

# 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  
and as subsequently amended by Government Notices 259 of 26 February 2004; 476 of 20 May  
2005; 748 of 27 August 2010; and 408 of 23 May 2012**

ANNUAL REPORT

2012

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**THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN**

EXECUTIVE OFFICERS OF THE COUNCIL		REGISTRAR
Dr M R Price (1, 2, 3, 4 & 6)	(Vice-Chancellor)	Mr H T Amoore (5)
Professor R T Nhlapo (6)	(Deputy Vice-Chancellor)	<b>EXECUTIVE DIRECTOR FINANCE</b>
Professor S Klopper (5, 6)	(Deputy Vice-Chancellor)	Professor E O Uliana (4)
Professor C Soudien (6, 8)	(Deputy Vice-Chancellor)	
Professor D P Visser (4,6)	(Deputy Vice-Chancellor)	
<b>The COUNCIL (1 JULY 2012 - 30 JUNE 2016) as at June 2013</b>		
The Most Reverend N W H Ndungane (1) (Chair)		
Ms D J Budlender (1, 3,4) (Deputy chair)		
Ms S Barsel		
Mr G Bloch (8)		
Mr G Bloor (2)		
Ms E Brooks (7)		
Ms Y Dwane (6)		
Professor M P Ensor (1)		
Mr Justice I G Farlam (2,6,8)		
Mr J J Gauntlett SC (1)		
Mr L Hallendorff (1)		
Mr A Jakoet (3,4)		
Alderman O Kinahan (5)		
Mr I Kallon		
Ms L Y Meyer (1,7,8)		
Ms R Omar (6)		
Ms Justice C M E O'Regan (6)		
Professor F Petersen		
Mr T D Petersen (1,3,4)		
Dr H Raubenheimer (7)		
Associate Professor U Rivett		
Mr J Rousseau		
Mr T Setiloane (6,8)		
Mr S Zungu (4)		
Mr B Zwane (7)		
1 = Member of Council's Executive Committee	2 = Member of Audit Committee	
3 = Member of Remuneration Committee	4 = Member of Finance Committee	
5 = Member of Building and Development Committee	6 = Member of Strategy Forum	
7 = Member of the HR Committee	8 = Member of the Institutional Forum	

BUSINESS ADDRESS	AUDITORS
Bremner Building Lovers' Walk 7701 Rondebosch	Ernst & Young Inc. P O Box 656 8000 Cape Town
POSTAL ADDRESS	BANKERS
Private Bag X3 Rondebosch 7701	The Standard Bank of SA Limited P O Box 1 7700 Rondebosch

## STATEMENTS ON GOVERNANCE AND REPORTS ON OPERATIONS

### REPORT OF THE CHAIR OF COUNCIL

The new Council's first year of office ends as we complete these statements. In reviewing 2012, I propose to look at the extent to which the Council's key objectives for 2012 were met, to review some of the major achievements of 2012, to review significant post-balance sheet issues, and as always to review the key challenges we now face.

In doing so I will highlight issues dealt with in greater detail in the reports which follow, in particular the Vice-Chancellor's report and the Financial Review by the Chair of the University Finance Committee and the Executive Director of Finance.

#### Key Objectives for 2012

At the end of 2009 we set six goals for UCT for the years 2010 to 2014. We are now three years into this five-year period.

These goals take as *given* first, that the core business of UCT in teaching and learning and research will continue and be conducted at a very high level of quality, and secondly that we remain financially strong. It is these two *givens* that I propose to review first.

#### *Teaching and learning:*

Our enrolment planning compact with the Ministry and the Department of Higher Education & Training required that we aim for a headcount enrolment of 25 604 students in 2012 (converted to a weighted full-time number, of what are termed *teaching input units* that the State will fund by way of input subsidy, of 57 056). The Vice-Chancellor's report on UCT operations during 2012 details our 2012 enrolment numbers. What is critical here is that our headcount enrolment for 2012 was 25 736 subsidisable students (including a significant 6.3% increase in postgraduate enrolment) that translated into 59 659 teaching input units. This is evidence of good enrolment management, but also that more students are carrying a full load and that enrolment in SET and higher degrees has increased.

It is a critical part of the shape and size policy that the Council and Senate adopted in 2011 that we limit growth at the undergraduate level, that we increase throughput (paying particular attention to addressing the gap between the throughput rates of white and black students) and increase postgraduate numbers.

The Vice-Chancellor's report deals with completion and success rates in some detail. What is significant and pleasing is that success rates (the number of students attempting courses who succeeded) are improving, as are throughput rates (the proportion of students who start and obtain a qualification before leaving UCT as measured in longitudinal studies). There is no room for complacency. The Senate's comprehensive *Teaching and Learning Report for 2011*, submitted to Council in late 2012, identified very important teaching and learning challenges, a greater commitment to the importance of teaching and learning at UCT, and a series of interventions to tackle these.

In summary, the challenges echo the key strategic importance we attach to improving completion and success rates. UCT's completion and success rates are among the best, if not the best, of all public universities in South Africa. However, there continues to be room for, and commitment to, improvement.

### **Research and Innovation**

The Council and the Senate have a vision for UCT as a research-led institution in the short-term, moving toward the goal of being a research-intensive university in the long-term. The following figures from the comprehensive 2012 Research Report recently submitted to Council by the Senate on the research work of the University show the extent to which research activity continues to grow. The table below shows how UCT has become increasingly research-led.

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Accredited Publication Units	1 086	1 188	1 253	1314.40	>1340 <sup>1</sup>
Value of Research Contracts	R473 million	R519 million	R550 million	R722 million	R682 million
Number of Research Contracts	977	882	1 056	1 360	1218
NRF Funding (new awards only)	R165 million	R184 million	R202 million	R224 million	R208 million
Postdoctoral Research Fellows	179	189	235	252	286
NRF Research Chairs (SARChI)	n/a	19	28	28	33
NRF Rated Researchers	293	320	336	379	415

<sup>1</sup> This figure is subject to audit in July 2013 and may change, but will not be less than this number.

I remarked in my 2011 report on the extent to which these data show our leading position in South African Higher Education. Perhaps the most marked of these are the numbers (415) of UCT academic staff who are NRF rated (accepted by their international peers as recognised researchers), the number (33) who are NRF A-rated (those who are recognised as world leaders in their fields) and the number of Y-rated researchers which has grown from 26 in 2008 to 62 in 2012. The 286 post-doctoral students at UCT in 2012 represent more than one-third of the post-doctoral registrations at all South African Universities.

### ***Outreach, social responsibility and engaged scholarship***

One of the goals we set in 2009 was to expand and enhance our contribution to South Africa's development challenges through engaged, policy-relevant research and teaching, as well as by expanding opportunities for students to become directly involved in socially-responsive learning. We also undertook to direct the University's expertise towards what the Senate terms 'engaged scholarship' i.e. scholarship that seeks to engage with, and address, the issues facing our society.

The progress made in these areas is documented elsewhere, however four are worth highlighting:

- The work of the African Climate and Development Initiative and the new interdisciplinary course in climate change and sustainable development;
- The poverty studies being undertaken as part of the Policy and Inequality Initiative. This initiative will be strengthened by the appointment of a Pro-Vice-Chancellor (Professor Murray Leibbrandt) who will build on the work of Emeritus Professor Francis Wilson and his team;
- The Safety and Violence Initiative; and
- The Schools Improvement Initiative.

### ***Financial strength and financial performance***

The UCT Council continues to give priority attention to financial matters.

Council has a comprehensive financial plan, (published on the UCT website) which foregrounds the following principles.

1. Budgeting for a recurrent operating surplus amounting to 3% of total recurrent operating income.
2. The inclusion of a contingency provision of 1% of total expenditure in the budget. A contingency item must be of an exceptional nature, which could not

- have been anticipated at the time of preparing the budget and which cannot be reasonably accommodated within the unit's budget. An unspent balance on the contingency does not accumulate to a prior year reserve (PYR).
3. Recovery of appropriate costs associated with research and other activities.
  4. Including as income funding (other than fees or subsidy) for specific expenditures that are expected to continue, for example:
    - the income from an endowment to support a chair that is filled, or is expected to be filled will be recognised as revenue in the revenue budget for the year; or
    - the income (even if not recurrent) for an externally-funded programme which the University expects to fund from its own resources when the external funding ceases will be recognised as revenue (e.g. the programme to develop emerging researchers).
  5. Allocation of the annual realised recurrent operating surplus to the free cash balance.
  6. Provision of a portion of the realised net financing and investment income from the preceding year for allocation in the current year, on the Vice-Chancellor's (VC's) recommendation to capital expenditure, new initiatives and other limited period expenditure. To determine the amount to be made available to the VC, the University Finance Committee (UFC) considers the balance of free cash, together with existing and anticipated commitments, and makes a recommendation to Council. Should the operating result be a deficit, the first use of the financing and investment income will be to reduce the deficit.
  7. Evaluation of the expenditure on capital items in terms of strategic priorities, informed by:
    - An analysis of the Net Present Value (NPV) of the project.
    - Uncertainty in projections of future costs and income.
    - Available cash resources.
    - Investment income.
    - Donations from external sources.
    - Such portions of the VC's discretionary spend as are allocated to capital expenditure.
    - For major infrastructural developments, the borrowing capacity of the University.
  8. Requiring each of (i) the staff housing and (ii) the student housing operation to cover its full costs and provide resources for long-term maintenance and the expansion of stock. New stock may be underwritten by the capital budget and is



evaluated as described above for structural capital items. Unless explicitly agreed by Council, capital and financing costs for additions to student housing or staff housing stock are met by the budget for student or staff housing respectively.

9. Holding free cash at a level between 20% and 30% of recurrent operating expenditure. Deviations from these parameters must be approved by Council on the recommendation of the UFC, having due consideration for the reasons and on presentation of a plan which indicates how the University will return to these levels.

How have we fared in 2012 against these principles? The financial review and the financial statements give the full picture. In summary, we entered 2012 with a small, planned budgeted deficit on operations, and ended the year with a small surplus on operations. That surplus was *not* the 3% that we recognise as critical for financial sustainability and continuing capital expenditure. Capital spend continues to be necessary if we are to remain a leading university on our continent and in the world, and to develop additional innovative programmes and interventions. Free cash remains within the targeted range, but we have ideas for significant capital expansion – which, if translated into plans, will make major calls on free cash reserves. We have maintained the discipline of not applying revenues from investments to current operations, and as the recent Research Report shows we are making good progress in overhead costs recovery.

And though this does not relate to operations, and although most donor income is specific to donor goals, we again saw a record total of donor funding in 2012; the report on 2012 donor funding that the Vice-Chancellor presented to Council shows donor funding receipts in 2012 in excess of R258 million (which included a munificent bequest of R70 million, providing an endowment for postgraduate bursaries and for the Department of Medicine). The bulk of donor funding came to UCT from Foundations, and is funding that UCT secured on the merits of grant applications.

On the other hand, we have a budget for 2013 that is very tight, that again does not predict the desired surplus on operations and no longer provides a 1% contingency. In recent years the final surplus on operations has been better than budget; but for 2013 we have stripped out the savings that past experience shows we can make. A key area – student housing – is under review; if, as we probably will have to, we continue to expand student housing stock we will not be able to charge the capital and financing costs to the budget for student housing.

All this points to the importance of managing the budget.

But we have to add to this uncertainties relating to the budget of which possible revisions to the state's funding framework and the funding priorities of NSFAS are the most important.

Debates on these matters have been robust; this has been particularly the case in regard to the setting of fees, where we have to balance the need for revenue, the need to remain affordable, and the need to ensure that financial aid funding keeps pace. For the third year in a row motions for tuition fee increases have been robustly contested.

### ***Capital projects, capital spend and State Grants for infrastructure***

Housing 880 students, the **Obz Square** residence which opened its doors at the start of 2012 has been one of UCT's biggest and most successful building projects ever. Work on the capital projects planned for 2012, including those partly funded by infrastructure grants from the State, proceeded according to plan and within budget, with the exception of two cases where both local government and heritage planning permissions delayed the process. In the first case, the proposed extension to the engineering complex [to provide for growth in engineering enrolments and student learning space] was resolved subsequent to year-end. The second case, which involves the provision of a much-needed lecture-theatre facility, is now subject to an appeal process. The New Engineering Building was not completed before year-end and will be taken into use in the third quarter of 2013.

### ***The six strategic goals set in 2009***

The six strategic goals which aim to give UCT a distinct edge and ensure our relevance, encapsulate Max Price's vision which he articulated upon assuming the Vice-Chancellorship. I was able to report last year that the Council had secured the succession by appointing him for a second term that will end in June 2018. As we finalise this report he will complete his first five-year term of office. His self-assessment (see page 20) gives a full account of how well our institution has done in working towards and achieving these goals which are appropriately ambitious and challenging. These six goals were:

- internationalising UCT via an Afropolitan niche;
- the transformation of UCT towards non-racialism – redress, diversity inclusiveness and the recognition of African voices;
- working towards a desired size and shape for UCT;

- a vision for the development of research at UCT: greater impact and greater engagement;
- enhancing the quality and profile of our graduates; and
- enhancing and expanding UCT's contribution to South African development challenges.

The Vice-Chancellor's assessment reveals many successes. One goal that is particularly noteworthy, as it relates to a key Council responsibility, refers to improvement of access by students by means of a comprehensive financial aid scheme that takes into account students whose families have varying financial means. Many of our students are able to afford tuition and housing fees; but for other students who come from poorer homes, a place at UCT would be an unrealisable dream without a comprehensive financial aid scheme.

The State's National Student Financial Aid Scheme (NSFAS) makes an important contribution, but Council believes that in order for all students deserving of a place at the University it must add significantly to what the State provides.

In 2012 a total of 3 349 undergraduates received financial aid support (compared to 3 133 in 2011) and of R67 304 000 made available to UCT by the State for NSFAS awards (excluding the funds for teacher training) R67 256 455 was allocated and spent. NSFAS provided a further R38 million in final-year funding and designated loans for UCT students. Council made R79 million available from Council-controlled funds, while donor and endowed funds provided an additional R14.8 million for undergraduate financial aid. (For details of the financial aid provided by UCT, refer to the annual financial review on page 78).

In the year under review, UCT awarded some form of financial aid to 2 464 (or 40%) of the 6 215 students registered for honours, Master's and doctoral degrees to a total of R159 million. Of this some 30% came from the National Research Foundation.

### **Qualifiers**

The table overleaf illustrates the numbers of qualifiers for the 2012 academic year. It also shows the extent of UCT's contribution to producing graduates.

	2008	2009	2010	2011	2012
U.G. Diplomas	112	315	288	331	208
3yr B degrees	1 556	1 544	1 685	1 738	1941
Professional B degrees	1 362	1 267	1 294	1 339	1389
PG Diplomas	646	884	861	937	958
Honours	828	820	874	937	957
Master's	836	868	1 009	1 085	1072
Doctors	151	178	160	163	196
Total qualifiers	5 491	5 876	6 171	6 530	6721
Total students	22 608	24 012	24 772	25 301	25 736

### ***University rankings***

For good reason university rankings remain, controversial. While many universities do not take part because of inbuilt biases, these rankings do reflect how we are perceived in academia internationally, and thus it is appropriate that we monitor our position in these rankings, and reflect on the reasons behind changes in our ranking. The 2012 rankings again placed UCT first on the continent.

One of the most significant developments related to the rankings was that UCT's Faculty of Health Sciences was ranked in 50th amongst the worlds' Top 50 Clinical, Pre-Clinical and Health faculties in the Times Higher Education World University Rankings. This marks the first time since this category's inception, that a tertiary institution from a developing country has been recognised for outstanding performance across all the main performance indicators used to measure success. Our performance in this 'discipline specific' ranking marks a milestone in the University's history. That it occurred in 2012 is significant as the year also marked the centenary of the founding of UCT's Medical School from which our current Health Sciences Faculty originated.

	2008	2009	2010	2011	2012
Times Higher Education	179	146	107	103	113
Quacquarelli Symonds	179	146	161	156	154
Shanghai Jiao Tong	Top 300	Top 300	Top 300	Top 300	Top 300

We were equally excited and gratified with the recent announcement of QS World University Rankings by Subject, released on 8 May 2013, which listed UCT amongst the world's top 100 universities in eight of its subject areas.

### **Governance**

In July 2012, at the start of a four-year term of office, our Council members by and large constituted a relatively new Council. The new members have shown an exemplary commitment to, and interest in, the work of the University.

By law, public universities in South Africa must constitute Councils of which 60% of members must be external, and which must also include members chosen by the institution's internal constituencies, as well as the University's executive officers.

We are elected or appointed by a diversity of bodies: six members are chosen by the world-wide membership of Convocation, three are appointed by the Minister of Higher Education and Training, one each by the Premier of the Western Cape and the Council of the City of Cape Town, two by donors, and five by the Appointments Committee (the external members); three members are elected by the Senate; two students elected by the Students' Representative Council (SRC); one each by the academic staff and by the professional administrative service and support staff; while the Vice-Chancellor (VC) and the Deputy Vice-Chancellors (DVCs) serve *ex-officio* (the internal members).

We hold office for four-year terms, with the exception of the student members who now hold office for one year, and the VC and DVCs who are members *ex officio*. Although we come from a range of constituencies, we must all act in the best interests of the University – we do not serve as representatives and we do not hold mandates or mandated positions. The need for us to see ourselves as Council members and not as *representatives* remains: this applies whether we are appointed or elected by the SRC, or the Minister, or the Premier, or Convocation, or the Senate or any other. As Council members we have a responsibility to act independently and in the best interests of the University. Members are neither mandated by, nor beholden to, their appointing bodies. I believe that current Council members demonstrate a clear sense of this.

The relationships between the Council, the Senate, the Institutional Forum, the Students' Representative Council (SRC) and the University Student Affairs Committee (the structure that advises the Council on student matters as required by the Higher Education Act) all impinge on governance.

***The Ombud***

The University Ombud is a relatively new UCT institution and the report presented to the Council on the Ombud's work – work that is informal, institutional and confidential – has shown how important this institution is in helping all those who come up against hurdles and difficult situations within the University, hurdles and situations that seem inevitable in a community of in excess of 30 000 people (comprising nearly 26 000 students and over 4 000 staff). The University Ombud, Zetu Makamandela-Mguqulwa, has established a truly independent office and an invaluable service. Ms Makamandela-Mguqulwa reports direct to me as Chair, and to the deputy Chair; her office's key contribution is to ensuring that all the members of UCT are treated equally and fairly.

***Admissions Policy***

The Higher Education Act requires the Council, in concert with the Senate, to determine the admissions policy of the University; it also requires that the admissions policy must provide for redress. Our admissions policy is published (as the Act requires) and continues to be the subject of debate both within and outside of the University, including both national and international media. This debate is rigorous and vigorous, as it should be, and it remains far from concluded. In view of its importance, it seems appropriate that the state of this debate is summarised.

For the years 2013 and 2014 we will continue to utilise our current admissions policy which was specifically designed to ensure that we have a diverse student body (where the South African component of our student body increasingly reflects the demographic diversity of the South African population, as well as encouraging a significant number of international students). UCT, along with the best tertiary institutions worldwide, believes that everyone gains from a diverse student body.

Our current admissions policy is also designed for redress. This policy tries to address a national legacy of race and class-based inequality, and in particular structural educational inequality, as well as the continuing (and, in many cases, increasing) disparities in public education provision. We acknowledge that the effects of pre-1994 discrimination remain in our society and we maintain that these socio-political factors place an obligation on UCT to provide redress – through our admissions policy – for past *racially-based* discrimination in our schools, in public higher education and in our society in general. In short our admissions policy is to value the best, to be active in redressing past inequalities, and to be rigorous in promoting access and success.

Our policy is designed to ensure:

- that the best students come to UCT; and
- that UCT builds a diverse student body.

The best students are:

- those who get the top results in school and formal school-leaving exams (NSC or equivalent) and national benchmark tests (NBTs); and
- those who despite educational and other disadvantage, do very well in these exams.

A diverse student body is:

- one in which the South Africans among our students increasingly reflect the demographic diversity of our country; and
- one in which we have significant numbers of international students.

We want a diverse student community because we believe that everyone gains from living and learning in an environment in which difference is valued.

Results in formal educational assessments remain the best yardstick we have for assessing applicants. Most of our places in 2013 were, and most in 2014 will be, won on school-leaving (Grade 12, National Senior Certificate or equivalent) and NBT results only. This will be the case in all undergraduate programmes other than the MBChB (where we expect the proportion filled on this basis to be less than half (but over one-third) because of the intense competition for MBChB places and the need to ensure that we produce more black doctors).

In order to provide for redress in the 2013/2014 admissions cycle we will again invite all South African citizens and South African permanent residents to indicate whether or not they belong to one of the following previously-disadvantaged groups:

- Black South African; or
- Indian South African; or
- Coloured South African; or
- Chinese South African.

Applicants may choose not to categorise themselves racially. We place all South African applicants who do not indicate a previously disadvantaged group, or indicate that they are white, in an open admissions category and our redress policies do not apply to them.

All international applicants are also placed in this open category, except where we impose a limit on international numbers in a class. We apply our redress measures to those South African applicants who choose to place themselves in one of the above categories.

During 2012 we made some progress towards a review of this policy. A Council-appointed Commission headed by a former Council member and former President of the Supreme Court of Appeal, Craig Howie, presented a well-researched report to the Council at the end of 2012. This has been placed in the public domain as the *Howie Report* at: [www.uct.ac.za/downloads/email/HowieReportonStudentAdmissions.pdf](http://www.uct.ac.za/downloads/email/HowieReportonStudentAdmissions.pdf)

Devising a new admissions policy is not going to be a simple task. There are strongly held views on the way forward, but I believe there is consensus on four points, namely:

- That we must seek to recruit the best applicants
- That redress for the past structural inequalities imposed on many South Africans is a necessary part of a fair admissions policy
- That our admissions policy is, and any future policy must be, consistent with the values and provisions of the Constitution, and
- That our admissions policy and its application must be transparent.

Accordingly the Council decided in late 2012:

- a) to make the *Howie Report* available to the campus community for debate and comment, and in particular to invite the Senate (and all faculty boards), the Students' Representative Council, the Institutional Forum, and the campus-based trades unions and staff bodies to debate and comment on it;
- b) at the same time to inform the campus community that, as advised by the Howie Commission, it had taken senior counsel's opinion on the existing admissions policy, and that senior counsel had advised that this policy was neither unfair nor was it unlawful, thus confirming the view that Council had previously taken and the advice it had had in the past;
- c) to record and reaffirm the existing (race-based) basis for redress in admissions would continue for the 2012/2013 admissions cycle and for future cycles until and unless amended by decision of Senate and Council; and
- d) to affirm Council's unequivocal commitment to retaining an emphasis on redress in UCT's admissions policy; (i.e. to a policy of affirmative action that provides for redress and deals effectively with the legacy of South Africa's past); and to the twin goals of recruiting the best students and recruiting a diverse student body.



### ***Transformation***

We face transformation challenges on more fronts than merely admissions. Council regularly reviews transformation activities in relation to four major commitments we made in the 2009 strategy document, namely:

- demographic change;
- strengthening student support to improve course success rates;
- inclusiveness (to work towards an environment in which UCT as a place is “owned” by all our staff and students, and the community; and
- developing inclusive curricula that engage with our continent.

Three interesting findings emerged from a staff Climate Survey undertaken during 2012: the response rate (48% of all staff, 60% of permanent staff) was high for a survey of this kind; the respondents’ experiences of working at UCT were significantly positive in most areas; but staff (who cited the reward structures as working for research productivity) maintain the University’s reward structures do not adequately reward excellent teaching. This finding points to an issue that the University’s leadership must deal with, given the importance of teaching to the University.

In 2013 we will conduct and report on the five-yearly review of our employment equity policy and plans, and the extent to which we have made progress. Currently it is clear that we need to redouble our efforts to ensure our staff profile reflects South Africa’s diversity, as there are several areas in which we have not met our employment equity targets.

### **Challenges for the year ahead**

Our most important challenges relate to: our students who are our first priority; the need to transform our institution; the need to maintain the University’s financial well-being; and the need to provide outstanding leadership and exemplary governance.

### ***Students***

Our key challenges concern our students. In the main we have a duty to:

- Ensure that we have a fair and defensible admissions policy that makes provision for redress and identifies the applicants who have the potential not only to succeed but to do well;
- Ensure that our fee policies, financial aid policies and budgets, and student housing provision (both University-provided and that which we mediate and that

- is provided by others) meet our needs and the needs of our students; and, most importantly,
- Ensure that our students get the support that they need to succeed – both inside and outside the classroom.

### **The challenge of transformation**

The 2009 objectives remain before us: to accomplish demographic change (especially among the academic staff and the leadership), strengthen support for students, and thus ensure inclusiveness as well as academic success.

### **The challenge of continued financial strength**

The financial review points to a number of uncertainties. These will be continually and carefully monitored, and adjusted as necessary. At the same time we must maintain financial discipline in the face of ever-increasing demands.

### **Leadership and transition**

This Council took office on 1 July 2012. We are now one year into our four-year term.

We are fortunate to have an experienced and competent executive team that includes the Vice-Chancellor and his four Deputy Vice-Chancellors. As previously stated, the Vice-Chancellor's new five-year term begins on 1 July 2013, ensuring continuity at that level. Deputy Vice-Chancellor, Professor Danie Visser has been re-appointed and will be with us to the end of 2016 when he will retire. The new Dean of the Faculty of Health Sciences, Wim de Villiers, is due to take up his appointment on 1 July 2013, and we expect to appoint new deans in Humanities and the Centre for Higher Education Development later in 2013.

Plans are now being implemented to deal with the significant transitions in executive and senior management level that will be witnessed during the next four years. One DVC will retire at the end of 2014 and the current term of another will end before 2015. The Vice-Chancellor is actively involved in this succession planning.

