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**GOVERNMENT NOTICE**

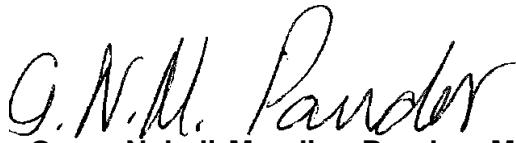
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**DEPARTMENT OF EDUCATION**

No. 709

**13 August 2007****HIGHER EDUCATION ACT, 1997 (ACT No. 101 OF 1997)**

I, Grace Naledi Mandisa Pandor, MP, Minister of Education, in terms of section 47(2) of the Higher Education Act, 1997 (Act No. 101 of 1997), publish the report of Professor Bennie Khoapa, the Independent Assessor (appointed under section 44 of the same Act) on the investigation conducted at the University of Limpopo, as set out in the Schedule.

**Ms Grace Naledi Mandisa Pandor, MP**

Minister of Education

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

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## **PREFACE**

### **PURPOSE**

The primary purpose of this report is to submit to the Minister of Education a detailed account of my work as the Independent Assessor in compliance with the terms of reference of my appointment and in accordance with the provisions of section 47 of the Higher Education Act, 1997, as amended.

### **1. INTRODUCTION**

The Minister of Education met with the Executive Committee of the Council of the University of Limpopo on 12 February 2007. During this meeting, the Minister indicated her continued concern regarding the ongoing management and administrative problems facing the University. The Minister indicated her extreme disquiet about the deteriorating financial position of the University and its dependency on overdraft facilities, despite the University's plans to reduce its dependency on such facilities during the course of 2005 and 2006.

The Minister also noted that the University faced significant challenges in consolidating and effectively implementing its financial and administrative systems since its establishment through the merger of the then University of the North and Medical University of Southern Africa (MEDUNSA).

In light of the above, the Minister decided to appoint an Independent Assessor in terms of section 44 and 45 of the Higher Education Act. In terms of section 47 of the Act, the Independent Assessor must report to the Minister within 30 days from the date of appointment.

Given the specificity of the terms of reference, the Minister, in terms of section 48 of the Act, provided me with the assistance of a number of technical experts. The membership of the team was Prof A Melck on Academic Planning, Programmes and Student Enrolment Planning; Prof P Vermeulen on Management Information Systems and Physical Infrastructure, Mr. C Lyall-Watson on Human Resources Management and Mr S. Govindsamy on Financial Status and Financial Management Systems. I was responsible for the assessment of Governance and Management efficiencies and leadership.

### **2. TERMS OF REFERENCE**

The detailed Terms of Reference are attached as Annexure A and are summarised as follows:

Conduct a detailed analysis, assessment and report on the following areas:

- Governance and Management Structures and Efficiencies in terms of organisation, management and governance structures including issues of accountability and responsibility;
- Financial Management systems and financial status of the university including current and forecast cash flows, income statements and balance sheets, internal and external audit reports and report on reasons for the current poor financial position;
- Academic Planning, Programmes and Student Enrolment Planning including current programme offerings, past, present and projected student enrolments;
- Infrastructure Development and information systems including collation and use of management information reporting, HEMIS data, the adequacy and quality of information on human resources and student data, state of the teaching and learning infrastructure, including student residences and report on critical areas requiring immediate attention; and
- Human Resources including structures, workflows, communication channels, capacities, competencies, salary structures, benefit policies and staffing ratios.

### **3. PROCESS**

The key mechanisms that I used to conduct this assessment were to analyse critically documentation received from the University and the Department of Education (DoE). I also met with the Council, the Executive Management, other managers, staff of the University, students, labour unions and other stakeholders to obtain further clarity and or views that had a bearing on the terms of reference.

### **4. FINDINGS IN ACCORDANCE WITH THE TERMS OF REFERENCE**

The technical team members and I visited both main campuses of the University and interviewed individuals independently and the following is a summary of our observations. The full reports are attached as Annexure B - E to this report.

#### **4.1 FINANCIAL MANAGEMENT SYSTEMS AND FINANCIAL STATUS OF THE UNIVERSITY**

The state of an institution's finances is dependent on the effective and decisive management thereof. The University of Limpopo, prior to its merger and post merger, has been fraught with problems. The auditors in their report on the

finances of the University of 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, the following observations were made:

#### **4.1.1 FINANCIAL MANAGEMENT**

##### **BUDGETS AND CONTROL**

The University seems to have the misguided notion that the DoE'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 the University's 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 about 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 would somehow be covered by a grant from the Department of Education. It was reckless to budget on an assumption that a grant would be provided for this "assumed subsidy cut". In the case of the University of the North, their financial statements for the periods 2000-2004 indicate deficits amounting to over R500 million. The merged institutions have since presented and have approved budgeted deficits.

