<a href="#">10</a>
Report of the Institutional Forum	<a href="#">12</a>
Council statement on Corporate Governance	<a href="#">14</a>
Report on internal administration, operational structures and controls, incorporating the report on risk and the management of risk	<a href="#">17</a>
Annual Financial Review	<a href="#">19</a>
<b>CONSOLIDATED ANNUAL FINANCIAL STATEMENTS</b>	
Council's Statement of Responsibility for the Financial Statements	<a href="#">22</a>
Report of the Independent Auditors	<a href="#">23</a>
Balance Sheet	<a href="#">24</a>
Income Statement	<a href="#">25</a>
Statement of changes in fund balances	<a href="#">26</a>
Cash flow statement	<a href="#">27</a>
Notes to the financial statements	<a href="#">28</a>

**UNIVERSITY OF CAPE TOWN****ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2003****EXECUTIVE MEMBERS OF COUNCIL**

Professor N S Ndebele (1, 2, 3, 4) (Vice-Chancellor)  
 Professor C de la Rey (4) (Deputy Vice-Chancellor)

Professor M J Hall (3, 4) (Deputy Vice-Chancellor)  
 Professor J Mekwa (4) (Acting Deputy Vice-Chancellor)  
 Professor M E West (3, 4) (Deputy Vice-Chancellor)

**COUNCIL OF THE UNIVERSITY OF CAPE TOWN (MAY 2004)**

Mr A Z Farr (1) (Chair)  
 Mrs M M Burton (1) (Deputy chair)  
 Professor D G Aschman  
 Dr A W Barday  
 Mr E P H Bieber (1, 2, 3)  
 Mr G M Budlender  
 Ms V Doo  
 Dr G Finchilescu  
 Mr J J Gauntlett SC  
 Ms P Govender  
 Mr G Griffin (1, 2, 3)  
 Ms R Kadalie (4)  
 Dr J Kane Berman (4, 5)  
 Professor ST Harrison (Leave replacement for 2004 - Professor E Kalula)  
 Councillor O Kinahan (5)  
 Father M Lapsley  
 Mr P S G Leon  
 Mr S Mbambo  
 Mr N Miti  
 Mr A Mboweni (4)  
 Mr T Monyatsi (4)  
 Mr C Nissen (2)  
 Mr E Patel  
 Mr T Petersen (3)  
 Professor B D Reddy  
 Mr R B Rosenthal (2)  
 Ms L Shackleton  
 Mr C Sonn (3, 4)  
 Professor C L Vaughan  
 Dr H M Wesso (4)

1 = Member of Remuneration Committee  
 3 = Member of Finance Committee  
 5 = Member of Building and Development Committee

**BUSINESS ADDRESS**

Bremner Building  
 Lovers Walk  
 Rondebosch  
 7700

**POSTAL ADDRESS**

Private Bag  
 Rondebosch  
 7701

**REGISTRAR**

Mr H T Amoore (5)  
**EXECUTIVE DIRECTOR OF FINANCE**  
 Professor E Uliana (3)

2 = Member of Audit Committee  
 4 = Member of Strategy Committee

**AUDITORS**

Ernst & Young  
 P O Box 656  
 Cape Town  
 8000

**BANKERS**

The Standard Bank of SA Limited  
 P O Box 1  
 Rondebosch  
 7700

## UNIVERSITY OF CAPE TOWN

### Report of the Chair of Council for the year ended 31 December, 2003

It is with pride in the University's achievements, and with considerable pleasure, that I report on behalf of the Council.

The primary functions of this University are teaching and research, and the primary business of the Council is to ensure that the conditions necessary for effective teaching and learning, and for high-quality research, are in place. We have therefore given particular attention in the past year to –

- student success and throughput, and the teaching process;
- research, including research relating to HIV/AIDS; and measures to stimulate research productivity;
- measures for attracting and retaining staff; for changing the staff profile; and for providing assistance and support to members of the University community who are HIV positive or who have AIDS;
- financial stability, in the short, medium, and longer term; and
- governance.

The Council has initiated processes for the evaluation, on an annual basis, of its own performance, including the performance of the Chair, and of the performance of the Vice-Chancellor. These procedures are still at a preliminary stage, and will need further development. However, they are a necessary corollary to the governance reforms that we have already introduced, and to the legislation that will result in a new Council on 1 July 2004.

The Chair of the Finance Committee reports elsewhere on the steps taken to ensure the University's financial strength and stability. Fundraising has achieved particular success over the past year, notably for specific projects; and, though the University has not yet reached its fundraising targets, it has succeeded in raising a substantial sum (R54 million) towards two major capital projects - a new building for Chemical Engineering; and a new complex for the Institute for Infectious Diseases and Molecular Medicine. The consolidation of both designated and undesignated endowments under the fiduciary control of the Trustees of the UCT Foundation was completed during the course of the year, and provides the basis on which we will seek future contributions, particularly from alumni, as well as the larger community of friends and supporters in this country and abroad.

Important improvements were made during 2003 to the remuneration regimes for academic staff, and a similar exercise is to be undertaken during 2004/5 for staff in the professional, administrative, service, and support areas. In order to derive maximum benefit from these overdue reforms, we have introduced a system of performance management for academic staff, so that each person's contribution to teaching and research is fairly evaluated and recognised.

We affirm that UCT aspires to be a research university committed to a defining strategy that is research-led. The achievements of our researchers figure prominently in the ratings of the National Research Foundation (NRF); in many research publications; in the award of research contracts; and in the amount of Research Council/NRF funding made available to UCT. However, our research-led strategy advocates that more academics should become active in research, and in peer-reviewed publications. UCT seeks to recognise outstanding teaching through its annual Distinguished Teacher Awards, whereby the University acknowledges its pre-eminent teachers and researchers.

One of the high points of the year was the award to Professor J.M. Coetzee of the Nobel Prize for Literature. Professor Coetzee retired as Professor of General Literature at the end of January 2003, after 30 years of distinguished service at UCT.

Each year, the University produces an increasing and diverse group of graduates across a broad spectrum of disciplines. One example is the significant – and disproportionate – numbers of women and black engineers who have graduated from UCT. It is also noteworthy that significant numbers of UCT's women and black graduates have been appointed to leadership positions, and are pursuing important careers in public and private life. Despite these successes, our record in retaining senior women and black staff, both in the academic and support areas, remains a cause for concern. It is imperative that the University enlists and secures a "critical mass" of senior staff drawn from previously-disadvantaged groups, who are academically equipped to play their rightful role in the new South Africa, and to serve as role models for our students. Although the Council's commitment to achieving this objective is unequivocal, we need to implement strategies and appropriate resources which enhance the prospects of success.

The HIV/AIDS catastrophe has become a priority issue of ongoing concern and institutional commitment. A comprehensive strategy has been developed, and is in the process of being implemented, including counselling and the provision of ARV medication, where appropriate. Voluntary testing, and awareness programmes are also being continued. It is our belief that it is incumbent upon UCT and other responsible institutions in South Africa

that they assume this private-public shared responsibility.

At the start of 2003, the Council set itself certain stated objectives. These objectives cover the areas of governance; strategy and policy formulation; financial strength and sustainability; accountability of the Senate and the Senior Leadership Group; transformation imperatives; and a sensitivity to the identification of and response to staff and student concerns. In a self-assessment exercise the average scores under each of the following headings (on a scale from 1 to 5, where 1 is not achieved at all, and 5 is fully achieved), suggest areas to which Council needs to give future attention:

- |  |      |
|--|------|
| • governance   | 4.25 |
| • strategy and policy formulation                            | 3.30 |
| • financial strengths and financial sustainability           | 4.15 |
| • holding Senate and the Senior Leadership Group accountable | 3.40 |
| • transformation imperatives                                 | 3.00 |
| • taking the pulse of staff and student concerns and issues  | 3.05 |
| • compliance reporting                                       | 3.30 |

The executive team has been relatively stable during the past year, but we were unfortunate to have to say farewell to Deputy Vice-Chancellor Benito Khotseng at the year-end, following his resignation for health reasons. Robin Cohen also decided, for family reasons, to return to the United Kingdom, and resigned his Deanship of the Faculty of Humanities. Paula Ensor has assumed this responsibility for a two-year term. Nick Segal retired from the Directorship of the Graduate School of Business, and Frank Horwitz has been appointed in his stead. The Dean of Students, Loveness Kaunda, also notified us of her intention to retire, and departed the University at the end of March 2004.

As the Report of the Senate will show, student numbers have reached record levels. The quality of students was good, and though individual course pass-rates showed a small improvement, the number of students who fail to achieve the qualifications for which they have been registered remains a particular cause for concern and an area for further action. The extent to which each cohort of students succeeds in qualifying is one factor taken into account in determining the amount of the subsidy received by Universities from Government, in terms of its subsidy framework as gazetted by the Minister of Education during December 2003.

The Council relies on various specialist committees to support its work in key areas of responsibility. We are fortunate to have had in Peter Bieber, Garth Griffin, and Mike Thompson, persons who have brought both dedication and expertise to their roles as chairpersons of the Audit, Finance, and Building and Development Committees, respectively. The Vice-Chancellor chairs the key Strategic Planning and Human Resource Committees, while Deputy Vice-Chancellor Cheryl de la Rey chairs the Research Committee. It is appropriate that I express my gratitude to each of such Chairpersons, and to the members of their respective committees. It is also appropriate, and fitting, that I pay tribute to the Deputy Chair, Mrs Mary Burton, and to all other members of Council, whose contributions, both individually and collectively, are of great value to the University.

---

Mr A Z FARR  
CHAIR OF COUNCIL  
5 May 2004

[Back to Contents](#)

## UNIVERSITY OF CAPE TOWN

### Report of the Vice-Chancellor for the year ended 31 December 2003

#### PART 1

##### Strategy and Implementation

Over the past year, a particular effort has been made to bring a strategic focus to the work of the University. During this period we have adopted five "Guides for Action", in order to give direction and specific content to the University's mission statement. These focus areas recognised that UCT should:

- Be research led;
- Remain a medium-sized, predominantly contact, institution;
- Focus our academic efforts in a manner that ensures that we offer a comprehensive range of activities, whilst at the same time stressing areas where particular excellence can be achieved ("selectively comprehensive");
- Position ourselves globally, whilst at the same time concentrating on local effectiveness; and
- Make "transformation" a central strategic focus.

As Vice-Chancellor, I have proposed a working 10 point plan to develop broad strategic drives, upon which emphasis may be placed over the next few years. These may be summarised as follows:

- Growing a global profile;
- Consolidating UCT's research identity;
- Growing innovation and deriving benefit from research;
- Positioning UCT within the Higher Education sector;
- Building a diverse staff profile and creating a fulfilling work environment;
- Creating a rich student experience;
- Implementing a number of organisational design, and governance proposals, to improve management efficiency and responsiveness;
- Securing UCT's financial stability;
- Ensuring effective implementation of the University's HIV/AIDS policy; and
- Whilst primarily focusing upon the Western Cape, developing other appropriate collaborative initiatives.

I believe that we have made good progress in a number of these areas, although many challenges and a great deal of work remains. In the area of research our record is particularly strong, but we face the challenge of growing the next generation of researchers. This concern is covered more fully in the succeeding report of the Senate, on Teaching, Learning and Research.

We are facing an increasing demand for student places at UCT, and our total student numbers grew to 20 000 in 2003. We have in fact reached the limit of our desired undergraduate student population, although we intend to grow our postgraduate numbers further. With the student body now close to 50-50 black and white, and male and female, and with a strong component of international students particularly from the African continent, we are privileged to have an extremely diverse and talented student body drawn from more than 90 different countries.