### ***Ensuring effective governance and ensuring good governance***

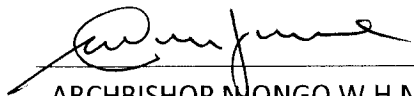
As a Council we must ensure effective governance and give attention to ensuring both that the University's finances are sound and that they are properly applied to meet the University's needs.

In this regard I wish to pay tribute to all the members of Council, especially the members of EXCO (Deputy Chair Debbie Budlender, Jeremy Gauntlett, Trevor Petersen

(the chair of the Finance Committee), Paula Ensor, Lucille Meyer, the SRC President (Lorne Hallendorff) and the Vice-Chancellor, Dr Max Price).

I would like to also extend thanks to the members of all committees, but in particular I would like to mention five important committees: the Remuneration Committee (chaired by Bakar Jakoet); the Finance Committee (chaired by a former deputy chair of Council, Trevor Petersen); the Human Resources Committee (chaired by Buyani Zwane); the University Building & Development Committee (chaired by Owen Kinahan); and the Audit Committee (chaired by Ian Farlam).

To the members of the Council who serve without reward and in particular to the members of EXCO and the committee chairs, I express not only my thanks and appreciation, but also the collective thanks of the University of Cape Town.



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ARCHBISHOP NONGO W H NDUNGANE

CHAIR OF COUNCIL

15 JUNE 2013

## SELF ASSESSMENT BY THE VICE-CHANCELLOR OF EXECUTIVE PERFORMANCE

Executive-level goals were set for 2012 and these were endorsed by the University Council. These goals were aligned to the University's six strategic goals which are outlined in the table below.

Achievement of these goals was assessed in relation to the performance of the members of the executive team, including the Vice-Chancellor, Deputy Vice-Chancellors, Deans, Executive Directors and the Registrar. The portfolios of the senior officers often overlap, hence the broader overview of executive performance.

The specific sub-sections of this Annual Report provide further detail in respect of institutional activities; projects and initiatives undertaken; successes achieved; and challenges faced. While some of the projects and initiatives listed in this report are faculty- and department-related, the list is not comprehensive as the focus is generally on those initiatives that are conducted at an institutional level. While this report focusses on the major projects undertaken in 2012, it is worth noting that routine University-wide operations remained stable.

Broad goal/ area of work	Specific objectives and outcomes
<b>Goal One: Internationalising UCT with an Afropolitan Niche</b>	
<b>Creating an Afropolitan University</b>	<ul style="list-style-type: none"> <li>In 2012, donor funding was secured to fund seven on-going collaborative grants, as part of the Programme for the Enhancement of Research Capacity (PERC), and to institute three new awards. To date PERC's efforts have resulted in collaborations with researchers in: Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.</li> <li>The Carnegie-funded "Next Generation of Academics" project's reference group (consisting of the universities of Ghana, Makerere, Witwatersrand and UCT) met in Kampala to share models of good practice and reflect on lessons learned in the training and development of the next generation of African scholars.</li> </ul>

	<ul style="list-style-type: none"> <li>• In 2012, UCT participated in ema2SA II, the second iteration of the Erasmus Mundus Action II partnership. Following on from UCT's participation in 2011, the University successfully bid for further funding towards a continued partnership.</li> <li>• In 2012, UCT was awarded EUR 2 million under the instrument entitled Mwalimu Nyerere/intra-ACP academic mobility scheme.</li> <li>• Deputy Vice-Chancellor Nhlapo led a UCT delegation that visited the universities of Nairobi, Ibadan, Addis Ababa, Ghana and National University of Rwanda.</li> <li>• The Vice-Chancellor continues to serve on the Council of University of Ghana.</li> <li>• Professor Lungisile Ntsebeza was appointed to the AC Jordan Chair in 2012 and championed the integration of African Studies into research, teaching and learning –at both undergraduate and postgraduate levels – across the institution.</li> <li>• Collaborative research with academics from other African countries and institutions continued to grow throughout 2012.</li> <li>• UCT runs a successful Africa Month on campus each year, highlighting those research and other initiatives that give expression to UCT's Afropolitan vision.</li> </ul>
<p><b>Other internationalisation</b></p>	<ul style="list-style-type: none"> <li>• The Vice-Chancellor visited the University of Tokyo, the Kyoto Science and Society Forum, the Global Universities Leaders Forum (Davos), and the UN Sec General's Colloquium of university presidents (Philadelphia).</li> <li>• UCT participated in the Worldwide Universities Network (WUN) and was awarded grants for collaborative research projects.</li> <li>• UCT's semester study abroad programme continues to grow in size and popularity.</li> </ul>

<b>Goal Two: Transformation of UCT Towards Non-Racialism – Redress, Diversity, Inclusiveness and the Recognition of African Voices</b>	
<b>Admissions, Access</b>	<ul style="list-style-type: none"> <li>• Council’s Student Admissions Commission completed its task to review UCT’s admissions policy and accordingly presented a report and proposals. These are under consideration as part of a process to reduce the reliance on ‘race’ as a proxy for disadvantage in making admissions decisions.</li> <li>• Further refinements were made in the collection of applicant biographical details captured as part of UCT’s standard application form with a view to generating more nuanced data to inform proposed revisions of the admissions policy.</li> <li>• UCT’s financial aid policy was revised in 2012. The new policy enables many more students from middle-income families, positioned above the NSFAS threshold, to access funding to study at UCT. In addition, the level of funding was increased. In 2012, 3349 students were recipients of UCT financial support; 2 738 student benefitted from financial aid; and there were 610 recipients of ‘gap’ funding. This is funding for those in the income gap between family incomes that fall within the State’s income levels for NSFAS funding and the level at which we believe that family income, with loan support, can sustain the costs of university study.</li> </ul>
<b>Throughput, Success</b>	<ul style="list-style-type: none"> <li>• The First Year Experience project was established in 2012. This project is aimed specifically at improving the retention and success rates of first-year students.</li> <li>• Student mentoring initiatives have been crucial in the drive to improve throughput. However, while every residence has a mentoring programme, there has been uneven provision across the faculties and some gaps still exist.</li> <li>• UCT’s Student Wellness Service currently manages a counselling service across the University, offering guidance and support to students.</li> <li>• 19 large lecture theatres were fitted with ‘lecture capture’ video facilities to enable students to review and recap lectures on-line.</li> </ul>

<p><b>Inclusiveness, Institutional Climate</b></p>	<ul style="list-style-type: none"> <li>• ADAPT is an institutional climate intervention programme. The programme focuses on developing intercultural competencies as a key methodology to explore difference and ‘otherness’, along lines such as race, class, gender and culture. From January to December 2012, 49 workshops were held with approximately 15-20 participants in each.</li> <li>• Established in 2010, the 360° Leadership Development Project was extended in 2012 to managers and leaders (both professional and academic) at other levels in the UCT structure.</li> <li>• In respect of institutional climate, a staff census was conducted during the second semester of 2012. The purpose was to gather information from staff members about the UCT work experience and environment. There was a 48% response rate from all staff. These responses are being analysed.</li> <li>• Other interventions continued: Use of Ombud’s Office increased substantially (2012 was its second year); HIV/AIDS awareness and testing; Discrimination and Harassment office services.</li> <li>• UCT continued to focus on employment equity and ensured that employment equity representatives were properly trained and present on selection committees. Exit interviews were conducted with a number of staff members who had resigned, the purpose being to inform a deeper understanding of the reasons for staff members leaving UCT. Staff development programmes were offered and taken up by many staff members. These opportunities aimed to enhance the professional and personal development of staff members who participated.</li> </ul>
<p><b>Curriculum Reform</b></p>	<ul style="list-style-type: none"> <li>• The most important new developments for 2012 were those associated with the First Year Experience initiative, as mentioned above in the section on Throughput/Success. This project has opened up possibilities for discussions in faculties around <i>how</i> they approach their subject matter pedagogically and what they include within their syllabi. On-going work in the Faculty of Engineering &amp; the Built Environment, especially in Chemical Engineering, needs to be acknowledged. Also important are the innovations in the Education Development Unit in the Faculty of Commerce where the content for key subjects (including Accounting, Mathematics, Economics and Information Systems) is</li> </ul>

	<p>being reviewed. The Academic Development Programme in Humanities officially became an Educational Development Unit (EDU), with significant expansion of the extended curriculum and the provision of support structures via tutorials and mentoring programmes.</p>
<b>Goal Three: Working Toward a Desired Size and Shape for UCT</b>	
<b>Policy and Planning</b>	<ul style="list-style-type: none"> <li>• The implementation plan for institutional size and shape continues to be dealt with through the enrolment planning process. Postgraduate enrolments increased faster than undergraduate enrolments, in line with UCT's mission of increasing the number of postgraduate students.</li> <li>• Building progress: <ul style="list-style-type: none"> <li>○ 880 students were housed in the new OBZ Square residence for the first time in 2012.</li> <li>○ Construction of new engineering building saw steady progress and is due for completion in 2013, as mentioned in the Chair's Report.</li> </ul> </li> </ul>
<b>Goal Four: A Vision for the Development of Research at UCT</b>	
<b>Research</b>	<ul style="list-style-type: none"> <li>• Five new research groupings were accredited by the University Research Committee (URC) in 2012. There are now 71 accredited research groupings that meet the required quality criteria, and undergo cyclical reviews to ensure that these standards are maintained.</li> <li>• Four new South African Research Chairs Initiative (SARChI) chairs were awarded, two of which have been filled, bringing the total number of SARChI chairs at the University to 33.</li> <li>• The first phase of development of the Research Portal was completed.</li> <li>• In the 2012 cycle the Research Office submitted the highest total of applications from one university in the history of the NRF. The number of NRF rated researchers at UCT continues to increase and there are currently 415 rated researchers. During 2012, four new A-ratings and two new P-ratings were awarded.</li> </ul>



	<ul style="list-style-type: none"> <li>• UCT established the post of Director of Postgraduate Studies to give effect to UCT's goal to grow postgraduate student numbers.</li> <li>• Space refurbishment for postgraduate students in the Arts Block, Leslie Social Science and the Humanities Building helped further promote a postgraduate research culture.</li> </ul>
<b>Goal Five: Enhancing the Quality and Profile of UCT's Graduates</b>	
<b>Graduate Attributes</b>	<ul style="list-style-type: none"> <li>• Overall standards and pass rates remained high. For example, in 2012 the UCT pass rate for first-time writers of the South African Institute of Chartered Accountants (SAICA) Board exam was 92%, well above the national average of 78%.</li> <li>• Xhosa was introduced as a final year elective in the LLB degree.</li> <li>• Improving the quality of university graduates was the focus of a symposium hosted by the joint task team of the Western Cape Provincial Government (PGWC), the National Business Initiative (NBI), and the Cape Higher Education Consortium (CHEC). Following the graduate symposium, a Graduate Attributes workshop was held in November. Deliberations from these two engagements assisted in the development of a research instrument project to ascertain trends in graduate destination and transition periods.</li> </ul>
<b>ICTS</b>	<ul style="list-style-type: none"> <li>• The Student Laptop Project was launched with the aim of expanding the range of teaching and learning possibilities that arise when there is universal ownership of laptops and/or tablets by students.</li> <li>• UCT's wireless network was extended across campus and now provides 95% coverage.</li> </ul>

<b>Goal Six: Expanding and Enhancing UCT's Contribution to South Africa's Development Challenges</b>	
<b>UCT-wide Institutional Responses to Major Social Challenges</b>	<ul style="list-style-type: none"> <li>• A director was appointed to head UCT's Safety and Violence Initiative which spearheads UCT's institutional response to addressing the root causes of crime and violence in South Africa.</li> <li>• UCT hosted a national conference on poverty and inequality, with the support of the National Planning Commission.</li> <li>• The Social Responsiveness Report, produced in 2012, contains a summary of activities associated with each of the Vice-Chancellor's strategic themes: 35 activities related to the Africa Climate Development Initiative; 27 to the Safety and Violence Initiative; 17 to the Schools' Improvement Initiative; and 89 to the Poverty and Inequality Initiative.</li> <li>• An MOU was signed with the City of Cape Town relating to the 2014 World Design Capital initiative.</li> </ul>
<b>Public Engagement and Profile</b>	<ul style="list-style-type: none"> <li>• UCT hosted a number of Vice-Chancellor's Open Lectures, as well as the annual Steve Biko Memorial Lecture and the annual TB Davie academic freedom lecture. Each of these promoted public debates around topical issues and contributed towards raising the profile of the University.</li> </ul>
<b>Social Responsiveness</b>	<ul style="list-style-type: none"> <li>• Refer to the relevant section of this report on page 71.</li> </ul>



DR M R PRICE

VICE-CHANCELLOR

15 JUNE 2013

## **REPORT OF THE INSTITUTIONAL FORUM**

### **Introduction**

The Institutional Forum (IF) Report is divided into five sections detailing the activities in 2012.

- Reflection on the IF's mandate and the execution of this mandate
- Examination of the issues considered by the IF
- Analysis of the activities and progress made for the year
- Challenges facing the IF
- Suggestions for addressing the challenges

### **Mandate**

The IF of a public higher education institution is responsible for advising Council on issues affecting the institution, including but not limited to:

- the implementation of the Act and national policy on Higher Education;
- the policies pertaining to race and gender equity;
- the selection of candidates for senior management positions;
- the procedures for codes of conduct, mediation and dispute resolution;
- the fostering of an institutional culture which promotes tolerance and respect for fundamental human rights and creates an environment conducive to teaching, research and learning, and;
- the performance of such functions as determined by Council.

The IF met four times as scheduled, and held one special meeting to consider the process of the appointment of a new Dean of the Faculty of Health Sciences.

In assessing the performance of the IF for 2012, a review of the issues it considered and the approach it took in relation to these is important. These will provide some sense of how well the IF is fulfilling its statutory obligations.

### **Issues Considered**

- The role of the Ombud at UCT.
- The Employment Equity Statements used in UCT job advertisements.
- The search process for the Dean of the Faculty of Health Sciences.
- The acceptance of the IF Guiding Principles.
- The lack of response from Council to IF reports.
- The finalisation of the nomination process for IF co-chairs.

- The Vice-Chancellor's suggestion that Council minutes be posted on the IF Vula site.
- UCT's Labour Broking Policy.
- Food prices for students on campus, including the difficulties students experienced in trying to establish why food prices were so high, and the criteria for the tendering process for food provision.
- In response to the Transformation Report, the IF noted that progress in changing UCT's demographic profile was slow. A report from Human Resources was requested which benchmarked UCT against other South African universities with regard to recruitment strategies for Black staff.
- The progress of the Admission Policy Commission.
- The production of an annual report by HR on performance appraisals detailing, *inter alia*, the current strategies for staff development particularly with regard to management and interpersonal relationships.
- The student mentoring process at UCT as managed by the Department of Student Affairs.
- With reference to UCT's selection and recruitment processes, the IF expressed concern that the EE targets were not met in most departments; that there were no visible succession plans and that there was no real discussion about EE in the University Transformation Advisory Committee (UTAC).
- The NEHAWU IF representative suggested that the IF utilise external facilitators to hold workshops on policies and procedures in order to better equip the IF in advising Council.
- The development of a Transformation Charter for UCT.
- Commentary and advice on the climate survey questions.
- The response from Council regarding acceptance of the recommendation for the re-appointment of the Vice-Chancellor and for the process of formalising the informal consultation that the Chair of Council would embark on during the renewal of contract of the Vice-Chancellor.
- Reviewing the policy pertaining to the appointment of the Vice-Chancellor, Deans, members of the executive and senior staff.
- On-going dialogue on transformation matters such as, for example, the Transformation Charter and the continuing focus on UCT as a non-racist community.

#### **Activities and Progress**

- A workshop was held early in 2012 to outline and discuss the role of IF.
- The IF ADAPT workshop.

- Creation of the IF Vula site.
- Social event at the Cottage on 25 September 2012.

### Challenges

The IF's mandate is to advise Council on issues which are central to transformation at UCT. The ability to effectively fulfil this mandate is principally dependent on the IF's relationship with Council and the willingness of the two bodies to address complex issues.

In 2012 a number of transformation issues were added to the IF agenda. The most challenging concerned the state of transformation at UCT. After due consideration of the 2011 Transformation Report, additional information and effort was required to evaluate the issues that influence transformation at UCT.

In preparation for the continued consideration of the Transformation initiative at UCT the IF has:

- Submitted several suggestions for amending some of UCT's HR strategies.
- Articulated concerns about Employment Equity Targets.
- Requested a report benchmarking UCT's recruitment processes for black staff against other South African higher education institutions.

### Suggestions

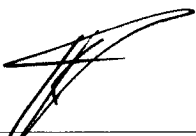
- The IF should be able to form and appoint *ad hoc* task groups to investigate and report on relevant issues.
- In addition to the scheduled four meetings per year the IF should continually engage in discussions with its members, the public, academics, administrators, unions, students, and government. The aim of these engagements would be to encourage individuals to share their views and practices on strategically important topics.
- The IF should conduct or commission annual studies, which benchmark UCT's progress relating to transformation.
- The IF should create a web site on which events are advertised, and reported upon, and on which approved research and/or white papers on related topics of interest are posted.

Questions which could be asked include:

- What discussions is the IF leading in transformation?

- What advice is IF giving to Council? How credible is this advice?
- Is the IF concerned with the student success rate?
- Is the IF concerned with the quality of teaching and learning?
- Is the IF concerned with promoting research?
- Has the IF made any submissions to the development of Standard Operating Procedures?
- Has the IF made submission regarding the budgeting process in relation to transformation?
- What is the IF's impression of the University's decision making process?

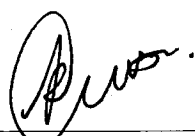
It should be noted that the IF has no resources and no budget, and is dependent on Transformation Services to create, fund, and manage activities.



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ASSOCIATE  
PROFESSOR KEVIN  
JOHNSTON

15 JUNE 2013



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MR KWADWO OFORI  
OWUSU



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PROFESSOR CRAIN SOUDIEN

## **COUNCIL STATEMENT ON CORPORATE GOVERNANCE**

The purpose of this statement is to give a brief overview of the University's governance structures, legal status and corporate governance practice.

### **Legal persona and capacity**

The University is autonomous and is a legal persona with full juristic capacity by virtue of its incorporation as a university (originally by an Act of the Union Parliament of 1916 when Parliament incorporated the South African College, and now in terms of the Higher Education Act, 1997 (the Act) and the Institutional Statute of the University of Cape Town published under that Act). This legislation places the governance of the University in the hands of a Council, provides for the Council's composition and powers, and provides for the role and powers of the Senate and the role and functions of the Institutional Forum.

The Council is required to make this report by virtue of provisions in the Act and the regulations published in terms of the Act, on 1 August 2007, Government Gazette No 30132.

The Council considers that it has materially complied with these reporting requirements.

### **The Council and governance structures provided for in the Act**

The University of Cape Town grew out of the South African College, which had been established in 1829. The institution became a University in 1918 under a 1916 Act of the Union Parliament. That, and successive legislation, gave way to the Higher Education Act, 1997, No 101 of 1997 (the Act), and the promulgation in terms of the Act of the Institutional Statute of the University of Cape Town (under government notice No 1199 of 20 September 2002 and as subsequently amended). The Act deals inter alia with public higher education institutions, of which the University is one.

The Act requires a public higher education institution to have a Council, a Senate, a structure to advise the Council on student matters, an Institutional Forum, and a Students' Representative Council. The Act, read with the Institutional Statute, defines the role, powers and composition of each.

The Council governs the University in terms of the Act and the Statute. It consists of 30 members, of whom 18 (60%) are external or independent (in that none may be a student or a staff member) and 12 internal. The term of office (other than for the student members who serve for one year, and the Vice-Chancellor and Deputy Vice-Chancellors

who serve *ex officio*) is four years. The current term for Council members ends on 30 June 2016.

While the Council governs the University, the Senate has jurisdiction over the academic functions of the University. The Senate consists of all professors, all heads of academic departments, elected academic and support staff, elected student members and co-opted members. It numbered over 330 members in 2012. Much of the work of Senate is done by the Faculty Boards and by committees of the Senate.

The Institutional Forum brings together (in a body of 30) ten student members chosen by the Students' Representative Council, ten staff members chosen by trades unions and staff bodies, and ten members representing Council, Senate and executive leadership. It advises the Council on issues affecting the University as required by the Act.

The Council is supported by specialist committees and working groups.

The matters reserved for decision by full Council are those specified in the Act (changes to the Institutional Statute, adopting institutional rules, acquiring or disposing of fixed property, setting fees, and specified financial transactions), those listed in the Institutional Statute (paragraph 12(5)), and matters that Council has reserved to itself. Beyond this, Council has powers of delegation and has made use of these powers to delegate or assign its powers and functions to a committee of Council, a member of Council, or an officer of the University (paragraph 12(4) of the Statute). Schedules of delegated authority are reviewed annually by Council, and were revised by Council in December 2012 for 2013, with several important changes made with a view to managing increased accountability. Council and the Audit Committee recognised that more work needs to be done regarding defining authorities and processes for procurement beyond those already in place, and Council expects that a comprehensive policy will be completed during 2013.

In order to promote accountability and transparency Council publishes the papers of the Senate (including the monthly Principal's Circular), the Institutional Forum, and many UCT committees on an open governance intranet. Council papers, other than those dealing with commercial interests, are available to staff trade unions and student bodies.

The Council as now constituted complies with the requirements of the law.



The Council's key functions and responsibilities are to ensure that:

- The University has clear strategic goals and objectives.
- The Executive Officers (the Vice-Chancellor and the Deputy Vice-Chancellors) are held to account in achieving the goals and objectives.
- The University financial position is sound in the short- and long-term.
- No fees are set, and no financial appropriations made, without Council approval.
- Risk management and internal controls are in place.
- All the University's members (staff, students, and alumni), donors, customers, and suppliers are treated in an appropriate manner.
- The University complies with all relevant laws, regulations and accounting policies.
- The committees and sub-committees necessary to achieve the above are in place, are properly constituted and have appropriate terms of reference and reporting procedures.

Members of Council are not remunerated. Should a Council member need to travel outside Cape Town to attend a meeting however, he/she may be reimbursed for the travel expenses incurred.

### **Corporate governance and ethics in decision-making and in University work**

The Council is committed to behaving ethically and with integrity in all its dealings.

The Council is committed to high standards of corporate governance. Care is taken to ensure that:

- the University complies with the governance prescripts contained in the Act and the Institutional Statute
- that the mandates of committees are clear, written, consistent with the legislation and fully adhered to
- that full and accurate records are kept of the proceedings of Council, Senate, the Institutional Forum and their applicable committees
- that where decisions are made under delegated authority the written authority limits are not exceeded

As is reported below, the delegated authorities are reviewed annually.

In order to ensure that there is neither an actual nor a perceived conflict of interest, and that decisions are made independent of the personal interests of members, each Council member, all senior managers, and all Committee members are required: (i) to make an annual declaration of interests; (ii) to declare any conflict or potential conflict ahead of discussion of relevant issues; and (iii) to recuse themselves should any such conflict of interest arise. In addition all Council members must subscribe to the Council's code on conflicts (or potential conflicts) of interest before the first meeting of Council in each year. Steps are being taken to comply with the provisions introduced by the 2011 amendments to the Higher Education Act in this regard.

The importance of ethical behaviour is particularly relevant in all the University's academic work. Two standing committees of Senate, supported by faculty-level ethics committees, promote and ensure the highest ethical standards in teaching and research with particular regard to human subjects of research and to animal experimentation. A third committee ensures that both ethical and bio-safety issues are dealt with in matters related to genetically modified organisms. Revised controls and systems for ensuring that these are effective were adopted by Senate and Council in 2012 and are being implemented through a new Office of Research Integrity.

As a further step to ensure both fairness in all institutional dealings with staff, students and third parties, and to promote probity, the Council has established an Ombud's Office. The full-time Ombud has been in office for two full years and is an established internal service.

### **Council and its Executive Committee**

Council is supported by a standing Executive Committee (EXCO) to which Council has delegated specific formal decision-making functions. Council meets five times each year and EXCO meets monthly from February to November in those months in which Council does not meet.

The EXCO consists of the Chair and Deputy Chair of Council, the Chair of the University Finance Committee, four members of Council (two of whom must be external members and one of whom must be a student member) and the Vice-Chancellor.

The table overleaf sets out the number of Council and EXCO meetings held in 2012 and each Council member's attendance record:

<b>COUNCIL</b>	<b>March</b>	<b>June</b>	<b>July</b>	<b>Sept</b>	<b>Nov</b>	<b>Dec</b>	<b>%</b>
NWH Ndungane (Chair)	P	P	P	P	P	P	100
DJ Budlender (Deputy Chair)	P	P	P	P	P	P	100
S Barsel	P	Ap	P	P	P	P	83
G Bloch	Ap	Ap	P	P	P	P	67
G Bloor			P	P	P	Ap	75
E Brooks			P	Ap	P	P	75
Y Dwane			P	Abs	P	P	75
MP Ensor			P	P	P	P	100
I G Farlam	P	P	Ap	P	Ap	P	66
J J Gauntlett SC	P	P	P	P	P	P	100
L Hallendorff					P	P	100
A Jakoet			P	P	Ap	Ap	50
I Kallon					P	P	100
O Kinahan	P	P			P	P	100
S Klopper	P	P	P	P	P	P	100
LY Meyer			P	P	P	P	100
RT Nhlapo	P	P	P	P	P	P	100
R Omar			P	P	P	Ap	75
CME O'Regan			Ap	P	Ap	Ap	25
F Petersen			P	P	P	P	100
TD Petersen	P	P	P	P	P	P	100
MR Price	P	P	P	P	P	P	100
H Raubenheimer			P	P	P	P	100
J Rousseau			P	P	P	P	100
U Rivett	Ap	P	P	P	P	P	83
T Setiloane			P	P	P	P	100
C Soudien	P	P	P	P	P	P	100
D P Visser	P	P	P	P	P	P	100
S Zungu			P	Ap	P	Ap	50
B Zwane			P	P	P	P	100
	= Not a member for these meetings		P = Present		Ap = Apology		Abs = Absent

<b>COUNCIL EXCO</b>	<b>Feb</b>	<b>May</b>	<b>Aug</b>	<b>Oct</b>	<b>Nov</b>	<b>%</b>	
N W H Ndungane (Chair)	P	P	P	P	P	100	
D J Budlender (Deputy Chair)	P	P	P	P	P	100	
MP Ensor			P	P	P	100	
J J Gauntlett SC	P	P	P	P	Ap	80	
L Hallendorff					Ap	0	
LY Meyer			P	P	P	100	
T D Petersen	P	P	Ap	P	Ap	60	
M R Price	P	P	P	P	P	100	
	= Not a member for these meetings		P = Present		Ap = Apology		Abs = Absent

**The Council Appointments Committee**

The Council Appointments Committee considers nominations for certain vacancies in the Council in terms of paragraph 46 of the Statute, and appoints five members of the Council. No vacancies arose during the reporting year. The Committee met in order to make the necessary appointments for the new term of office.