The proposed efficiencies and savings proclaimed by the former Administrator in his Report to the new Council have not been realised. 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 inability amongst the executive management to take the decisive actions, are the primary causes for the lack of implementation.

The merger process has not been properly implemented and in fact, the cost of the combined institution is more than the costs prior to the merger.

Support service departments are over staffed. The Finance Department is reported to have over 72 staff members. This is far in excess of the desired level considering the size of academic divisions to be serviced. It is believed that other support departments may also be overstaffed. The former Administrator also proposed the reduction of this sector but nothing has been done until now.

The 2006 approved budget, which was already in 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 not yet been finalised. 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 rectify. To date the budget has been conditionally approved by Council up to the end of June 2007.

This clearly represents a total lack of cost and budget control. The Finance Committee and the 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 of Education and it does not appear to be realistic. Donor income estimates have also been unrealistic.

Lack of cost control has also contributed to the increasing overdraft. Proposals to address the cash flow have not been properly planned and realistically brought into the cash flow. Practices such as 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 to report 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 which include

- o Leave accrual payment
- o Leave encashment and staff loans (despite the overdraft situation at the University)
- o Travel and subsistence
- o Fixed contribution Retirement fund for new employees or a total cost to company approach
- o Study benefit scheme for children of staff
- o Overtime
- o Secondary appointments

### 4.1.2 INTERNAL CONTROLS

The annual audit management letter indicated weaknesses identified by the external auditors. The impression from the findings does indicate a serious lack of controls. Management's response to the findings and recommendations of the auditors was very disappointing. The response has at times been very defensive. Generally the weaknesses are of a serious nature.

Discussions with the Audit Partners indicate that a lack of management oversight or the inability of management to supervise was the reason for the lack of implementation of strict policies. There is a sense of apathy amongst managers and their staff. The issue of significant un-reconciled items some of them in excess of R20 million reflects negatively on the reliability of the financial reports to the Finance Committee.

Whilst the Finance Executives indicate a major improvement in the last financial period, the Auditors are still of the opinion that there are significant weaknesses. The team member also received some anonymous information alleging a theft of over R96 000 which was being kept quiet. The executive manager in question was confronted and he responded that the relevant staff members have already been taken before a disciplinary hearing. There are other reported matters of a deviant nature that should be investigated once a thorough assessment is undertaken of the finance activities.

Unfortunately the technical team member did not have access to the internal audit report.

#### 4.2 **ACADEMIC PLANNING, PROGRAMME, AND STUDENT ENROLMENT PLANNING**

In conducting the assessment at the University, various documents were made available to the technical team members, including the University's enrolment plan, the audit report on the HEMIS system, and various financial documents. The following general comments relating to academic planning, programmes and enrolment planning are presented:

- It appears that the student enrolment plan submitted to the DoE was prepared in isolation by the planning/HEMIS unit, with the result that the plan does not appear to be used as the University's major guideline for managing the University. This preliminary conclusion is supported by the existence of divergent views on whether the University is set to increase or decrease in size by 2010. As acceptance of the plan by the DoE will determine the University's subsidies for the current planning period, and the University will have to be managed accordingly, it is essential that consensus on this crucial factor be obtained speedily. Thereafter, managerial interventions are needed to ensure that the trajectory chosen by the institution is followed;
- The University's "programme and qualification mix" is broad, resulting in some doubt as to whether there are not too many expensive small modules being presented, and whether there are sufficient highly qualified academics to present the large variety of offerings, especially at postgraduate levels. Rationalisation of some of these is likely to be beneficial; and
- Although the University of Limpopo is *de facto* a merged institution, the operations (and management) of the institution take place in "nearly" two separated and isolated silos. Animosity and distrust between the staff members of the two campuses are apparent.

#### 4.3 **INFORMATION MANAGEMENT SYSTEMS**

The technical team's assessment was based on interviews of staff and departmental heads. General comments relating to the management information systems of the University include:

- Serious deficiencies in the management information systems and data of the University were observed indicating serious shortcomings in the capturing of data e.g. the information on the application forms is sometimes incomplete. Data elements necessary for HEMIS reporting may therefore not be captured which may lead to incorrect data for subsidy purposes;