Our global profile remains strong, and we have consolidated existing academic links with North American and European partners, whilst also focusing strongly on newly developed links in Africa, which we seek to expand.

The University continues to contribute to the wider community, at local, regional and national level, in a myriad ways. Members of the University are active in many research areas, which have particular community impact. There is also an increasing involvement in national policy matters, in a wide range of sectors. Notable amongst many practical activities has been our various HIV/AIDS initiatives in local communities. Our students are also involved in a range of community-related activities. During 2003 steps were taken to strengthen our relationship with the City of Cape Town, particularly by developing a Memorandum of Understanding, in respect of which good progress has been made. During 2003 the University also completed the groundwork for a new Social Responsiveness Report, due to appear later in 2004.

UCT has lived through a somewhat turbulent year for higher education. Many government policies aimed at transforming higher education are being implemented. The most far-reaching, perhaps, is the intended reduction of the number of higher education institutions from 36 to 21, through a process of mergers and absorptions. UCT was not requested to merge with any other institution, but is under pressure to achieve higher levels of transformation in its institutional culture. To ensure a data-driven process, an Organisation Climate Survey has been undertaken, which will form the basis of various interventions to be devised in order to achieve a greater

degree of institutional transformation.

As Vice-Chancellor, I see my overall purpose and role as exercising strategic leadership, and setting policy and direction, with a particular focus on the following portfolio areas:

- **Creating an enabling environment to facilitate a higher level of broadband participation in the leadership of UCT.**

This focus continued to be strengthened in 2003 through the collaboration of the Senior Leadership Group, and the second conference of Heads of Department. The entire process should be viewed under the broad objective of achieving systemic transformation through a radical change in institutional culture. An historic institutional climate survey was undertaken during 2003 to further assist in achieving this goal. In broad terms, I believe we have achieved higher levels of leadership awareness of our institutional goals, and the shared responsibilities of various tiers of leadership for achieving those goals. More needs to be done to enhance participation within individual units.

- **Relationship building and networking with government and other key players who can influence and significantly impact upon UCT's future.**

More focussed external relationship-building and networking became attainable objectives as a result of there being a full team of Deputy Vice-Chancellors, who are configured to assume greater responsibility for the day-to-day management of the University. In 2003 I deepened my sense of the range and depth of my external portfolio as Vice-Chancellor, particularly as a result of the process of developing a Concept Paper with my team of Deputy Vice-Chancellors. It is intended to further develop an implementation framework during the next year. Particular effort needs also to be directed to improving communication and the relationship that presently subsists between Government and higher education institutions.

- **Optimising synergies and building relationships with other significant foreign Universities, with particular concern for those on the African continent.**

It is probably fair to say that UCT is held in high esteem both in academic circles, and more generally within this country and in the international community. I have sought to contribute to the achievement of this objective, both through my personal contacts with Vice-Chancellors/Presidents of many foreign universities, and through my continued and active membership of the Executive Board of the Association of African Universities, and the Council of the Association of Commonwealth Universities. As Chairperson of the South African Universities Vice-Chancellors' Association, I am pleased to be able to report that the first meeting of Vice-Chancellors of SADC countries will take place in Cape Town, during the second half of 2004.

- **Promoting and raising UCT's public profile, and championing key fundraising initiatives.**

The Development Office and the Communications Department have been successfully merged into the Department of Communications and Development. Particular attention is being given to introducing "best practice" protocols in relation to the fundraising efforts of this Department.

The year 2003 has been busy and productive. I wish to pay particular tribute to my colleagues in the Senior Leadership Group for their loyal support and hard work over the past year; to members of the University Council for their attention to their fiduciary responsibility and for valuable guidance; and to all other members of the University community for varied and important contributions made in the course of a challenging year.

## UNIVERSITY OF CAPE TOWN

### Report of the Vice-Chancellor for the year ended 31 December 2003

#### PART 2

##### **Senate: Teaching, Learning and Research for the year ended 31 December, 2003**

The Senate is responsible for the teaching and research work of the University, including the syllabi, curricula and examinations. The Senate undertakes much of this work through the Faculty Boards, and the faculty structures that deal with curricula (the programmes committees), examinations (the faculty examinations committees) and with students whose academic progress is unsatisfactory (the readmission review committees).

##### **Student Enrolments and Qualifications**

Student head count enrolments grew by 22% between 1999 and 2003, or at a rate of 5% per annum. The 2003 headcount enrolment total at June census date was 19 978, including concurrent registrations. In recent years, the average annual growth rate at the undergraduate level (5,7% per annum) has exceeded that at the postgraduate level (4,1% per annum), and the ratio of undergraduate to postgraduate enrolments stood at 71:29 in June 2003.

Growth in UCT's undergraduate sector has, to a large extent, resulted from a steady increase in the take-up on new undergraduate offers in recent years. Growth in undergraduate enrolments has also resulted from a decreased undergraduate attrition (calculated as a proportion of students who did not complete the requirements of their degrees/diplomas), and from an apparent increase in the time to degree amongst successful graduates during the same period. Despite the growth in the new undergraduate intake, the apparent quality of these intakes (as measured by prior matric performance profiles) has remained strong, and has appeared to improve markedly in the Faculties of Commerce and Engineering and the Built Environment.

At the undergraduate level, enrolments in general academic bachelors degrees grew by 26%, whilst those in professional first bachelors degrees grew by 14% between 1999 and 2003. Although enrolments at the postgraduate diploma level declined (by 5%) between 1999 and 2003, there was substantial growth in enrolments at the honours level and above: honours enrolments grew by 47%, masters enrolments by 23% and doctoral enrolments by 24% over this period. The June 2003 census figures (which do not include second semester registrations) showed a combined total of more than 3 500 masters and doctoral students; masters and doctoral enrolments together made up 18% of the head count enrolment total.

##### **Student Output Efficiencies**

A total of 4 895 registered students qualified for the award of a degree or diploma in 2003: Amongst these:

- 1 384 graduated in Commerce (28% of these completing BBusSc degrees and a further 30% completing BCom degrees)
- 147 completed MBA's (in the Graduate School of Business)
- 514 graduated in Engineering and the Built Environment
- 430 graduated in Health Sciences
- 1 475 graduated in Humanities
- 256 graduated in Law
- 605 graduated in Science

In 2003, 87% of all undergraduates either completed their studies, or satisfied standard readmission requirements. The graduate proportion of all undergraduates (the "graduation rate") has dropped somewhat in recent years (from 21% in 1998 to 18% in 2001, 2002 and 2003), but this phenomenon relates directly to the concurrent significant growth in undergraduate enrolments over the same period.

Success rates in 100-, 200- and 300-level undergraduate courses have improved steadily between 1999 and 2003. In 2003, the success rates in 100- level, 200- level and 300- level courses were all in excess of 80%, with the success rate in 300-level courses climbing to 90% (from 88% in 2002). The success rate in fourth level courses appears to have stabilised at around 92-94%.

UCT remains committed to improving its efficiency in relation to student retention and throughput, without compromising quality, particularly as this relates to the continuing transformation of the student body. A heightened focus on student retention has been achieved via the workings and dissemination of the findings of the Centre for Higher Education Development (incorporating the Academic Development Programme) (CHED/APD) throughput and Output Based Planning Projects.

Examination of the longitudinal performance of the 1999 first-time entering undergraduate (FU) entry cohorts suggests that the extensive work undertaken within CHED/APD is beginning to bear fruit:



- 64% of the 1999 FU entry cohorts within the Faculties of Commerce, Engineering and the Built Environment, Science and Social Sciences (in comparison with only 60% of the equivalent 1998 entry cohorts) had successfully completed undergraduate qualifications by the end of the 2003 academic year;
- 13% of the 1999 FU cohorts (in comparison with 17% of the equivalent 1998 FU cohorts) had been excluded from UCT on academic grounds during a five-year period of analysis;
- the rate of dropout in good academic standing amongst FU students (a term which applies to all students who leave UCT without completing an undergraduate qualification, and who are also not excluded on academic grounds) however remains problematically high at 17% of the total entry cohort. The reasons for this high drop out rate will be explored during a dedicated survey of the affected former students during the second quarter of 2004.

### **Full-time Academic Staffing**

The 2003 academic staff total (610, excluding staff in the Faculty of Health Sciences) was somewhat lower than that reported in earlier years. The proportion of full-time academic staff qualified at the doctoral level has dropped by 4 percentage points over the last five years to a level of 54% in 2003. However, an examination of the 2002 research productivity by Faculty indicates that students across the University could expect to be taught by academic staff actively engaged in research in their particular disciplines.

### **Quality Assurance in Teaching and Learning**

The University is committed to the full implementation of its Senate approved "Quality Assurance Framework at UCT", which will ensure that the necessary quality management systems are in place, and that a culture of self-review with a view to continuous improvement in teaching delivery is achieved. UCT's approach to Quality Assurance stresses the centrality of reviews of academic units, and the implementation UCT's quality assurance framework has thus necessitated the initiation of a schedule that will allow for the review of each academic unit every five years. It is recognised that the process of academic reviews must be underpinned by a well-functioning institutional quality management system, and work has commenced on the design and implementation of a management system that appropriately supports the academic review process.

Seven academic reviews, spread across the six Faculties, were conducted in 2003 as part of the University's internal review process:

Science Faculty:	BSc programme in Information Technology
Commerce Faculty:	BBusSc in Actuarial Science; Department of Information Systems
Humanities Faculty:	BA (Fine Art)
EBE Faculty:	Department of Construction Economics and Management
Health Sciences Faculty:	BSc (Physiotherapy)
Law Faculty:	LLB (including both the undergraduate and postgraduate programmes)

A composite report of the 2003 Academic Reviews has been prepared and focuses on the following key areas of investigation for each of the units under review: scope of the review (priorities and limitations as identified by the Formal Review Panels), teaching and learning, research, social responsiveness, management, staffing and transformation.

This report includes a synopsis of key areas of commendation across the units and programmes reviewed, and summarises the recommendations put forward by respective formal review panellists for further attention by the faculties or units concerned.

### **Research**

UCT's research activities take place in the context of rapid changes in the external environment. In 2003 changes in the national research landscape directly affecting research included various initiatives flowing from the National Research and Development Strategy and the Department of Education's (DoE) revised policy on reward for publication outputs.

Within the changing South African higher education landscape, UCT has set itself the challenge of being 'research-led'. This is an aspiration, which demands that we continuously examine our internal arrangements to ensure that we are appropriately responsive and remain competitive. A scan of the current environment highlights a number of strengths that relate to 'research-led' and that also reflect our 'selectively comprehensive' mandate. UCT has the highest concentration of NRF rated staff, as well as the highest number of A-rated researchers. According to reports drawn from ISI data of South Africa's top four universities over the past 20 years as well as the so-called 'world' average, UCT has the best performance in the country (in terms of number of publications and impact factors) and has areas of world-class expertise in some fields. However, the overall picture is one of clearly identifiable pockets of excellence but these are thinly spread. This means that there are several challenges to be overcome.

At an internal level, the development of UCT's research-led identity gained strategic direction through the activities of the University Research Committee which, together with the Faculty Research Committees, is focusing on research strategy and planning, a long term quality assurance process for research, strengthened

functions of the Department of Research and Innovation and the implementation of the UCT Framework for Research Support based on career-level.

In 2003 the role and future of strategic thrusts was reviewed. A position paper on the state of Biotechnology at UCT was commissioned, the key findings of which pointed to strong research activity in Health Biotechnology. Similarly, in the Environment thrust a scoping survey was completed. It showed that there are several interdisciplinary thematic clusters, which can be used to place sustainable environments firmly on the UCT research agenda. Within the thrust on Information and Communication Technology, the Centre for High Performance Computing (CHPC) was approved. The CHPC will be based on six existing research programmes that have achieved national and international success and which are led by prominent computational scientists.