**The University Audit Committee**

The University Audit Committee is a standing committee of Council and consists of external members of Council, independent members and the Vice-Chancellor. It met four times in 2012, and both internal and independent auditors have unrestricted access to the Committee.

The Chair of the University Audit Committee is independent, but by Council decision has the right to attend and speak at all Council and EXCO meetings. A standing Risk Management Committee, chaired by the Vice-Chancellor, supports the University Audit Committee. The University Audit and Risk Management Committees continued with a comprehensive review of the risk measures in place to manage and mitigate identified risks. The University 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 regulations laid down by the Minister under the 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 the scope of the audit conducted by the independent external auditors

- Review on its own and with the help of internal audit, the adequacy and effectiveness of internal control

A comprehensive risk policy framework has been adopted by Council on the advice of the Risk Management and University Audit Committees.

### **The University Finance Committee**

The University Finance Committee (UFC) is a standing committee of Council and is chaired by an external member of Council. The UFC advises Council on financial strategy, makes recommendations on revenue and capital budgets, and monitors and reports quarterly on progress against these budgets. The committee met five times during 2012.

### **The Council Remuneration Committee**

The Council Remuneration Committee (RemCom) is a standing committee of Council and consists of external Council members, the Chairs of the University Audit, Human Resources and Finance Committees, and the Vice-Chancellor (except for matters relating to the Vice-Chancellor). From 2013 an additional independent member will join the committee. RemCom is responsible for:

- Advising the Council on remuneration policy.
- Setting mandates for consultation and negotiations on remuneration and conditions of service with staff bodies and trade unions.
- Evaluating the performance of the Vice-Chancellor and senior staff.
- Determining the remuneration of the senior leadership group members in terms of the performance management system.

The Remuneration Committee submits a comprehensive report to Council each year setting out the decisions taken, thus ensuring transparency with regard to Executive and senior staff salaries. The compensation of each member of the senior leadership group is published in the Annual Financial Statements.

### **The University Student Affairs Committee**

The University Student Affairs Committee (USAC) is a standing committee of Council established in terms of section 27 (3) of the Act. This standing committee of Council is

made up of one member of the Executive, two members of Council, and members of the academic staff (appointed by Senate) and student representatives. It is chaired by a Deputy Vic-Chancellor and is the structure established in terms of the Act to advise the Council on student matters. Council requires the USAC to report twice a year on student concerns and to relay how these are addressed. USAC met four times in 2012.

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

The University Human Resources Committee (UHRC) is a standing committee of Council that advises Council on HR policy, employment equity policy and plans, and provides information on staff issues and staff concerns. The committee met four times during 2012. An external Council member chairs the UHRC.

#### **The University Information and Communication Technology Services Committee**

The University Information and Communication Technology Services Committee (UICTC) is a standing joint committee of Senate and Council. It was established in recognition of the vital role of ICTs in teaching, research, administration and communication. This committee is responsible for formulating strategy proposals for ICTs at UCT.

It is chaired by a Deputy Vice-Chancellor, and it includes members of Council, members of the academic staff appointed by Senate, the Executive Director: Finance, the Registrar, and SRC-Appointed members. It has successfully overseen the University's migration to a new email platform, continues to oversee the enterprise content management (ECM) project, and through ICT Services has taken on responsibility for teaching venue upgrades and provisioning. The UICTC met five times in 2012.

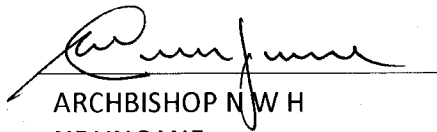
#### **The University Building and Development Committee**

The University Building and Development Committee (UB&DC) is a standing committee of Council and advises Council on development of the physical plant and oversees major capital projects.

This committee 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 committee met nine times during 2012 and one of these meetings was devoted to reviewing strategy for the development of the campuses. A Council member chairs the UB&DC.

### The University Strategy Forum

The University Strategy Forum is a standing joint committee of Senate and Council chaired by the Vice-Chancellor and consists of Council members, elected staff and student representatives. This standing committee advises Senate and Council on strategy and met twice in 2012.



ARCHBISHOP N W H  
NDUNGANE  
CHAIR OF COUNCIL

15 JUNE 2013



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HUGH AMOORE  
REGISTRAR

## **REPORT ON INTERNAL ADMINISTRATION, OPERATIONAL STRUCTURES AND CONTROLS**

### **Incorporating the Report on Risk, the Management of Risk and Quality Assurance**

The University maintains systems of internal control to mitigate identified risks, to ensure the integrity of our core activities of teaching and research, and to safeguard our assets. The University has a documented organisational structure and division of responsibilities, coupled with established policies and procedures that are communicated throughout the University. While essential elements remain stable, organisational structures are not static and are therefore continually under review by management.

Information systems utilising modern information technology are in use throughout the organisation. These have been developed and implemented according to defined and documented standards to achieve efficiency, effectiveness, reliability and security.

The University's key administrative systems are reviewed regularly and adapted to meet new demands. There were no major changes to any of these systems during the period under review. The development, maintenance and operation of all systems are under the control of competent, trained staff.

UCT applies what it considers to be acceptable standards to protect privacy and ensure control over all data, including disaster recovery and back-up procedures. As befits a public institution, the University complies with the intention and the letter of the Promotion of Access to Information Act to make available information and data that should be in the public domain. Steps have been taken to prepare the University for Data Protection Legislation, should the Protection of Personal Information Bill become law and affect access to data on staff and students.

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 the preparation of financial statements and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

The University's independent auditors, Ernst & Young, assess the key accounting systems on an annual basis and have found that, while controls are generally adequate, there are areas where the control environment could be improved. These have been brought to the attention of both the University Audit Committee (UAC) and of



management, and are receiving attention. Ernst & Young have reported on the progress made in addressing these issues, indicating where items have been resolved, partly resolved, or not yet resolved. In certain instances management may suggest that they are comfortable with accepting a particular risk and these require the acceptance of the UAC. There were no such instances during the period under review.

It is the role of Internal Audit to monitor internal control systems and to assist line management to ensure the adequacy of such controls. In prior years, the UAC were concerned about the effectiveness of Internal Audit in fulfilling this role and are pleased to report that the University has taken measures to rectify the situation. The Council, through the UAC, provides oversight of the preparation, integrity and fair presentation by management of the financial statements and of the financial reporting process.

### Committee Structures

The University Audit Committee (UAC) is a standing committee of the Council, which in terms of its constitution consists of 'at least three (or more) members (who should be financially literate) of whom at least two should be from members of Council other than the Executive Officers, staff or students'.

Following the constitution of the new Council from 1 July 2012, the membership of the Committee obviously changed. The current and past membership of the Committee, which were and are compliant with the constitution, is set out in the table below.

The UAC was chaired by Mr Colin McClelland who is independent. Although not a member of Council, he received all Council, Investment and Finance Committee papers by right and had the right to attend and speak at Council and Council Executive Committee meetings. This gave him direct access to Council. From 1 July, 2012 Mr Justice I Farlam took over as Chair. Mr Justice Farlam is a member of Council and, as such, has direct access. Council has stipulated that it requires a report from the UAC at every meeting.

Attendance at University Audit Committee meetings during 2012 is displayed in the table below.

University Audit Committee (UAC)		April	May	Aug	Nov	%
Mr C McClelland	Chair (to 30 <sup>th</sup> June 2012)	P	P			100
Mr Justice I G Farlam	Chair (from 1 <sup>st</sup> July 2012)	Ap	Ap	P	P	50
Mr A Jakoet	Member (independent)	P	P			100

Mr G Bloor	Council Member				Ap	0
Ms F Jakoet	Member (independent)			Ap	Ap	0
Advocate A C Mopp	Member (independent)	P	P	Ap	P	75
Dr M R Price	Member (Vice-Chancellor)	P	P	P	P	100
Advocate M Seligson SC	Council Member	P	P			100
	= Not a member for these meetings	P = Present		Ap = Apology		Abs = Absent

The University also has a standing Risk Management Committee (RMC) which is chaired by the Vice-Chancellor with an external member of the Audit Committee as an assessor member. This committee reports to the UAC.

Attendance at Risk Management Committee meetings during 2012 is given in the following table.

Risk Management Committee (RMC)	Feb	May	Sept	Nov	%
Dr M R Price (VC and Chair)	P	Ap	P	P	75
Professor E Uliana (Deputy Chair)	P	P	P	Ap	75
Professor D Ross	P	Ap	Ap	Ap	25
Professor F Petersen	Ap	Ap	P	P	50
Mr C McClelland (Audit Committee - assessor member)	Ap	P	P		67
Mr H T Amoore	P	P	Ap	P	75
Mr J Critien	P	P	P	P	100
Ms M Khan	P	P	P	P	100
Ms G Kruger	P	Ap	P	P	75
Ms L Rhode (Director Internal Audit – assessor member)	P	P	P	Ap	75

	= Not a member	P = Present	Ap = Apology	Abs = Absent
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**Assessing and Managing Risk**

The Council approved “Risk Policy Framework” (RPF) is intended to ensure that the RMC’s brief covers the full range of risk, including risk associated with core business, and therefore directly concerned with institutional sustainability. The RMC and the UAC formulated the policy framework and agreed that a comprehensive view of risk – that includes the academic enterprise – is required. Accordingly, annual reports will be received from the Quality Assurance Committee (QAC) and the University Research Committee (URC), thus ensuring coverage of the University’s core business areas. In addition, the RPF increased the existing eight risk domains to eleven categories by adding Legal Compliance and Litigation; Development and Alumni; and Reputational Risk. Legal compliance has become a standing item on the agenda of the RMC.

As noted in the Annual Financial Review, the University operates on tight financial margins and is particularly sensitive to any initiatives, which may have an impact on its sources of revenue. As such, changes to the funding formula, correctly-set enrolment and through-put targets and the setting of fees are areas of risk to which management applies a considerable amount of its time.

Financial and contractual risk decisions are taken within limits decided by Council on the advice of the Audit, Finance and Investment Committees. The UAC is satisfied that, at a macro level, risks have been identified and appropriately addressed. The UAC remains committed to ensuring that a risk awareness culture is promoted more actively. Extending risk awareness within the University must remain a major focus of risk management.

**Academic and Research Risk****Quality Assurance Committee (QAC)**

The report from QAC regarding academic risk was reviewed by the RMC at its meeting in February 2013. The RMC was satisfied that the necessary quality assurance mechanisms are in place to mitigate academic risk. These structures range from the systems of internal and external examining to structured regular reviews of academic departments by review panels and the reviews of professional programmes by statutory professional bodies.

**University Research Committee (URC)**

The report from URC in respect of research-related risks was reviewed by the Risk Management Committee at its November meeting. The URC has established a risk sub-committee and a risk schedule, containing nine risks, was presented to the RMC. As a

consequence of the review certain residual risk ratings were amended, mitigation strategies suggested and additional possible risk concerns were raised for consideration by the sub-committee.

The RMC was satisfied that steps were being taken to manage identified risks to acceptable levels. A key aspect of research risk is to ensure the appropriate ethical conduct of research. A Senate review of the controls over research and research ethics has been undertaken resulting in the adoption of the following:

- A revised Research Policy;
- A revised code for UCT Research Ethics Committee Members;
- A revised UCT Research Ethics Code for research Involving Human Participants;
- A Register of Ethics Approvals for Research Conducted under the Auspices of UCT;
- Revised Terms of Reference for the Senate Ethics in Research Committee;
- New Operating Procedure for Appeals to the Senate Ethics in Research Committee;
- A revised UCT Research Ethics Code for the Use of Animals in Research and Teaching;
- Revised Terms of Reference for the Senate Animal Ethics Committee, and;
- New Operating Procedure for Appeals to the Senate Animal Ethics Committee

### **Eleven Risk Domains**

The University has a comprehensive register of major risks, covering all eleven identified risk domains. Identified risks are added and deleted as and when the RMC deems it necessary based on inputs from the appropriate senior University officer responsible for each domain. The register records the identified risk, the possible impact and the probability of occurrence both before, and after, mitigation. The risk parameters regarding impact and probability are continually reviewed and amendments and refinements to the methodology effected. The management of risk at the University continues to evolve and the RMC is confident that the processes and reporting developed will lead to greater effectiveness in 2013.

### **Delegated Authorities**

The following lists of delegated authorities were substantially reviewed by both the RMC and the UAC and, following amendment, recommended to Council where they were approved at its December 2012 meeting:

- Financial authority limits

- Authorities for human resources
- Authorities for research and research-related contracts
- Authorities in respect of Memoranda of Understanding and co-operative agreements
- Authorities in respect of development contracts
- Authorities delegated to the Registrar

In addition to the above, the University has an established Joint University/UCT Foundation Investment Committee (JIC). This Committee, as the name implies, is appointed jointly by the University and the UCT Foundation and advises both bodies on investment strategy, the appointment of investment managers in terms of that strategy and in setting the mandates within which those managers operate.

In addition to its membership of Members of Council and Trustees of the Foundation, the JIC has co-opted additional members nominated by reason of their expertise in the field of investment. The JIC has also engaged the services of a firm of actuarial consultants to assist in monitoring the investment performance against benchmarks set and against the returns achieved by similar funds monitored by the consultants.

### **Legal Compliance**

The University is subject to an array of Acts and regulations and the RMC believes that this is a key risk area requiring systematic attention. Accountability for legal compliance rests with the Registrar, and responsibility has been assigned to the Director: Legal Services and Secretariat (an appointment in the Registrar's Office) who has begun a continuous review of compliance, reporting to each RMC meeting. These reviews have identified areas where the University has not been compliant and management has taken corrective action. The resolution of these compliance issues is being monitored by the RMC.

#### *Litigation Register*

A Litigation Register has been developed that is intended to reflect all litigation matters facing the University, including matters relating to the CCMA and Labour Court. The Litigation Register is reviewed at each meeting of the RMC.

### **Health and safety and crime**

The Executive Director of Properties and Services reports at each meeting on the significant issues emanating from the Physical Risk Co-ordinating Committee (PRCC). The PRCC has two sub-committees of its own, the Genetically Modified Organisms Committee and the Radiation Control Committee.

The RMC monitors actions taken by management to mitigate any risks identified and takes cognisance of external reports (e.g. the OHSAS report).

### *Crime*

The Committee received detailed reports at each meeting regarding crime both on campus and in the neighbouring precincts. The incidence of serious crime on campus has been significantly reduced and our attention has, as a result, extended to safety in the vicinity of the campus.

Crime off-campus has also decreased as a consequence, we believe, of the establishment of the Groote Schuur Civic Improvement District (GSCID), which had also lowered the levels of crime in the Rondebosch shopping area and along Main Road. It is planned that a further CID will be established in the Rondebosch residential area where many of our students live.

### **Insurance update**

The University seeks to insure against loss in risk areas. The transfer of risk through the means of insurance is the responsibility of the Executive Director: Finance who, in terms of the RPF, has established an Insurance Working Group. The report of this sub-committee on risks, premium renewals and cover obtained, is reviewed annually by the RMC. Cover is provided in terms of our insurance policies and through TERISA, a self-insurance scheme run for the benefit of South African public tertiary institutions.

A valuation of the University's buildings, performed by an external quantity surveyor, has been undertaken and has informed the estimates of the insurance cover required.

The RMC was satisfied that all reasonable steps were being undertaken to ensure that the University had appropriate insurance cover.

### **Business Continuity**

The Committee considered the risks associated with business continuity and identified information technology, fire, epidemics, contamination, student riots, staff riots, flooding, power, staff strikes, student-on-student violence, and terror attacks as areas requiring a brief business continuity plan.

Presentations have been made with regard to Contamination, Epidemics, Information Technology and Communications, Fire, and Riots and Strikes. The development of the detailed business continuity plans in each of these areas is still a work-in-progress.

### **Ethics and Fraud Prevention**

Council requested that the Ethics Policy be revisited and a revised draft policy

submitted, in the light of the requirement for this brought about by an amendment to the Higher Education Act, 1997 (Act 101 of 1997). In addition, a Fraud Protocol, dealing with the responsibilities of the University Community in responding to incidences of theft, fraud or similar criminal offences has been reviewed by the RMC.

Both these documents are currently before the Institutional Forum for review and approval prior to being considered by Council.

### **Audit Committee**

The key responsibilities of the Audit Committee are listed on page 36 in the Council Report on Corporate Governance.

#### *Areas of focus of the Audit Committee*

As the Audit Committee is required by Council to ensure that management has adequate controls in place over assets, risk and financial systems and controls generally, and has systems to allow for timeous and accurate financial reporting that comply with all applicable requirements, the Committee has adopted the following areas of focus for 2012 and will continue to do so in 2013:

- Align the internal audit coverage plan to the University's risk schedules;
- Deal with the tax issues, both PAYE and VAT, raised by our tax advisors;
- Focus on risk associated with research and related funds; and
- Focus on the effectiveness of controls and the risk associated with the IT environment.

#### *Internal Audit and the Internal Audit Plan*

The main factors considered in developing the internal audit plan are the key risk areas within the University and the requirements of management, the Audit Committee and the external auditors. The audit plan is designed taking into account the available resources and the skills set of current staff. The plan ensures that appropriate audit staff are assigned, in particular to the more complex and high priority assignments. The Audit Committee approves the scope of internal audit assignments on an annual basis. Internal Audit continues to deliver on the agreed audit plan and meet with stakeholders in order to understand their key risks and adapt the audit plan accordingly. Having performed detailed skills assessments and identified skills shortages in the prior year, extensive formal and on-the-job training and recruitment were undertaken; as a result a great deal of progress has been made in up-skilling the department.

#### *Tax risks*

Both the Risk Management and Audit Committee continued to assess the identification

and management of PAYE and VAT compliance. As most of these issues are common to the Higher Education sector, a major intervention has been the University's staff involvement in a tax task team established under Higher Education South Africa, (HESA). This team is recognised by the SA Revenue Services (SARS) as the contact body for tax issues related to the higher education sector. A major focus of the SARS and the HESA tax team has been to establish an agreed basis for the identification of the VAT status of activities, particularly in the research area.

In April 2012 SARS issued a binding class ruling on the treatment of VAT in the Higher Education Sector.

The greatest impact of the SARS ruling is on contract research in that, where there is student involvement in the research activity, this constitutes an educational activity in terms of the VAT Act. As such, this is deemed to be a 'mixed supply', meaning that there are both VAT and Exempt activities taking place at the same time. In this event SARS has ruled that the University may only claim 50% of the VAT on bought-in services and goods.

Since 1 April 2012 VAT has had to be absorbed on existing contracts while all future contracts with an educational aspect will have to be negotiated on the basis that cost will include a 7% VAT charge on bought-in supplies.

The ruling also affects the ratio of apportionment applied in respect of the VAT on central costs which support both exempt and VAT activities within the University. While the basis of calculation remains the same, a maximum claim of 12.5% is to be imposed. Over the last number of years UCT's apportionment ratio has been in excess of 30%.

It must be noted that the purpose of engaging with SARS as an industry has been to reduce VAT risks by eliminating uncertainties. This had been achieved, including having SARS indicate their view on the VAT status of particular research grants.

#### *Risk associated with research and related funds*

Understanding the drivers of risk in the tax arena motivated the Committee to gain a better understanding of the overall control risks associated with research activity and the related funds. Significant support for the correct use of research funding is gained from the various fact-finding audits required by funders.

#### *Information Technology*

A further area of focus has been to ensure that progress has been made in addressing the issues raised by the independent auditors, particularly in the IT environment. We are happy to report that, while work on this continues, much progress has been made.



### *Business Continuity*

As reported above, the Risk Management Committee is, in consultation with management, formulating a business continuity plan for consideration by the UAC and, if approved, by Council. This remains a work in progress.

### **Going Concern**

The Committee, having considered the Annual Financial Statements together with managements input thereon, have not identified any issues to indicate that the going concern assumptions applied by management were inappropriate.

### **Extension of the Public Audit Act to include Higher Education Institutions (HEI's)**

The Public Audit Act 2004 (Act No 205 of 2004) authorises the Auditor-General of South Africa (AGSA) to perform the audit of all public entities (as defined in this Act), but allows the AGSA to opt not to do so. The AGSA had announced this by notice in the gazette for public universities, but with the proviso that universities appoint their own auditors in accordance with provisions contained in Section 25 of the Act, read with regulations published under the Act. The Public Audit Act, 2004 requires that the AGSA be consulted regarding these audits. This has led to the Auditor-General (AG) setting terms for the way in which audits must be conducted. Up until now the University's independent auditors have had to express an opinion on the financial statements under the regulations published under the Higher Education Act, Act 101 of 1997, but from now on they will also be subject to the requirements of the AGSA which include:

- Measurement of the performance of the University against predetermined objectives (PDOs). Management will report on whether the University achieved the PDOs, the auditors will audit that information for accuracy and report accordingly;
- Compliance with laws and regulations will be audited. The focus will be on procurement, contract management and human resources;
- The status of internal controls will be reviewed in areas deemed significant to financial information.

The AGSA's office has indicated that the AGSA will liaise with the DHET regarding the development of the DHET's reporting manual, which governs this report to ensure that this manual adequately covers the AGSA's requirements. The manual is currently being revised jointly by both the DHET and HESA.

### **Rotation of the independent auditors**

The University's policy is that, in the ordinary course of events, an audit firm will be appointed for an initial three-year period, followed by a full-scale review of performance

after which, if the performance is judged satisfactory, there would be an expectation of annual appointments for a period of five additional years. The University is able to terminate the appointment at any time during the initial three- or subsequent five-year period. At the end of the second period (i.e. after a total of eight years) the University will seek tenders for the audit appointment. The incumbent audit firm will not be debarred from competing for the appointment. Under the provisions of the Public Audit Act, the appointment of auditors is to be made in consultation with the AGSA.

#### **The scope of the independent external and internal audits**

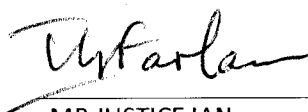
The Committee reviewed the audit approach and key risk areas of the external audit. It also considered a separate independent report performed by the external auditors on the IT environment with a focus on controls and key applications from a financial audit perspective.

During the year the Committee has interacted with Internal Audit in respect of the internal audit coverage plan and continues to review progress against the coverage plan and the findings from the respective audits.

#### **Assurances received and review of the Annual Financial Statements**

The Committee received assurance from the independent auditors that there were no material unresolved accounting and auditing matters relating to the audit of the 2012 financial year, and was also assured by the auditors that adequate accounting records were being maintained. The Annual Financial Statements are prepared in terms of International Financial Reporting Standards and in the manner required by the Minister of Higher Education and Training as set out in the manual on annual reporting issued by the Department of Higher Education and Education. All accounting policies had been approved by the Audit Committee and there have been no changes to those adopted in previous years.

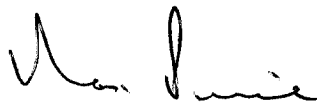
The independent auditors have confirmed that there had been no irregularities which they had considered reporting to the Independent Regulatory Board for Auditors.



MR JUSTICE IAN  
FARLAM

CHAIR OF THE UNIVERSITY  
AUDIT COMMITTEE

15 JUNE 2013



DR MAX PRICE

CHAIR OF THE RISK  
MANAGEMENT COMMITTEE



MS LIESLE RHODE

DIRECTOR OF INTERNAL AUDIT

**REPORT ON UCT OPERATIONS DURING 2012 BY THE VICE-CHANCELLOR****Teaching and Learning**

2012 was a very significant year for teaching and learning at UCT. Mindful of the need to address the HEQC recommendation to strengthen arrangements for teaching and learning, and the strategic goal of enhancing the quality and profile of our graduates, the University restructured the committees in the academic cluster, and consolidated oversight for teaching and learning in the portfolio of one of UCT's four Deputy Vice-Chancellors. A Senate Teaching and Learning Committee was established with eight sub-committees reporting to it. The first meeting of the Teaching and Learning Committee took place in February 2012. This meeting led to the development of a three-year Action Plan which is being used to guide the work of the Committee and its sub-structures. Several of the faculties have established Faculty Teaching and Learning Committees to promote alignment between the work of the central committee and the faculties. The greater commitment to underlining the importance of teaching and learning at UCT has also been signalled through a number of other, interrelated initiatives.

In earlier years, the work of the Education Development Units (EDUs) was in the main limited to first-year teaching and learning challenges. The remit of these structures has increasingly shifted to include the more senior undergraduate years as well, and to supporting 'mainstream' educational initiatives.

Some of the most notable achievements and/or features of the work undertaken by the EDUs in 2012 are:

The Commerce EDU continues to enjoy a high degree of student (and staff) acceptance and support. Recent developments include the diversification of course offerings so that students in economics and mathematics are able to be placed on either an augmented semester course or an extended course according to their level of preparedness, and greater articulation – and therefore transfer possibilities – between regular, augmented and extended options.

Increased flexibility has been afforded by the semesterisation of ASPECT mathematics and physics courses in Engineering. This means that, for example, students can repeat the first semester versions in the second semester, building a strong foundation of knowledge and skills, and thus avoiding possible exclusion.