- It is quite clear that the amount and quality of management information is not nearly adequate for assisting management in decision-making, managing and allocating resources in an efficient and effective manner. In fact, the impression is that there is no link between management information, resource allocation and academic processes. The only input from the Department of Management Information to the Department of Finance, which is responsible for the budgeting process, is the HEMIS information that drives the subsidy components of the New Funding Framework. No mechanisms exist to evaluate the subsidy and tuition fee income per study programme, as well as the expenditure per faculty or academic department. It was stated by the interviewees of the Department of Finance that a formal approved institutional budget for 2007 does not exist, therefore implying that there are no approved budgets for faculties or support service departments. This results in the institution not being managed properly. (This was also confirmed by a number of Executive Deans);
- Although a limited capacity exists in the management information office to produce a number of valuable management information reports, there is a lack of capacity to extend the information capability to, for instance, throughput and graduation rates (cohort analyses).
- The management information office also does not have the capacity to analyse the data and propose alternative decision options to the Executive for effective institutional management. To be effective in a decision support role, the office should also be able to utilise the databases of other support services such as Finance, Human Resources, Research Office, Facilities, etc. A lack of integration of databases is evident. The better utilisation of the Oracle software platform, through its data warehousing capability, should be pursued. This unfortunately implies that the services of expensive IT experts would have to be contracted in;
- One of the major problems is the integrity of the data, especially the HEMIS data (previously the SAPSE data). This is a problem that has been plaguing the institution (especially the former University of the North) for a long time. This observation can be confirmed by the fact that the Department of Education had to recover an amount in excess of R35 million from the University of the North in the 2003/04 financial year due to incorrect SAPSE information. Unfortunately this recovery of the excess subsidy coincided with the decline in student numbers (also in Effective Subsidy Students ESSs) due to the incorporation of the Qwa-Qwa campus into the University of the Free State. A decline in the subsidy allocation (excluding the earmarked funds) from R164m in 2002 to R122m in 2003 was a major blow to the financial well being of the University of the North. It has to be noted that this unfortunate downward adjustment in the subsidy allocation was not a malicious act of the DoE, but was due to a lack

- of internal controls on the quality and integrity of the SAPSE information, particularly on which the subsidy calculations are based;
- The latest external auditor's (KPMG) report of 13 October 2006 on HEMIS student data and academic programmes of 2005 again points to a number of serious errors in the HEMIS data that are being used for subsidy purposes by the DoE. It has to be mentioned that this report was dated about three (3) months after the due date of 31 July 2006 for the third final audited student and staff HEMIS submission to the DoE for subsidy calculation for the financial year 2007;
- The Management Information Office is understaffed and the appointment of an experienced Institutional Researcher is essential; and
- An integrated approach to institutional planning is needed that takes into account all aspects of running a higher education institution.

#### 4.4 HUMAN RESOURCES MANAGEMENT

The assessment was based on interviews with different individuals within the HR Department as well as clients of HR within the University, and access to various reports on salaries and policy administration:

##### 4.4.1 Policy Administration

- Overtime

A report was produced on overtime earned during the month of April 2007. It appears that there is apparently no or little control with senior academics earning overtime: 27% of the Medunsa campus staff and 47% of Turfloop campus staff working in excess of the legal limit for overtime and in some instances, staff approving their own overtime.

- 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 – 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.

- Private (External) work

A policy does exist with regard to private work but there is apparently no adherence, control or management of this policy. It is common knowledge that many staff members engage in external work for remuneration without approval for this work. It also appears to be common knowledge that several academics have external practices and spend a minimal amount of time on campus e.g. one academic has two external practices and has restricted his on-campus lecture time to Fridays and Saturdays.

- Study Benefits

It appears that the policy on Study Benefits allows for dependants of staff to register at other institutions with remission of student fees and residence costs. This also appears to include the transport of these dependants from Polokwane to that other institution, for example in Cape Town.

#### 4.5.2 Management information

- There is evidence that the databases are ineffective, inaccurate, and confused. It would appear that data to do with the same topic, but drawn from different sources, never agree.
- Specific additional information was requested from two 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 undertakings were made to clean it up. The cleaned version has still not been received.

#### 4.5.3 Staff Capacities and Competencies

- Turfloop HR staff number 31 against a total complement of 888 (1 HR staff to 29 other staff) and the Medunsa campus 9 HR staff against a complement of 1340 (1 HR staff to 148 other staff. These ratios should be seen against the HE sectoral average of 1 HR staff to 110 other staff - suggesting that the Medunsa campus is understaffed and the Turfloop significantly overstaffed by approximately 8 people.

- An analysis of qualifications and years of HR related service would indicate that there is a significant lack of professional HR competencies amongst the HR staff.

#### 4.5.4 HR Structures

- HR staff is structured on a confused basis throughout the institution where centralisation occurs at some points and decentralization at others indicating a lack of strategic direction and leadership in order to produce a focused and professional service to the institution.