With respect to research funding, the National Research Foundation (NRF) continues to be a major source of grant funding for UCT researchers. The annual NRF Focus Area Awards are the main funding programme allowing researchers to apply for comprehensive 'block' grants covering most aspects of required funding such as student bursaries, equipment, running expenses etc. UCT was awarded R 20,3 million for 2003. THRIP is funded by the Department of Trade and Industry and managed by the NRF. Funding from the DTI is matched by industry on a R1 to R1 (industry to DTI) or R2 to R1 basis. During 2003 UCT was awarded a total of R47, 6 million funding from this programme, made up of R23, 8 million from the NRF matched by R23, 8 million from industry. However, this represents a drop in THRIP income from 2002, and a special initiative has been put in place to assist UCT researchers to tap into this pool of funding.

The Medical Research Council (MRC) is an important source of funding for health research. UCT receives funding for individual projects, as well as for 10 research units, groups and centres. In 2003 UCT received a total of R8, 8 million from the MRC.

Growth in research contracts has slowed compared with previous years, both in terms of number of contracts processed and income. The income growth has been strongly impacted by the strengthening of the Rand against the US \$. Contracts via the Water Research Commission totalled R4, 4 million.

The University Research Committee (URC) oversees internal funding for research. The 2003 allocation to the URC was R17, 1 million, an amount which included R6, 0 million for equipment.

Because postgraduate training constitutes a core component of the UCT research enterprise, postgraduate funding is one of the key functions of the Department of Research and Innovation. Its Postgraduate Funding Office together with the Postgraduate Studies Funding Committee finalised several plans to align their work with the University's strategic plans. In 2003 Senate and Council approved policies for postgraduate funding, including measures to assist with quality assurance issues such as monitoring of reports submitted by supervisors for new and renewal of postgraduate awards, as well as a limit to the tenure for which degrees will be funded by the University.

The Postgraduate Funding Office, up to 30 November 2003, had processed around 3 100 awards for postgraduate study, to a total value of R37, 7 million. Of these, approximately 2 300 awards valued at R29, 0 million were made to Master's and Doctoral students. Included in the above figures are: 628 awards to the value of R10, 7 million administered on behalf of the NRF, 28 awards to the value of R0, 8 million on behalf of the MRC. In addition, 133 Postdoctoral Research Fellowships to the value of R8, 1 million were administered by the Office.

In striving to be research-led, increasing funding for postgraduate students and research activities is a major challenge. There are several others. Another critical challenge is the need to ensure that there is a pool of highly qualified and skilled researchers to replace those who leave the system through retirements. Given the historical context, we must also endeavour to ensure that the profile of academia includes more women and black researchers. To address this challenge, in 2003 UCT implemented a research capacity development programme aimed at academic staff that are either at the beginning of their research careers and require substantial support, or those who have lagged behind in producing measurable outputs, often due to heavy teaching loads. The programme for this group, known as the Emerging Researchers' Programme includes a co-ordinated mentoring programme and ongoing workshops on selected topics. The success of this programme, together with the other strategies we undertake to ensure that UCT grows its research profile, are critical not only for the realisation of the strategic goal to be research-led but also to ensure that UCT contributes meaningfully to improving the quality of life of the people of South Africa.

## UNIVERSITY OF CAPE TOWN

### Report of the Vice-Chancellor for the year ended 31 December 2003

#### PART 3

##### Management and Administration

One of the first challenges we faced in 2003 was to establish a new executive team following the retirement at the end of 2002 of the Senior Deputy Vice-Chancellor, Professor Wieland Gevers. A successful transition took place with Professor M E West taking responsibility for the academic functions and for overall administrative co-ordination, Professor MJ Hall for planning and budgeting, Professor C de la Rey for research, innovation, and transformation, and Dr B M Khotseng (who joined the team in January 2003) for student matters and international relations.

The Senior Leadership Group (the Vice-Chancellor, Deputy Vice-Chancellors, Deans and the Registrar and senior Directors) remained largely in place throughout the year. A new Director of Institutional Planning was appointed during the year. At the end of the year Deputy Vice-Chancellor Dr B M Khotseng resigned on health grounds, while the Director of the Graduate School of Business, Professor N Segal, and the Dean of Humanities, Professor R Cohen both left UCT at the end of the year. The Dean of Students, Dr L Kaunda, gave notice of retirement in early 2004.

Regular weekly meetings of the Vice-Chancellor's Management Advisory Group were important in co-ordinating activities, sharing key information, and enabling joint decision-making. The Senior Leadership Group met regularly both to discuss policy matters, usually in its bi-monthly day retreats, as well as management issues. The Operations Management Advisory Group, consisting of all senior Directors, and chaired by the DVC with responsibility for management co-ordination also met regularly, and proved valuable in co-ordinating key administrative decisions, and in ensuring co-operation across administrative divisions.

During 2003 an extensive Risk Management protocol was adopted and the Risk Management Committee, chaired by the Vice-Chancellor, met regularly to assess risks in all areas of operations.

A comprehensive Health and Safety system was bedded down, in accordance with legislation, with appropriate assignments of responsibility to individuals, and extensive training.

The year also saw the introduction of a new and comprehensive Planning and Budgeting system, involving extensive consultations with all operating units, and a robust system of reaching a final plan and budget consistent with strategic goals. Financial Management continued to be improved with higher levels of data integrity.

The research and innovation environment was reviewed and reinvigorated under firmer direction guided by the strategic objective for UCT to be a research led university.

##### Administrative systems

Several risks were identified in computer systems in various parts of the administration during 2003 and before. The University experienced several problems with Human Resources data, which was partly attributed to inadequate original implementation of the SAP HR module. The Council approved a major project to re-structure the HR module to improve delivery of key HR data and services, including the ability to meet HEMIS requirements appropriately.

Another risk identified was the ageing in-house student administrative system. Although robust, it lacked certain functionality, and was not a long-term solution to evolving needs in this area. After an exhaustive and lengthy investigative process, the Council approved the adoption of the PeopleSoft system. The implementation project began in 2003. At the same time the University adopted the RMS system for its student housing operations.

The University also identified an urgent short- to medium-term need to revise and upgrade its overall information technology provision in the light of increasing demands with which the current system struggles to cope. Council approved this as a major strategic priority during 2003 for implementation from 2004 onwards.

An important development was the conceptualisation and implementation of a "University Dashboard", being a set of 24 key performance indicators in various areas of the institution designed to give a selective but comprehensive view of performance for both management and planning purposes.

##### Staffing

The University was adequately staffed at most levels during 2003. It identified inadequate salaries as a major risk in both attracting and retaining staff. During 2003 a major new academic salary system was introduced, based on a "rate for the job" approach, with rates competitively set against the higher education market. All staff was evaluated in a comprehensive performance appraisal system during the year, and those who were successful were placed on the new rates. The system also made further awards possible for outstanding performance, and

to recognise special skills and scarcity in certain areas.

It was decided in late 2003 to institute a new performance based system for professional and administrative staff, with improved salary levels during 2004 and 2005.

It was clear during 2003 that insufficient progress had been made in the transformation of the staff profile, particularly amongst academic staff and at the more senior levels in both academic and administrative areas. Various programmes were put in place to attract more academic staff from the designated groups, and work was begun on a new Employment Equity policy, which was due to be presented to Council in early 2004 after widespread campus discussion. In parallel with this, an Organisational Climate Survey was run amongst staff in late 2003 to identify issues and perceptions which might assist in rectifying existing inadequacies in various aspects of the University, which amongst other things might impact on our ability to recruit and retain staff.

The year also saw more attention to skills development and staff training. This included work on: leadership development, the training and support of heads of academic departments, and further developments in the training and development of academic staff.

### **Student Services**

The University continued to provide an extensive range of student services. The Centre for Higher Education Development maintains high standards in academic development programmes, and in specialist services such as a Writing Centre, a Numeracy Centre, and a Careers Centre. The Student Development & Services Department provides a comprehensive range of services and opportunities ranging through counselling and health services, orientation programmes, extensive sports facilities, a disability unit, an employment bureau, and access to many clubs and societies. There are many opportunities for student community service.

---

PROFESSOR N S NDEBELE  
VICE-CHANCELLOR  
5 May 2004

[Back to Contents](#)

## UNIVERSITY OF CAPE TOWN

### Report Of The Institutional Forum For The Year 2003

The Higher Education Act, 1997 specifies that the institutional forum of a public higher education institution must advise the Council on issues affecting the institution, including – race and gender equity policies; the selection of candidates for senior management positions; codes of conduct, mediation and dispute resolution procedures; and the fostering of an institutional culture which promotes tolerance and respect for fundamental human rights and creates an appropriate environment for teaching, research and learning.

#### Composition of the Institutional Forum, 2003

In accordance with the provisions of the Higher Education Act, and the Institutional Statute, the Institutional Forum (IF) consists of 30 members, 10 from each of the following groups:

#### Members chosen by the Council and by the Senate, and executive officers appointed by the Vice-Chancellor

- 3 Members chosen by the Council (Three, and one general alternate)  
(Period of Office: three years to 30 June 2005) **(Alternates)**  
Mrs MM Burton (Mr GM Budlender)  
Mr C Nissen  
Dr AW Barday
- 3 Members chosen by the Senate (Three, and one general alternate)  
(Period of Office: three years to 30 June 2004) (A/Prof N Yeld)  
Professor A Mama  
Professor DP Visser  
Professor FAH Wilson
- 2 Executive officers and 2 Deans appointed by the Vice-Chancellor  
Professor HM Corder  
Professor C de la Rey (Co-Chair)  
Dr L Kaunda  
Professor ME West

#### Members chosen by recognised staff bodies

(Period of Office: two years from 1 July 2003 to 30 June 2005)

- Academics Association (Two, and one alternate)  
Ms M Steyn (Ms A Africa)  
Dr J Head
- Black Staff Association (One, and one alternate)  
Mr S Muradzikwa (Ms L Houston)
- Contract Staff (One)  
Dr K Marcus
- F/T Medical Staff Association (One, and one alternate)  
Associate Professor D White (Dr R Bowen)
- NEHAWU (One, and one alternate)  
Mr E Simelela (Mr J Mowers)
- NUSAS (One, and one alternate)  
Ms G Blignaut (Ms K Chernotsky)
- UCT Employees' Union (Two, and one alternate)  
Ms V Scholtz (Co-Chair) (Ms A Plos)  
Mr J Cedras

#### Members chosen by the Students' Representative Council

(Period of Office: one calendar year – 1 January 2003 to 31 December 2003)

- Ten students (of which three must be graduate students), and up to ten specific or general alternates.  
Mr D Cabral  
Ms M Gqada  
Ms L Mafenuka  
Mr OG Masisi (Co-Chair)  
Mr KB Molala  
Mr Z Nchukana  
Mr N Ncube  
Mr T Thabisi  
Ms M Vilakazi

The Institutional Forum has 3 co-chairpersons, one drawn from each of these groups. They collectively determine the agenda for the Forum, and they chair its meetings in rotation. The co-chairs in 2003 were Professor C de la Rey (Executive), Ms V Scholtz (Staff bodies) and Mr O G Masisi (SRC).