In 2012, the findings of a comprehensive evaluation of foundation courses in Humanities were used to develop new courses. Augmented courses have been developed in Psychology and Politics.

2012 was the last year of the Academic Development Programme in Science in its present form, although its component courses will assume greater significance in the Faculty, which has embarked on an ambitious initiative to improve throughput. The plan involves admitting all new students to a common first six weeks, after which they will be directed into a three- or four-year programme on the basis of individual assessment.

In Health Sciences, the Intervention Programmes have grown considerably, perhaps because of the increasing diversity of the intake and the changing content of school curricula. The Faculty has adopted the approach of facilitating curriculum restructuring as a key contribution to educational transformation. In addition to consideration of academically under-prepared students, curricula and courses are reviewed regularly to ensure best educational practice in the discipline, and multi-professional and skilled curriculum design teams are drawn from across the faculty and CHED.

In Law, the extended programme has facilitated the introduction of several curriculum adjustments designed to iron out unevenness in load across years.

A University-wide First Year Experience (FYE) project was established in 2012, as a pilot project tasked with reporting at the end of 2014 on the future shape, scope, and *modus operandi* of such an initiative. The FYE set out with four main objectives:

- To strengthen pre-admissions support and first-year careers advice;
- To provide a welcoming and supportive university-environment for prospective and new students in all faculties;
- To promote a renewed focus on first-year teaching, and;
- To promote an integrated approach to student development, linking initiatives that respond to students' academic, affective, social and material needs.

Using these objectives as a guiding framework, the FYE project embarked on extensive, University-wide consultations and worked alongside faculties, and departments within DSA, the Library and CHED. The aim was to build on existing interventions wherever possible, and to work across the traditional boundaries of faculty and support structures. This work has resulted in improvements in key areas and in setting up pilot

projects in the following areas: Early Assessment, dedicated FYE VULA sites, Extended Orientation, and Digital Literacy.

Working in this way has facilitated a rich conversation and collaboration, enabling the project to share information, resources and best practices, thereby avoiding unnecessary and wasteful duplication. It has also enabled the project to assess which interventions are best resourced centrally, and what kinds are best located and resourced from within faculties with support from the Department of Student Affairs (DSA), the Library and the Centre for Higher Education Development. Importantly, it has facilitated the integration of support work into curricula. While a great deal can be done centrally, the faculties have individual needs based on disciplinary differences and faculty cultures. Therefore, FYE will take a different form in each faculty. FYE's goal is to ensure that support work is informed by institution-wide policies and structures, so that all students have excellent support structures and access to resources.

The success of the FYE will rest in large part on the extent to which it aligns with the faculties' own teaching and learning strategies so that it can assist the Faculties to achieve an improved teaching and learning environment for all students. The relevant support services such as CHED, DSA and the library will need to work closely with faculties to provide the necessary support and to monitor and evaluate interventions. It is envisaged that a small, central co-ordinating structure will be needed in order to facilitate system-wide processes such as the Early Assessment system; identify and articulate problems with first-year provision in key committees; to facilitate integration across traditional silos; and to act as a resource to faculties in developing appropriate support structures and online media for all students. It is further envisaged that FYE work will in general, make active use of student interns and senior students to ensure that the work is responsive, as well as provide appropriate developmental opportunities for senior students.

The Learning Technologies team supported ever-increasing use of Vula and other services, such as OpenCast Matterhorn for Lecture Recording, Turnitin, CompAssess, Adobe Connect and UCT OpenContent. The unit also launched the lecture recording project and contributed to the restructuring of teaching venue equipment and support services through the Classroom Renewal Project. The Staff Development and Curriculum Projects team delivered an extensive programme of seminars and workshops and managed the annual innovation grant programme – in 2012 the Mellon Foundation granted \$285 000 for a further round of such grants until 2015, with a focus on Humanities projects. This team also continued to develop the sharing of teaching resources through the UCT OpenContent repository; played a key role in organising the

second annual Teaching and Learning conference; and supported the pilot ePortfolio project in three departments in EBE.

In line with UCT's strategic goal of enhancing the quality and profile of UCT's graduates, a pilot Student Laptop Project was launched in the Engineering & Built Environment Faculty. It aims to expand the range of teaching and learning possibilities that arise when there is universal ownership of laptops/tablets by students.

In 2012, the Teaching and Learning conference was attended by 155 people. The number of parallel sessions increased from three to four, and 41 papers were delivered, compared to 34 in 2011. The Vice-Chancellor welcomed everyone to the conference, and Deputy Vice-Chancellor Professor Klopper facilitated a panel discussion on research-led teaching which received positive feedback.

#### *Extension of Xhosa teaching*

A new Xhosa major is being offered by Humanities and a 'Xhosa for Law' course was successfully piloted in 2011. The teaching of the latter is to be undertaken by staff from the African Language section of the School of Languages and Literatures and will be offered as an elective to LLB students. The Faculty of Humanities has approved the course as one of the electives to be offered in the Faculty of Law. In 2012 the Department of Psychology requested the piloting of 'Xhosa for Psychology' in 2012, targeted at Honours and Masters students.

#### *Student success and throughput rates*

Despite these and other interventions, poor success rates remained a major challenge, suggesting that there is no room for adopting a 'business as usual' approach to the teaching and learning enterprise. In 2012 the University applied for grants from the Department of Higher Education and Training (DHET) Teaching Development Grant Fund to support interventions designed to help improve throughputs. R4 053 000.00 was granted for 11 projects:

**Project 1:** Review of the curriculum in the 4 year extended Bachelor of Commerce (B Com) Chartered Accounting (CA) degree and improved teaching through better and more focused teaching.

**Project 2:** Strengthening of the first-year tutorial system as part of the process of establishing the University of Cape Town's First-Year Experience Project.

**Project 3:** Restructuring of the existing tutorial programme, and training of teaching and research assistants and lecturers in the Faculty of Law.

**Project 4:** Teaching Sabbatical Grants.

**Project 5:** Senior Lecturer Post in Academic Staff Development.

**Project 6:** Appointing senior tutors in large departments in the Faculty of Humanities.

**Project 7:** Improving student learning outcomes in the Faculty of Engineering & the Built Environment (EBE).

**Project 8:** Using diagnostic information from admission tests to inform and improve teaching and learning of first year mathematics.

**Project 9:** Training of undergraduate and postgraduate teaching staff in the Faculty of Health Sciences.

**Project 10:** Pilot mentoring programme for first-year students.

**Project 11:** Part-time senior lecturer post in academic staff development.

Implementation of these projects was shifted to 2013 due to the late receipt of the funds.

#### *Student numbers*

The unduplicated headcount enrolment at the end of 2012 was 25 736 representing a 1.5% increase on the 2011 enrolment of 25 301 (these numbers are of subsidisable students and exclude AIM students). The postgraduate enrolment (8 283) represented an increase of 6.3% over the equivalent enrolment in 2011. Enrolments in professional first bachelor's programmes made up 30% of the total undergraduate figure in 2011.

Enrolments at the Masters and doctoral levels (3 882 and 1 304 respectively) both peaked again in 2012. The combined Masters and doctoral enrolments (5 186) made up 20% of the total 2012 enrolment.

**SECTION 1 : TOTAL STUDENT ENROLMENTS : 2008-2012****Table 1****Total undergraduate plus postgraduate head count student enrolments**

Faculty	2008	2009	2010*	2011*	2012*	Average annual change
Commerce	5 370 24%	5 479 23%	5 645 23%	5 837 23%	6 011 23%	2.1%
GSB	878 4%	939 4%	924* 4%	855* 3%	970* 4%	-0.7%
EBE	3 612 16%	3 968 17%	4 037 16%	4 143 16%	4 195 16%	3.5%
Health Sciences	2 966 13%	3 136 13%	3 242 13%	3 520 14%	3 629 14%	4.4%
Humanities	6 277 28%	6 790 28%	7 441 30%	7 401 29%	7 262 28%	4.2%
Law	867 4%	945 4%	1 062 4%	1 047 4%	1 109 4%	4.8%
Science	2 638 12%	2 755 11%	2 662 11%	2 675 10%	2 717 11%	0.3%
<b>TOTAL</b>	<b>22 608</b> <b>100%</b>	<b>24 012</b> <b>100%</b>	<b>25 013</b> <b>100%*</b>	<b>25 508</b> <b>100%*</b>	<b>25 893</b> <b>100%*</b>	<b>3.1%</b>

**Notes:**

In a head-count total, students are counted as units even if they are part-time students taking less than a full-time curriculum.

- \*AIM students (excluded from funded student reports) are included in 2010, 2011 and 2012. The totals without AIM students were 24 722 (2010), 25 301 (2011) and 25 736 (2012).
- The 2008 - 2011 head count totals shown were extracted from the HEMIS student tables for each year. The 2012 figures are subject to the final HEMIS audit for the 2012 reporting year.
- Unique head counts were extracted using the derived head count enrolment data element.
- A faculty's head count total is the total of students enrolled for the various degrees and diplomas which it offers.



**Table 2****Undergraduate student enrolments**

<b>Faculty</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Average annual change</b>
Commerce	4 249 26%	4 258 25%	4 291 25%	4 312 25%	4 549 26%	1.7%
GSB	407 3%	247 1%	241 1%	207 1%	241 1%	-12.3%
EBE	2 695 17%	3 001 18%	2 987 17%	3 041 18%	3 099 18%	3.6%
Health Sciences	1 705 11%	1 762 10%	1 783 10%	1 824 11%	1 893 11%	2.6%
Humanities	4 884 30%	5 314 31%	5 812 33%	5 726 33%	5 580 31%	3.4%
Law	466 3%	465 3%	504 3%	488 3%	516 3%	2.6%
Science	1 717 11%	1 877 11%	1 776 10%	1 714 10%	1 732 10%	0.2%
<b>TOTAL</b>	16 123 100%	16 924 100%	17 394 100%	17 312 100%	17 610 100%	2.2%

**Table 3****Postgraduate student enrolments**

Faculty	2008	2009	2010	2011	2012	Average annual change
Commerce	1 124 17%	1 221 17%	1 354 18%	1 525 19%	1 462 18%	6.8%
GSB	471 7%	692 10%	683 9%	678 8%	729 9%	11.5%
EBE	917 14%	967 14%	1 050 14%	1 102 13%	1 096 13%	4.6%
Health Sciences	1 261 19%	1 374 19%	1 459 19%	1 696 21%	1 736 21%	8.3%
Humanities	1 393 21%	1 476 21%	1 629 21%	1 675 20%	1 682 20%	4.8%
Law	401 6%	480 6%	558 7%	559 7%	593 7%	10.3%
Science	921 14%	878 12%	886 12%	961 12%	985 12%	1.7%
<b>TOTAL</b>	6 488 100%	7 088 100%	7 619 100%	8 196 100%	8 283 100%	6.3%

*Demographic statistics*

In 2012, white students made up the largest proportion of the enrolment (34%). This proportion has dropped steadily over the last five years from a level of just less than 40% in 2008. At the same time, the South African black proportional enrolment grew to 23%, from only 19% in 2008. It is of interest to note that in terms of actual numbers, UCT gained 1634 South African black students: this represents an increase of 37.5% on the 2008 base. Changes in the proportions of South African coloured and Indian students over this time were significant.

**Table 4**  
**Headcount Enrolments by Race**

**Demographics**

**Headcount student enrolments by population group 2008 - 2012, showing percentage growth on baseline**

	2008	2009	2010	2011*	2012*	% growth 2008 - 2012
SA African	4 354	5 068	5 277	5 754	5 988	38%
SA Coloured	3 252	3 623	3 587	3 699	3 514	8%
SA Indian	1 522	1 630	1 666	1 674	1 692	11%
SA White	8 768	8 983	9 131	9 004	8 759	0%
International	4 320	4 307	4 611	4 636	4 765	10%
Other	392	401	500	765	1 175	200%
<b>Total</b>	<b>22 608</b>	<b>24 012</b>	<b>24 772</b>	<b>25 532*</b>	<b>25 893*</b>	<b>15%</b>

\* Note: 2011 and 2012 numbers include AIM students who are not included in funded student number tables. Total funded student numbers for 2011 and 2012 were 25 301 and 25 736 respectively.

**Headcount student enrolment by population group 2008 - 2012 showing % of total**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
SA African	4 354	5 068	5 277	5 754	5 988
<i>% of total (incl. Int)</i>	19.3	21.1	21.3	22.5	23.1
<i>% of total (excl. Int)</i>	23.8	25.7	26.2	27.5	28.3
SA Coloured	3 252	3 623	3 587	3 699	3 514
<i>% of total (incl. Int)</i>	14.4	15.1	14.5	14.5	13.6
<i>% of total (excl. Int)</i>	17.8	18.4	17.8	17.7	16.6
SA Indian	1 522	1 630	1 666	1 674	1 692
<i>% of total (incl. Int)</i>	6.7	6.8	6.7	6.6	6.5
<i>% of total (excl. Int)</i>	8.3	8.3	8.3	8.0	8.0
SA White	8 768	8 983	9 131	9 004	8 759
<i>% of total (incl. Int)</i>	38.8	37.4	36.9	35.3	33.8
<i>% of total (excl. Int)</i>	47.9	45.6	45.3	43.1	41.5
International	4 320	4 307	4 611	4 636	4 765
<i>% of total (incl. Int)</i>	19.1	17.9	18.6	18.2	18.4
Other	392	401	500	765	1 175
<i>% of total (incl. Int)</i>	1.7	1.7	2.0	3.0	4.5
<i>% of total (excl. Int)</i>	2.1	2.0	2.5	3.7	5.6
<b>Total</b>	<b>22 608</b>	<b>24 012</b>	<b>24 772</b>	<b>25 532*</b>	<b>25 893*</b>
	this row is % of total, including international students				
	this row is % of total, excluding international students				
Total Excl. Int	18 288	19 705	20 161	20 896*	21 128*

**International students**

	2008	2009	2010	2011	2012
Total UCT students enrolled	21 356	24 012	24 772	25 532*	25 893*
Total UCT students (excl. SSA)**	20 666	23 168	23 828	24 706	24 931
Total international students (excl. SSA)	3 727	3 464	3 667	3 811	3 803
% international students (excl. SSA)	18%	15%	15%	15%	15%
Number of countries represented	96	97	104	109	106
Number of African countries represented	31	31	35	39	39
Total SADC students	2 546	1 987	2 238	2 247	2 097
% SADC student at UCT	12%	9%	9%	9%	8%
Total Non-SADC International students (excl. SSA)	1 181	1 478	1 434	1 194	1 706
Total Non-SADC International students from Africa	442	567	579	507	2 727
Total Study Abroad Students	690	842	944	826	962
Total International students incl. SSA/non-degree seekers	4 374	4 307	4 611	4 636	4 765
% All international student registrations at UCT	20%	18%	19%	18%	18%
Total international undergraduates	2 033	1 833	1 975	1 954	2 886
Total international postgraduates	1 774	1 631	1 692	1 857	1 879

\*\*Semester Study Abroad

**Table 5**  
**International students**

	<b>2012</b>
TOTAL UCT STUDENTS	25 893
TOTAL EXCL SSA	24 931
TOTAL INTERNATIONAL EXCL SSA	3 803
% INTERNATIONAL EXCL SSA	15%
NUMBER OF COUNTRIES	106
NUMBER OF AFRICAN COUNTRIES	39
TOTAL SADC STUDENTS	2 097
% SADC STUDENTS AT UCT	8%
TOTAL NON SADC INT STUDENTS (EXCL SADC)	1 706
TOTAL NON SADC INT STUDENTS FROM AFRICA	2 727
TOTAL STUDY ABROAD STUDENTS	962
TOTAL INTERNATIONAL INCL SSA/NON DEGREE	4 765
% ALL INTERNATIONAL REGISTRATIONS AT UCT	18%
TOTAL INTERNATIONAL UG	2 886
TOTAL INTERNATIONAL PG	1 879

The 4 765 international students registered at UCT in 2012 and comprised 962 semester study abroad (SSA) students, plus 3 083 largely full-degree (non-SSA) students. The non-SSA international group made up 15% of the total non-SSA enrolment and included representatives from 106 countries, 30 of which were countries in Africa. SADC student enrolments totalled 2 097 in 2012, and made up 8% of the total non-SSA enrolment. The total international enrolment (SSA plus non-SSA) – 4 765 students or 18% of the enrolment total – comprised 2 886 undergraduate (60% of all internationals) and 1 879 postgraduates (just less than 40% of the international component).

In summary, international students made up 11% of the 2012 undergraduate cohort and 23% of the postgraduate enrolment.

*Completion and success rates*

A total of 6 721 students qualified with a degree or a diploma during 2012.

4% of all undergraduate students were excluded from the University on academic grounds at the end of 2012. This percentage is on par with those reported over the last few years.

The overall success rate in undergraduate courses in 2012 was 86.1% which was slightly higher than the 2011 undergraduate success rate. Within five out of six faculties, success rates at the crucial 100-level were all in excess of 81%; the success rate in 100-level Science courses (which would include service courses taken largely by EBE and Health Sciences students) was 78.2%.

Examination of the longitudinal performance of the 2007 first-time entering undergraduate (FU) cohorts shows the following:

- 69% of the 2007 FU cohort has completed an undergraduate qualification within five years of registering at UCT;
- 16% of the cohort (in comparison with 14% of the prior 2006 FU cohort) had been excluded from UCT on academic grounds during the five year period of the analysis;
- The rate of drop-out in good academic standing amongst the 2007 FU cohort was 8%. This represents a 3 percentage point improvement in comparison with the 2005 FU cohort;
- 8% of the cohort was still busy with undergraduate studies at the end of 2011.

Increases in the proportions of students still busy are to be expected as an effect of the proportional enrolment in extended programmes.

*Academic staffing*

UCT's 2011 HEMIS staffing submission shows that a total of 897 permanent instruction/research or academic staff were employed in the six faculties and in CHED. This represents a 1.5% increase over the 2010 figure of 884. The fact that student enrolments also grew by 1.5% over this period suggests that academic staffing provision has kept pace with growth in student enrolments.

The proportion of full-time academic staff qualified at the doctoral level in 2011 was 67%. A further 27% of all academic staff held masters level qualifications. Moreover, the Research section of this report suggests that students across the University could expect

to be taught by academic staff actively engaged in research in their particular disciplines.

### **The Libraries**

The Libraries are integral to UCT's success at all levels and include the Chancellor Oppenheimer (Main) Library, nine branches, including Law and Health Sciences, and major research collections such as Manuscripts and Rare Books, African Studies and Government Publications. The Libraries' website provides on-and-off campus access to more than 72 000 electronic journals and 190 databases. There are about 1.2 million print volumes, with more than 16 700 print journal titles. UCT's Special Collections focus on Africana, with a great variety of historically important manuscripts, maps, photographs, films, diaries and sound recordings.

Profound changes are occurring constantly in higher education, academic libraries and scholarship in the digital age evidenced by the increased use of electronic resources, the slow-down in growth of print collections, the University's increased emphasis on support for postgraduates, the increased need for undergraduates to study collaboratively, and the fore-fronting of the University's unique African and manuscript collections. In response, the Libraries' services and physical spaces are changing and must continue to change, for example, the establishment of a specialised digitisation services unit, staffed by experts and supported by advanced technology now makes it possible for the scholarly community to benefit from online materials. During 2012, a number of unique local collections were digitised and made available online as a result of generous grant funding and University support ([www.digitool.uct.ac.za](http://www.digitool.uct.ac.za)).

The Libraries recognise how the scholarly community is changing the use of space in academic libraries and driving the demand for seamless access to information and innovative service delivery. In late 2012, the Libraries completed and finalised the reorganisation of the staffing structure in alignment with the Libraries strategies (2010-2014) and operational requirements in order to support institutional teaching, learning and research goals and priorities.

Similarly, a programme of multiple building projects continued throughout the period as part of the planning to repurpose significant physical areas to enhance service delivery models. The projects include the restoration of the J.W. Jagger Library Reading Room; refurbishment of the WH Bell Music Library; expansion to the Hlanganani Building on levels 6 and 7 to provide additional undergraduate study seating; upgrading of the Built Environment Library and establishment of a postgraduate Research Commons in the



Law Library (funded by the Faculty). In addition, new space was allocated for special collections at Shell Court in Mowbray, which will be upgraded in 2013 to house special collections. The bindery was closed on the Hiddingh Hall campus.

A success story was the collaborative partnership between the Libraries and SRC to establish the first 24/7 study area zone in the Chancellor Oppenheimer Library with after-hours access to 98 study seats in safe and comfortable library space. During the year-end exam period, statistics indicated high usage by students. Provision has been made for an additional 24/7 study area space with 120 seats, which will be made available as demand requires, in the new extension on Hlanganani level 6 of the Chancellor Oppenheimer Library. The Senate approved a decision to re-instate the Library and Information Studies Centre (LISC) at UCT. With LISC organisationally located within the UCT Libraries, the academic programme is located within the Humanities Faculty.

## **Research**

### *Research income, grants and contracts*

Total research income increased by R48.7 million (5%), from R894.1 million in 2011 to R942.8 million in 2012. This includes an increase of 6% (R52.7 million) in research income from *external* sources (R893.8 million in 2012 compared to R841.1 million in 2011). Research income at UCT has more than doubled since 2006.

The *number* of research contracts approved in 2012 decreased by 12% year-on-year (compared to the 29% increase in 2011 over 2010), with a decrease in the *value* of contracts from R722 million in 2011 to R682 million in 2012). 572 contracts to the value of R431 million were entered into with entities from 48 countries in 2012.

### *Postgraduate studies*

In 2012, 6 215 students were registered for Honours, Masters and doctoral degrees at UCT. Of these, 2 464 students (40% of all postgraduate students) received 4 739 awards to a total value of R159 455 046. This represents an increase of 18% from the R135 million awarded to postgraduate students during the previous year.

### *Support for postdoctoral research fellows*

In 2012, 282 registered Postdoctoral Research Fellows (PDRFs) received more than R52 million in funding support. This represents an increase of 19% from 2011. The majority of PDRF registrations are in the Science and Health Sciences faculties and financial support in each of these two faculties amounted to over R20 million per sector. Support

provided to PDRFs is not confined to the administration of the sector, but includes monitoring of quality of life and advocacy with regard to other issues.

#### *Publication Count*

UCT was awarded 1 314.40 units for the 2012 publication count (research outputs produced in 2011) submission to the national Department of Higher Education and Training, representing a 4.9% growth over the 2010 subsidised output. This placed UCT in second place nationally, after the University of Pretoria.

#### *NRF Rating*

As mentioned in the Chair's report, the 2012 NRF evaluation and rating cycle saw UCT submit the highest number of applications in the history of the rating system (118 applications) and there are currently 415 rated researchers at UCT (compared to 379 in the previous cycle). During 2012, UCT was awarded four new A-ratings and two new P-ratings (NRF President's Awards).

#### *International rankings*

UCT maintained a strong presence in the three main global university ranking systems in 2012 and remains the only institution from Africa to appear in the top 300 of all three systems. Although our ranking on the *Times Higher Education* (THE) World University Rankings dropped from position 103 to 113, we again increased our position in the Quacquarelli Symonds (QS) World University Rankings, from number 156 in 2011/12 to 154 in 2012/13. UCT was also the only university in Africa to make the top 300 range of the Shanghai Jiao Tong Academic Ranking of World Universities (ARWU).

### **Research Focus and Impact**

#### *Next Generation of Academics (Carnegie Project)*

UCT is committed to playing its part in ensuring that South Africa and the rest of Africa can count on a vibrant academic profession in the future. Funded by the Carnegie Corporation, the Next Generation of Academics project aims to develop a cohort of trainee academics in the fields of infectious diseases, civil engineering and economics to create a competitive pool of young scholars that can be recruited into academic careers in Africa. The initial two year grant (2011-2012) has been extended with a renewal grant for a further three years (2013-2015). The fields were selected on the basis of their importance in relation to national and continental priorities; the inherent difficulty of attracting students to academia in these fields given the lucrative opportunities in the public or private sector; supervisory capacity; and the potential of a suitable pool of candidates that meet the Carnegie criteria of (a) a commitment to

staying in academia and (b) coming from previously disadvantaged population groups, including women.

#### *DST/NRF SARChI Chairs at UCT*

With an investment value in excess of R1.1 billion since its inception in 2005, the Department of Science and Technology's South African Research Chairs Initiative (SARChI) was designed to strengthen the country's universities to produce high quality research and innovation output. In turn, the increase in the quality of the training of postgraduate students, would thereby contribute directly to growing the knowledge economy in South Africa.

UCT is now home to 33 SARChI Research Chairs of the 154 awarded so far, holding more than one-fifth of the national Chairs. Of these, four awards were made in 2011/12 in the following strategic areas: Stable Isotopes in Archaeology and Palaeoenvironmental Studies; Environmental and Social Dimensions of the Bio-Economy; Reaction Engineering; and Industrial Computational Fluid Dynamics.

#### *Signature Themes*

UCT's Signature Themes policy is intended to provide a framework for multi-, inter-, and transdisciplinary research to be done at an inter-departmental and inter-faculty basis. The Signature Themes are grounded in existing areas of internationally recognised excellence whilst being aligned to institutional, regional and national priorities. The current Signature Themes at UCT are: African Centre for Cities, Brain and Behaviour Initiative, Marine Research Institute, Minerals to Metals, Drug Discovery & Development Centre, and the African Climate and Development Initiative.

#### *National Centres of Excellence and Competence Centres*

UCT is home to two of the seven national Centres of Excellence awarded by the Department of Science and Technology, through the National Research Foundation: the DST/NRF Centre of Excellence at the Percy FitzPatrick Institute of African Ornithology, "Birds as Keys to Biodiversity Conservation", and the DST/NRF Centre of Excellence in Catalysis, c\*change. In 2011, UCT became a co-host to a node of the DST/NRF Centre of Excellence for Biomedical TB Research. UCT also co-hosts the Hydrogen Catalysis Competence Centre with Mintek. The aim of these centres/nodes is to act as hubs for research and development in fields identified as strategically important to South Africa. The centres/nodes hosted at UCT include members from universities around South Africa. They enjoy significant student involvement and serve as important research training sites for postgraduate students.