#### 4.5.5 Merger Related Activities

- The two previous institutions remain entirely separate from each other and, other than for employing new staff on benefits that do not include post retirement medical aid, no other conditions have been harmonised since 1 January 2005.
- Two paydays are still operative - 15<sup>th</sup> for the MEDUNSA campus staff and the last Friday of each month for Turfloop campus staff.
- New employees are still employed on the conditions prevailing at each campus prior to the merger.
- While new unitary policies have been drafted and approved for negotiating with the staff representative organisations, it has taken the institution two and a half (2.5) years just to create a Joint Bargaining Forum for this purpose. In any event, these drafts remain inconsistent with the financial constraints of this institution and are set to be comparable, if not better, than the norm for other higher education institutions.
- The differential between staff salaries on the two campuses is considerable with no attempts having been made to create unitary scales for new staff at least, and no attempts discernable to approve a salary structure commensurate with the institution's finances. The differential paradigm grows ever larger.
- Databases have been joined but not merged and suffer the same inconsistencies and inaccuracies as mentioned above.

4.5.6. 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.

This analysis has led to the following observations:

- There is no evidence of any attempt to implement unitary policies at this institution other than to create drafts. Policies are dealt with separately on each campus and are significantly outdated and generous. The flow of authorising practices in terms of the policies is suspect e.g. staff authorising their own leave;
- There is no evidence that there is direct and effective leadership within the HR department or, for that matter, in the institution;
- The ability of HR to deliver is severely impeded by the lack of direction and effective decision making from the Executive;
- There is no evidence of real managing and hands-on control of the operational functions from an HR point of view;
- There is evidence that the databases are ineffective, inaccurate and confused;
- 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
- Apart from being significantly overstaffed at the Turfloop campus, there is evidence that the level of competency required from the HR department is below par.

## **4.5 GOVERNANCE AND MANAGEMENT**

### **4.5.1 COUNCIL**

In is my impression that Council has had significant difficulties in providing oversight and operating strategy as evidenced by the meeting of Council in December 2006.

At that meeting, the Chair of Council posed questions about the strength and capacity of Council. He asked whether the University Council has the ability to address the issues confronting the University including the financial crisis, about which the Minister of Education had expressed serious concerns, as had the Chair of Council and the Audit Committee. He asked further whether the University had a management that has the ability to implement Council decisions and manage the turnaround strategy.

These questions were posed in the light of the challenges and crises that faced the University over the previous year, including its inability to pay salaries and its reliance on overdraft facility.

In the same meeting, the Council deliberated on the following:

- The University's failure to submit the institutional operating plan on time;
- Financial management at the University which is in disarray;
- Problems of disclosure that are a reflection of weaknesses within top management as well as the financial management of the University;
- Serious governance problems at the level of Council such as failure to form a quorum for five consecutive meetings of Council; and
- Inability of Council to discharge its fiduciary duties and responsibilities properly.

The meeting of Council therefore resolved that:

- It needed to review its effectiveness, taking into consideration the legislative framework with respect to size and shape, individual roles of Councillors and the performance of the whole Council; and
- It needed to challenge members to show commitment and willingness to serve on Council.

Despite the resolutions, there appears to be little evidence of progress in this regard. Furthermore, there is substantial evidence to conclude that the Council has not been able to adequately discharge its responsibilities. These include:

- Proposed efficiencies and savings proclaimed by the former Administrator in his report to the new Council have not been realised;
- Proposals on restructuring and cost savings initiatives have not been acted upon;
- Proposals submitted as a financial rescue package have not been monitored for implementation;
- Ineffective oversight of management functions; and
- Failure of Council to finalise the 2007 budget. 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 rectify. To date the budget has been conditionally approved by Council up to the end of June 2007.

#### 4.5.2 EXECUTIVE MANAGEMENT

The top management of the University consists of the Vice Chancellor and three Deputy Vice Chancellors (DVC's); Finance, ICT and Administration (currently vacant); Student Affairs and Corporate Services (currently vacant); and Academic and Research (currently vacant). The next management level consists of Executive Deans, which forms the Executive Management Committee of the University. The Directors of Schools report to the Executive Deans.



My assessment of the management team of the University is that it is considerably weak and seems to have little coherence. This could be as a result of the DVC positions not being substantively filled and the current incumbents struggling to deliver on their mandates. This inevitably weakens the role and effectiveness of senior management.

It is my view that if these positions are not filled in the next six months, the senior management of the University will collapse with immeasurable consequences for the University of Limpopo.

In addition to the above, there are ample examples of management's failure or inability to carry out their responsibilities. Such examples are found in the details of this report in sections 4.1 to 4.4.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

After embarking on this exercise, I am convinced that the University of Limpopo, is faced with difficult and challenging conditions, which require the Council and Management of the institution to apply measures that will assist it to be more efficient, effective, and accountable in order to survive in this difficult environment.