### **Activities of The Institutional Forum in 2003**

In 2003 the role of the Institutional Forum (IF) in the life of the University was strengthened with the appointment of a Transformation Manager whose duties include the servicing of the IF. Soon after this appointment, the IF held a workshop to review its role, set objectives and develop a list of action steps. These actions, including all instances of advice sought by and the advice given to Council by the IF are reported below:

#### **Size of Council:**

The IF provided advice on the size of Council and whether an executive committee of Council should be established. The Higher Education Amendment Act 2002 made it a requirement to reduce the UCT Council from 38 to 30 members. The ratio of 60% external members to 40% internal members had to be maintained. Council at its meeting had requested the IF to submit proposals to Council for a structure that would comply with the Act. In 2001 the IF had expressed support for a 30 member Council. It confirmed this view and that the number of internal members be reduced to 12.

The Forum recommended that Council postpone a decision on the establishment of an Executive Committee of Council as the timing was not the most appropriate, given the fact that Council would need to reduce its size to 30.

#### **Institutional Culture and Transformation:**

The IF recommended to Council that the University add to the four existing strategic action guides a fifth one that outlines the vision and priority areas for transformation at UCT. It also endorsed the need for an organisational climate survey.

#### **Procedures for Senior Appointments:**

The IF certified the process for the re-appointment of Deans in the Faculties of Health Sciences, Law, Engineering and the Built Environment and Science.

The process for the appointment of the Dean of Humanities was certified.

The IF debated and made recommendations to Council on the procedures for the re-appointment of an incumbent Vice-Chancellor.

#### **Policy Review:**

The IF endorsed a process for the review of UCT policies on sexual harassment and rape/alleged rape. The Teaching and Learning Charter was recommended for approval by Council and it also advised Council that a new Employment Equity Policy be adopted.

#### **Attendance at IF meetings:**

The IF reviewed the history of attendance at its meetings. It was agreed to that each of the Co-chairs would be responsible for monitoring and following up on their constituency's attendance of IF meetings and that the quorum rule for IF meetings should be reviewed in 2004.

---

**Professor C de la Rey**  
Co-Chair, 2003

---

**Ms V Scholtz**  
Co-Chair, 2003

---

**Mr OG Masisi**  
Co-Chair, 2003

## UNIVERSITY OF CAPE TOWN

### Council Statement on Corporate Governance

This statement is intended to enable readers of the Annual Report to obtain a better understanding of the governance and legal structure of the University. Council is of the opinion that it has materially complied with the requirements of the Higher Education Act, 1997, the manual of regulations for Annual Reporting by Higher Education Institutions and the Code for Corporate Practice and Conduct, as set out in the second King report (King 2) and as it applies to Higher Education Institutions. Areas where the University does not fully comply with King 2 are currently under review.

#### *The Council of the University*

*The University's vision is to be a world-class, African University educating for life, addressing the challenges facing our society and equipping our students with life-long skills.*

*The Council is enjoined to govern the University, and has recorded that, in governing, its key functions and responsibilities are: to decide policy; to influence the affairs of the University; to make key appointments; to make all financial appropriations and decide fees to be charged; to report to the State; and to require the Vice Chancellor (and the Executive) and the Senate to account to the Council for their responsibilities.*

### Council and Council Committees

The University is incorporated in terms of the Higher Education Act, 1997, and the statute of the University of Cape Town, promulgated under Government Notice No. 1199 of 20 September 2002, with full juristic capacity. The legislation provides for three governance bodies with specific mandates; the Council, which governs; the Senate, which is responsible for teaching and research; and the Institutional Forum, an important stakeholder body, with which the Council must consult. All are supported by a range of committees and working groups. In an effort to promote openness and accountability the agenda papers and minutes of most of these committees are published on an open governance intranet, while the widely distributed monthly Principal's Circular deals with a great deal of Senate business and includes a regular report on Council's work.

The Higher Education Act was amended during 2002, requiring all public higher education institutions to change institutional statutes. The Council, after consulting the Institutional Forum and the Senate framed amendments to the statute, to reduce the size of the Council to 30 members, and to attend to related matters. The Minister gazetted this under the provisions of the Higher Education Act, 1997 in February 2004, and elections are being held to re-constitute the Council from 1 July 2004. The new Council will hold office for a period of four years.

Council is required by law to govern the University. Its key functions and responsibilities are to ensure that:

- The University has clear strategic goals and objectives and, as part of this process, to review the progress made by the executive, being the Vice-Chancellor and his deputies, in achieving these;
- The University is in a sound financial position and, as part of this process, to set fees and to make all financial appropriations;
- Proper policies and procedures are in place to ensure the integrity of the University's risk management process and internal controls;
- The University treats all its stakeholders, being staff, students, donors, customers, suppliers and communities in an appropriate manner;
- The University complies with all relevant laws, regulations and accounting policies; and
- The committees and sub-committees necessary to achieve the above are in place, are properly constituted with a relevant composition and have appropriate terms of reference and reporting procedures.

Members of Council are not remunerated, but may be reimbursed for expenses incurred. In order to ensure that there is both no actual and no perceived conflict of interest, each Council member and each Committee member is required to make an annual declaration of interests, to declare any conflict or potential conflict ahead of discussion of the relevant issue; and to excuse herself or himself should any such issue arise.

This commitment to openness, transparency and integrity underlines the Council's commitment to accountability in governance, and to the responsibilities entrusted to it under the statute and the Higher Education Act, 1997. The Council meets monthly except during the vacation, and at the ten meetings held during 2003 the average attendance of the 38 member body was 75%. In early 2003 updated terms of reference for all University committees were put forward, approved and subsequently published in booklet and internet format. The committees involved include those responsible for Audit, for Strategy, for Finance, and for Remuneration. The Council complied with the legislative requirements that at least 60% of its members must be external (that is neither staff nor students) and that both the Chair and Deputy Chair be external; and though this is not required by legislation, the Council requires that the chairs of Audit and Finance are also external.

### **Code of Ethics**

The Council is committed to integrity and ethical behaviour in all its dealings. A standing committee of Senate promotes and ensures the highest ethical standards in the work of the University, especially in teaching and research, and is supported by faculty level ethics committees. Council members, and all staff who have decision-making functions must subscribe to an ethical code that aims to ensure fair practice in all University business.

### **Council Membership Committee**

The Council Membership Committee considers nominations for vacancies in the Council in terms of the relevant Statute.

### **The University Audit Committee**

The University Audit Committee is a standing committee of Council and consists of four external members, one external person and the Vice-Chancellor. It met four times in 2003, and both internal and independent auditors have unrestricted access to it. The Audit Committee is currently reviewing its terms of reference in light of the requirements of King 2 and of the Department of Education as set out in the manual of regulations for Annual Reporting by Higher Education Institutions. A standing Risk Management Committee, chaired by the Vice-Chancellor, supports the Committee. During 2003 the Audit and Risk Committees began a comprehensive review of risk and measures to manage risk, which they hope to complete in 2004. The Audit Committee's responsibilities are to:

- Ensure that there is an effective process for assessing and managing risk;
- Assess the financial statements for reasonability and accuracy, and for compliance with accounting policies and with the regulations for reporting laid down by the Minister under the Higher Education Act;
- Recommend to Council the approval of the Annual Report, incorporating the Annual Financial Statements;
- Review and approve the scope of the internal audit programme;
- Recommend the appointment and retention of the independent external auditors;
- Review and approve the scope of the audit conducted by the independent external auditors; and
- Review, on its own and with the help of internal audit, the adequacy and effectiveness of internal control.



### **The University Finance Committee**

The University Finance Committee is a standing committee of Council. The Finance Committee advises Council on financial strategy, makes recommendations on annual revenue and capital budgets and monitors and reports on progress against these budgets. The Committee has taken important steps in the year under review to bring the University nearer to having the financial strength it needs to take advantage of opportunities and to meet important needs. The University has a strong balance sheet, so its strategy has been to target recurrent revenue and expenditure in a medium-term budget framework.

### **The Remuneration Committee**

The Remuneration Committee is a standing committee of Council comprising the Chair and Deputy Chair of Council, the Chairs of the Audit and the Finance Committees and the Vice-Chancellor. It is responsible for:

- Advising the Council on remuneration policy;
- Setting mandates for consultation and negotiations, on pay and conditions of service, with staff bodies and trade unions; and
- Determining the pay of the member's of the senior leadership group in terms of the performance management system introduced in 2002.

During 2003 a major overhaul of academic pay was completed, involving determining, for each academic rank, criteria for the rate for the job, procedures for recognising merit, and new-pay lines linked to specific quartiles of the academic job market; new remuneration contracts were introduced with effect from 1 July 2003.

### **The University Student Development and Services Committee**

This standing committee of Council is made up of Council members, members of the academic staff and student representatives. It is the structure established in terms of the Higher Education Act, 1997 to advise the Council on student matters. Council requires it to receive a full report detailing current student concerns twice each year, to interrogate these concerns, and to report to Council on them, and how they are being addressed, in order that Council is briefed on matters of concern to students.

### **The University Human Resources Committee**

Chaired by the Vice-Chancellor, this standing committee advises Council on HR policy, is responsible for advising Council on employment equity policy and plans, and for keeping abreast of staff issues and staff concerns.

### **The University Building and Development Committee**

The UB&DC advises Council on physical development and oversees major capital projects. It includes nominees of the Cape Provincial Institute of Architects, and one of its functions is to advise on the development of the University's campus-assembly of spaces and buildings.

### **The University Strategy Committee**

Chaired by the Vice-Chancellor, consisting of Council Members, and elected staff and student representatives, this standing committee advises Senate and Council on strategy, from broad strategy to interventions, which inform the annual plan and budget.

---

Mr A Z FARR  
CHAIR OF COUNCIL

---

PROFESSOR N S NDEBELE  
VICE-CHANCELLOR

5 May 2004

## UNIVERSITY OF CAPE TOWN

### Report on internal administration, operational structures and controls

The University maintains systems of internal control over financial reporting and assets. Such systems are designed to provide reasonable assurance to the University and Council regarding the preparation of reliable published financial statements and the safeguarding of its assets. The University has a documented organisational structure and division of responsibilities, established policies and procedures, which are communicated throughout the University.

Information systems utilising modern information technology are in use throughout the organisation. All have been developed and implemented according to defined and documented standards to achieve efficiency, effectiveness, reliability and security. A major re-implementation of the system supporting human resource management transactions was begun in 2003 and completed in 2004.

Accepted standards are applied to protect privacy and ensure control over all data including disaster recovery and "back-up" procedures. The development, maintenance and operation of all systems are under the control of competently trained staff.

Internal audit monitors internal control systems and reports findings and recommendations to management. Corrective actions are taken to address identified control deficiencies. Council, through its Audit Committee, provides oversight of the financial reporting process.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

The University undertook an extensive review of its systems, procedures and controls during 1999 / 2001. The key recommendations have been integrated into the management systems of the relevant departments. A crucial aspect was to define for each area of operation key accountabilities, responsibilities and reporting structures.

### Report on risk and the management of risk

The University enjoys a reputation for the quality of its graduates, the quality of its research and scholarship; for sound financial management and for safety at work. This reputation gives rise to substantial risk, and the management of this risk. Reputational, financial and other areas of risk exposure are priorities for the Council, for key members of the executive, and for the bodies charged with the management of risk, primarily the Audit Committee (and especially the Risk Management and Health & Safety sub-committees), the Quality Assurance Working Group, and Internal Audit.

The Risk Management Committee, consisting of the Vice Chancellor, Registrar, certain Deans and Executive Directors met on four occasions during the year. During 2003, the Committee:

- Adopted new terms of reference which are compliant with King 2;
- Developed a new schedule of risks;
- Categorised the risks under the headings Financial, Commercial, Human Resources, Information Technology, Property and Services, Student Experience and Reputational risks;
- Graded these risks as to impact and likelihood of occurrence;
- Received reports on the risks by the individuals who were assigned the responsibility of managing the risks concerned; and
- Received reports from the Physical Risk, Safety and Crime Prevention Co-ordinating Committee. This committee has as its sub committees the Genetically Modified Organisms Committee, the Health and Safety Committee and the Radiation Control Committee.