*Research groupings*

At the end of 2012 there were 71 research groupings formally recognised by the University Research Committee at UCT. This included nine groupings which are jointly accredited by the Medical Research Council (MRC) and UCT, as well as five new research groupings which received UCT accreditation in the course of the year.

*Office of Research Integrity (ORI)*

Administration of research has become increasingly complex, due in part to growing internationalisation and inter-institution collaborations and compliance requirements that accompany funding and sponsorship of research. In response, the Office of Research Integrity (ORI) will be formally established in 2013. The purpose of the ORI is to provide a sharper focus on and tighter management of UCT's research ethics and related research matters by promoting best practice and responsible conduct of research through a process of education regarding UCT's policies and research ethics guidelines. The ORI will provide a dedicated locus for management of responsible conduct of research processes, for updating research policy documentation and research ethics guidelines on a regular basis. The ORI will also be responsible for facilitation of research ethics training and for management of procedures that deal with allegations of research misconduct.

*Intellectual Property and Innovation*

In 2012 there was significant activity in several areas, specifically innovation fund-raising to support commercialisation of UCT intellectual property; formation of start-up companies; and the conclusion of significant licensing, or option, agreements.

Fundraising for the UCT Evergreen Fund started in earnest. The aim is to raise at least R10 million to create a self-sustaining fund that will be able to fund innovation projects requiring R500 000 to R1.5 million to transform them into more fundable prospects. There was an increase in the number of applications to the Technology Innovation Agency (TIA) for innovation funding, spurred on by the first funding to be awarded in about three years to Strait Access Technologies (Pty) Ltd (SAT), a UCT start-up company that is developing heart valves and deployment devices.

UCT's innovation achievements were evident in the BHP Billiton National Science and Technology Forum Awards, where six of the nine finalists in the innovation category were either from, or associated with, UCT. Two of the three awards in the category were won by UCT spin-outs.

Income received from the licensing and sale of IP doubled in 2012. Over the past 12 years the UCT has raised some R8.8 million in revenue from IP commercialisation. The UCT IP Portfolio comprises some 149 patent applications (at various stages of application and prosecution, i.e. provisional, PCT and ungranted national phase) and 152 active granted patents. The patents link to 95 different inventions.

### **Support for Research**

#### *Support for postgraduate students*

A new post of Director for Postgraduate Studies was established in 2012. The post will be filled in 2013. This position will ensure that the postgraduate sector receives the full spectrum of support required to ensure that students have a positive and valuable postgraduate experience at UCT.

#### *Staff research development initiatives*

UCT offers a range of initiatives to support researchers to complete higher degrees, publish, obtain funding and generally develop a passion for research. The oldest of these programmes, the Emerging Researcher Programme (ERP), turned 10 in 2012. The Postgraduate Supervision Training commenced in 2005 is now eight years old; the Mellon Visiting and Retired Scholars Mentorship project is in its seventh year, and the Programme for the Enhancement of Research Capacity (PERC) is in its fourth year of operation.

Since its inception in 2003 a total of 548 academics have received some sort of support from the ERP and are registered on the programme database. The ERP was established as an integral part of UCT's efforts to establish and strengthen collaborative networks with partners in the global South and particularly in Africa.

PERC's activities in 2012 covered four broad, overlapping, areas: mid-career support; the promotion of inter- and trans-disciplinary research; financial and intellectual support for Africa-based research; and the production of Africa-centred knowledge. A key component of PERC has been the 'African Research Project on Knowledge Production'. It encourages collaborative, cross-disciplinary research that links UCT staff to research colleagues elsewhere in Africa. The PERC grants are seen as developmental, enabling applicants to construct their research proposals as well as to undertake their research. These grants were initially funded by the Carnegie Corporation and between 2009 and 2011, 12 grants of R150 000 grants each were awarded. In 2012, funding from the Andrew W Mellon Foundation enabled the award of three PERC grants, each valued at R165 000.

Another research development programme funded by the Andrew W Mellon Foundation is the *Mellon Visiting and Retired Scholars Mentorship* project, which is conceptualised to dovetail with the ERP and PERC to strengthen the next generation of researchers. A one-on-one discipline-specific mentorship relationship is brokered between developing researchers and a visiting or retired scholar who commits up to one year of his/her time to work closely with the mentees. During 2012, 35 mentees participated in 7 active mentorships. The majority of mentees in 2012 were South Africans (89%) compared to 70% in 2011.

#### *Building capacity for managing large international grants*

UCT was granted an International Extramural Associate Research Development Award (IEARDA) from the National Institutes of Health (NIH) in the USA. This award is specifically aimed at building the capacity of research managers and administrators at universities in sub-Saharan Africa. In 2011, a supplementary grant, called Initiative on Research and Innovation Management (iRIM), allowed UCT, together with the University of Zambia, Moi University in Kenya and Mbarara University of Science and Technology in Uganda, to hold one workshop each in Lusaka and Cape Town. The latter workshop was hosted by UCT from 8-12 October 2012 and was attended by 38 delegates from 25 institutions in sub-Saharan Africa.<sup>1</sup>

#### *Worldwide Universities Network*

The Worldwide Universities Network (WUN) comprises 19 research-intensive institutions spanning six continents, of which UCT remained an active partner in 2012. The WUN mission is to be “one of the leading international Higher Education networks, collaborating to accelerate the creation of knowledge and to develop leaders who will be prepared to address the significant challenges, and opportunities, of our rapidly changing world.” In order to focus its activities, the WUN identified four Global Challenges:

- Adapting to climate change
- Global public health: non-communicable disease control

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<sup>1</sup> Cape Peninsula University of Technology; Eduardo Mondlane University, Mozambique; National University of Science and Technology, Zimbabwe; University of Botswana; University of Fort Hare; University of Lesotho; University of Limpopo; University of Mauritius; University of Namibia; University of Swaziland; University of the Western Cape; University of Venda; University of Zimbabwe; Walter Sisulu University; Zimbabwe Open University; Mozambique Institute for Health Education & Research (MIHER); Institute of Human Virology, Nigeria; National Hospital for Tuberculosis and Pulmonary Diseases, Benin; University of the Witwatersrand; University of Ghana; University of KwaZulu-Natal; and University of Addis Ababa, Ethiopia.

<sup>1</sup> The following 19 institutions comprise the WUN: Chinese University of Hong Kong; Maastricht University; University of Alberta; University of Auckland; University of Bergen; University of Bristol; University of Campinas; University of Cape Town; University of Leeds; Nanjing University; Pennsylvania State University; University of Rochester; University of Sheffield; University of Southampton; University of Sydney; University of Western Australia; University of Wisconsin, Madison; University of York; and Zhejiang University

- Globalisation of higher education and research
- Understanding cultures

Nine research mobility awards were granted during the course of 2011 from UCT funding ring-fenced for this purpose. These awards are aimed at enabling research visits to WUN partner campuses to either strengthen existing research collaboration or to set up future collaborations which could then be funded by other sources. In 2012, two applications with UCT as the lead institution and five with UCT as a consortium member were successful.

### **Social Responsiveness**

By the end of 2011 the Vice-Chancellor had appointed two Pro Vice-Chancellors (PVCs) to lead the Schools Improvement and African Climate and Development Initiatives. In October 2012 a PVC was appointed to lead the Safety and Violence Initiative and an Acting PVC was appointed to lead the Poverty and Inequality Initiative.

The 2012 Social Responsiveness (SR) Report contains a high level summary of:

- 35 activities related to the Africa Climate and Development Initiative;
- 27 activities related to the Safety and Violence Initiative;
- 17 activities related to the Schools Improvement Initiative, and;
- 89 activities related to the Poverty and Inequality Initiative.

The information provided gives a glimpse of the multitude of SR-related activities happening at UCT, and the extent to which academics are drawing on their scholarship to engage with the challenges confronting the country and the continent.

The activities cover research on sustainable business practices, ecological degradation, climate mitigation and adaptation, the use of marine and other natural resources as a source of livelihood, the burden of disease reduction, prevention of substance abuse, social reconstruction, local economic development using renewable energy, the use of constitutional rights, income distribution and employment patterns, disaster risk management, labour market policy and employment, labour market regulation, infrastructure development, employment in the informal sector, food security, affordable housing, urban upgrading, urban transport, schools based support for teachers and learners, health equity, and social grants.

The activities involve engagement with a wide range of constituencies including small fishing communities, NGOs, various levels of government, student societies, museums,

galleries, trade unions, schools, national and international development agencies, and community-based structures.

Multiple purposes inform the activities. These include:

- Seeking to identify and unlock barriers to accessing services and sustainable economic development.
- Seeking to inform, or analyse the impact of policy interventions on strategic projects.
- Strengthening capacity and institutions for social dialogue and partnerships for employment creation and sustainable development.
- Establishing multi-stakeholder initiatives consisting of researchers, practitioners, local communities and other key players to foster dialogue and achieve long term, sustainable change drawing on relevant research e.g. the Southern Africa Food Lab, the Violence Prevention and Urban Upgrading Project, the CityLab, the People's Health Network and the Cape Town Climate Change Coalition.
- Conducting research to develop an evidence-base for policy, advocacy and management protocols based on core principles of human rights, social justice and sustainability e.g. in the area of children's rights and poor small scale fishing communities.
- Public interest litigation.
- Providing services to poor communities (students).
- Producing data on models of good practice or alternative models of management to empower poor communities.
- Nurturing reflective practitioners with the capacity to reflect on the impact of social contexts on the nature of professional services provided.
- Broadening access into higher education for marginalised communities.
- Conducting research to inform the transformation of professional practices e.g. in the criminal justice system.
- Developing new forms of pedagogy and creating a new epistemology predicated on linking the interests of scholarly enquiry with the interests and needs of external constituencies.
- Promoting critical citizenship through student-run initiatives.

The activities illustrate a strong commitment to knowledge dissemination e.g. through the use of websites, the production of CDs, educational resources, exhibitions, popular pamphlets or learning materials, radio programmes, festivals, capacity-building



workshops, public commentary, and the provision of continuing education courses targeting government officials, practitioners, and interested members of the public.

In addition to the faculty-based activities a number of institution wide projects were initiated.

#### *African Climate and Development Initiative*

A new one-year interdisciplinary Masters programme in Climate Change and Sustainable Development was introduced with the aim of preparing a new generation of professionals and researchers who are able to engage with the multi-faceted nature of issues in the climate and development domain. The programme comprises four core modules, offered by four different departments: Earth System Science; Economics of Climate Change and Development; Energy and Climate Change; and Adapting to Climate Change.

An innovative governance hub was launched with the aim of exploring how both formal and social institutions facilitate governance in responding to the threat of climate change on sustainable livelihoods in Africa. The research hub involves several research centres and units at UCT. Seven PhD students and two Master students are funded by the project, and many of them are engaged in projects that are in partnership with business, local government and civil society. For example, one PhD student is working with Sanlam to explore the role of the insurance industry in reducing exposure to climate risk in the Eden Municipality of South Africa; while another PhD student is focusing on the politics of knowledge related to climate change within the urban local Poverty and Inequality Initiative.

#### *Poverty and Inequality Initiative*

On 18 April 2011, members of the University Social Responsiveness Committee and the Poverty and Inequality Planning Group (PIPG) met with Minister Trevor Manuel of the National Planning Commission (NPC). Thereafter, the PIPG decided to explore the feasibility of organising a conference in collaboration with the NPC, which would explore factors contributing to the persistence of the full range of inequalities within South Africa and the policy interventions needed to redress these inequalities.

The PIPG agreed to a proposal to appoint a senior academic to give impetus and visibility to the initiative. The University appointed retired Emeritus Professor of Development Economics, Francis Wilson, who was the project leader for Carnegie 2 in 1982, to serve as the Acting PVC for the initiative. Assisted by Kath Hall of the Children's Institute, Prof Wilson organised a conference "Towards Carnegie III: Strategies to

Overcome Poverty and Inequality” in September 2012. Over 600 people from universities across the country, non-governmental organisations, various levels of government, development agencies, donors, private education providers and foundations participated in the conference. Over 300 papers were submitted covering 11 major interdisciplinary themes. The conference was a resounding success. Work is proceeding with the organisation of post-conference multi-stakeholder workshops to explore issues that surfaced in the conference and prepare for a follow up conference in 2015. There is a commitment to establishing a national advisory committee to guide the preparations for the next conference.

### *Safety and Violence Initiative*

Seed-funding for interdisciplinary projects, the initial projects within SaVI from which others will grow, was made available through the Vice-Chancellor’s Strategic Fund.

Four projects were funded. The first of these explores the possibility of intervening in domestic violence at the ‘teachable moment’, when a victim is treated at a hospital trauma centre. The ultimate aim is to train and capacitate a cohort of social workers (‘violence interrupters’) to detect and provide an informed and holistic primary prevention response to domestic violence, as well as some of the major risk factors and antecedents in the South African context.

A second project also addresses violence-related problems that may present at a hospital trauma centre, in this case substance misuse. This initial project seeks to determine how many patients presenting at the Groote Schuur Hospital trauma centre are intoxicated with alcohol or other drugs; and on the basis of that, to develop and test an appropriate intervention.

A third project focuses on alcohol and violence. This project brings together researchers from diverse faculties and disciplines at UCT to map out the whole ‘process’ from the production, distribution and marketing of alcohol, to its consumption and its consequences in terms of the perpetration of violence and the arrival of patients in clinics and hospitals.

Substance misuse is also the subject of the fourth project, which intends to address this gap by developing and pilot testing a trauma risk-reduction intervention based on Problem Solving Therapy (PST) (with a motivational interviewing component) for individuals presenting at trauma units with substance-related injuries. Motivational interviewing is a brief but effective intervention that can relatively easily be incorporated into standard visits with health practitioners.

### *Schools Improvement Initiative*

In order to address the under-representation of Khayelitsha learners at UCT at the beginning of 2011, 100 academically gifted Grade 10 learners – five from each of the 20 secondary schools in the township – were chosen to participate in what is known as the 100-UP programme. In 2012 a further 11 learners participated in the programme.

Within the context of broader support to schools in Khayelitsha (and where possible the District as a whole), the SII's university-school partnership model is based on the development of closer ties with a small number of what are termed 'UCT Partner schools.' To this end, in 2012 work commenced at two primary schools (Ummangaliso & Intshayelelo) and two secondary schools (COSAT and Matthew Goniwe). The main delivery vehicle for teacher professional and school organisational development are the Advanced Certificates in Education (ACEs) and associated short courses, backed up by school-based support offered by staff from the Schools Development Unit (SDU) in the School of Education. As a result of relationships established in 2012 four teachers from Matthew Goniwe have enrolled for the 2013-2014 Senior Phase Sciences ACE course. Follow up curriculum and organisational support is being provided to the Ummangaliso Management Team members who completed the Education Management and Leadership Development (EMLD) ACE programme in 2012. Three Schools Management Team members from Intshayelelo have registered for the 2013-2014 EMLD ACE programme.

### **Policy**

In 2012 the Senate and Council reviewed policy on Social Responsiveness. The revised policy provides a new definition: the umbrella term, *social responsiveness*, embraces engaged scholarship involving academic staff, civic engagement involving students' community service, and professional engagement involving PASS staff using their professional expertise. Engaged Scholarship as a form of SR refers to the utilisation of an academic's scholarly and/or professional expertise, with an intentional public purpose or benefit (which) demonstrates engagement with *external (non-academic) constituencies*. It can help to generate new knowledge, promote knowledge integration, the application of knowledge, or the dissemination of knowledge. The policy outlines three dominant forms of engaged scholarship

- Research oriented forms of engaged scholarship
- Professionally oriented forms of engaged scholarship
- Teaching oriented forms of engaged scholarship

### *The Global Citizenship (GC) Programme*

In 2012, UCT students could register for one, two or all of three components, which together make up the

- The GC workshop series: global debates, local voices
- The GC short (core) course: service, citizenship and social justice
- Voluntary community service (60 hours of self-organised community service)

All three components ran in 2012 and while there were some teething problems with the design, the shape of the programme began to come to life. Students identified with the GC 'brand' and most students involved in GC participated in at least two components of the programme, and some even in three. This represents a shift from the pilot years when most students participated in only one short course. Approximately 150 students registered on the system for at least one aspect of the GC programme. Overall, there were about 40 students doing the core course and the workshop series, with 11 students undertaking all three components.

### *Student voluntary activities*

In 2012, 3 093 students participated in various activities related to addressing development challenges facing our society. They included student from Amnesty International (80 members); Black Law Students' Forum (84); EDU Student Organisation (71); Engineers Without Borders (171); Equal Education (104); Golden Future Project (33); Green Campus Initiative (544); Habitat for Humanity (385); Love Your Neighbour (48); Students for Law and Social Justice (119); Students In Free Enterprise (251); SHAWCO Education (1 023) and Ubunye (180).

In addition 11 Sports Clubs organised activities in disadvantaged communities and schools.

### *Continuing Education*

According to the 2012 SR report, a total of 5 361 people participated in continuing education classes: 313 in Centre for Open Learning; 2 000 in Summer School; 953 in Law; 334 in EBE; 979 in the Graduate School of Business; and 704 in Commerce.

### *UCT Knowledge Co-op*

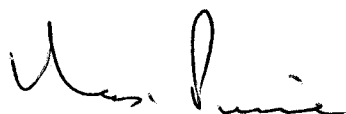
To date 49 groups have submitted collaboration requests. A total of 50 students and 20 academics from Humanities, HSF and EBE participated in projects to date. 12 new project collaborations started during 2012. The Co-op in dialogue with UCT and international partners developed a *Code of Good Practice for Engaged Scholarship with External Constituencies* to guide academics supervising Co-op projects.

The new projects initiated in 2012 include:

- The design of a school hall;
- An assessment of the educational support programmes provided by a non-governmental organisation;
- The provision of IT support for non-governmental organisations;
- Research into the experience of women waiting for radiation treatment after breast cancer surgery; and
- Mentoring of women entrepreneurs related to basic business processes.

*Promoting engaged scholarship*

Three members of the University Social Responsiveness Committee contributed a paper in Volume 16 of the *Journal of Higher Education and Outreach Education* entitled 'Towards developing a strategic approach to Social Responsiveness (SR) at the University of Cape Town'. The journal is published and available online at [www.jheoe.uga.edu](http://www.jheoe.uga.edu).



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DR M R PRICE  
VICE-CHANCELLOR  
15 JUNE 2013

## ANNUAL FINANCIAL REVIEW

### Financial Policy

Our financial policy is to provide for sustainable operations and the ability to invest in educational initiatives consistent with our mission. We practise 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 realised by integrating the following areas:

- We target a surplus from Council-controlled recurrent operations to fund new initiatives and provide a hedge against unforeseen circumstances.
- 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.

### Financial Management

UCT pays particular attention to financial management, seeking to ensure a combination of good practice, stewardship and forward projection that provides the University with the financial resources needed to meet its objectives. The comprehensive University financial plan consists of seven distinct yet interrelated components: Continuing educational operations; Research and other operations similarly dependant on specific funding; Staff and student housing operations; Investment income and financing expenditure; Capital expenditure; Capital structure and financing; and Cash flow planning.

### Highlights 2012

*Continuing Educational Operations* encompasses the main recurrent operating activities that provide and support teaching and learning.

Total recurrent operating income increased by R147 million (7.8%) to R2 024 million,

mainly from increases in state subsidy of R25 million (2.5%) to R1 027 million and an increase in tuition and other fee income of R95 million (12.9%) to R830 million. The increase in tuition fees comprised a general increase of 9.4%, (R72 million); increased enrolments generated a further R23 million, mainly in the Faculties of Humanities and Science, as well as the Semester Study Abroad program.

Expenditure grew by R219 million (12.2%) to R2 010 million, mainly due to an increase in personnel costs of R129 million (11.2%) to R1 283 million. Expenditure other than personnel increased by R90 million (6.4%) to R727 million. Bursaries and other financial aid from the operating budget increased by R24 million (26.7%) to R114 million. Other operating expenses increased by R60 million (11.4%) to R587 million. The main increases were for repairs and maintenance R11 million (9.8%); general services outsourced R15 million (17.4%); Library acquisitions R8 million (21.1%); Software costs R5 million (27.8%); and lease expenses R4 million (13.3%).

Our undergraduate students received R451 million in total financial support, up from R407 million in 2011. This support came from various sources. Corporate and other external bursaries supported students to a value of R207 million, and NSFAS provided loans amounting to R105 million. UCT contributed R95 million from Council-controlled funds. In addition, income from endowments and other funds available to the University contributed R44 million.

The recurrent operations generated a surplus of R14 million (2011: R86 million), being 0.7% (2011: 4.6%) of total operating revenues, emphasising the tight margins within which we function.

**Research and other Specifically Funded Activities** are usually outside the decision rights of University management (who nevertheless usually retain governance and monitoring rights and often approval rights). While these activities are of important academic and social value they add considerably to the financial risk of the University particularly in respect of cash flows and accounts receivable management.

Revenues increased by 12.2% to R1 431 million (2011 R1 275 million). However Government-related grants fell by 16.4% from R324 million to R271 million, while contract research continued to expand growing by 16.4% to R603 million. The growth of 73% in research activity over the 5-year period from 2007 has placed significant demands on core administrative departments, which in most cases received little real increases in resources. As these departments become over-stretched the risk of reputational damage increases.

The University's intellectual property portfolio, dealt with by the Research Contracts, Innovation and Patents Office, now comprises some 149 patent applications (at various stages of application and prosecution) and 152 active granted patents. These patents link to 95 different inventions.

**Donations and gifts** of R263 million were 13.9% above the amount raised in 2011 (R231 million), a notable achievement given the economic conditions.

**Staff and Student Housing** is required to cover its costs and provide enough resources for long-term maintenance as well as contributing towards extending the housing stock thereby providing greater access to UCT.

Housing fee revenues increased by 22% to R244 million, generating a surplus of R2.3 million, but failed to meet student housing internal debt repayment obligations. The increased fee revenue in the student housing area resulted primarily from an increase in available beds arising from the Obz Square residence (880 beds) coming on stream, coupled with increased fees of 10.5% on accommodation and 10% on food. Increases in operating costs were mainly due to the increased student numbers, including those in Obz Square, and increased utility costs. A major disappointment has been the failure to capitalise on the vacation accommodation opportunity arising from the introduction of the Obz Square residence, such revenues actually decreasing by over R2 million to R10.3 million in 2012.

A review of the financial policies and governance for staff and student housing is currently being conducted on order to ensure equitable allocation of resources and accountably between the various components (Staff Housing, Student Housing and Residence Life and the All Africa House) and the operating budget.

**Capital Expenditure** of R240 million was quiet after the approximately R1 billion capital projects committed since 2009. The new engineering building was not completed in time for the 2013 intake of students. The delay has implications for refurbishing the Architecture building and renewing the Civil Engineering building for teaching purposes. While this is disappointing it does provide some breathing space for financing.

**Capital Structure and Financing** is informed by the relationship between reserves and borrowings, the extent to which these are underpinned by assets, limitations on their alienability and their liquidity. This defines our borrowing capacity which is constrained by our ability to service the debt.

The capital projects outlined above, partly funded by infrastructure grants from the



Department of Higher Education and Training, have been financed without recourse to external borrowings. This was made possible by being alert to and taking advantage of timing opportunities, careful cash planning and management and being prepared to accept a modicum of financial risk. Liabilities total R1 007 million against total assets of R6 343 billion; a debt ratio of 0.16. Interest bearing debt amounts to just R23 000.

**The Cash Flow** cycle at UCT has a low point at the end of January each year and peaks in July/August after the bulk of the fees and most subsidies have been received. Careful planning and management of our cash is crucial in generating interest income and in providing the capacity to undertake major projects.

This situation provides us with the capacity to undertake further projects if necessary, subject to a revised financial assessment at such a time.

**The Financial Sustainability** of UCT is a function of recurrent operations and free cash reserves. The table overleaf shows that the Council-controlled unrestricted operations generated a surplus in 2012 of R14 million. While the margins are low, the risk is somewhat mitigated as early in the operating cycle we know the bulk of our income (subsidy and fees), and if these are significantly different from plan we would be able to react and adjust our operations accordingly. However, the real reductions in state funding provide a warning against complacency and emphasise the importance not only of being within our free cash reserve target but that we should edge towards the upper half. For the third consecutive year our free cash reserves are within the guidelines contained in our financial policy.

Of the overall operating surplus of R376 million reflected in the Consolidated Income Statement, R249 million is in respect of specifically funded restricted activities. While these activities contribute to the mission of the University, they do not often provide for sustainability and draw on the infrastructure.

The surplus attributable to Council controlled unrestricted funds is R126 million, compared to R191 million in 2011, investment income (2012: R119 million, 2011: R103 million) being a major contributor in both years.

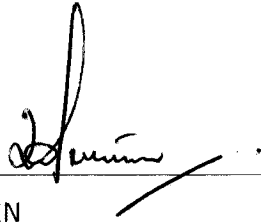
**Recurrent Unrestricted Council Controlled Operations 5-year Review (R million)**

	2012	2011	2010	2009	2008
<b>Recurrent income</b>	<b>2,024</b>	<b>1,877</b>	<b>1,719</b>	<b>1,511</b>	<b>1,306</b>
State appropriations-subsidies & grants	1,027	1,002	903	776	684
Tuition and other fee income	830	735	654	577	483
Sales of goods & services	153	117	146	151	134
Private gifts & grants	14	23	16	7	5
<b>Recurrent expenditure</b>	<b>2,010</b>	<b>1,791</b>	<b>1,686</b>	<b>1,487</b>	<b>1,319</b>
Personnel	1,283	1,154	1,046	920	801
Other operating expenses	587	526	505	461	443
Bursaries	114	90	110	86	56
Depreciation and minor capital items expensed	26	21	25	20	19
<b>Recurrent Operating Surplus / (Deficit)</b>	<b>14</b>	<b>86</b>	<b>33</b>	<b>24</b>	<b>-13</b>

**Challenges in 2013**

Following the late reduction in subsidy in 2011 for 2012, even greater austerity was indicated for 2013 in respect of all public institutions. The Department of Higher Education and Training was able to motivate to National Treasury and the Cabinet that the proposed measures would be extremely damaging. As a result the sector suffered a less damaging situation. Nevertheless, the grants are negative in real terms. State subsidies in respect of Council controlled activities grew by 2.5%, a reduction in real terms. Research related grants fell by 16.4%, while contracts grew by 16.3%. The economic circumstances are such that this trend is likely to continue and possibly escalate. The circumstances are risky for all parties; to date our policies and practices have enabled us to continue operating with minor disruption, but will not be able to do so indefinitely.