The promotion of efficiency, effectiveness, and accountability depends on adequate management measures for, amongst other things, the planning, budgeting, authorisation, control, and evaluation of the procurement and utilisation of resources. Similarly the University needs to maintain the quality of its primary mission of teaching and research. In view of this, it is the responsibility of the Vice Chancellor, through the Executive Management team, to institute these management and operational measures. Furthermore, the Council must ensure that the University's primary operations and its management and administration function optimally.

On the basis of the above, it is my view that this University needs assistance in building its capacity to deal with the many problems faced by the Council and management. There is a need to help the Vice Chancellor to increase his management capabilities. There is also a need to assist the members of Council to enhance their skills in order to properly discharge their oversight role within the University of Limpopo.

The University requires a strong management team, which it presently does not have. Even if all the vacant senior positions were filled tomorrow, an effective system that would steer the institution to a sustainable position, would still take some time to build. It should therefore be noted that there is not a quick fix solution to the challenges of this institution. Any suggested interventions will

require a period of approximately twelve (12) months to yield the desired outcomes.

The area of financial management is a critical one for the University and it needs to be undertaken by an experienced and competent individual. All the technical experts appointed by the Minister to assist me in this assignment are convinced that the deficiencies that have been identified at this University can be rectified within a reasonable period.

The problems identified within human resources, likewise, can be rectified if an experienced and competent person can be identified and appointed to work with senior management to develop human resources policies and systems that are efficient and consistent.

The Management Information Office has also been identified as lacking capacity in the provision and analysis of data, which will assist the executive management in their strategic planning. It is evident that while the institution has the required management information infrastructure, it is not being utilised efficiently to support management decision-making. In this regard, capacity is needed to assist the institution in implementing effective systems.

My recommendations to the Minister are the following:

- The Minister should extend the work of the current task team that assisted me, as currently constituted, to assist the University in correcting the obvious deficiencies in the following areas: financial administration, human resources management, academic and programme planning, governance and management efficiencies for a period of approximately eight to twelve (8 - 12) months.
- In the event that the current task team cannot be secured to continue with the above assignment, competent individuals should be identified and appointed to undertake the task of supporting the University in the specified areas.
- The task team should further assist the University in identifying competent and experienced people who could be appointed in the current vacant senior positions such as finance, human resources and information communication and technology (ICT). It is imperative that this task team enjoys the full support and co-operation of the Council and Management.
- The task team, in conjunction with the Vice Chancellor of the University, to report to the Minister on the progress of the assignment within a period of six (6) months. It should however be noted that the

- overall accountability lies with the Vice Chancellor and the Council to ensure that this intervention is carried through successfully to the benefit of the University and its community.
- The delegation of authority and powers and reporting lines for the task team should be specified within terms of reference, which should be determined by the Minister of Education.
- The idea of a senior veteran in University administration and leadership to work alongside the Vice Chancellor as a coach/mentor should be considered, provided that such an arrangement receives support from the University Council.

Signed: .....

A handwritten signature in black ink, appearing to read 'Bennie A Khoapa', written over a dotted line.

Professor Bennie A Khoapa

## 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 Rhooode; Executive Director: Finance, Mr Herman du Toit; Interim Director: Finance, Mr EL Boraie; 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 as 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

- Internal Controls

I have reviewed the annual letter to management listing weaknesses identified by the external auditors. My impression from the findings indicates a serious lack of controls. I was very disappointed with the response from management to the findings and recommendation. The response has, at times, been very defensive and contemptuous. Generally, the weaknesses are of a serious nature. I believe that the Audit Committee has recently been very effective. I was also informed that many of the issues were re-reported, which means that the matters have not been rectified.

My discussion with the Audit Partners indicates that a lack of management oversight, or the inability of Management to supervise, were the reasons for the lack of implementation. There is a sense of apathy amongst managers and their staff. The issue of significant un-reconciled items, some of them in excess of R20 million, reflects on the unreliability of the financial report to the Finance Committee.

Whilst the Finance Managers indicated a major improvement last year, the Auditors are still of the opinion that there are significant weaknesses. I have also had anonymous information alleging a theft of over R96 000 which was being kept quiet by the Executive Director. I confronted the manager about this information and he informed me that the relevant staff members were to be taken before a Disciplinary Hearing tomorrow. There are other reported matters of a deviant nature that should be investigated.

Unfortunately, I did not have access to the internal audit report. The Audit Committee should also play a more meaningful role in approving the annual Internal and External Audit Plans.