During the year under review the Audit Committee, the composition of which is noted elsewhere in this report, has, either directly or through the Risk Management sub committee:

- Reassessed areas of risk and redefined accountable and responsible individuals for the management of all key risk areas, having reviewed the impact of failure in each area, the control effectiveness, and the management gap between the actual and the desired control effectiveness, as outlined above;
- Initiated an occupational safety review;
- Received regular reports on the prevention of crime on the campuses and in the adjacent areas where steps taken have reduced, but not eliminated, crime against persons and theft;

- Seen the completion of a comprehensive audit of the state of all plant and the buildings on the campuses, which has identified the extent of the maintenance backlog and led to a systematic programme to address this, the overriding concerns being safety and the preservation of the very considerable investment in plant and buildings that is a necessary precondition for the effective work of the University;
- Commissioned and received a report by an audit firm (independent of the University's external auditors) on tax compliance, with special reference to VAT and income tax. The Audit Committee was able to report to Council that the University is tax compliant, and the opinion, subject to the reservations and disclaimers now standard in professional practice, that the University faced no material risk in this area; and
- Approved an expanded role for internal audit, starting in mid 2003 which it hopes will lead in 2004 to a more effective internal audit function with increased emphasis on the effectiveness of internal controls.

The Audit Committee is satisfied that, during the year under review, it has complied with its responsibilities as detailed in its existing terms of reference. The Committee is currently reviewing its terms of reference in light of the requirements of King 2 and of the Department of Education as set out in the manual of regulations for Annual Reporting by Higher Education Institutions.

The risk of HIV/AIDS among staff is being addressed through a comprehensive direct aids intervention programme, which includes educational programmes, voluntary counselling and testing, and the provision of drug therapies to those who test HIV positive. This was launched during 2003. A parallel programme of support to students who are HIV positive or who have developed AIDS was put into operation at the start of 2004, to complement a long running HIV/AIDS education and preventative programme aimed primarily at students.

The Quality Assurance Working Group operates largely in the academic domain. Its remit is to help the University put in place the necessary quality assurance mechanisms that will give assurance on teaching and learning, on research, and on social responsiveness. These mechanisms constitute a very important subset of risk management in a university environment. Further reports on its work are included in the report of the Senate.

Financial risk decisions are taken within limits decided by Council on the advice of the Finance and Investment Committees.

Insurance policies are in place to cover risk. These are monitored by the Audit Committee, which must satisfy itself that cover against fire and related risks, accidental damage, business interruption, theft, money and fidelity and, critically, both public and employee liability is considered adequate.

---

MR E P H BIEBER  
CHAIR OF AUDIT COMMITTEE

5 May 2004

---

MR H T AMOORE  
REGISTRAR  
(And responsible for Internal Audit)

[Back to Contents](#)

UNIVERSITY OF CAPE TOWN

Annual Financial Review for the Year Ended 31 December 2003  
Report of the Chair of the Finance Committee and the Executive Director Finance

***Securing Financial Stability for UCT***

*Our financial policy is to provide for sustainable operations and the ability to invest in educational initiatives consistent with our mission. We practice conservative financial management, by striving for efficient recurrent operations which generate funds to support strategic initiatives.*

*UCT plans within a multi-year framework. The financial policy is realized by integrating the following areas:*

- *We target a small surplus from recurrent operations to provide a hedge against unforeseen circumstances and to enable new initiatives.*
- *Capital expenditure is undertaken in terms of the strategic framework, and is constrained by affordability as evidenced by available cash resources and borrowing capacity.*
- *Debt finance is used conservatively if required and further constrained by the ability to service the debt, in terms of both the interest and capital repayments.*
- *Investment income after deducting all financing costs, being volatile in nature, is only used to seed new initiatives and other strategic choices.*

The annual financial statements cover all the activities of the University, including non-recurrent income and expenditure, investment activities and financing transactions; they thus provide a comprehensive overview of the financial position of the University and its progress over the past year. There have been no major changes in the operations during the year.

Key features of the financial results were:

1. For the fourth consecutive year recurrent operating income continued to grow at a faster rate than recurrent operating expenditure after the effects of one-off accounting adjustments are eliminated.
2. Major revenue streams that changed significantly in 2003 were:
  - an increase in tuition and other fee income of 18.6%, largely due to increases in student numbers and residences operating at practical capacity;
  - a 36.4% increase in designated state subsidy for research;
  - a decrease in income from donations of 20.6%. However an abnormal amount was received in 2002 due to a backlog in processing of donations from the UCT Fund Inc in the USA.

3. Total expenditure, and the year on year increase of 11.9%, is affected by:
- The redefinition of assets and the subsequent write-off of small capital items and the once off increase in depreciation in 2002.
  - The adjustment to academic salaries from July 2003 amounting to some R25 million for the six months. The annualisation of these increases coupled with the forthcoming re-alignment of professional, administrative and support staff salaries will place considerable pressure on the University finances in the future.
4. The University's net cash position improved by R20.8 million to R256.7 million, after investing a further R132.2 million in fixed assets. Much of this cash, however, is specifically earmarked for designated activities such as research.
5. The University's long term borrowings increased by R22.4 million, being capitalisation of interest. These borrowings are matched by investments designated for their settlement on due date.
6. The University's overall operating surplus increased by 18.4% to R178.4 million, and the surplus attributable to Council controlled unrestricted funds increased from R5.3 million to R74.2 million in 2003, due mainly to:
- The effect of the definition of assets referred to in (3) above;
  - The increase in student numbers;
  - Higher net interest rates.

Given the pressures on expenditure noted above, the sustainability of this improvement cannot be assumed.

7. Designated and endowed investments rose from R745.7 million to R834.3 million, as a result of the recovery in equity markets. Growing the free endowment continues to be a focus incorporated in the principles of the medium term budget framework.
8. Unrestricted Council controlled funds rose from R239.7 million to R328.3 million; it should be noted, however, that much of this is not supported by readily realisable assets, being primarily invested in buildings and plant.
9. The results for the core recurrent unrestricted operations are shown in the table below. They reflect the improvement in the University's sustainable activities, but nevertheless emphasise the need for continued financial discipline.

#### Recurrent Unrestricted Council Controlled Operations

	2003	2002	2001	2000
	R'm	R'm	R'm	R'm
<b>Recurrent income</b>	<b>869</b>	<b>772</b>	<b>696</b>	<b>602</b>
State appropriations-subsidies & grants	460	427	395	352
Tuition and other fee income	290	241	213	185
Sales of goods & services	91	88	75	61
Private gifts & grants	28	16	13	4
<b>Recurrent expenditure</b>	<b>837</b>	<b>760</b>	<b>691</b>	<b>681</b>
Personnel	511	452	430	397
Other operating expenses	253	240	206	210
Bursaries	33	33	30	24
Minor capital items expensed	18	20	5	19
Depreciation	22	15	20	31
<b>Recurrent Operating Surplus (Deficit)</b>	<b>32</b>	<b>12</b>	<b>6</b>	<b>(78)</b>

The financial management activities of the University are focused on supporting the key strategic thrusts identified by the University's leadership and endorsed by Council, while ensuring appropriate levels of controls and discipline in the various financial processes. To this end, the University Finance Committee will continue its focus on the following key issues:

- To continue to build awareness within the University community of the importance and relevance of effective financial management, via broad involvement in the budgeting process, the provision of effective management information and ensuring proper reporting of results.
- Enhancing the University's ability to attract and retain the quality of staff needed to grow the teaching and research capability and to provide a suitable infrastructure.
- Creating the capacity for proper planned renewal and maintenance of campus facilities, and, in particular, the ongoing development of the residence infrastructure.
- Identify future needs at an early enough stage to enable cohesive financial planning.

Acceptance of a rigorous four year medium term budget framework, and the support this received from the University executive and the broader University community continued to improve the financial position. A recurrent operating breakeven was achieved ahead of expectations. As a result a new framework was adopted by Council which makes provision for continuous improvements to create capacity for strategic spending. It also provides an integrated approach to financial planning whereby the operating budgets are coordinated with investment income, capital expenditure, free cash, and financing policies. Such continued discipline and an integrated approach is necessary as the University has built up a backlog of demands for spending and development. Care will need to be taken that the new demands are managed within the University's overall financial capacity.

---

Mr G GRIFFIN  
CHAIR OF FINANCE COMMITTEE  
5 May 2004

---

PROFESSOR E ULIANA  
EXECUTIVE DIRECTOR OF FINANCE

[Back to Contents](#)

## UNIVERSITY OF CAPE TOWN

### **Council's Statement of Responsibility for the Annual Financial Statements for the Year Ended 31 December 2003**

Council is responsible for the preparation, integrity and fair presentation of the financial statements of the University of Cape Town.

The financial statements presented on pages 24 to 37 of this annual report for 2003 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the Minister of Education as contained in the manual on annual reporting issued by the Department of Education, and include amounts based on judgements and estimates made by management. Council also prepared other information as required to be included in this annual report and is responsible for both its accuracy and consistency with the financial statements.

The 'going concern' basis has been adopted in the preparation of the financial statements. The Council has no reason to believe that the University of Cape Town is not a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of the institution.

The financial statements have been audited by Ernst & Young who have been given unrestricted access to all financial records and related data, including minutes of the meetings of Council and all its committees. Council believes that all representations made to the independent auditors during their audit were valid and appropriate.

### **Approval by Council of the Annual Financial Statements**

The annual financial statements set out on pages 24 to 37 were approved by the University Council on May 5 2004 and are signed on its behalf by:

---

Mr A Z FARR  
CHAIR OF COUNCIL

---

Mr G GRIFFIN  
CHAIR OF FINANCE COMMITTEE

---

PROFESSOR N S NDEBELE  
VICE-CHANCELLOR

---

PROFESSOR E ULIANA  
EXECUTIVE DIRECTOR OF FINANCE

[Back to Contents](#)

## REPORT OF THE INDEPENDENT AUDITORS TO THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN

We have audited the annual financial statements of the University of Cape Town set out on pages 24 to 37 for the year ended 31 December 2003. These financial statements are the responsibility of the University's Council. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and,
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the University of Cape Town at 31 December 2003 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Minister of Education in terms of S41 of the Higher Education Act, No. 101 of 1997 (as amended).