Growth beyond the capacity to grow is a major factor causing failure; this is equally true for any type of organisation. This risk is controllable by the University. Earlier in this report comment was made about the expansion of specifically designated activities and the apparent lack of adequate support. Successful growth requires financial, physical, human and managerial capital.



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TD PETERSEN

CHAIR: FINANCE COMMITTEE

15 JUNE 2013



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PROFESSOR EO ULIANA

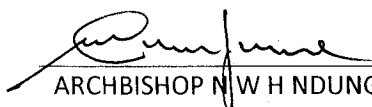
EXECUTIVE DIRECTOR: FINANCE

**COUNCIL'S STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

The annual financial statements for the calendar year 2012 presented on pages 87 to 132 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the regulations gazetted by the Minister of Higher Education and Training in terms of the Higher Education Act, 1997, and include amounts based on judgments and estimates made by management as more fully laid out in the notes to the financial statements. The Council has also prepared other information as required to be included in this annual report and is responsible for both its accuracy and consistency with the annual financial statements.


The Council had adopted the 'going concern' basis in the preparation of the annual 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 Council believes that the financial statements confirm the viability of the institution.

The financial statements have been audited by Ernst & Young Inc. 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. The annual financial statements set out on pages 87 to 132 were approved by the University Council on 15 June 2013 and are signed on its behalf by:



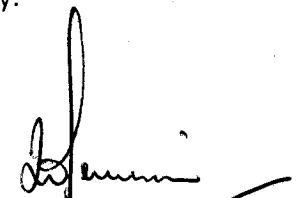
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ARCHBISHOP N.W.H. NDUNGANE  
CHAIR OF COUNCIL




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DR. M.R. PRICE  
VICE-CHANCELLOR  
15 JUNE 2013



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T.D. PETERSEN  
CHAIR OF THE FINANCE COMMITTEE



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PROFESSOR E.O. ULIANA  
EXECUTIVE DIRECTOR: FINANCE

## **INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF CAPE TOWN REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Introduction**

We have audited the consolidated financial statements of the University of Cape Town as set out on pages 87 to 132, which comprise the statement of financial position as at 31 December 2012, and the income statement, the statement of comprehensive income, changes in funds and cash flow statement for the year then ended, the notes comprising a summary of significant accounting policies and other explanatory information.

### **Council's responsibility for the consolidated financial statements**

The Council is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Higher Education Act of South Africa, and for such internal control as the Council determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the University of Cape Town as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Higher Education Act of South Africa.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the Public Audit Act of South Africa and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### **Predetermined objectives**

We performed procedures to obtain evidence about the reliability of information with regard to performance against predetermined objectives included in the Chair of Council's report as set out on pages 5 to 12 of the annual report and on certain aspects of the Vice-Chancellor's report on operations set out on pages 56 to 63 and 66 of the annual report.

**Level two, AAA B-BBEE rating. As a recognised value adding enterprise, our clients are able to claim B-BBEE recognition of 156.25%**

**Chief Executive:** Ajen Sita  
A full list of Directors is available from the website.

The reported performance against predetermined objectives was evaluated against the overall criterion of reliability. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

There were no material findings on the respective reports concerning the reliability of the information.

#### **Compliance with laws and regulations**

We performed procedures to obtain evidence that the University has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.

We did not identify any instances of material non-compliance with specific matters in the Higher Education Act of South Africa.

#### **Internal control**

We considered internal control relevant to our audit of the consolidated financial statements, Report of the Chair of Council and the Vice-Chancellor's report on operations on information in respect of the achievement of predetermined objectives and compliance with laws and regulations.

We did not identify any deficiencies in internal control that we considered sufficiently significant for inclusion in this report.

#### **OTHER REPORTS**

##### **Agreed-upon procedures engagements**

We conducted nineteen agreed-upon procedure engagements during the year ended 31 December 2012. Four additional agreed upon procedure engagements were performed by internal audit and seven by other independent audit firms. These agreed upon procedure engagements were performed at the request of various entities providing funds to the University of Cape Town.

##### **Special audits**

We conducted three special audits as requested by various donor funded entities during the year under review. Two additional audits were completed by other independent firms. These audits were signed off in terms of the entity specific accounting policies and were performed at the request of various entities providing funds to the University of Cape Town.

*Ernst & Young Inc.*

Ernst & Young Inc.  
Director: Tina Rookledge  
Registered Auditor  
Chartered Accountant (SA)

15 June 2013  
Cape Town

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012

	Note	2012 R'000	2011 R'000
<b>ASSETS</b>		6,342,914	5,661,595
<b>Non-current assets</b>		5,030,812	4,428,467
Property, plant and equipment	5	2,040,679	1,866,702
Investments	6	2,985,452	2,547,847
Investments in associates	7	-	-
Non-current receivables and prepayments	8	4,681	13,918
<b>Current assets</b>		1,312,102	1,233,128
Inventories	9	493	398
Accounts receivable and prepayments	10	215,540	233,221
Loans to employees	10	2,058	1,621
Student fees receivable	10	47,362	40,378
Cash at bank and cash equivalents	11	1,046,649	957,510
<b>ACCUMULATED FUNDS AND LIABILITIES</b>		6,342,914	5,661,595
<b>Accumulated funds</b>		5,335,604	4,743,773
Non-distributable funds		2,289,829	1,905,537
Endowed funds		1,683,945	1,515,275
Revaluation reserve		605,884	390,262
Restricted funds designated for specific activities		1,646,003	1,578,585
Education and general		1,507,800	1,442,271
Student and staff accommodation		138,203	136,314
Unrestricted council controlled funds		1,399,772	1,259,651
<b>Non-current liabilities</b>		648,601	613,379
Interest bearing borrowings	12	-	23
Deferred revenue – government grants	13	314,342	316,426
Provisions – employee benefits	14	334,259	296,930
<b>Current liabilities</b>		358,709	304,443
Accounts payable and accrued liabilities	15	265,413	221,553
Deferred revenue – government grants and project income	16	6,823	12,134
Student deposits		48,174	39,327
Provisions – employee benefits	14	38,276	31,135
Current portion of interest bearing borrowings	12	23	294

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in R'000)

<b>Education and General</b>						
Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub-Total	Student and Staff Housing Restricted	2012 TOTAL	Change %
<b>Recurrent revenue</b>	2,112,134	1,431,127	3,543,261	270,382	3,813,643	10.8
State appropriations- subsidies and grants	17 1,026,883	270,943	1,297,826	-	1,297,826	(2.1)
Tuition and other fee revenue	830,277	-	830,277	243,823	1,074,100	14.9
Income from contracts	1,376	603,070	604,446	-	604,446	16.6
Rendering of services	150,896	201,877	352,773	23,929	376,702	51.5
Donations and gifts	14,387	248,576	262,963	-	262,963	13.7
<b>Sub-total</b>	2,023,819	1,324,466	3,348,285	267,752	3,616,037	11.0
Interest and dividends	18 88,315	106,661	194,976	2,630	197,606	7.2
<b>Recurrent expenditure</b>	1,982,824	1,266,527	3,249,351	268,107	3,517,458	14.0
Personnel	19 1,282,517	525,418	1,807,935	35,400	1,843,335	11.8
Other operating expenses	20 586,503	477,298	1,063,801	200,951	1,264,752	15.6
Financial aid and scholarships	114,310	238,622	352,932	-	352,932	19.4
Depreciation	5 26,287	25,186	51,473	4,941	56,414	22.5
<b>Sub-total</b>	2,009,617	1,266,524	3,276,141	241,292	3,517,433	14.0
Net finance costs	(26,793)	3	(26,790)	26,815	25	(68.8)
Finance costs	(5)	3	(2)	27	25	(68.8)
Interest on internal borrowings	(26,788)	-	(26,788)	26,788	-	-
<b>RECURRENT SURPLUS</b>	129,310	164,600	293,910	2,275	296,185	(17.2)
<b>NON-RECURRENT ITEMS</b>	3,857	76,551	80,408	(384)	80,024	(32.3)
Loss on disposal of property, plant & equipment	(351)	(7,697)	(8,048)	(440)	(8,488)	5,447.7
Realised profit on sale of investments	6,218	122,559	128,777	74	128,851	(0.4)
Fair value movement on fair value through profit and loss financial instruments	(1,171)	(25,272)	(26,443)	-	(26,443)	100
Impairment of available-for- sale investments	(839)	(13,039)	(13,878)	(18)	(13,896)	39.2
<b>NET OPERATING SURPLUS</b>	133,167	241,151	374,318	1,891	376,209	(20.9)
Transfer between funds	(7,543)	7,545	2	(2)	-	-
<b>SURPLUS FOR THE YEAR*</b>	125,624	248,696	374,320	1,889	376,209	(20.9)

\* This surplus should be read in conjunction with the Annual Financial Review with particular reference to sustainability and designated activities.



UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in R'000)

	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Revaluation Reserve	Student and Staff Housing Restricted	2012 TOTAL
<b>Surplus for the period</b>	125,624	248,696	-	1,889	376,209
<b>Other comprehensive income:</b>					
Available-for-sale changes in fair value	-	-	215,622	-	215,622
Unrealised movement in market value	-	-	330,577	-	330,577
Reclassification adjustment for items included in income statement	-	-	(114,955)	-	(114,955)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>125,624</b>	<b>248,696</b>	<b>215,622</b>	<b>1,889</b>	<b>591,831</b>

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in R'000)

	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 2012</b>	1,515,275	390,262	1,442,271	136,314	1,259,651	4,743,773
<b>Total comprehensive income</b>	-	215,622	248,696	1,889	125,624	591,831
Surplus for 2012	-	-	248,696	1,889	125,624	376,209
Other comprehensive income	-	215,622	-	-	-	215,622
Transfers between funds	168,670	-	(183,167)	-	14,497	-
<b>FUND BALANCES AS AT 31 DECEMBER 2012</b>	<b>1,683,945</b>	<b>605,884</b>	<b>1,507,800</b>	<b>138,203</b>	<b>1,399,772</b>	<b>5,335,064</b>

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in R'000)

<b>Education and General</b>							
Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Sub-Total	Student and Staff Housing Restricted	2011 TOTAL	Change %	
<b>Recurrent revenue</b>	1,945,743	1,274,810	3,220,553	222,456	3,443,009	11.7	
State appropriations- subsidies and grants	17	1,001,817	323,834	1,325,651	-	1,325,651	17.0
Tuition and other fee revenue		735,097	-	735,097	199,681	934,778	11.6
Income from contracts		-	518,330	518,330	-	518,330	12.8
Rendering of services		116,764	111,419	228,183	20,544	248,727	(12.6)
Donations and gifts		23,009	208,262	231,271	-	231,271	29.3
<b>Sub-total</b>		1,876,687	1,161,845	3,038,532	220,225	3,258,757	12.6
Interest and dividends	18	69,056	112,965	182,021	2,231	184,252	(2.2)
<b>Recurrent expenditure</b>		1,764,843	1,095,365	2,860,208	225,196	3,085,404	7.1
Personnel	19	1,154,006	465,938	1,619,944	29,318	1,649,262	11.5
Other operating expenses	20	526,818	400,610	927,428	167,001	1,094,429	2.7
Financial aid and scholarships		89,763	205,807	295,570	-	295,570	2.2
Depreciation	5	20,854	23,009	43,863	2,200	46,063	(3.5)
<b>Sub-total</b>		1,791,441	1,095,364	2,886,805	198,519	3,085,324	7.1
Net finance costs		(26,598)	1	(26,597)	26,677	80	(59.0)
Finance costs		28	1	29	51	80	(59.0)
Interest on internal borrowings		(26,626)	-	(26,626)	26,626	-	-
<b>RECURRENT SURPLUS</b>		180,900	179,445	360,345	(2,740)	357,605	78.3
<b>NON-RECURRENT ITEMS</b>		7,011	111,184	118,195	60	118,255	(15.1)
Loss on disposal of property, plant & equipment		(11)	(93)	(104)	(49)	(153)	(98.2)
Realised profit on sale of investments		8,211	120,055	128,266	127	128,393	(19.6)
Fair value movement on fair value through profit and loss financial instruments		-	-	-	-	-	-
Impairment of available-for- sale investments		(1,189)	(8,778)	(9,967)	(18)	(9,985)	(14.7)
<b>NET OPERATING SURPLUS</b>		187,911	290,629	478,540	(2,680)	475,860	40.0
Transfer between funds		3,435	(3,339)	96	(96)	-	-
<b>SURPLUS FOR THE YEAR*</b>		191,346	287,290	478,636	(2,776)	475,860	40.0

\* This surplus should be read in conjunction with the Annual Financial Review with particular reference to sustainability and designated activities.

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in R'000)

Note	Council Controlled Unrestricted	Specifically Funded Activities Restricted	Revaluation Reserve	Student and Staff Housing Restricted	2011 TOTAL
<b>Surplus for the period</b>	191,346	287,290	-	(2,776)	475,860
<b>Other comprehensive income:</b>					
Available-for-sale changes in fair value	-	-	7,177	-	7,177
Unrealised movement in market value	-	-	125,585	-	125,585
Reclassification adjustment for items included in income statement	-	-	(118,408)	-	(118,408)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>191,346</b>	<b>287,290</b>	<b>7,177</b>	<b>(2,776)</b>	<b>483,037</b>

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in R'000)

	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 2011</b>	1,383,671	383,085	1,300,124	139,090	1,054,766	4,260,736
<b>Total comprehensive income</b>	-	7,177	287,290	(2,776)	191,346	483,037
Surplus /(loss) for 2011	-	-	287,290	(2,776)	191,346	475,860
Other comprehensive income	-	7,177	-	-	-	7,177
Transfers between funds	131,604	-	(145,143)	-	13,539	-
<b>FUND BALANCES AS AT 31 DECEMBER 2011</b>	<b>1,515,275</b>	<b>390,262</b>	<b>1,442,271</b>	<b>136,314</b>	<b>1,259,651</b>	<b>4,743,773</b>

UNIVERSITY OF CAPE TOWN  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 R'000	2011 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from students, government and private sources		3,222,693	2,984,009
Cash paid to employees and suppliers		<u>(3,002,713)</u>	<u>(2,619,154)</u>
<b>Cash generated from operations</b>	<b>23</b>	219,980	364,855
Investment income – interest	<b>18</b>	160,768	153,963
Investment income – dividends	<b>18</b>	36,838	30,289
Finance costs		<u>(25)</u>	<u>(80)</u>
<b>Net cash inflows from operating activities</b>		<u>417,561</u>	<u>549,027</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to maintain property, plant and equipment	<b>5</b>	(239,949)	(434,561)
Proceeds on disposal of property, plant and equipment		1,070	378
Net additions to investments		(89,250)	(57,367)
Ukukhula Trust loan		<u>1</u>	<u>(240)</u>
<b>Net cash used in investing activities</b>		<u>(328,128)</u>	<u>(491,790)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in long term interest bearing borrowings		(294)	(659)
Increase in deferred revenue – government grants	<b>13</b>	<u>-</u>	<u>103,100</u>
<b>Net cash (outflows)/inflows from financing activities</b>		<u>(294)</u>	<u>102,441</u>
Net increase in cash and cash equivalents		89,139	159,678
Cash and cash equivalents at beginning of period		<u>957,510</u>	<u>797,832</u>
<b>Cash and cash equivalents at end of period</b>	<b>11</b>	<u>1,046,649</u>	<u>957,510</u>

## 1. University information

The consolidated annual financial statements of the University for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of Council on 15 June 2013.

The principal activities of the University relate to teaching, research and the providing of residential accommodation to students.

## 2. Basis of preparation

The consolidated annual financial statements have been prepared on an historical cost basis, except where stated otherwise (refer accounting policies). The consolidated annual financial statements are presented in South African Rands and all values are rounded to the nearest thousand (R'000) except where otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year, except where the University has adopted the IFRS amendments that became effective during the year. These amendments had no material impact on the reported results. Where applicable, additional disclosures for the current and comparative years were provided.

### **NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

#### **IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements**

The amendment required additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the University's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The University does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

#### **Annual Improvements having no impact**

Various other new and amended IFRS and IFRIC interpretations that have been issued and are effective have not been adopted by the University as they are not applicable to its activities.

### **IFRS AMENDMENTS AND IFRIC INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

This listing of standards and interpretations issued are those that the University reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The University intends to adopt these standards when they become effective.

#### **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)**

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon recognition or settlement) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the University's financial position or performance.

#### **IAS 19 Employee Benefits (as amended) (effective 1 January 2013)**

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. All changes in the value of defined benefit plans will be recognised as they occur. Those movements are recorded in profit or loss and other comprehensive income. This

## 2. Basis of preparation (continued)

### **IAS 19 Employee Benefits (as amended) (effective 1 January 2013) (continued)**

amendment will impact the University as the corridor approach is currently being used to recognise actuarial gains and losses in profit and loss. Actuarial gains and losses will now be recorded in other comprehensive income when they occur and not recycled through profit or loss.

The distinction between short-term and other long term benefits will be based on expected timing of settlement rather than the employee's entitlement to the benefits. This may have an impact on the manner in which leave pay and similar liabilities are currently classified. The University is currently assessing the full impact of the amendments.

### **IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) (effective 1 January 2013)**

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

### **IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 (effective 1 January 2014)**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the University's financial position or performance.

### **IFRS 1 Government Loans – Amendments to IFRS 1 (effective 1 January 2013)**

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment has no impact on the University.

### **IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7 (effective 1 January 2013)**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the University's financial position or performance.

## 2. Basis of preparation (continued)

### **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the University's financial assets, but will not have an impact on classification and measurements of financial liabilities. The University will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

### **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements (effective 1 January 2013)**

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the University.

### **IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)**

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required, but has no impact on the University's financial position or performance.

### **IFRS 13 Fair Value Measurement (effective 1 January 2013)**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The University is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected.

## 2.1. Statement of compliance

The consolidated annual financial statements of the University of Cape Town and its related entities have been prepared in accordance with IFRS and in the manner required by the Minister of Higher Education and Training in terms of S41 of the Higher Education Act 101 of 1997 (as amended).

## 2. Basis of preparation (continued)

### 2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the University and its related entities as at 31 December each year.

The financial statements include the operations of the related entities listed below.

<b>Entity</b>	<b>Nature of ownership</b>
The University of Cape Town Foundation	A trust of which the University of Cape Town appoints the trustees and is the sole beneficiary
The UCT Lung Institute (Pty) Limited	A wholly owned subsidiary of the University of Cape Town

The financial statements of related entities are consolidated from the date on which the University acquires effective control, up to the date that such effective control ceases.

For this purpose, related entities are entities over which the University, directly or indirectly, has the power to govern the financial and operating policies so as to obtain the benefits from their activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the University controls another entity.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are expensed and included in administrative expenses. When there is a disposal or loss of control of a related entity, the consolidated financial statements would include the results for the part of the reporting period during which the University had control. Any difference between the net proceeds on disposal and the carrying amount of the subsidiary is recognised in the surplus for the period.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. All inter-University balances, transactions, unrealised gains and losses resulting from intra-University transactions, are eliminated in full.

### 2.3. Segment information and accumulated funds

A segment is a recognised component of the University that is engaged in undertaking activities and providing services that are subject to risks and returns different from those of other segments. Segmentation provided in profit or loss of these financial statements is in terms of the guidelines prescribed by the Department of Higher Education and Training and is specifically not in terms of IFRS 8. The operating businesses are managed separately but fall under the oversight of the University of Cape Town's executive leadership.



## **2. Basis of preparation (continued)**

### **2.3.1 Endowed funds income**

Income from specific endowments, comprising investment income and realised profits arising from the sale of investments, is recognised in the Consolidated Income Statement as designated for specific purposes in the period when it accrues.

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 preserve the real value of the capital base.

### **2.3.2. Segment information and accumulated funds**

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, are effected by transfer within the Statement of Changes in Fund Balances.

### **2.3.3. Revaluation reserve**

The revaluation reserve records fair value changes on available-for-sale investments.

### **2.3.4. Specifically funded activities restricted (Education and General)**

The specifically funded activities restricted consist mainly of research activity. Decision making rights over income earned and related expenses rest with researchers. Council retains an oversight role with regard to ensuring that expenditure is in accordance with the mandate received from funders and University policies.

### **2.3.5. Unrestricted Council controlled funds**

The Council controlled segment predominantly represents the teaching component of the University. Decision making rights relating to income earned in this segment rest with Council.

### **2.3.6. Student and Staff Housing restricted**

The Student and Staff Housing segment relates to the provision of accommodation to both students and staff. The availability of this accommodation is a strategic initiative aimed at ensuring that students adopt the University as their preferred place of study and that the University is able to attract and retain appropriate staff.

## **2.4. Transfers between funds**

Transfers between funds are reflected in two areas:

### **2.4.1. Operational transfers**

The transfer of funds is required for operational purposes between the three main operational segments namely, 'Specifically Funded Activities Restricted (Education and General)', 'Unrestricted Council Controlled Funds' and 'Student and Staff Housing Restricted'. These transfers are reflected in the Consolidated Income Statement.

## 2. Basis of preparation (continued)

### 2.4.2. Endowment related transfers

These transfers relate primarily to transfers to or from the endowment as a result of its investment activities. These, together with the distributions made and investments received, are reflected in the Consolidated Income Statement. The transfers are also reflected in the Statement of Changes in Fund Balances.

## 3. Significant accounting judgements and estimates

The preparation of the University's consolidated annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at reporting date. However, uncertainty about these assumptions and estimates may result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the University's accounting policies, management has made the following judgements, apart from those involving estimations, which have significant effects on the amounts recognised in the financial statements.

### 3.1. Judgement

#### 3.1.1. Investments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. Management determines the classification of its financial assets at initial recognition.

### 3.2. Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

#### 3.2.1. Impairment

The University assesses whether there are any indicators of impairment for all assets at each reporting date.

The University classifies certain assets as available-for-sale and recognises movements in their fair value in other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the Consolidated Income Statement. An investment is considered to be impaired if either the fair value at year end is more than 30% below cost or the fair value has been below cost for a period of twelve months.

At 31 December 2012 an impairment loss of R13.9 million (2011: R10.0 million) had been recognised for available-for-sale assets.

The carrying value of available-for-sale assets at 31 December 2012 was R2,968 million (2011: R2,528 million). Refer Note 6.

### **3. Significant accounting judgements and estimates (continued)**

#### **3.2.2. Depreciation**

At the end of each financial year management reviews property, plant and equipment to assess whether the estimated useful lives and estimated residual values applied to each asset are appropriate.

The useful lives of assets are estimated by reviewing the degree to which assets are fully depreciated but still remain on the assets register and are in use. The University for the most part uses its asset until future rewards no longer accrue.

Typically assets are assessed as having no residual value when calculating the depreciable amount because assets are of little value at the time they are sold or decommissioned.

#### **3.2.3. Gratuity provision academic staff**

The University pays a gratuity on retirement, retrenchment or death in special circumstances. In order to estimate the probability of incurring this liability, management make assumptions in respect of the number of University staff that will reach retirement. In addition, to calculate the fair value of the liability the University needs to make assumptions regarding both expected future salary increases and a suitable discount rate. More details on these assumptions are provided in Note 14. The carrying value of the gratuity provision for academic staff at 31 December 2012 was R63.0 million (2011: R48.7 million).

#### **3.2.4. Post-retirement medical aid benefits obligation**

The University's future obligation in respect of post-retirement medical aid contributions is actuarially valued based on the projected unit credit method. For the purpose of the valuation at 31 December, key assumptions were made in respect of the discount rate, expected inflation on medical aid contributions, expected age of retirements and mortality rates. More details on these assumptions are provided in Note 14. The carrying value of the post-retirement medical aid obligation at 31 December 2012 was R237.6 million (2011: R207.6 million).

#### **3.2.5. Student fees receivables**

At year end management makes an estimate of the amount of total outstanding student fee debt that it expects to hand over to external debt collectors. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over. A provision for impairment is raised based on these estimates. The carrying value of student fees receivable at 31 December 2012 was R47.4 million (2011: R40.4 million), refer Note 10.

### **4. Summary of significant accounting policies**

#### **4.1. Foreign currency translation**

The consolidated annual financial statements are presented in South African Rands, which is the University's functional and presentation currency.

Transactions in foreign currencies are initially recorded at the exchange currency rate ruling at the date of the transaction.

## **4. Summary of significant accounting policies (continued)**

### **4.1. Foreign currency translation (continued)**

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange currency rate ruling at the reporting date. All differences are taken to surplus or deficit in the year in which they arise.

Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any exchange component of that gain or loss shall be recognised directly in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised directly in surplus or deficit, any exchange component of that gain or loss shall be recognised directly in surplus or deficit.

### **4.2. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the University and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

#### **4.2.1. State appropriations - subsidies and grants**

State subsidies and grants for general purposes are recognised as income in the financial year to which they relate.

Subsidies and grants for specific research purposes are recognised as income in the financial year in which they accrue to the University in accordance with the relevant grants and agreements. Such subsidies and grants are presented separately in the Consolidated Income Statement. Subsidies and grants relating to specific expenses are not offset against the expense but are included in the disclosure of 'State appropriations - subsidies and grants' (refer Note 17).