- Conclusion

In my view, the serious financial situation of the University is due primarily to poor management and governance of the finances and administration. It would require a very strong management team to rectify the situation.

A further in-depth and comprehensive analysis would have to be done to evaluate the interventions necessary to put together a turn-around strategy. Some of these interventions would obviously be difficult and painful and would therefore require the full backing of the Council and a strong management team to implement.

## ANNEXURE C

### INFORMATION MANAGEMENT SYSTEMS AND ACADEMIC PLANNING, PROGRAMMES AND ENROLMENT PLANNING

#### INTRODUCTION

The specific mandate and terms of reference to assist the Independent Assessor in his investigation into the affairs of the University of Limpopo, were presented at the first meeting of the team on 8 May 2007: **The** terms of reference are as follows:

#### *Information Management Systems*

- *Conduct a detailed analysis of 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. The team must make recommendations and implement necessary changes on the adequacy and use of such information.*
- *Recommend appropriate structures and staffing for the finance department and other corporate service sections of the institution.*
- *Review external and internal audit reports to assess controls and to identify actions to restore the appropriate level of internal control as may be necessary.*

#### *Academic Planning, Programme and Student Enrolment Planning*

- *Conduct a detailed analysis of the current programme offerings and past and present student enrolments*
- *Evaluate the institutional enrolment planning proposals in relation to infrastructure and staffing capacity and make recommendations on appropriate changes*
- *Ensure that these recommendations are factored into the financial forecasts for the institution.*

## PROCESS

At the Assessor and Task Team Meeting on 8 May 2007, together with officials of the Department of Education, it was agreed to arrange for a site visit to the University of Limpopo to meet with the Executive and a number of senior staff members, which included acting DVCs, executive deans and high ranking officers of support services. The visit took place on 28 May 2007. After the initial introduction and scene setting, the individual task team members met with staff members that could assist in the investigation of the issues concerned with the individual team member's mandate - in this case management information and planning.

The following members of staff were interviewed as the "Management Information Group and Planning".

Ms Rolda Mamabolo	(Management Information)
Mr MC Makumbila	(-)
Mr Frank Nkoane	(Medunsa Campus: Management Information)
Ms Marika Venter	(IT department)

The session with the officials of the Department of Finance, Mr Herman Rhode and Mr Herman du Toit, was also partly attended. The session of the independent assessor with some of the executive deans and other academics was also attended.

A site visit to the Medunsa Campus was scheduled for 7 June 2007 and the following staff members were interviewed.

Prof Ntlhe	Director: School of Medicine
Prof Gugushe	Director: School of Dentistry
Dr Madiba	Director: School of Public Health
Prof Joubert	Director: School of Pathology
Mr Dean Stander	HEMIS Officer

The University of Limpopo made various documents available; these included the University's enrolment plan, the audit-report on the HEM'S system and various financial documents.

## **OBSERVATIONS**

### **MANAGEMENT INFORMATION**

During the interview with the "Management Information" group the following serious deficiencies in the management information systems and data were observed:

- a. There seem to be serious shortcomings in the capturing of data e.g. the information on the application forms, is sometimes incomplete. Data elements necessary for HEMIS reporting may therefore not be captured, which may lead to incorrect data for subsidy purposes.
- b. Walk-in students at the start of the academic year affect the accuracy of the data and are a great risk where the payment of registration and tuition fees is concerned.
- c. An office for management information was established in 2003. A concerted effort by the staff in this office was made to try to "clean up" the data by running "error" reports. It seems that this effort was only partially successful, as major errors still exist in some of the data elements. A contributing factor to the present unsatisfactory situation was the merger between the University of the North and Medunsa. The collation of management information and the integration of the two institution's databases are great challenges that have not yet been resolved. The same conclusion was reached by the independent external auditor's report on the management information system of 7 February 2007.
- d. It is quite clear that the amount and quality of management information is not nearly adequate for assisting management in decision-making, managing and allocating resources in an efficient and effective manner. In fact, the impression is, that there is no link between management information, resource allocation and academic processes. The only input from the Department of Management Information to the Department of Finance, which is responsible for the budgeting process, is the HEIIIIIS information that drives the subsidy components of the New Funding Framework. No mechanisms exist to evaluate the subsidy and tuition fee income per study programme, as well as the expenditure per faculty or by academic departments. It was stated by the interviewees of the Department of Finance that a formal approved institutional budget for 2007 does not exist, therefore implying that there are no approved budgets for faculties or support service departments. This results in the institution not being managed properly. This was also confirmed by a number of executive deans.