Ernst & Young  
Registered Accountant and Auditors  
Chartered Accountants (SA)  
Cape Town  
5 May 2004

[Back to Contents](#)



**UNIVERSITY OF CAPE TOWN  
CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2003**

	Note	2003 R'000	2002 R'000
<b>ASSETS</b>		1,872,175	1,643,207
<b>NON-CURRENT ASSETS</b>		1,522,293	1,302,043
Property, plant and equipment	<u>2</u>	476,709	382,551
Investments	<u>3</u>	1,030,145	898,620
Investment in associates	<u>4</u>	1,211	2,411
Non-current receivables	<u>5</u>	14,228	18,461
<b>CURRENT ASSETS</b>		349,882	341,164
Inventories	<u>6</u>	1,087	425
Accounts receivable and prepayments	<u>7</u>	65,327	77,120
Loans to employees	<u>7</u>	5,208	6,039
Student fees receivable	<u>7</u>	21,559	21,631
Cash at bank and cash equivalents	<u>8</u>	256,701	235,949
<b>ACCUMULATED FUNDS AND LIABILITIES</b>		1,872,175	1,643,207
<b>ACCUMULATED FUNDS</b>		1,376,248	1,178,109
Non-distributable funds		653,212	615,939
Endowed funds		573,836	544,539
Revaluation reserve		79,376	71,400
Restricted funds designated for specific activities		394,722	322,486
Education and general		342,065	280,230
Student and staff accommodation		52,657	42,256
Unrestricted Council controlled funds		328,314	239,684
<b>NON-CURRENT LIABILITIES</b>		418,302	396,251
Borrowings	<u>9</u>	224,348	211,101
Provisions and accruals	<u>10</u>	193,954	185,150
<b>CURRENT LIABILITIES</b>		77,625	68,847
Accounts payable and accrued liabilities	<u>11</u>	41,237	43,210
Student deposits		11,201	11,472
Current portion of borrowings	<u>9</u>	17,037	7,865
Current portion of provisions and accruals	<u>10</u>	8,150	6,300

[Back to Contents](#)

**UNIVERSITY OF CAPE TOWN  
CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

(all amounts in R'000)

Note	Education and General				2003 TOTAL	2002 TOTAL	Change %
	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub Total	Student and Staff Housing Restricted			
<b>TOTAL INCOME</b>	946,928	442,703	1,389,631	92,360	1,481,991	1,350,109	<b>9.8</b>
<b>Recurrent Income</b>	946,775	398,444	1,345,219	92,360	1,437,579	1,309,876	<b>9.7</b>
State appropriations-subsidies and grants	<u>12</u> 459,761	87,808	547,569	-	547,569	491,740	<b>11.4</b>
Tuition and other fee income	289,797	-	289,797	82,175	371,972	313,658	<b>18.6</b>
Income from contracts	89	152,005	152,094	-	152,094	160,132	<b>(5.0)</b>
Sales of goods and services	90,803	52,457	143,260	9,986	153,246	134,817	<b>13.6</b>
Donations and gifts	28,553	69,797	98,350	-	98,350	123,792	<b>(20.6)</b>
<b>Sub Total</b>	869,003	362,067	1,231,070	92,161	1,323,231	1,224,139	<b>8.1</b>
Interest and dividends	<u>15</u> 77,772	36,377	114,149	199	114,348	85,737	<b>33.4</b>
<b>Non-Recurrent Income</b>	153	44,259	44,412	-	44,412	40,233	<b>10.4</b>
(Loss) on disposal of fixed assets	(49)	-	(49)	-	(49)	318	-
Profit/(loss) on sale of investments	<u>15</u> (232)	44,259	44,027	-	44,027	39,863	<b>10.5</b>
Other non-recurrent income	434	-	434	-	434	52	-
<b>TOTAL EXPENDITURE</b>	872,724	348,683	1,221,407	82,150	1,303,557	1,199,436	<b>8.7</b>
<b>Recurrent Expenditure</b>	872,724	348,683	1,221,407	82,150	1,303,557	1,164,532	<b>11.9</b>
Personnel	<u>13</u> 510,874	122,120	632,994	13,264	646,258	567,801	<b>13.8</b>
Other operating expenses	<u>14</u> 253,572	151,731	405,303	65,495	470,798	429,857	<b>9.5</b>
Bursaries and financial aid	33,375	49,806	83,181	-	83,181	73,551	<b>13.1</b>
Minor capital items expensed	17,916	9,334	27,250	1,323	28,573	30,894	<b>(7.5)</b>
Depreciation	<u>2</u> 21,676	13,983	35,659	1,643	37,302	28,998	<b>28.6</b>
<b>Sub-Total</b>	837,413	346,974	1,184,387	81,725	1,266,112	1,131,101	<b>11.9</b>
Finance costs	<u>16</u> 35,311	1,709	37,020	425	37,445	33,431	<b>12.0</b>
<b>Non-Recurrent Expenditure</b>	-	-	-	-	-	34,904	-
Accelerated depreciation	<u>2</u> -	-	-	-	-	34,904	-
<b>NET SURPLUS</b>	74,204	94,020	168,224	10,210	178,434	150,673	<b>18.4</b>

[Back to Contents](#)

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2003

(all amounts in R'000)

Note	Non-Distributable		Funds Restricted for Specific Activities		Unrestricted Funds	TOTAL
	Endowed Funds	Revaluation Reserve	Education and General	Student and Staff Housing	Council Controlled	
<b>FUND BALANCES AS AT 1 JANUARY 2002</b>	503,681	186,200	196,278	26,565	224,219	1,136,943
<b>Net surplus 2002</b>	-	-	129,664	15,724	5,285	150,673
Transfers between funds	35,565	-	(45,712)	(33)	10,180	-
Realised gains on investments	-	(39,863)	-	-	-	(39,863)
Adjustment to market value of investments	<u>3</u>	(74,937)	-	-	-	(74,937)
Donations	5,293	-	-	-	-	5,293
<b>FUND BALANCES AS AT 31 DECEMBER 2002</b>	544,539	71,400	280,230	42,256	239,684	1,178,109
<b>Reclassification of funds</b>	(7,208)	-	7,208	-	-	-
<b>Restated fund balances</b>	537,331	71,400	287,438	42,256	239,684	1,178,109
<b>Net surplus 2003</b>	-	-	94,020	10,210	74,204	178,434
Transfers between funds	24,776	-	(39,393)	191	14,426	-
Realised gains on investments	-	(44,027)	-	-	-	(44,027)
Adjustment to market value of investments	<u>3</u>	52,003	-	-	-	52,003
Donations	11,729	-	-	-	-	11,729
<b>FUND BALANCES AS AT 31 DECEMBER 2003</b>	573,836	79,376	342,065	52,657	328,314	1,376,248

[Back to Contents](#)

## UNIVERSITY OF CAPE TOWN

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	2003 R'000	2002 R'000
<b>Cash flows from operating activities</b>			
Cash receipts from students, government and private sources		1,257,412	1,142,463
Cash paid to employees and suppliers		<u>(1,136,657)</u>	<u>(999,304)</u>
Cash generated from operations		120,755	143,159
Investment income	<u>15</u>	114,348	85,737
Interest paid	<u>16</u>	<u>(37,445)</u>	<u>(33,431)</u>
		197,658	195,465
Endowed funds donation income		<u>11,729</u>	<u>5,293</u>
<b>Net cash inflows from operating activities</b>		<u>209,387</u>	<u>200,758</u>
<b>Cash flows from investing activities</b>			
Additions to fixed assets	<u>2</u>	(132,181)	(56,776)
Proceeds on disposal of fixed assets		671	2,654
Net additions to investments		<u>(79,544)</u>	<u>(35,291)</u>
<b>Net cash outflows from investing activities</b>		<u>(211,054)</u>	<u>(89,413)</u>
<b>Cash flows from financing activities</b>			
Increase in long term borrowings		<u>22,419</u>	<u>12,617</u>
<b>Net cash inflows from financing activities</b>		<u>22,419</u>	<u>12,617</u>
<b>Net movement in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		235,949	111,987
Cash and cash equivalents at end of period	<u>8</u>	<u>256,701</u>	<u>235,949</u>

**CASH GENERATED FROM OPERATIONS**

Reconciliation of net surplus to cash generated from operations:

Net surplus		178,434	150,673
Adjustments for:			
Depreciation	<u>2</u>	37,302	28,998
Accelerated depreciation	<u>2</u>	-	34,904
Net movement in leave and medical aid benefit provisions	<u>10</u>	10,654	17,317
Loss/(Profit) on sale of property, plant and equipment		49	(318)
Investment income	<u>15</u>	(114,348)	(85,737)
Interest expense	<u>16</u>	37,445	33,431
Profit on sale of investments	<u>15</u>	(44,027)	(39,863)
Provision against investment in associate company		1,200	-
Changes in working capital			
trade and other receivables		16,929	(8,177)
inventories		(662)	(45)
payables		<u>(2,221)</u>	<u>11,976</u>
Cash generated from operations		<u>120,755</u>	<u>143,159</u>

[Back to Contents](#)

**UNIVERSITY OF CAPE TOWN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2003**

**1. ACCOUNTING POLICIES**

**Basis of preparation**

The consolidated annual financial statements are prepared in accordance with, and comply with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Minister of Education in terms of S41 of Act 101 1997 (as amended).

The consolidated annual financial statements are prepared under the historic cost convention as modified by the revaluation of certain marketable securities and incorporate the following principal accounting policies which are consistent with those of the previous year.

**1.1 Consolidation**

Subsidiary entities are those entities over which the University of Cape Town has the power directly or indirectly to exercise control or is the sole beneficiary. Subsidiaries are not consolidated when purchased for short-term purposes or when there is a restriction on the transferability of funds between the University of Cape Town and the subsidiary. Subsidiaries are consolidated from the point where the University of Cape Town has effective control or becomes the sole beneficiary. The financial statements include the operations of the subsidiaries and other entities listed below. All inter-entity transactions, balances and unrealised surpluses and deficits have been eliminated. Where necessary, appropriate adjustments have been made to the accounting policies of subsidiaries on consolidation to ensure consistency with the policies adopted by the University of Cape Town.

<b>Entity</b>	<b>Nature of ownership</b>
The Graduate School of Business (Proprietary) Limited	Wholly owned
The University of Cape Town Foundation	A trust of which the University of Cape Town appoints the trustees and is the sole beneficiary
The University of Cape Town Trust	A trust, formed in the United Kingdom, of which the University of Cape Town is the sole beneficiary
The Student Loan Fund Limited	A Section 21 company controlled by the University of Cape Town

**1.2 Investment in associates**

Investments in associated entities are accounted for using the equity method of accounting. Associated entities are undertakings in which the University of Cape Town has a long-term equity interest and exercises significant influence over the financial and operational policies of those entities. The effect of the equity method is to include the University's share of profits/losses of the associate in the income statement and in the carrying value of the investment in the associate. The equity accounted profit and loss in the income statement is adjusted for the effect of any fair value adjustment at acquisition, unrealised profit, differences in accounting policies and goodwill amortisation.

**1.3 Income recognition**

State subsidy and grants for general purposes are recognised as income in the financial year in which they accrue. Subsidies and grants for specific purposes such as capital expenditure are brought into the appropriate fund as income at the time that they are available to finance the expenditure for the purpose provided. Such grants are presented separately as credits in the income statement. Grants relating to specific expenses are not offset against the expense but are included in the disclosure of government grants.

Income received for designated specific purposes arises from contracts, grants and donations. Such income is brought into the income statement in the financial period in which the University becomes entitled to the use of these funds.

Income for specific endowments, comprising investment income and realised profits arising from the sale of investments, are recognised in the income statement as designated for specific purposes in the period when they accrue. It is the University's policy to utilise only a portion of this income and to re-invest the un-utilised portion in the underlying endowed funds in order to grow the capital base. Funds made available to operations, whether Council controlled or designated, which cannot be utilised due to a specific event not having occurred, are also capitalised. The utilisation of these funds for operational purposes, and the capitalisation of all un-utilised funds, is effected by transfer within the Statement of Changes in Fund Balances.

Tuition and residence fees are recognised in income in the period to which they relate. Deposits provided by prospective students are treated as current liabilities until the amount is billed as due.

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the University. Dividends are recognised when the right to receive payment is established.

**UNIVERSITY OF CAPE TOWN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AT 31 DECEMBER 2003 (CONTINUED)**

**1. ACCOUNTING POLICIES (CONTINUED)**

**1.4 Foreign currency transactions**

Foreign currency transactions are recorded at the spot rate on the transaction date.

Assets and liabilities designated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising from the translation are recognised in the income statement in the year in which they arise.