Where the grant relates to an asset, it is recognised as deferred revenue and released to income in equal annual amounts over the expected useful life of the relevant asset.

#### **4.2.2. Designated income from contracts, grants and donations**

Revenue received for designated specific purposes arises from contracts, grants and donations. Such revenue is recognised in the Consolidated Income Statement in the financial period in which it accrues to the University in accordance with the relevant agreement.

Capital inflows for endowment purposes are included in the Consolidated Income Statement in the period in which they are received.

#### **4.2.3. Tuition and residence fees**

Tuition and residence fees charged are applicable to one academic and financial year and are recognised in that year.

## 4. Summary of significant accounting policies (continued)

### 4.2.4. Interest income

Revenue is recognised as interest accrues, using the effective interest method which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

### 4.2.5. Dividends

Dividends are recognised when the right to receive payment is established.

### 4.2.6. Rendering of services

Revenue, involving the rendering of services, is recognised to the extent that the service has been provided and it is probable and can be reliably measured. Revenue includes rentals earned, short course fees and club subscriptions. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that expenses incurred are eligible to be recovered.

## 4.3. Retirement benefits

### 4.3.1. Defined contribution retirement plan

Employer contributions to the University of Cape Town Retirement Fund are recognised in the Consolidated Income Statement in the year in which they are made.

### 4.3.2. Medical aid benefits

Employer contributions to a medical aid fund are recognised as an expense in the period during which the employees render services to the University.

### 4.3.3. Post-retirement medical aid benefits – defined benefit plan

The University has an obligation to provide certain post-retirement medical aid benefits to its eligible employees and pensioners. The University is required to provide a defined amount of the medical aid contribution due. The plan is not funded.

The present value of the future medical aid subsidies for past service costs is actuarially determined annually in accordance with IAS 19 Employee Benefits. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions.

The liability is recognised at the reporting date. Any curtailment benefits or settlement amounts are recognised against income as incurred. The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs.

Actuarial gains and losses are recognised as an 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.

## 4. Summary of significant accounting policies (continued)

### 4.4. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

### 4.5. Research costs

Research costs are expensed as incurred.

### 4.6. Library acquisitions

Library books and other library materials are written off in the year in which they are acquired.

### 4.7. Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an asset comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management.

Subsequently, property plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the University and the cost of the item can be measured reliably.

Maintenance and repairs, which do not meet these criteria, are charged against income as incurred. Donated assets are initially recorded at fair value at the date of donation.

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

Property, plant and equipment are depreciated on a straight-line basis estimated to write each asset down to its estimated residual value over the estimated useful lives of the assets which range as follows:

	2012	2011
Buildings	75-200 years	75-200 years
Leasehold improvements	Lease period	Lease period
Land improvements other than buildings	30 years	30 years
Motor vehicles	15 years	15 years
Furniture and equipment	5-50 years	5-50 years
Computers and hardware	5-10 years	5-10 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus in the period in which the asset is de-recognised.

## 4 Summary of significant accounting policies (continued)

### 4.8. Impairment of non-financial assets

The University assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the University makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### 4.9. Financial assets and liabilities

Financial assets and financial liabilities are initially recognised in the Consolidated Statement of Financial Position when the University becomes party to the contractual provisions of the instrument. The Trade Date method of accounting has been adopted for 'regular way' purchase or sale of financial assets. The trade date is the date that the University commits to purchase or sell an asset. A 'regular way' contract is a contract for the purchase or sale of financial assets that requires delivery of the assets within the time frame generally established by regulation or convention in the market place concerned.

Financial assets and liabilities are initially measured at fair value plus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Subsequent to initial recognition the measurement of financial assets and liabilities depends upon the class of instrument as follows:

Financial assets in the scope of IAS 39 are classified as either available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through surplus or deficit and loans and receivables, as appropriate.

The University determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

## 4 Summary of significant accounting policies (continued)

### 4.9.1. Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that have been either designated as available-for-sale or are not classified in any of the other categories (loans and receivables, held-to-maturity investments and financial assets at fair value through surplus or deficit). Such assets comprise investments in listed equity shares, quoted interest bearing corporate and government bonds, quoted unit trusts and money market deposits.

After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in the revaluation reserve (through other comprehensive income) until the investment is de-recognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in funds is included in the net surplus for the period. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date.

### 4.9.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Such assets comprise student fees receivable, accounts receivable in terms of contracts, student loans and loans to employees. These assets are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Cash and cash equivalents are initially measured at fair value. They are subsequently measured at amortised cost. For the purpose of the Statement of Cash Flows cash and cash equivalents consist of cash on hand and balances at banks, net of outstanding bank overdrafts, and short-term deposits.

### 4.9.3. Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. All derivatives are accounted for as held for trading instruments. The Foundation makes limited use of derivative financial instruments such as futures and option contracts to hedge its risks associated with equity exposures.

A derivative is a financial instrument whose value changes in response to an underlying variable that requires little or no initial investment and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into. Subsequent to initial recognition, derivatives are re-measured at fair value.

Fair values are obtained from quoted market prices and dealer price quotations in active markets.

Gains and losses on realisation or re-measurement are recognised in profit or loss. All derivative instruments of the University are carried as assets when the fair value is positive and as liabilities when the fair value is negative.



## 4. Summary of significant accounting policies (continued)

### 4.9.4. Financial Liabilities

Financial liabilities comprise accounts payable and accrued liabilities, deposits and interest bearing loans and borrowings.

Accounts payable and accrued liabilities are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the liabilities are de-recognised as well as through the amortisation process. Deposits provided by prospective and current students are treated as current liabilities until the amount is billed as due. Deposits are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in income when the liabilities are de-recognised as well as through the amortisation process.

All interest bearing loans and borrowings are initially recognised at the fair value of the consideration received plus directly attributable transaction costs.

Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the surplus or deficit when the liabilities are de-recognised as well as through the amortisation process.

### 4.10. De-recognition of financial assets and liabilities

#### 4.10.1. Financial Assets

A financial asset, or where applicable, a part of a financial asset or part of a University of similar financial assets is de-recognised where:

- The rights to receive cash flows from the asset have expired;
- The University retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The University has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset;

When the University has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the University's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the University could be required to repay; and

Continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the University's continuing involvement is the amount of the transferred asset that the University may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at

## 4. Summary of significant accounting policies (continued)

### 4.10.1. Financial Assets (continued)

fair value, the extent of the University's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### 4.10.2. Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amounts and there is an intention on a net basis to realise the assets and settle the liabilities on a net basis.

## 4.11 Impairment of financial assets

The University assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset and can be reliably estimated.

### 4.11.1. Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset shall be reduced either directly, or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Consolidated Income Statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the University will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are de-recognised when they are assessed as uncollectible.

## 4 Summary of significant accounting policies (continued)

### 4.11.1. Assets carried at amortised cost (continued)

In relation to student fee receivables, a provision for collective impairment is made each year based on management's estimate of the amount of total current year student fee debt that it expects to hand over to external debt collectors, and the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over in current and prior years. Impaired debts are de-recognised when they are assessed as uncollectible.

### 4.11.2. Available-for-sale financial assets

In the case of equity instruments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below cost.

'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the impairment is recognised and measured as the difference between its acquisition cost and its current fair value, less any impairment loss previously recognised. Reversals of impairments in respect of equity instruments classified as available-for-sale are not recognised in profit; but are recognised directly in other comprehensive income.

## 4.12. Investment in associates

The University's investment in its associate company is accounted for using the equity method of accounting. An associate is an entity over which the University has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or jointly control these policies. If the University holds, directly or indirectly, 20% or more of the voting power of the investee, it is assumed that the University has significant influence unless it can be clearly demonstrated that this is not the case.

Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the University's share of the surplus or deficit of the associate after the date of acquisition. The University's share of the surplus or deficit is recognised in the surplus for the year.

If the University's share of losses of an associate equals or exceeds its interest in the associate, the University discontinues recognising its share of further losses.

After the University's interest is reduced to zero, additional losses are provided for, and a liability recognised only to the extent that the University has incurred legal or constructive obligations or made payments on behalf of the associate.

After application of the equity method, including recognising the associate's losses, the University determines whether it is necessary to recognise any additional impairment loss with respect to the University's net investment in the associate.

Where there has been a change recognised directly in the equity of the associate, the University recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Funds. Unrealised gains and losses resulting from transactions between the University and the associates are eliminated to the extent of the interest in the associate.

## 4 Summary of significant accounting policies (continued)

### 4.12. Investment in associates (continued)

The reporting dates of the associates and the University are identical and the associate's accounting policies conform to those used by the University for like transactions and events in similar circumstances.

### 4.13. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined in accordance with the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are made up of consumables.

### 4.14. Provisions

Provisions are recognised when the University has a present obligation (legal or constructive) 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 can be made of the amount of the obligation.

Where the University expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### 4.15. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

## **4 Summary of significant accounting policies (continued)**

### **4.15.1 University as a lessee**

Finance leases, which transfer to the University substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the University will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term.

### **4.15.2 University as a lessor**

Leases where the University does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 5. Property, Plant and Equipment

Year ended 31 December 2012

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	TOTAL
<b>Cost</b>						
Cost 1 January 2012	1,581,019	474,016	91,195	28,601	47,599	2,222,430
Additions	35,985	62,154	11,577	2,096	128,137	239,949
Transfers	3,495	-	-	-	(3,495)	-
Disposals	(1,145)	(14,325)	(2,172)	(412)	-	(18,054)
Cost 31 December 2012	1,619,354	521,845	100,600	30,285	172,241	2,444,325
<b>Accumulated depreciation</b>						
Balance 1 January 2012	125,746	155,069	65,751	9,162	-	355,728
Disposals	(305)	(5,846)	(2,150)	(195)	-	(8,496)
Depreciation charge	17,846	26,863	9,670	2,035	-	56,414
Balance 31 December 2012	143,287	176,086	73,271	11,002	-	403,646
<b>Carrying amount 31 December 2012</b>	<b>1,476,067</b>	<b>345,759</b>	<b>27,329</b>	<b>19,283</b>	<b>172,241</b>	<b>2,040,679</b>

Year ended 31 December 2011

(All amounts in R'000)

	Land, Buildings and Land Improvements	Furniture and Equipment	Computers and Hardware	Motor Vehicles	Assets under Construction	TOTAL
<b>Carrying amount 01 January 2011</b>	<b>838,299</b>	<b>288,696</b>	<b>27,044</b>	<b>18,722</b>	<b>305,975</b>	<b>1,478,736</b>
<b>Cost</b>						
Cost 1 January 2011	957,148	419,983	83,828	26,240	305,975	1,793,174
Additions	100,477	54,449	7,560	2,660	269,415	434,561
Transfers	527,791	-	-	-	(527,791)	-
Disposals	(4,397)	(416)	(193)	(299)	-	(5,305)
Cost 31 December 2011	1,581,019	474,016	91,195	28,601	47,599	2,222,430
<b>Accumulated depreciation</b>						
Balance 1 January 2011	118,849	131,287	56,784	7,518	-	314,438
Disposals	(4,199)	(179)	(160)	(235)	-	(4,773)
Depreciation charge	11,096	23,961	9,127	1,879	-	46,063
Balance 31 December 2011	125,746	155,069	65,751	9,162	-	355,728
<b>Carrying amount 31 December 2011</b>	<b>1,455,273</b>	<b>318,947</b>	<b>25,444</b>	<b>19,439</b>	<b>47,599</b>	<b>1,866,702</b>

## 5. Property, Plant and Equipment (continued)

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 Higher Education and Training. In addition, there are further restrictions on the alienation of certain properties held by deed of grant under the Rhodes Will Act. The University's buildings and land improvements have an insured value of R9.8 billion (2011: R8.8 billion).

Land and buildings above include leasehold improvements with a net carrying amount of R75.1 million (2011: R76.1 million).

## 6. Investments

Investments comprise the following categories:

### AVAILABLE FOR SALE INVESTMENTS

#### Listed investments

	2012 R'000	2011** R'000
Local equities	1,219,893	977,683
Collective investment schemes	583,104	532,140
Local capital markets	390,438	315,121
International investments	712,828	603,671
Equity	20,113	28,435
Mutual funds	374,872	315,012
Collective investment schemes	317,843	260,224

#### Unlisted investments

Money market deposits - local	60,973	96,789
Money market deposits - international	304	2,604
<i>CapeRay Medical Imaging (Pty) Ltd (10%)*</i>	-	-
Cost	298	298
Less accumulated impairment	(298)	(298)

#### Total available for sale investments

2,967,540	2,528,007
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### FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

#### Listed investments

Local equity-linked derivatives	17,912	19,840
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#### Total financial instruments at fair value through profit and loss

17,912	19,840
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#### TOTAL INVESTMENTS

2,985,452	2,547,847
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### Fair value hierarchy

As at 31 December 2012, the University held the following financial instruments measured at fair value. The University uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

## 6. Investments (continued)

### Assets measured at fair value

Year ended 31 December 2012	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
<b>Investments</b>				
Local equity shares	1,219,893	1,215,617	4,276	-
Collective investment schemes	583,104	583,104	-	-
Local capital market interest bearing investments	390,438	390,438	-	-
Local equity-linked derivatives	17,912	17,912	-	-
International equity shares	20,113	20,113	-	-
International mutual funds	374,872	374,872	-	-
International collective investment schemes	317,843	317,843	-	-
Money market deposits - local	60,973	60,973	-	-
Money market deposits - international	304	304	-	-
<b>Total</b>	<b>2,985,452</b>	<b>2,981,176</b>	<b>4,276</b>	<b>-</b>

During the reporting period ended 31 December 2012, there were no transfers between levels. Derivative instruments are entered into with reputable financial institutions. The credit exposure of derivatives is subject to movements in the appropriate indices.

As at 31 December 2011, the University held the following financial instruments measured at fair value:

### Assets measured at fair value

Year ended 31 December 2011 **	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
<b>Investments</b>				
Local equity shares	977,683	973,730	3,953	-
Local collective investment schemes	532,140	532,140	-	-
Local capital market interest bearing investments	315,120	315,120	-	-
Local equity-linked derivatives	19,840	19,840	-	-
International investments equity shares	28,435	28,435	-	-
International investments mutual funds	315,012	315,012	-	-
International investments collective investment schemes	260,224	260,224	-	-
Money market deposits - local	96,789	96,789	-	-
Money market deposits - international	2,604	2,604	-	-
<b>Total</b>	<b>2,547,847</b>	<b>2,543,894</b>	<b>3,953</b>	<b>-</b>

During the reporting period ended 31 December 2011, there were no transfers out of level 1 into level 2 and no transfers into and out of level 3 fair value measurements. Derivative instruments are entered into with reputable financial institutions. The credit exposure of derivatives is subject to movements in the appropriate indices.

\* Previously African Medical Imaging (Pty) Ltd.

\*\* Certain investments' comparative figures have been reclassified to present a more meaningful comparison. These reclassifications have had no impact on the University's reported results.



## 7. Investments in associates

	<b>2012</b> <b>R'000</b>	<b>2011</b> <b>R'000</b>
UCT Medical Centre (Pty) Ltd – trading as UCT Private Academic Hospital (26%)	2,411	2,411
Less: share of accumulated losses	<u>(2,411)</u>	<u>(2,411)</u>
<b>Carrying value</b>	<u>-</u>	<u>-</u>
Share of the associate's statements of financial position:		
Non-current assets	3,428	2,410
Current assets	5,716	7,261
Non-current liabilities	(21,450)	(22,364)
Current liabilities	<u>(1,566)</u>	<u>(1,683)</u>
<b>Net liabilities</b>	<u>(13,872)</u>	<u>(14,376)</u>
Share of the associate's revenue and losses:		
Revenue	16,721	17,064
Profit/(Losses)	447	(1,003)

The University does not account for its share of the losses of the associates beyond its initial investment in the associate. The reversal of the write down of the UCT Medical Centre (Pty) Ltd will commence once the 26% proportional share of the deficit of R19.3 million (2011 R19.7 million) has been eliminated by profits earned.

## 8. Non-current receivables and prepayments

Loans to employees	100	176
The University of Cape Town Ukukhula Trust	<u>4,229</u>	<u>4,230</u>
Total non-current receivables	4,329	4,406
Prepayment – Tertiary Education Research Network of South Africa (TENET)	<u>352</u>	<u>9,512</u>
	<u>4,681</u>	<u>13,918</u>

Non-current loans to employees are due within 2 years from the reporting date.

The loan to the Trust has no fixed terms of repayment and earns interest at a weighted average rate of interest of 5.52% (2011: 5.85%).

The prepayment to TENET relates to internet usage and is expected to be utilised within a period of two years.

## 9. Inventories

Consumables	<u>493</u>	<u>398</u>
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## 10 Accounts receivable and prepayments

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Research receivables	83,651	67,870
Other trade receivables	37,173	34,570
Trade receivables total	120,824	102,440
Property deposits and guarantees	116	66,615
Prepayments	38,366	13,491
Prepayment – Tertiary Education Research Network of South Africa (TENET)	6,280	3,142
Research funding accrual	34,233	34,760
Sundry receivables	15,721	12,773
Accounts receivables and prepayments	215,540	233,221
Loans to employees	2,058	1,621
Student fees receivables	47,362	40,378
	<u>264,960</u>	<u>275,220</u>

Accounts receivables are non-interest bearing and are generally on 30 day terms.

The rate of interest charged to students was a fixed rate of 1% per month. This rate of interest is charged on prior year unpaid student fees and on current year outstanding student fees that are not paid by 30 June of the current year.

As at 31 December, the age analysis of trade receivables is as follows:

Amounts in R'000	Up to 30 days	30 - 60 days	60 - 90 days	90 -180 days	180 days plus	Total
<b>2012</b>	47,034	40,067	7,227	15,310	11,186	120,824
<b>2011</b>	45,852	14,225	5,243	21,516	15,605	102,440

Debtors past 60 days are considered past due but not impaired.

As at 31 December, trade receivables at a nominal value of R1.8 million (2011: R2.0 million) were impaired and fully provided for.

Movements in the provision for impairment of trade receivables were as follows:

	Individually impaired R'000	Collectively impaired R'000	Total R'000
<b>At 31 December 2010</b>	566	1,353	1,919
Charge for the year	1,118	-	1,118
Used	(68)	(455)	(523)
Unused amounts reversed	(497)	-	(497)
<b>At 31 December 2011</b>	1,119	898	2,017
Charge for the year	687	(40)	647
Used	(690)	-	(690)
Unused amounts reversed	(179)	-	(179)
<b>At 31 December 2012</b>	<u>937</u>	<u>858</u>	<u>1,795</u>

## 10. Accounts receivable and prepayments (continued)

As at 31 December, the age analysis of student fees receivables, all of which are past due, is as follows:

All amounts in R'000	2012 Fees	2011 Fees	2010 Fees	2009 Fees	Total
2012	41,723	3,628	1,469	542	47,362
All amounts in R'000	2011 Fees	2010 Fees	2009 Fees	2008 Fees	Total
2011	34,201	4,078	1,277	822	40,378

Due to the nature of its operations, the University only tracks outstanding fees on an academic year basis. The University anticipates that the majority of current year fees will be settled as part of the registration process for the 2013 academic year. It is University policy that returning students are not allowed to register with outstanding fee debt.

As at 31 December, student receivables with a nominal value of R26.1 million (2011: R27.8 million) were impaired and fully provided for.

Movements in the provision for impairment of student fees receivables were as follows:

	2012 R'000	2011 R'000
	<b>Collectively impaired</b>	
<b>Balance at 1 January</b>	27,763	29,192
Charge for the year	7,000	6,970
Unused provision released	(3,580)	(3,000)
Used	(5,091)	(5,399)
<b>Balance at 31 December</b>	<u>26,092</u>	<u>27,763</u>

## 11. Cash at bank and cash equivalents

Cash at bank and in hand	32,735	25,634
Short-term bank deposits - Local	<u>1,013,914</u>	<u>931,876</u>
	<u>1,046,649</u>	<u>957,510</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are redeemable at 24 hour notice, are drawn down or added to depending on the immediate cash requirements of the University, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is R1,046.7 million (2011: R957.5 million).

At 31 December 2012, the University had no available undrawn borrowing facilities (2011: R Nil).

The weighted average effective interest rate on local short-term bank deposits was 4.78% (2011: 5.85%).

Cash and cash equivalents for the purpose of the consolidated statement of cash flows are as stated above.

## 12. Interest bearing borrowings

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
<b>Financial institutions for government subsidised loans</b>		
Total interest bearing borrowings	23	317
Current portion	<u>(23)</u>	<u>(294)</u>
Total non-current borrowings	<u><u>-</u></u>	<u><u>23</u></u>

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 fixed interest rates ranging from 9.55% to 11.8% and varying repayment terms. The weighted average interest rate was 10.6% (2011:9.8%). The loans are unsecured and the carrying values collectively approximate their fair values.

## 13. Deferred revenues – Government grants

<b>At 1 January</b>	322,951	229,675
Received during the year	-	103,100
Released to the income statement	<u>(6,525)</u>	<u>(9,824)</u>
	316,426	322,951
Current portion	<u>(2,084)</u>	<u>(6,525)</u>
<b>At 31 December</b>	<u><u>314,342</u></u>	<u><u>316,426</u></u>

This represents capital grants for infrastructure received from the Department of Higher Education and Training (DHET). These grants must be spent in accordance with the provisions of the projects as approved by the DHET.

## 14. Provisions – employee benefits

Gratuity provision for academic staff	63,000	48,700
Leave provision for administrative and support staff	71,905	71,735
Post-retirement medical aid benefit obligation	<u>237,630</u>	<u>207,630</u>
<b>Total provisions – employee benefits</b>	<u><u>372,535</u></u>	<u><u>328,065</u></u>
Current portion – gratuity provision academic staff	(2,000)	(2,000)
Current portion – leave provision for administration and support staff	(22,076)	(19,035)
Current portion – post-retirement medical aid obligation	<u>(14,200)</u>	<u>(10,100)</u>
<b>Total current provisions – employee benefits</b>	<u><u>(38,276)</u></u>	<u><u>(31,135)</u></u>
<b>Total non-current provisions – employee benefits</b>	<u><u>334,259</u></u>	<u><u>296,930</u></u>

### 14.1. Gratuity provision academic staff

This relates to the policy to pay a gratuity on death, retrenchment or retirement where a member of the academic staff has not taken study and research leave. Study and research leave may be granted to allow academic staff uninterrupted research work, usually away from Cape Town, and is not regarded as a vacation.

## 14 Provisions – employee benefits (continued)

### 14.1. Gratuity provision academic staff (continued)

In estimating the liability, management has used the following assumptions in calculating the liability, which are consistent with the prior year:

- Academics 55 and over - Assume all will stay to retirement;
- Academics 45 to 55 - Assume 70% will stay to retirement; and
- Academics younger than 45 - Assume 40% will stay to retirement.

In addition, in order to fair value the liability, management has assumed that future salary increases will be 5.25% per annum (2011: 5.0%) and the discount rate that has been applied is 8.0% (2011: 7.7%).

### 14.2. 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 reporting date.

### 14.3. Post-retirement medical aid benefit obligation

The University's obligations towards post-retirement medical aid benefits, determined in terms of IAS 19 Employee Benefits, is set out below.

For the purpose of the valuation at 31 December the following key assumptions were made; discount rate 8.4% (2011: 8.7%); expected inflation on medical aid contributions of 7.5% (2011: 6.8%). Post retirement mortality is based on PA (90) rated down three years (2011: 3 years).

It is assumed, in both the current and prior year, that 2.5% of members present will retire at each age from 55 to 59 and ages 61 and 62; and 15% of members will retire at age 60; and 10% of members at ages 63 and 64 will retire; with all the remaining members retiring at age 65. The expected average remaining working lives of the employees participating in the scheme is 19 years (2011: 20 years).

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Funding obligation	302,700	221,500
Unrecognised actuarial losses	<u>(65,070)</u>	<u>(13,870)</u>
Amount accrued in respect of funding obligation	<u>237,630</u>	<u>207,630</u>

The net expense recognised in surplus or deficit is as follows:

- Interest on obligation	19,800	16,700
- Current service cost	10,100	11,900
- Actuarial losses	8,700	-
	<u>38,600</u>	<u>28,600</u>

## 14. Provisions – employee benefits (continued)

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Reconciliation of the change in the present value of the funding obligation:		
Funding obligation at start of year	221,500	187,600
Interest on obligation	19,800	16,700
Current service cost	10,100	11,900
Actuarial losses	59,900	13,000
Benefits paid by the University in respect of funding obligations	(8,600)	(7,700)
Funding obligation at end of year	<u>302,700</u>	<u>221,500</u>

It is estimated that the benefits payable in respect of funding obligations in 2013 will be R9.7 million (2012: R8.5 million).

A one percentage point change in the assumed rate of increase in medical aid inflation would have the following effect on the defined benefit obligation:

	<b>2012</b>		<b>2011</b>	
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
	+1%	-1%	+1%	-1%
Liability	50,100	(40,300)	34,800	(22,400)
Service cost	3,500	(2,800)	2,400	(100)
Interest cost	4,900	(3,200)	3,200	(2,000)

Amounts for the current and previous four periods are as follows:

<b>All amounts in R'000</b>	<b>Post-employment medical benefits</b>				
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Defined benefit obligation	302,700	221,500	187,600	177,300	158,200
Experience adjustments on plan liabilities – losses/(gains)	73,770	13,870	(8,900)	3,500	11,600

## 15. Accounts payable and accrued liabilities

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Trade payables	70,456	60,292
VAT	4,219	283
Accrued expenses	42,160	34,895
National Research Foundation grant deposit	89,800	84,460
Payroll	36,894	32,224
Other payables	21,884	9,399
	<u>265,413</u>	<u>221,553</u>
Financial liabilities	247,238	212,338
Non-financial liabilities	18,175	9,215
	<u>265,413</u>	<u>221,553</u>

## 15. Accounts payable and accrued liabilities (continued)

Trade and other payables are non-interest bearing and are normally settled on 30 day terms. The National Research Foundation grant deposit is based on the expenditure claim rate against grants awarded to grant holders at the University and is given to bridge the financing of NRF funded research projects. Regular expenditure claims ensure the preservation of the capital of the grant deposit and the interest earned from such investment support the administration and management of NRF- RISA research funding at the University.

