SCHEDULE

INVESTIGATION OF THE SITUATION AT THE UNIVERSITY OF LIMPOPO BY THE INDEPENDENT ASSESSOR, APPOINTED BY THE MINISTER OF EDUCATION

Report of the Independent Assessor, Prof BA Khoapa, on the University of Limpopo

submitted to

The Honourable Minister of Education, GNM Pandor, MP

6. ACKNOWLEDGEMENTS

I would first like to take the opportunity to thank the Honourable Minister of Education for placing her confidence in my abilities by entrusting me with the important task of being the Independent Assessor to the University of Limpopo.

I would also like to further submit my sincere gratitude to the following individuals who played an important role in assisting me to conduct my work pertaining to this assignment:

I. All the senior officials of the Higher Education Branch of the Department of Education, who provided me with all the support;

II. The Chairman of Council of the University of Limpopo, Dr J Mokgoro and his colleagues in the Council, for making time to attend to my requests at such short notices;

III. The Management of the University of Limpopo for welcoming and hosting me and my colleagues when we visited both campuses of the University;

IV. The various members of the University community for responding positively to the invitations to make submissions, attend interviews, and for providing valuable information and insights, which assisted me in having a clearer picture of the challenges facing the University;

V. My colleagues in the Task Team appointed by the Minister to assist me with the assessment: Professors Anthony Melck and Pieter Vermeulen and Messrs Craig Lyall-Watson and Selva Govindsamy for their time, professional advice, and the hard work they have put into this task;

VI. Mr Enoch Mchiza who worked tirelessly with me and managed all the logistics associated with this kind of work; and

VII. To all the other individuals who assisted me in different ways such as Ms F Pratt (VC's office) and Ms P Kriek (Secretarial Services).

ANNEXURE A

TERMS OF REFERENCE

of the

MINISTER OF EDUCATION

to the

INDEPENDENT ASSESSOR TO CONDUCT AN INVESTIGATION INTO THE AFFAIRS OF THE UNIVERSITY OF LIMPOPO

1. TERMS OF REFERENCE: GENERAL

The general purpose of the investigation is to advise the Minister on:

- the source and nature of the governance and financial problems at the University of Limpopo; and
- steps required to restore proper governance and financial stability at the University of Limpopo.

2. TERMS OF REFERENCE: SPECIFIC

a) Governance and Management Structures and Efficiencies

- Conduct a detailed analysis of, and report on the current situation in terms of organisation, management and governance structures, processes, systems, policies and competencies including issues of accountability and responsibility.

b) Assess the financial management systems and status of the University.

- Conduct a detailed analysis and report on the current financial position of the institution with appropriate current and forecast cash flows, income statements and balance sheets for the period 2006 to 2010.
- Conduct a detailed analysis and report on the financial management systems of the University, including the external and internal audit reports of the University from 2002 to 2006.
- Identify the primary reasons for the current poor financial position of the University.

c) Academic Planning, Programmes and Student Enrolment Planning

- Conduct a detailed analysis of, and report on the academic planning processes and systems including the current programme offerings, past, present and projected student enrolments in relation to infrastructure and staffing capacity.

d) Infrastructure Development and Information Management Systems

- Conduct a detailed analysis and report on the collation and use of management information systems including the HEMIS data. The focus should be on the adequacy and quality of information on human resource and student data.

e) Human Resources

- Conduct a detailed analysis of, and report on the current situation with the Human Resources department in terms of structures, workflows, processes, communication channels, capacities and competencies with particular attention to salary structures, policies, benefits (current and post-retirement) and staffing ratios.

3. TO MAKE RECOMMENDATIONS ON

- the restoring of effective/proper governance and financial stability at the University; and
- what action, if any, ought to be taken.

4. COMPLETION AND REPORT

The Independent Assessor to complete his work and submit a report to the Minister within 30 working days of his appointment.

ANNEXURE B

PRELIMINARY REPORT ON THE STATUS OF THE FINANCIAL MANAGEMENT OF THE UNIVERSITY OF LIMPOPO

The Terms of Reference of my assignment was to:

- Assess the financial management in the University of Limpopo;
- Assess the internal controls in the University of Limpopo based on the reports of the Internal and External Auditors; and
- Analyse and produce projected financial statements

My initial assessment reports on the first two terms of reference. My assessment is based on the following:

1. Audited financial statements of the Universities of the North and Medunsa prior to the merger and as a merged University of Limpopo;
2. Finance Committee of Council and Council agenda and minutes for 2006/2007;
3. Reports to management by the external auditors KPMG for 2002-2005;
4. Documents provided by the Department of Education; and
5. Interviews with Interim Vice Principal: Finance and Administration, Mr Herman Rhoode; Executive Director: Finance, Mr Herman du Toit; Interim Director: Finance, Mr EL Borole; Interim Deputy Director: Finance, Mrs C Nkambule; Mr Pierre Cronje: Internal Audit Partner (PWC) and Mr C van de Walt: Director External Audit (KPMG).