**1.5 Inventories**

Inventories are stated at the lower of average cost and net realisable value.

**1.6 Retirement benefits**

**Defined contribution retirement plan**

Employer contributions to the University of Cape Town Retirement Fund are recognised in the income statement in the year in which they are incurred.

**Medical aid benefits**

Costs of medical aid benefits are recognised as an expense in the period during which the employees render services to the group.

**Post-retirement medical aid benefits**

The University of Cape Town has an obligation to provide certain post retirement medical aid benefits to its eligible employees and pensioners.

The costs incurred in respect of post-retirement medical aid benefits are charged to income as incurred, as current service costs. The present value of the future medical aid subsidies for past service costs is actuarially determined annually in accordance with South African Statement of GAAP, AC 116 Employee Benefits. The liability is recognised at the balance sheet date. Any curtailment benefits or settlement amounts are recognised against income as incurred.

Actuarial gains and losses are recognised as income or expense when the cumulative actuarial gains or losses exceed 10% of the defined benefit obligation. These gains or losses are recognised over a period of five years.

**1.7 Property, plant and equipment and intangible assets**

Property, plant and equipment are recorded at cost less accumulated depreciation. Assets costing less than R 15,000 are not capitalised. Library books are written off in the year in which they are acquired. Donations are recorded at fair value at the date of donation. Depreciation is calculated on the straight-line method at rates calculated to write off the cost of each asset to its residual value over the estimated useful life as follows:

Buildings	50 years
Land improvements other than buildings	20 years
Vehicles	5-10 years
Furniture and equipment	5-10 years
Computers and software	3 years

Land is not depreciated as it is deemed to have an indefinite life.

Routine maintenance costs are expensed as incurred. Costs of major maintenance or overhaul of an item of property, plant or equipment are recognised as an expense, except where the useful life has been extended.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the carrying value of the asset at disposal to the proceeds on disposal and are taken to the income statement.

**1.8 Provisions**

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**1.9 Trade and student receivables**

Receivables are carried at anticipated realisable value. Receivables that are likely to be irrecoverable are estimated and provided for, based on a review of outstanding amounts at year-end. Actual bad debts are written off during the year in which they are identified.

**1.10 Cash at bank and cash equivalents**

For the purposes of the cash flow statement, cash at bank and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included under current liabilities.

UNIVERSITY OF CAPE TOWN  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AT 31 DECEMBER 2003 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, accounts payable and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Investments:

Investments in sinking funds to meet certain debt obligations are held to maturity. All other investments are regarded as available for sale investments. An investment is classified as available for sale if it is not "held to maturity". All investments are measured at fair value without any deductions that may be incurred on sale or other means of disposal. The fair value of listed equities is market value. Market value is calculated by reference to stock exchange quoted selling prices at the close of business at the balance sheet date. The fair value of fixed interest financial instruments is determined with reference to the market yield at the close of business at the balance sheet date. If the fair value of the investment cannot be determined the investment is measured at cost, if there is no fixed maturity, or at amortised cost if there is. Available for sale investments are classified as non-current assets.

The adjustments to the fair value of available for sale investments are recognised in the revaluation reserve until such time as the investment is sold, in which case it is recognised in the income statement.

Derivative instruments:

Derivative instruments are deemed to be held for trading even though they are not actively traded with a view to realising a gain from short-term price fluctuations. Derivative instruments are measured at fair value, being market value. The futures contracts are marked-to-market daily and the resultant gains and losses recognised in the income statement

Disclosures about financial instruments to which the University is a party are provided in note 17.

1.12 Research costs

Research costs are expensed in the period in which they are incurred.

2. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2003

(all amounts in R'000)

	Land and Buildings	Furniture and Equipment	Computer Equipment	Motor Vehicles	Assets under Construction	Total
<b>Cost</b>						
Cost 1 January 2003	424,231	133,514	35,486	9,547	16,279	619,057
Additions	41,657	31,522	11,243	1,763	45,996	132,181
Transfers	13,220	38	-	(38)	(13,220)	-
Disposals	(73)	(1,500)	(446)	(632)	-	(2,651)
Cost 31 December 2003	479,035	163,574	46,283	10,640	49,055	748,587
<b>Accumulated depreciation</b>						
Balance 1 January 2003	125,787	81,737	23,983	4,999	-	236,506
Disposals	(37)	(1,110)	(214)	(569)	-	(1,930)
Depreciation charge	8,126	19,459	8,213	1,504	-	37,302
Balance 31 December 2003	133,876	100,086	31,982	5,934	-	271,878
Book value 31 December 2003	345,159	63,488	14,301	4,706	49,055	476,709

UNIVERSITY OF CAPE TOWN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2003 (CONTINUED)

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 December 2002	(all amounts in R'000)					
	Land and Buildings	Furniture and Equipment	Computer Equipment	Motor Vehicles	Assets under Construction	Total
<b>Cost</b>						
Cost 1 January 2002	404,968	148,176	75,781	7,809	12,577	649,311
Additions	9,531	21,639	9,267	2,383	13,956	56,776
Transfers	10,254	-	-	-	(10,254)	-
Disposals	(522)	(36,301)	(49,562)	(645)	-	(87,030)
Cost 31 December 2002	424,231	133,514	35,486	9,547	16,279	619,057
<b>Accumulated depreciation</b>						
Balance 1 January 2002	111,929	87,970	53,395	3,974	-	257,268
Accelerated depreciation	7,738	13,928	12,828	410	-	34,904
Disposals	(1,391)	(35,434)	(47,622)	(217)	-	(84,664)
Depreciation charge	7,511	15,273	5,382	832	-	28,998
Balance 31 December 2002	125,787	81,737	23,983	4,999	-	236,506
Book value 31 December 2002	298,444	51,777	11,503	4,548	16,279	382,551

A register of land and buildings is available for inspection at the business address. The University is not permitted to dispose of, or otherwise alienate, its land and buildings without the approval of the Minister of Education. In addition, there are further restrictions on the alienation of certain properties held by deed of grant under the Rhodes Will Act.

3. INVESTMENTS

	2003 R'000	2002 R'000
<b>Available for sale</b>		
Opening balance	745,666	819,376
Additions - net	36,631	1,227
Adjustment to market value	52,003	(74,937)
Market value	834,300	745,666
(Market value approximates the fair value of available for sale investments)		
<b>Held to maturity</b>		
Sinking fund investments	195,845	152,954
Public Investment Commission	23,444	20,324
Standard Corporate and Merchant Bank Limited	172,401	132,630
<b>Total investments</b>	<b>1,030,145</b>	<b>898,620</b>

**Sinking fund investments**

**Public Investment Commission.** Various deposits from which the proceeds are to be used to redeem fixed period loans of R29.6 million included under government subsidised loans of R45.4 million in note 9. Interest accrues at 75% of the rate applicable to the individual fixed period loans, varying between 15.5% and 18.5%. The loans are repayable between 1 and 4 years. The carrying value approximates the fair value.

**Standard Corporate and Merchant Bank Limited.** Deposit accruing interest at 17.9%, ceded to Standard Bank of SA Limited. The proceeds will be used to redeem the Standard Bank of SA transitional retirement loan that matures on 13 March 2005. The year end value of this loan is R189.3 million (refer note 9). The fair value of the investment is R186.2 million (2002: R147.2 million)

The total investments comprise the following categories:

Equity – local	385,620	322,160
International investments	145,439	165,620
Capital market interest-bearing investments	220,901	187,884
Money market deposits	279,185	222,956
	<u>1,030,145</u>	<u>898,620</u>

At 31 December 2003 the international foreign currency holdings were US\$ Nil and Sterling Nil (2002: US\$8.3 million and Sterling 2.6 million)



**UNIVERSITY OF CAPE TOWN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2003 (CONTINUED)**

<b>4. INVESTMENT IN ASSOCIATES</b>	<b>2003 R'000</b>	<b>2002 R'000</b>
African Medical Imaging (Pty) Ltd (44%)	1,211	1,211
UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%)	1,200	1,200
Investment	2,411	2,411
Less: provision	(1,200)	-
	<u>1,211</u>	<u>2,411</u>
<p>Council values the investment in the associates at carrying value. The provision against the investment in the UCT Medical Centre (Pty) Ltd has been raised in order to reflect the investment at its carrying value.</p>		
<b>5. NON-CURRENT RECEIVABLES</b>		
Student loans	2,782	8,066
Loans to employees	11,330	10,395
Other	116	-
	<u>14,228</u>	<u>18,461</u>
<p>The current receivables relating to these items are shown in note 7. All non-current receivables are due within 5 years from balance sheet date. The carrying value of the non-current receivables is considered to approximate fair value. These amounts are unsecured. The weighted average interest rates were as follows:</p>		
Student loans	13.66%	13.58%
Loans to employees - car scheme	16.00%	16.00%
Loans to employees - other	16.00%	14.50%
<b>6. INVENTORIES</b>	<b>R'000</b>	<b>R'000</b>
Technical inventories	<u>1,087</u>	<u>425</u>
<b>7. ACCOUNTS RECEIVABLE AND PREPAYMENTS</b>		
Accounts receivables and prepayments	65,327	77,120
Loans to employees	5,208	6,039
Student fees receivable	21,559	21,631
	<u>92,094</u>	<u>104,790</u>
<p>Fees outstanding after July each year are charged interest at prime. The average for the six months was 13.48% (2002:16.58%).</p>		
<b>8. CASH AT BANK AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	1,201	84
Short-term bank deposits - Local	253,564	227,975
- Foreign	1,936	7,890
	<u>256,701</u>	<u>235,949</u>
<p>The weighted average effective interest rate on short-term bank deposits was 11.34% for local deposits and 2% for foreign (2002: 11.12% for local deposits and 3% for foreign).</p>		
<b>9. BORROWINGS</b>		
Financial institutions for government-subsidised loans	45,361	48,151
Standard Bank of SA Limited transitional retirement loan	189,293	157,758
Rand Merchant Bank Limited	5,809	10,884
Student Loan Fund loans	922	2,173
<b>Total interest bearing borrowings</b>	<u>241,385</u>	<u>218,966</u>
Current portion	(17,037)	(7,865)
<b>Total non-current borrowings</b>	<u>224,348</u>	<u>211,101</u>

**Financial institutions for government-subsidised loans:** Government-subsidised loans are subsidised to the extent of 50% or 85% for both interest and capital repayments, and consist of a number of loans with financial institutions at interest rates ranging from 5.5% to 18.5% and varying repayment terms. The weighted average interest rate was 14.6% (2002 14.6%). The carrying values collectively approximate their fair values.