- e. Although a limited capacity exists in the management information office to produce a number of valuable management information reports, there is a lack of capacity to extend the information capability to, for instance, throughput and graduation rates (cohort analyses).
- f. The management information office also does not have the capacity to analyse the data and propose alternative decision options to the Executive for effective institutional management. To be effective in a decision support role the office should also be able to utilise the databases of other support services, such as Finance, Human Resources, Research Office, Facilities, etc. A lack of integration of databases is evident. The better utilisation of the Oracle software platform, through its data warehousing capability, should be pursued. This unfortunately implies that the services of expensive IT experts would have to be contracted in.
- g. One of the major problems is the integrity of the data, especially the HEMIS data (previously the SAPSE data). This is a problem that has been plaguing the institution (especially the former University of the North) for a long time. This observation can be confirmed by the fact that the Department of Education (DoE) had to recover an amount in excess of R35 million from the University of the North in the 2003/04 financial year due to incorrect SAPSE information. Unfortunately, this recovery of the excess subsidy coincided with the decline in student numbers (also in Effective Subsidy Students ESSs) due to the incorporation of the Qwa-Qwa campus into the University of the Free State. A decline in the subsidy allocation (excluding the earmarked funds) from R164m in 2002 to R122m in 2003 was a major blow to the financial well being of the University of the North. It has to be noted that this unfortunate downward adjustment in the subsidy allocation was not a malicious act of the Department of Education, but was due to a lack of internal controls on the quality and integrity of especially the SAPSE information, on which the subsidy calculations are based.
- h. The latest external auditor's (KPMG) report of 13 October 2006 on HEMIS student data and academic programmes of 2005 again points to a number of fatal errors in the HEMIS data that are being used for subsidy purposes by the DoE. It has to be mentioned that this report dated about three (3) months after the due date of 31 July 2006 for the third and final audited student and staff HEMIS submission to the DoE for subsidy calculation for the financial year 2007.

- i. It was observed that prior to, and even after, the merger between the UNIN and Medunsa, the SAPSE/HEMIS student and staff information was collected and managed separately by the two institutions. An impression is that the integrity and accuracy of the SAPSE/HEMIS information of the Medunsa Campus (managed by staff of the Medunsa Campus) is, although not perfect, much better, than that of the Turfloop Campus.
- J. Management information, specifically HEMIS information, feeds into the DoE's funding formulae. For this reason it was decided to trace the historical trend of the subsidy allocations to the two institutions before and after the merger. The task team member responsible for the financial assessment of the institution will probably be reporting on the subsidy issue in greater detail. The following table gives a summary of the subsidy allocations, and also a number of other indices (e.g. student numbers).

SUBSIDY (excluding ad-hoc)							
Year	Medunsa			UNIN			Total
	A-value	Amount	Student FTE's	A-value	Amount	Student FTE's	Amount
2000	0.8374	R154.9m	2989	0.6285	R186.4m	8773	R341.3m
2001	0.8300	R168.9m	3293	0.6285	R181.4m	7344	R350.3m
2002	0.7500	R168.7m	3154	0.6312	R164.6m	6977	R333.3m
2003	0.6029	R164.3m	2969	0.6029	R122.3m*	8055	R286.6m
2004	NFF**	R155.3m	2848	NFF**	R148.4m	9566	R303.7m
2005	NFF**	R161.7m	2806	NFF**	R163.8m	11272	R325.5m
2006	NFF**	Merged	-	NFF**	Merged	-	R336.4m

- \* Recovery of subsidy due to incorrect data and moving of Owa-Owa campus  
 \*\* Migration strategy applied from SAPSE formula to NFF for all institutions

- k. From the table it is clear that the Student FTEs at the Medunsa Campus appear to have been stable. The decline in the subsidy amount since 2002 is due to the decline in the a-value used in the SAPSE subsidy formula. Medunsa was funded at a higher a-value than that of the higher education sector. The Medunsa a-value was brought in line with that of the higher education sector in 2003, the last year that the SAPSE formula was applied. The subsidy of the UNIN declined from 2000 to 2002 due to a drop in the FTE student numbers. A large drop in the subsidy occurred in 2003 due to "incorrect data" in spite of an increase in FTE students. (The a-value also declined in that year for all higher education institutions, which is also a contributing factor to the large drop in the subsidy amount.) A steady increase in the subsidy amount for the UNIN occurred from 2003 onward. This is partly due to the growth in FTE students at the Turfloop Campus from 2002 onwards.
- l. In a sense the high growth rate in FTE students was "uncontrolled". Institutions were made aware by the DoE that a migration strategy was being implemented to facilitate a more stable transition from the old SAPSE funding formula to the NEW FUNDING FRAMEWORK. Limits were placed on the "gains" and "losses" of institutions measured against the subsidy allocation of 2003 to the financial year 2004. At the same time "caps" were placed on the



number of FTE students for which each institution could receive teaching input grants (approximately 65% of the total subsidy allocation to institutions). Institutions that did not take this directive (capped FTEs) into account in developing a controlled student growth policy, found themselves in financial difficulties. This is the case at the Turfloop Campus of the University of Limpopo. [The student enrolment at the Medunsa Campus is stable].