The state of an institution's finances is dependent on the effective and decisive management thereof. The University of Limpopo, pre and post merger has been, fraught with problems. The auditors, in their report on the finances of the University of the North in 2000, highlighted the looming potential cash flow crisis and expressed their concerns about their inability to issue a "clean" opinion and for the 2005 disclaimer. This is a serious indictment as a disclaimer is usually issued when the Auditors cannot express an opinion on the financial statements because of their inability to verify material amounts included in the financial statements, or there has been a breakdown in the internal controls.

In assessing the documents made available to the Team, as well as the interviews with the abovementioned persons, the following are my observations:

- **Financial Management**

Budgets and Control

The University seems to have the misguided notion that the Department of Education's enrolment capping was unfair and was the reason for its serious financial problems. The enrolment capping was announced in early 2004 and is based on the 2002 actual enrolment. It is their view that the impact of this capping resulted in a loss of approximately over R68 million. The enrolment capping applied to all institutions in the sector. In fact other universities also experienced similar levels of capped funding. Universities were advised in 2004 of their capped enrolments and their funding for three years ahead. This was done to ensure that universities could plan enrolment and budget accordingly. All other institutions had either adjusted their resource allocation in terms of their potential recurrent income, or limited their enrolments to affordable levels.

The Finance Department budgeted annually over the past three years for a substantial budget deficit with the belief that the shortfall will somehow be covered by a grant from the Department of Education. It was, and is, reckless to budget on an assumption of a grant for this "assumed subsidy cut". In the case of the University of North, their financial statements for the period 2000-2004 reflect a total deficit of over R500 million. The merged institutions have since presented, and have had approved, budgeted deficits.

The proposed efficiencies and savings proclaimed by the Administrator, in his Report to the new Council, have not been realized. Proposals on restructuring and cost savings initiatives have not been implemented. Proposals submitted as a financial rescue package have not been implemented. Ineffective communication, or the inability amongst the executive management to take decisive decisions and implement them, is the primary cause for the lack of implementation. The merger has not been properly implemented and, in fact, the cost of the combined institution is more than the costs prior to the merger. The Support Sector is over staffed. The Finance Department, I am informed, has over 72 staff. This is far in excess of the desired level. I believe other support departments may be also be overstaffed. The reduction of this sector was, also proposed by the previous Administrator but nothing has been done about it.

The 2006 approved budget, which was already in a significant deficit of R39,3 million, was forecasted in November 2006 to be exceeded by R8,3 million. In fact the 2006 draft income statement indicates a deficit (excluding debt provision) of approximately R73 million. Furthermore, the management report to the Finance Committee in 2007, indicates that over 80% of individual cost centres, including the cost centre for senior executives, were overspent.

The 2007 budget has as yet not been finalized. It would appear that a budget with a R72 million deficit was presented to the Finance Committee last year but was not approved. Instead of dealing decisively with this serious situation, and offering clear guidelines for the budget, this was merely referred back to Management. To date the budget has not been approved.

This clearly represents a total lack of cost and budget control. The Finance Committee and Council have also not been effective in their oversight roles by accepting these overruns.

➢ **Cash Flow Management**

There is no correlation between the approved budget and the cash flow. The cash flow seems to have been "doctored" to satisfy or placate the Finance Committee, or the Department, and does not appear realistic. Donor income has been unrealistic.

The lack of cost control has also contributed to the increasing overdraft. Certain expenses could be reviewed. Proposals to address the cash flow have not been properly planned and realistically brought into the cash flow. Practices, such loans to staff and encashment of leave, must be urgently addressed to curb the increasing overdraft levels.

Management's role should be to manage the working capital rather than that of reporting on the variation. The increasing overdraft is reflective of a lack of this management.

➢ **Policies and Procedures**

The University has some of the most generous policies in the sector. The Management must urgently address the following, amongst others, in an effort to curb the spending:

- Leave accrual payment
- Leave encashment
- Travel and subsistence
- Staff Loans
- Fixed contribution Retirement fund for new employees or a total cost to company approach
- Study benefit scheme for children of staff
- Overtime
- Secondary appointments

selection process is that it does not go according to policy and certainly that the important principle of the best person for the job does not apply.

2.5 Data Retrieval

There appears to be little consistency with regard to the retrieval of accurate data. An example is a report generated by the U of L Remunerations Manager on monthly amounts paid to staff with secondary appointments, which showed completely different data to that generated by the Medunsa campus.