## 16. Deferred revenue – government grants and project income

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Government Grants	2,084	6,525
Project income		
At 1 January	5,609	6,812
Received during the year	15,688	19,532
Released to surplus for the year	<u>(16,558)</u>	<u>(20,735)</u>
	4,739	5,609
<b>At 31 December</b>	<b><u>6,823</u></b>	<b><u>12,134</u></b>

The deferred revenues relate to the deferment of project income mainly within the UCT Lung Institute (Pty) Limited.

## 17. State appropriations-subsidies and grants

Subsidy for general purpose	1,024,087	1,034,972
State grants and contracts	266,964	280,263
Subsidy on interest and redemption on state guaranteed loans	250	592
State infrastructure grant	<u>6,525</u>	<u>9,824</u>
	<b><u>1,297,826</u></b>	<b><u>1,325,651</u></b>

There are no unfulfilled conditions or other contingencies attaching to the subsidies and grants that have been recognised above.

## 18. Interest and dividends

Bank interest	69,802	63,587
Interest income on accounts and other receivables	23,236	21,429
Interest on available-for-sale investments	<u>67,730</u>	<u>68,947</u>
Total interest	160,768	153,963
Dividends	<u>36,838</u>	<u>30,289</u>
	<b><u>197,606</u></b>	<b><u>184,252</u></b>

Interest income on trade debt subject to possible impairment amounted to R5.5 million (2011: R5.8 million). It is management's opinion that the amount of interest raised on impaired debt is negligible.

## 19. Personnel costs

All amounts in R'000	2012		
	Academic Professional	Other	Total
Wages and salaries	763,488	779,685	1,543,173
Termination benefits	14,671	14,983	29,654
Pension costs	114,737	117,171	231,908
Post-retirement medical aid benefits	19,097	19,503	38,600
	<u>911,993</u>	<u>931,342</u>	<u>1,843,335</u>

All amounts in R'000	2011		
	Academic Professional	Other	Total
Wages and salaries	674,256	709,140	1,383,396
Termination benefits	15,642	16,452	32,094
Pension costs	99,999	105,183	205,172
Post-retirement medical aid benefits	13,929	14,661	28,600
	<u>803,826</u>	<u>845,436</u>	<u>1,649,262</u>

Average number of persons employed during the year	2012	2011
	Number	Number
Full time	4,319	3,970
Part time	1,641	1,742
Students	<u>1,445</u>	<u>2,045</u>
Total	<u>7,405</u>	<u>7,757</u>

These numbers do not include people employed on the joint staff by the Provincial Government of the Western Cape or the National Health Laboratory Services.

## 20. Other operating expenses

	2012	2011
	R'000	R'000
The following items are included in the operating surplus:		
<b>Other operating income</b>		
Lease income	3,552	2,889
<b>Other operating expenses:</b>		
Library acquisitions	45,823	37,534
Repairs and maintenance	123,085	112,337
Software costs	23,400	17,980
General services outsourced	101,407	85,970
Catering services outsourced	60,347	58,831
Auditors' remuneration	5,132	5,954
Current year - annual financial statements	2,835	3,013
- prior year under provision	200	-
- other audit services	2,097	2,941
Lease expenses	37,720	29,916



## 21. Financial risk management objectives and policies

The University's principal financial instruments comprise available-for-sale financial assets, fair value through profit and loss financial assets, accounts receivables, student fees and loans receivable; cash and short-term deposits; interest bearing borrowings and accounts payable.

The University manages a substantial portfolio of financial assets with a long term view to growing the portfolio in order to provide financial stability and support for new initiatives and strategic choices.

The University may enter into derivative transactions. The University's portfolio managers 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.

The main purpose of the interest bearing loans and borrowings is to raise finance for the University's infrastructure. The University has various other financial assets and liabilities such as accounts and student fee receivables and accounts payables, which arise directly from its operations.

Forward exchange contracts may be entered into to mitigate risks relating to transactional currency exposures.

It is, and has been throughout the year under review, the University's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the University's financial instruments are market, credit and liquidity risk.

Council, through its finance and investment committees, reviews and agrees policies for managing each of these risks which are summarised below.

### 21.1. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price, currency and interest rate risk.

The University's exposure to market risk relates primarily to its available-for-sale financial assets. These financial assets are invested in terms of a considered strategy adopted by the University Council and the Board of Trustees of the UCT Foundation, advised by the Joint Investment Committee. The strategy takes into account the risk profile of the individual endowed funds and allocates investment to appropriate asset classes. Portfolios are then allocated to selected portfolio managers who operate under defined mandates. The investment decisions made and performances of these managers are closely monitored by the Joint Investment Committee.

This Committee comprises trustees of the Foundation, members of the University's Council and external members with specific expertise relating to investments. The Committee meets quarterly and receives reports from investment managers on a cyclical basis.

In addition, the Committee has employed the services of an actuarial firm, Towers Watson (Pty) Limited, who monitor the performance of the portfolio managers, both on a qualitative and quantitative basis, and who also report quarterly to the Committee.

Internal checks are performed regarding the income received and the purchase and sale of investments as reflected on the portfolio statements.

## 21. Financial risk management objectives and policies (continued)

### 21.2. Price risk

The following table demonstrates the sensitivity of the University's financial assets that are subject to price risk to a reasonable possible change in market values, with all other variables held constant.

All amounts in R millions	Impact of these variances on other comprehensive income					
	+10%	+5%	+1%	-5%	-10%	-20%
<b>Market variance</b>						
<b>At 31 December 2012</b>						
Local equities	122.0	61.0	12.2	(61.0)	(122.0)	(244.0)
Collective investment schemes	58.3	29.2	5.8	(29.2)	(58.3)	(116.6)
Local capital markets	39.0	19.5	3.9	(19.5)	(39.0)	(78.1)
International equities	2.0	1.0	0.2	(1.0)	(2.0)	(4.0)
International mutual funds	37.5	18.7	3.7	(18.7)	(37.5)	(7.5)
International collective investment schemes	31.8	15.9	3.2	(15.9)	(31.8)	(63.6)

Market variance	Impact of these variances on profit or loss					
	+10%	+5%	+1%	-5%	-10%	-20%
<b>At 31 December 2012</b>						
Equity-linked derivatives	(11.5)	(5.8)	(1.2)	5.8	11.5	23.0

All amounts in R millions	Impact of these variances on other comprehensive income					
	+10%	+5%	+1%	-5%	-10%	-20%
<b>Market variance</b>						
<b>At 31 December 2011 **</b>						
Local equities	97.8	48.9	9.8	(48.9)	(97.8)	(195.5)
Collective investment schemes	53.2	26.6	5.3	(26.6)	(53.2)	(106.4)
Local capital markets	31.5	15.8	3.2	(15.8)	(31.5)	(63.0)
International equities	2.8	1.4	0.3	(1.4)	(2.8)	(5.7)
International mutual funds	31.5	15.8	3.2	(15.8)	(31.5)	(63.0)
International collective investment schemes	26.0	13.0	2.6	(13.0)	(26.0)	(52.0)

Market variance	Impact of these variances on profit or loss					
	+10%	+5%	+1%	-5%	-10%	-20%
<b>At 31 December 2011 **</b>						
Equity-linked derivatives	(9.8)	(4.9)	(1.0)	4.9	9.8	19.6

### 21.3. Interest rate risk

All of the University's interest-bearing borrowings are at fixed rates of interest. The University has a number of receivables (i.e. student fees and loans to employees). For the 2012 year students were charged interest at a fixed rate of 1.0% per month (2011: 1.0%). Interest charged on loans to employees is linked to the prime rate. The amounts owed by staff are negligible.

## 21. Financial risk management objectives and policies (continued)

### 21.3. Interest rate risk (continued)

The University holds a substantial amount of interest bearing investments and interest earning bank deposits. Interest risks relating to the University's investments are managed and monitored by the Joint Investment Committee in the same manner as outlined above.

The following tables demonstrate the sensitivity of the University's financial assets that are subject to interest rate risk to a reasonable possible change in interest rates, with all other variables held constant.

All amounts in R millions Interest rate changes in basis points (BP)	Impact of interest changes on funds employed					
	-200 BP	-100 BP	-50 BP	+50 BP	+100 BP	+200 BP
<b>Holdings at 31 December 2012</b>						
Interest bearing collective investment schemes and bonds	121.7	53.5	34.1	(29.2)	(48.8)	(97.5)
<b>Holdings at 31 December 2011</b>						
Interest bearing collective investment schemes and bonds	115.2	55.1	26.9	(25.8)	(50.6)	(97.2)

All amounts in R millions Interest rate changes in basis points (BP)	Impact of interest changes on net surplus					
	+200 BP	+100 BP	+50 BP	-50 BP	-100 BP	-200 BP
<b>Holdings at 31 December 2012</b>						
Money market and call deposits	1.2	0.6	0.3	(0.3)	(0.6)	(1.2)
Cash and cash equivalents	20.9	10.5	5.2	(5.2)	(10.5)	(20.9)
<b>Holdings at 31 December 2011</b>						
Money market and call deposits	1.9	1.0	0.5	(0.5)	(1.0)	(1.9)
Cash and cash equivalents	18.7	9.3	4.7	(4.7)	(9.3)	(18.7)

### 21.4. Foreign currency risk

The University reflects no exposure to foreign currency risk in respect of available-for-sale financial assets because the risk is embedded in its international financial asset holdings, which are exposed to market price risk. The University is exposed to foreign currency risk through certain accounts receivable and payable denominated in foreign currencies. All of the above holdings are in major international currencies.

The University is also exposed to foreign exchange risk to the extent that it does not take forward cover for foreign currency transactions in the course of operations. The University does not have a policy that requires such cover to be taken.

At year end the University had R31.0 million (2011: R27.1 million) of trade receivables and had R0.1 million (2011: R0.3 million) of trade payables denominated in foreign currencies. As such, the University's foreign currency risk exposure is deemed to be negligible.

### 21.5. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

## 21. Financial risk management objectives and policies (continued)

### 21.5. Credit risk (continued)

The University trades only with recognised, credit worthy third parties. It is the University's policy that all customers who wish to trade on credit terms are subject to random credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the University's exposure to bad debts is not significant, and there is no significant concentration of credit risk at year end. The maximum exposure is the carrying amount disclosed in Note 10.

The University has stringent policies with respect to not allowing students with outstanding fee balances to either graduate or to register for the new academic year.

The outstanding fees balance at year end is widely spread amongst numerous students indicating no particular concentration of credit risk.

With respect to credit risk arising from the other financial assets of the University, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the University's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The University places cash and cash deposits only with major financial institutions with good credit ratings.

### 21.6. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The timing and nature of the University's cash inflows and outflows are such that liquidity problems are unlikely to arise. Furthermore, the University has access to funds through either its holding of short-term bank deposits or the un-endowed investments portfolio in the event that any unforeseen events occur. The cash flow position is monitored by management on a weekly basis by means of a cash flow statement.

The table below summarises the maturity profile of the University's financial liabilities at 31 December based on contractual undiscounted payments.

<b>All amounts in R'000</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
<b>At 31 December 2012</b>					
Interest bearing loans and borrowings	-	-	23	-	23
Trade and other payables	-	247,238	-	-	247,238
<b>At 31 December 2011</b>					
Interest bearing loans and borrowings	-	-	294	23	317
Trade and other payables	-	212,338	-	-	212,338

## 21. Financial risk management objectives and policies (continued)

### 21.7. Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the University's financial instruments.

	Carrying amount		Fair value	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
<b>Financial assets</b>				
Cash	1,046,649	957,510	1,046,649	957,510
Available-for-sale investments	2,967,540	2,528,007	2,967,540	2,528,007
Financial instruments at fair value through profit and loss	17,912	19,840	17,912	19,840
Account receivables	170,778	149,769	170,778	149,769
Loans to employees	2,058	1,797	2,058	1,797
Student fees receivable	47,362	40,378	47,362	40,378
<b>Financial liabilities</b>				
Interest bearing loans and borrowings:				
Fixed rate borrowings	23	317	23	305
Accounts payable and accrued liabilities	247,238	212,338	247,238	212,338
Student deposits	48,174	39,327	48,174	39,327

Market values have been used to determine the fair value of listed available-for-sale financial assets. The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loans and other financial assets has been calculated using the market interest rates.

### 21.8 Capital management

The capital of the University comprises both restricted funds designated for specific purposes and unrestricted funds, being funds that can be employed by Council at its discretion.

The University has a healthy relationship of reserves to assets, however it must be remembered that much of the asset base is held in designated investments and in property which has restricted alienability.

The University's policy is to apply conservative financing. Internal loans are used for managerial purposes at a rate appropriate to the inherent risk. Debt is avoided but, where utilised, the policy is to settle in as short a period as possible, not exceeding 10 years, except in exceptional circumstances.

In any event, the operations need to generate a sufficient surplus to meet both the interest on the debt and the capital repayments. This policy is consistent with that adopted in previous years.

## 22. Commitments

### 22.1. Capital commitments

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

All amounts in R'000	Contracted	Approved but not contracted for	Total
New Engineering Building	77,929	-	77,929
School of Architecture - Refurbishment	-	48,925	48,925
Teaching and Learning Building	-	74,422	74,422
New large lecture theatre	-	56,500	56,500
Little Theatre	-	13,400	13,400
Laboratory Equipment	-	24,562	24,562
Classroom Facilities	-	50,000	50,000
Other	-	10,495	10,495
<b>Total 2012</b>	<u>77,929</u>	<u>278,304</u>	<u>356,233</u>
<b>Total 2011</b>	<u>152,519</u>	<u>124,563</u>	<u>277,082</u>

These commitments will be funded in terms of the University's Capital Management Policy as outlined in note 21.8 above, utilising current resources in the first instance. The balance of the required funding will be met from both public and private sectors, including the use of the R316.4 million (2011: R323.0 million) of Government grants reflected as deferred revenue in note 13.

### 22.2. Operating lease commitments - University as lessee

The totals of future minimum lease payments under non-cancellable operating leases are as follows:

Year ended 2012	Within 1 year	2 to 5 years	Total
Photo copying machines	2,874	2,402	5,276
Jammie Shuttle	14,313	-	14,313
Rental of properties	19,738	-	19,738
	<u>36,925</u>	<u>2,402</u>	<u>39,327</u>
<b>Year ended 2011</b>			
Photo copying machines	1,478	566	2,044
Jammie Shuttle	13,600	13,600	27,200
Rental of properties	4,942	3,611	8,553
	<u>20,020</u>	<u>17,777</u>	<u>37,797</u>

## 22. Commitments (continued)

### 22.3. Operating lease commitments – University as lessor

The University has entered into non-cancellable commercial property leases. These non-cancellable leases have remaining terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Year ended 2012	Within 1 year	2 to 5 years	Later than 5 years	Total
Rental of premises	4,037	3,874	275	8,186
<b>Year ended 2011</b>				
Rental of premises	2,916	2,372	306	5,594

## 22. Cash generated from operations

	2012 R'000	2011 R'000
Reconciliation of net surplus to cash generated from operations:		
<b>SURPLUS FOR THE YEAR</b>	376,209	475,860
<b>Adjustments for:</b>		
Depreciation	5 56,414	46,063
Non-cash donations	(44,221)	-
Release of deferred revenue	13 (6,525)	(9,824)
Increase in employee benefit provisions	44,470	39,801
Utilisation of TENET prepayment	9,160	3,147
Loss on sale of property, plant and equipment	8,488	153
Investment income – interest	18 (160,768)	(153,963)
Investment income – dividends	18 (36,838)	(30,289)
Finance costs	25	80
Profit on sale of investments	(128,851)	(128,393)
Fair value movement on fair value through profit and loss financial instruments	26,443	-
Impairment of available-for-sale investments	13,896	9,985
<b>Changes in working capital</b>		
Accounts receivable, prepayments and loans	10,336	30,646
Inventories	(95)	249
Accounts payable, accrued liabilities and deposits	51,837	81,340
<b>Cash generated from operations</b>	<u>219,980</u>	<u>364,855</u>

## 24. Remuneration of key management

The following disclosure, as required by the Minister of Higher Education and Training, relates to compensation paid to members of the University's executive management team. Remuneration is based on the annualised cost of employment to the University and comprises total cost to the University.

<b>EXECUTIVE MANAGEMENT TEAM DURING 2012</b>					
<b>Name</b>	<b>Job Title</b>	<b>Annualised salary for job</b>	<b>Amount paid or accrued for job</b>	<b>Performance bonus</b>	<b>Total for other services</b>
Dr M R Price	Vice-Chancellor	*2,421,942	*2,661,720	162,510	-
Professor D P Visser	Deputy Vice-Chancellor	1,571,311	1,571,311	102,135	-
Professor S Klopper	Deputy Vice-Chancellor	1,505,000	1,505,000	-	-
Professor R T Nhlapo	Deputy Vice-Chancellor	1,571,311	1,785,968	-	-
Professor C A Soudien	Deputy Vice-Chancellor	1,517,201	1,517,201	-	-
Associate Professor N Yeld	Dean: Centre for Higher Education Development	1,123,929	1,123,929	-	-
Dr M A Sienaert (from 01 June 2012 to 31 December 2012)	Executive Director - Research Office	1,178,607	687,521	-	-
Professor D Ross	Dean: Commerce	1,306,187	1,306,187	97,964	-
Professor F W Petersen	Dean: Engineering and the Built Environment	1,541,300	1,541,300	104,495	-
Professor M Jacobs	Dean: Health Sciences	1,605,000	1,605,000	-	-
Professor M P Ensor	Dean: Humanities	1,322,401	1,322,401	78,731	-
Professor P J Schwikkard	Dean: Law	1,215,058	1,215,058	-	-
Professor W R J Baets	Director: Graduate School of Business	1,476,806	1,476,806	88,608	177,700
Professor E O Uliana	Executive Director: Finance	1,676,781	1,676,781	-	189,060
Ms G Kruger	Executive Director: Communication and Marketing	1,229,652	1,229,652	-	-
Dr J McNamara	Executive Director: Development & Alumni Affairs	1,215,059	1,215,059	-	-
Mr I B Janse van Rensburg	Executive Director: Information & Communication Technology	1,215,058	1,215,058	72,903	4,800
Mr H T Amoore	Registrar	1,215,378	1,215,378	-	-
Mr J W R Critien	Executive Director: Property & Services	1,215,058	1,215,058	-	-
Ms M B M Khan	Executive Director: Student Affairs	1,215,058	1,215,058	-	-
Ms G M E Thomas	Executive Director: Libraries	1,123,929	1,123,929	-	-
Ms M Hoosain	Executive Director: Human Resources	1,215,058	1,215,058	-	-
Professor S H Kidson (1 January 2012 to 29 February 2012)	Acting Dean of Health Sciences	990,596	201,601	-	-
Professor A P Le Roex	Dean: Science	1,306,187	1,306,187	-	-

\* This includes R390,572 being the deemed value for reporting purposes of the house and vehicle provided to the Vice-Chancellor as part of his package as Vice-Chancellor



**24 Remuneration of key management (continued)**

<b>EXECUTIVE MANAGEMENT TEAM DURING 2011</b>					
<b>Name</b>	<b>Job Title</b>	<b>Annualised salary for job</b>	<b>Amount paid or accrued for job</b>	<b>Performance bonus</b>	<b>Total for other services</b>
Dr M R Price	Vice-Chancellor	*2,229,282	*2,407,210	91,125	-
Professor D P Visser	Deputy Vice-Chancellor	1,468,515	1,468,515	22,028	-
Professor J Beall (left 7 <sup>th</sup> May 2011)	Deputy Vice-Chancellor	1,418,507	472,836	-	-
Professor R T Nhlapo	Deputy Vice-Chancellor	1,468,515	1,633,445	-	-
Professor C A Soudien	Deputy Vice-Chancellor	1,417,945	1,417,945	-	-
Associate Professor N Yeld (Acting Deputy Vice-Chancellor from 1 <sup>st</sup> May to 31 <sup>st</sup> December 2011)	Dean: Centre for Higher Education Development	1,358,381	1,232,147	27,252	-
Professor A P Le Roex	Dean Faculty of Health Sciences	1,210,000	1,210,000	-	-
Ms G Kruger	Executive Director: Communication and Marketing	1,162,242	1,162,242	30,660	-
Ms M B M Khan	Executive Director: Student Affairs	1,135,569	1,135,569	17,033	-
Dr J McNamara	Executive Director: Development & Alumni Affairs	1,135,569	1,135,569	17,032	-
Professor D Ross	Dean: Commerce	1,220,736	1,220,736	8,516	-
Professor F W Petersen	Dean: Engineering and the Built Environment	1,440,468	1,440,468	20,050	-
Professor M Jacobs	Dean: Health Sciences	1,500,000	1,500,000	-	-
Professor M P Ensor	Dean: Humanities	1,235,889	1,235,889	27,430	-
Professor P J Schwikkard	Dean: Law	1,135,568	1,135,568	-	-
Professor E O Uliana	Executive Director: Finance	1,567,085	1,567,085	23,504	185,180
Mr I B Janse van Rensburg	Executive Director: Information & Communication Technology	1,135,569	1,135,569	64,726	4,800
Mr H T Amooore	Registrar	1,148,750	1,148,750	31,105	-
Mr J W R Critien	Executive Director: Property & Services	1,135,569	1,135,569	30,659	-
Professor W R J Baets	Director: Graduate School of Business	1,283,193	1,283,193	22,709	96,400
Ms J G Rapp For period (1 <sup>st</sup> January 2011 to 31 <sup>st</sup> October 2011.)	Executive Director: University Libraries	1,155,400	962,833	22,600	-

## 24 Remuneration of key management (continued)

<b>EXECUTIVE MANAGEMENT TEAM DURING 2011</b>					
<b>Name</b>	<b>Job Title</b>	<b>Annualised salary for job</b>	<b>Amount paid or accrued for job</b>	<b>Performance bonus</b>	<b>Total for other services</b>
Ms G M E Thomas (1st November 2011 to 31 December 2011)	Executive Director: Libraries	1,050,401	175,067	-	-
Ms M Hoosain	Executive Director: Human Resources	1,050,401	1,050,401		
Professor S H Kidson (1 <sup>st</sup> September to 31 December 2011)	Acting Dean of Health Sciences	1,139,464	379,821		

\* This includes R330,805 being the deemed value for reporting purposes of the house and vehicle provided to the Vice-Chancellor as part of his package as Vice-Chancellor

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

There were no lump payments in excess of R249,999 in the current and prior year.

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.

The following table represents the disclosure required in terms of IAS 24 in respect of key management:

<b>Compensation of key management</b>	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
Short-term employee benefits	26,527	23,676
Post-employment pension	<u>5,621</u>	<u>4,972</u>
Total compensation paid to key management personnel	<u><u>32,148</u></u>	<u><u>28,648</u></u>

The post-employment pension reflected above for key management represents payments made to the University's retirement fund.

## 25 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 R229.6 million (2011: R204.4million).

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.

## 26 Lessee improvements

### 26.1. Grootte Schuur Hospital

The Grootte Schuur Hospital, located in the Cape Town suburb of Observatory, has been built on land owned by the University of Cape Town. The initial 99 year lease has 12 years to run with an option to renew of a further 99 years. Lease income on this property is nominal.

Given the absence of any usufructory rights for 111 years, the University of Cape Town has not accounted for value relating to the improvements made on this land.

### 26.2. Pinewood Village

In a similar manner, the Pinewood Village retirement complex, built in the Cape Town suburb of Pinelands, has been erected on ground owned by the University of Cape Town.

The initial lease of 99 years still has 78 years to run with a renewal option of a further 99 years. The original cost of the land is included under property, plant and equipment.

In terms of the lease, ownership of the buildings will revert to the University of Cape Town at the end of the lease. A modest annual income is received from Pinewood Village.

### 26.3 Valkenberg Property/Cape Courtyard Hotel

The Cape Courtyard Hotel in Observatory, Cape Town has been built on land owned by the University of Cape Town under a twenty year lease which expires in July 2015. The lease period will not be extended and the use of the property will revert to the University in 2015.

There are no tenant rights or landlord obligations with regard to the extension of the lease at the end of the lease period. The cost of the land is included under property, plant and equipment. In terms of the lease, ownership of the buildings erected by the lessee will vest in the University of Cape Town at the end of the lease.

## 27 Related party disclosures

The related party relationships of the University of Cape Town in terms of IAS 24 are as follows:

- Subsidiary entities (refer Note 2.2 – Basis of consolidation);
- Associate company (refer Note 7);
- Key management personnel, which comprises members of both Council and the University executive management team (refer Note 24); and
- National Government (refer Note 17).

The following related party transactions in respect of subsidiary and associate entities occurred during the year under review:

	2012 R'000	2011 R'000
<b><i>University of Cape Town Foundation</i></b>		
Grants to the University of Cape Town	59,772	54,332
Disinvested funds	10	-
Unutilised funds reinvested	13,206	11,303
Management fee	2,243	2,097
Endowed funds received from the University	82,542	24,507

## 27 Related party disclosures (continued)

	<b>2012</b>	<b>2011</b>
	<b>R'000</b>	<b>R'000</b>
<b><i>University of Cape Town Lung Institute (Pty) Ltd</i></b>		
Service transactions rendered to the Lung Institute	1,554	2,803
Services received from the Lung Institute	928	1,445

### ***University of Cape Town Medical Centre Limited***

Shareholder loan account	-	-
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### **Council members**

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 is subject to this policy. The Register of Direct and Fiduciary interests is updated at least annually.

## 28 Events after the reporting period

There have been no material non-adjusting events after the year end date.