**UNIVERSITY OF CAPE TOWN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2003 (CONTINUED)**

**9. BORROWINGS (CONTINUED)**

	<b>2003 R'000</b>	<b>2002 R'000</b>
<b>Standard Bank transitional retirement loan:</b> Promissory notes with a face value of R235.4 million have been issued by the University of Cape Town in favour of the Standard Bank of SA Limited, payable on 13 March 2005. The notes were discounted for R38 million accruing interest at 18.4% (2002 18.4%). The promissory notes will be redeemed from the proceeds of the transitional retirement loan sinking fund (see note 3), which has been ceded as security for the liability. The fair value of this loan is R207.8 million (2002: R180.4 million)		
<b>Rand Merchant Bank Limited:</b> Donations amounting to R6.7 million per annum for 10 years, pledged by a number of large corporate donors, were ceded to Rand Merchant Bank Limited for a discounted value of R33.7 million on 1 April 1995. The donations are being recognised over the 10-year period at the implicit interest rate of 14.9% (2002: 14.9%). The fair value of this loan is R5.9 million (2002: R11.5 million)		
<b>Student Loan Fund loans:</b> Student Loan Fund loans bear interest at rates between prime minus 1% and prime minus 6%. The carrying value of this liability approximates its fair value.		
<b>Interest rate exposure</b>		
At fixed rates	240,463	216,793
At variable rates	922	2,173
Total borrowings	<u>241,385</u>	<u>218,966</u>
<b>Maturity of interest-bearing non-current borrowings</b>		
Between 1 and 2 years	213,392	33,168
Between 2 and 5 years	8,772	174,146
Later than 5 years	2,184	3,787
Total non-current borrowings	<u>224,348</u>	<u>211,101</u>

**10. PROVISIONS AND ACCRUALS**

Leave provision academic staff	23,550	16,900
Leave provision for administrative and support staff	31,500	28,950
Post-retirement medical aid benefit obligation	<u>147,054</u>	<u>145,600</u>
<b>Total provisions and accruals</b>	<u>202,104</u>	<u>191,450</u>
Current portion	<u>(8,150)</u>	<u>(6,300)</u>
<b>Total non-current provisions and accruals</b>	<u>193,954</u>	<u>185,150</u>

**Leave provision academic staff**

This relates to academic staff accrued study and research leave. There is, however, limited entitlement to this leave. Entitlement only arises on death, on retirement or on retrenchment from the University.

**Leave provision for administrative and support staff**

An accrual is made for the estimated liability for annual leave as a result of services rendered by professional, administrative and support staff up to the balance sheet date.

**Post-retirement medical aid benefit obligation**

The status of the University's obligations towards post-retirement medical aid benefits, determined in terms of South African Statement of GAAP, AC116 Employee Benefits, is as follows:

Funding obligation	96,900	91,700
Unrecognised actuarial gains	<u>50,154</u>	<u>53,900</u>
Amount accrued in respect of funding obligation	<u>147,054</u>	<u>145,600</u>

Reconciled as follows:

Net obligation at the beginning of the year	145,600	129,000
Net expenses	13,900	20,600
- Interest on obligation	9,900	14,600
- Current service cost	4,000	6,000
Deduct:		
Contributions paid in respect of funding obligation	(3,500)	(4,000)
Actuarial gains recognised	<u>(8,946)</u>	<u>-</u>
	<u>147,054</u>	<u>145,600</u>

**UNIVERSITY OF CAPE TOWN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2003 (CONTINUED)**

**10. PROVISIONS AND ACCRUALS – (Continued)**

The unrecognised actuarial gains arise mainly from the change to a different health care scheme effective from 1 January 2003. In prior years the gains or losses were recognized over a period of the expected average remaining working lives of the employees participating in the scheme. This has now changed to 5 years, as outlined in Note 1.6 above. This change in accounting treatment is considered to be a change in estimate. Had the period of recognition been maintained, the actuarial gains recognised in 2003 would have been R2.6 million.

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2003 R'000</b>	<b>2002 R'000</b>
Trade payables	10,978	10,902
Accrued expenses	5,682	5,705
VAT	833	1,124
Other payables	23,744	25,479
<b>Total</b>	<b>41,237</b>	<b>43,210</b>

**12. STATE APPROPRIATIONS AND GRANTS RELATING TO INCOME**

Subsidy for general purpose	421,567	379,020
State grants and contracts	104,520	85,320
Grants related to specific expenses	21,482	27,400
Rates subsidy	10,806	16,635
Subsidy on medical car scheme	2,400	2,400
Subsidy on interest and redemption on state guaranteed loans	8,276	8,365
	<b>547,569</b>	<b>491,740</b>

**13. PERSONNEL COSTS**

	<b>Academic Professional</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
Wages and salaries	319,104	249,426	568,530	482,262
Termination benefits	-	-	-	1,400
Pension costs	40,847	31,928	72,775	63,539
Post retirement medical aid benefits	2,781	2,173	4,954	20,600
	<b>362,732</b>	<b>283,527</b>	<b>646,259</b>	<b>567,801</b>

Average number of persons employed during the year	<b>No.</b>	<b>No.</b>
Full time	2,832	2,821
Part time	1,135	1,027
<b>Total</b>	<b>3,967</b>	<b>3,848</b>

**14. OTHER OPERATING EXPENSES**

The following items have been charged in arriving at operating surplus:	<b>R'000</b>	<b>R'000</b>
Library acquisitions	20,164	23,300
Repairs and maintenance	56,051	42,074
Expenditure on computer equipment written off	19,152	9,355
Software costs	6,826	4,469
General services outsourced	24,334	21,413
Catering services outsourced	26,818	23,915
Auditors' remuneration	1,760	1,590
Current year - Annual Financial Statements	1,300	1,120
- Other audit services	460	470

UNIVERSITY OF CAPE TOWN  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AT 31 DECEMBER 2003 (CONTINUED)

	2003 R'000	2002 R'000
<b>15. INCOME FROM INVESTMENTS</b>		
Interest income	87,526	53,726
Marketable securities		
- dividend income	26,822	32,011
- gains on sales of marketable securities	44,027	39,863
<b>16. FINANCE COSTS</b>		
Interest expense	<u>37,445</u>	<u>33,431</u>

**17. FINANCIAL INSTRUMENTS**

**Objectives and significant terms and conditions**

The University's portfolio managers limited make limited use of futures and option contracts for hedging purposes only to manage the equity exposure flexibly and cost effectively. This is done in order to achieve desired equity exposures.

At the end of December 2003, the University held 23 futures contracts in the ALSI 40 Index, maturing in March 2004, with an effective maximum exposure of R2,2 million. (2002:Nil)

**Credit risk**

There is no significant concentration of credit risk.

Derivative instruments are entered into with, and cash is placed with substantial financial institutions.

The credit exposure of derivatives is subject to movements in the appropriate indices.

The University is exposed to foreign exchange risk to the extent that it does not take forward cover for foreign currency transactions in the course of operations. This exposure is reduced by the use of a GBP bank account and US Dollar bank account from which such foreign obligations are settled.

The University is also exposed to foreign exchange risk through its holdings of US Dollar and Sterling investments referred to in note 4 above.

The Student Loan Fund Limited through the Standard Bank of SA Limited grants loans to University of Cape Town students. Adequate provisions have been made for these loans.

Student fees outstanding are provided for on a sliding scale and are fully provided for after five years. These outstanding fees are widely spread amongst numerous students indicating no particular concentrated area of credit risk.

**Fair values**

The carrying amounts of the following financial assets and financial liabilities approximate their fair value: cash, available for sale investments, trade receivables and payables, other receivables and payables, and short-term borrowings. Information on the fair value of held to maturity investments and of borrowings is included in notes 3 and 9.

**18. COMMITMENTS**

**Capital Commitments**

Capital commitments at the balance sheet date but not recognised in the financial statements are as follows:

Approved but not contracted for	63,015	67,053
Contracted	<u>42,497</u>	<u>35,545</u>
	<u>105,512</u>	<u>102,598</u>

It is intended that these commitments will be funded largely from current resources, with the balance of the required funding being met from contributions from both the public and private sectors.

**UNIVERSITY OF CAPE TOWN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2003 (CONTINUED)**

**19. REMUNERATION OF SENIOR STAFF**

The following disclosure, as required by the Minister of Education, relates to compensation paid to members of the University's executive team. Remuneration is based on cost of employment to the University and comprises a flexible remuneration package. Compensation paid for other services performed within the University is reflected separately.

Name	Job Title	Gross Remuneration R'000	
		For Primary employment	For other services
Prof NS Ndebele	Vice-Chancellor	1,119	
Dr B Khotseng	Deputy Vice-Chancellor (resigned 30 November 2003)	700	
Assoc. Prof C M de la Rey	Deputy Vice-Chancellor	646	
Prof M J Hall	Deputy Vice-Chancellor	664	
Prof M E West	Deputy Vice-Chancellor	699	
Mr H T Amoore	Registrar	632	
Prof D Pitt	Dean: Commerce	618	36
Prof N S Segal	Director: Graduate School of Business (resigned 31 December 2003)	649	19
Prof C T O'Connor	Dean: Engineering and the Built Environment	624	33
Prof G N Padayachee	Dean: Health Sciences	655	
Prof R Cohen	Dean: Humanities (resigned 31 December 2003)	630	
Prof H Corder	Dean: Law	587	15
Prof B D Reddy	Dean: Science	609	
Dr L Kaunda	Dean: Students	421	
Ms G Kruger	Executive Director Communication and Development	630	
Prof E O Uliana	Executive Director Finance and Prof. of Accounting	724	119
Mr D Van Eeden	Executive Director Human Resources	816	
Mr P N Naicker	Executive Director Information and Communication Technology	611	
Ms J S Favish	Director Institutional Planning (appointed 1 March 2003)	430*	
Ms J Rapp	Executive Director University Libraries	621	
Mr J Critien	Executive Director Properties and Services	508	
Assoc. Prof N Yield	Dean Centre for Higher Education Department (appointed 1 July 2003)	570*	

\* Annualised

Disclosure is made of the following lump sum payments in excess of R249,999, as also required by the Minister:

Purpose/reason for payment	Name	Position held	Amount R'000
Resignation	Dr B Khotseng	Deputy Vice-Chancellor	471
Retrenchment	Ms R Erlank	Human Resources Manager	301

No remuneration is paid to members of Council for services as Council members, membership or attendance at meetings, nor is it the policy of the University to pay those whom it appoints as board members, trustees or directors of related or affiliated entities.

Reimbursements for travel to meetings of Council amounting to R17 340 were paid on behalf of one member of Council.

**20. RETIREMENT BENEFITS**

**University of Cape Town Retirement Fund**

The University of Cape Town Retirement Fund is a defined contribution fund, of which the majority of permanent and long-term contract employees are members. The current year's contribution to the Fund for the benefit of employees was R72.8 million (2002: R63.5 million).

The Fund was formed on 1 January 1996, after the majority of employees had elected to transfer from the Associated Institutions Pension Fund, a defined benefit plan underwritten by the State. This latter fund had an estimated funding level of 60% of liabilities at the date of withdrawal. The University provided a transitional amount of R38 million towards improving the position of active members transferring to the Fund. This was fully funded by the University via the raising of a loan, referred to in note 9.

**UNIVERSITY OF CAPE TOWN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2003 (CONTINUED)**

**20. RETIREMENT BENEFITS (Continued)**

**Health care benefits**

The University's future obligation in respect of post-retirement medical aid contributions is actuarially valued annually based on the projected unit credit method. For the purpose of the valuation at 31 December 2003 the following key assumptions were made; discount rate 9.25% (2002: 11% ); expected inflation on medical aid contributions of 8.75% for 3 years, decreasing thereafter to 6.25% within 9 years (2002: 10.5% for 5 years, decreasing to 8% thereafter); normal retirement age of 62 (2002: 62). The expected average remaining working lives of the employees participating in the scheme is 16 years (2002: 16 years).

**21. REFERENCES TO THE UNIVERSITY**

In the context of these financial statements all references to the University of Cape Town refer specifically to the University itself, while all other references include the group comprising the University and its entities, the accounts of which are consolidated (Refer note 1.1).

**22. RELATED PARTY TRANSACTIONS**

Due to the nature of the University's operations and the composition of its council, the Council takes particular care to avoid conflicts of interest, and has an explicit policy requiring disclosure and reporting. Any transaction with third parties in which any council member has a direct or fiduciary interest are subject to this policy, at arms length, and in accordance with approved procurement policy.

The register of direct and fiduciary interests is updated at least annually. The register has been reviewed and no transactions have been identified with a third party controlled by one or more members of the Council.

[Back to Contents](#)