Specific additional information was requested by the Task Team member from two clear sources – Labour Relations and Remuneration. In the case of the former, this has still not been supplied despite firm undertakings to the contrary. In the case of the latter, 20% of the information requested was just not supplied.

A third request was made for information to do with the cost of recruitment. When provided, it made no sense at all and the Executive Director undertook to clean it up. The cleaned version has still not been received.

It would also appear that data to do with the same topic, but drawn from different sources, seldom agree.

2.6 Overtime

A report was produced on overtime earned during the month of April 2007. The following comments are made:

- Two senior academics, one PhD and one Professor were paid overtime amounting to R10 334 and R9 954 respectively.

- Overtime for this month was reflected as a percentage of basic pay. In terms of the Basic Conditions of Employment Act, a maximum of 43 hours may be worked in any one month. At time and a half paid for overtime, this translates into 38% of basic pay. For the month of April, 27% of Medunsa campus staff and 47% of Turfloop staff exceeded this maximum.

- 11 staff exceeded 100% of basic for the month, ranging from 109% to 495%.

- Total overtime for the month of April was R240 080 – annualized to R2.4 million – equal to 50% of total basic pay.

The policy for overtime is that each claim should be approved and endorsed by the manager responsible for that section. However there seemed to be little crosschecking on either the approval for overtime, or the authorization and subsequent payment of overtime.

2.7 Secondary appointments

These are appointments normally given to external academics for specific lecturing tasks. An initial examination of these appointments indicated that there were 23 incidents of full time permanent staff being given these appointments, and paid for them, during normal working hours and in one case, as many as five secondary appointments were running concurrently with a full time permanent staff member. There appears to be little control over this area with campuses doing as they please. Again, as commented in 2.5 above, it was extremely difficult to get quick and concise data from the institution.

2.8 Labour Relations

There are two dominant unions at this university – NEHAWU and MUSU. NEHAWU is present on both campuses with a membership of 52.6% at Medunsa and 46.6% at Turfloop. MUSU is confined to the Medunsa campus with a membership of 29.8%

The following is a breakdown of CCMA referrals, Litigation and Disciplinary cases since 1 January 2005:

CCMA:

Successfully defended:	5
Unsuccessfully defended:	6
Settlement costs:	R432 000

Labour Court:

Successfully defended:	2
Unsuccessfully defended:	2
Compensation and costs:	R1.6 million
Pending:	4

Disciplinary cases:

Successful:	15
Dismissals:	6
Final Written Warning:	3
Written Warning:	4
Withdrawn:	3

It should be noted that the totals from this report do not reconcile with the records from payroll of dismissals as contained in 2.2 above. Further, that there were several comments about how many cases went to litigation and were lost, but the

report above does not indicate this. The assumption could be made that the report given to me only relates to matters deemed contrary to the internal code of conduct and excludes details of litigation for other reasons. This needs further investigation.

Again, I am still waiting for the total costs involved in the above. It should also be noted that the report given to me does not contain any details of staff members who are currently on suspension, even though this was requested. There are definitely two cases of which I am aware, which have both been going on now for nearly two years, of very senior staff suspended on full pay.

2.9 Private (External) work

A policy does exist with regard to private work but there is apparently no adherence, control or management of this policy. The Executive Director is aware that many staff members engage in external work for remuneration, but is not aware of any approvals for this work. It appears to be common knowledge that several academics have external practices and spend a minimal amount of time on campus, for example one academic has two external practices and has restricted his on-campus lecture time to Fridays and Saturdays.

2.10 Decentralisation of HR

HR has decentralized into Faculties. The current structure reflects:

University of Limpopo centralised functions of Policy, Management, Labour Relations, Remuneration and Training have 17 staff.

Medunsa has 9 staff members who are not decentralized into Faculties.

Turfloop has decentralized into Administrative departments, Faculty of Science, Health and Agric., Humanities and Management and Law totaling 14 staff.

While there are some arguments for decentralizing a service function, the arguments against this for HR are extensive, mainly on the basis of the risks that are run through differing interpretations of unitary policies.

The spread of HR staff as reflected above gives cause for concern that the institution is operating on a decentralized/centralized basis, which does not make sense.

2.11 Policies

Policies are dealt with separately on each campus and are significantly outdated and generous. The flow of authorizing practices in terms of the policies is suspect, for example staff authorizing there own leave.

2.13 Legal compliance Employment Equity and Skills Development

No Employment Equity Plan for the institution has been developed and no committees exist in terms of the Act for the development of the plan.

While a Skills Development Plan has been submitted, no internal committees exist for monitoring progress of its implementation.

3. MERGER RELATED ACTIVITES

3.1 From an HR perspective, no conditions of service, policies, procedures or benefits have been harmonized since the date of the merger in January 2005.

3.2 The university still has two pay dates – 15th of the month for the Medunsa campus and the last Friday of each month for Turfloop. The result of this is that staff can only access the database for two weeks each month as the other two weeks are devoted to the other campus' pay run.

3.3 New employees are still employed on the conditions prevailing at each of the two campuses thus perpetuating the differences (which are considerable) that prevail.

3.4 While some efforts have been made by HR to propose a set of unitary salary scales to Management, these approaches appear to have been largely ignored. The differences between the two previous institutions in terms of salaries and benefits are considerable. While the scales for Academic staff appear to be similar (in comparison with that for administrative staff), an exercise recently completed indicated that, if the university were to position itself at the 25th percentile of the Higher Education market, and create scales of 20% either side of the median for each grade or rank, the cost to bring all Academic staff on to the minimum would be in the region of an additional R13 million per month.

This is clearly impossibility, and creative ways around this problem need to be found; an exercise that is still to receive the attention of management.

The only new condition for new employees is that of no post retirement medical aid benefits but this was only implemented in November 2006.

3.5 A Joint Bargaining Forum was formed with the unions in May 2007, some 28 months after the merger. This Forum has a signed agreement and is focused on merger related negotiations. It has yet to meet.

3.6 While a fair amount of work has been done to draft HR related policies which have been approved in principle for negotiation by the Council, the policies remain fairly general in nature, and it will take some considerable effort to negotiate towards policies that reflect the financial constraints of the university.

3.7 Data bases have been joined but remain specific to each previous institution.

4. GENERAL COMMENTS

The comments that follow were made by the majority of staff interviewed and relate more to the institution as a whole than to the HR department:

4.1 Lack of decision-making

Decisions take forever if made at all

- This has led to a total loss of confidence in executive management;
- This, together with 4.2 and 4.3, has led to a firm belief that there is no management of the institution;
- Staff generally feel that they are working in a vacuum;
- Council decisions are, in many cases, simply not implemented by Management and there is no follow-up from Council;
- Management will not acknowledge that there is a problem and therefore the real problem is never taken seriously; and
- Where decisions are taken, application is inconsistent between campuses, for example academic exclusion in 2006 and 2007.

4.2 No leadership exhibited

- There is no evidence of any leadership within the institution, either from Council or Executive Management;
- Council is virtually unknown to the staff;
- Eight to twelve (8 - 12) months have been lost with merger related activities because of the lack of leadership in the process and no sense of urgency;
- If there were a Council, then decisions would be taken and staff held accountable for carrying them out. As neither of these is happening, there obviously cannot be a Council;

- No guidance on the merger process and the merger office is inefficient;
- No support from Executive Management;
- The Campus Director for Medunsa from 2005/6 simply arrived and was not introduced or inducted by the VC. Exactly the same thing happened with the Executive Director for HR;
- There is no one driving processes within the institution and departments. No one ever seems to take the lead as they are more comfortable "toeing the line";
- The first level of resistance to change is top management; and
- Supervisors and managers do not manage or adhere to policies, for example internal mechanisms are continually bypassed depending on the offence or friend.

4.3 No-one is ever held accountable for their performance.

- Several cases have emerged in the transport section but no action is ever taken;
- Favouritism applies to accountability;
- Recently, seven (7) staff from transport were arrested and released on bail. No internal process has begun and they are back at work; and
- There are no consequences for poor performance at all.

4.4 There is no approved Strategic Plan for the institution.

- Several attempts have been made after several workshops, but, even when agreement has been reached, no further action is taken to get the decisions approved or implemented. With the lack of a strategic plan, no real objectives can be set further down in order to ensure that the activities within each department/faculty are aligned with the institutional objectives; and
- Strategic Plans are developed but simply filed away.

4.5 Lines of management and communications are frequently breached.

- Unions have direct access to the VC without resort to HR. When meetings do take place between the unions and the VC no feedback is given to HR with the result that frequently HR approaches the problem from a different angle.

4.6 No concerted efforts have been made to get staff to identify with the new institution.

4.7 No communication at all.

5. Task Team Member's Comment

5.1 There is no evidence of any attempt to implement unitary policies at this institution, other than to create drafts;

5.2 There is no evidence that there is direct and effective leadership within the HR department or, for that matter, in the institution;

5.3 The ability of HR to deliver is severely impeded by the lack of direction and effective decision making from the executive;

5.4 There is no evidence of real managing and hands-on control of the operational functions from an HR point of view;

5.5 There is evidence that the data bases are ineffective, inaccurate and confused;

5.6 The costs associated with this lack of control cannot be estimated but will be significant;

5.7 There is significant vocal dissatisfaction with the lack of leadership and decision-making at this institution. The fact that very little strategic intervention occurs would support this; and

5.8 Apart from being significantly overstaffed, there is evidence that the level of competency required from the HR department is below par.