- m. The Student Enrolment Plan: 2005-2010 of the University of Limpopo projected a very modest growth rate in the student head count of 0.5% [from 17600 in 2005 to 18000 in 2006]. This enrolment plan was accepted by the DoE and will probably result in very small increases in the teaching input grant. This scenario implies that the University of Limpopo cannot rely on a real growth in its subsidy income. Indications are that teaching development grants (of which the UL received large amounts since 2004) will be allocated as earmarked funds and not as block grants in future, which will restrict the general operating budget.
- n. The financial assessment of the institution may well indicate that the institution is not financially sustainable under these circumstances. Further analyses of the student and staff HEMIS data may indicate that the students to staff ratios are below, or in excess of, acceptable levels for the C1, C2 and C3 staff. The financial evaluation generally should be able to determine whether, for instance, a reduction in staff (academic or support) could remedy the current financial dilemma of the University.

## PLANNING

### Student enrolment planning

All institutions were obliged to submit student enrolment plans to the DoE for 2007 in the course of 2006. The main aspects of the University of Limpopo's enrolment plan is summarised in the following table:

Head count enrolments: actual and projected					
	Actual			Projected	
	2000	2005	% growth p.a.	2010	% growth p.a.
1 <sup>51</sup> -time entering UGs	1546	4402	23.3%	3078	-6.9%
Total UGs	9102	14245	9,4%	12310	-2.9%
Masters and doctors	1001	2057	15.5%	1847	-2.1%
Other postgraduates	1071	1141	1.3%	1231	1.6%
Occasional	39	5	-33.7%	0	-100%
<b>Total</b>	<b>11213</b>	<b>17448</b>	<b>9.2%</b>	<b>15388</b>	<b>-2.1%</b>

From the table it can be seen that the University is anticipating a decline of 2000 in enrolments between 2005 and 2010, and that, although its growth was above the national average previously, there will be a decline of approximately 2% per annum till 2010. In FTE terms this amounts to -4% per annum. This means that the University's share of the national FTE student enrolments will decline from 2.71% in 2005 to 2.05% in 2010 and that the University's share of teaching input total for 2010 could be lower than its current capped share. A further implication is that the University's input grant could fall in 2010.

In contrast to the figures in the enrolment plan, the members of the task team were told that overall student numbers in the University would increase till 2010. It is therefore not clear to what extent the enrolment plan's consequences have been communicated to the wider university community. As over-enrolments will not be financed by the DoE, but will entail additional costs thereby aggravating the existing deficit, it is important that the situation should be managed carefully.

Following from the previous observation, it does not seem that there are clear lines between the University's planning unit and its senior management. The two parties may be operating in isolation of each other, with the result that the University is possibly not being managed in terms of the plan, despite the fact that the DoE will be basing the University's primary source of income, i.e. its subsidies, on the plan. A dichotomy in this important area could be disastrous for the financial well-being of the institution.

The enrolment plan suggests that the number of FTE (academic) staff will decline at the same rate as students, meaning that the ratio of students to staff should remain more or less constant. Nevertheless, because reducing staff requires lengthy procedures, the University will have to ensure that the reduction in students does not outstrip the reduction in staff. If it does, costs per student will rise, which would have very negative implications.

Currently, there appear to be many staff vacancies. These lend flexibility to the University's costs structures and could be used for reducing the formal staff complement in future years if enrolments do actually decline as stated in the plan. Care must therefore be exercised that permanently appointed persons do not fill these at this stage.

### **Infrastructure**

Within the limited time at its disposal, the members of the task team were not able to evaluate the adequacy of the institution's facilities for dealing with the enrolments it is planning to accept in the coming quinquennium. However, because it is anticipated that enrolments will decline, it can be assumed that the facilities will not be over-extended. A small sample of staff was asked to give their opinions on this point. Even those who were under the impression that enrolments would be increasing, were of the opinion that the physical facilities would be able to cope with increasing student numbers.

The same does not seem to apply to the quality of the physical facilities. Due to the University's poor financial situation over the past number of years, maintenance has apparently been inadequate with the result that the physical infrastructure needs to be refurbished. The University's laboratories were singled out for special mention in this regard.

### **Programme offerings**

The members of the task team were supplied with the University's "approved qualifications and majors/fields of specialisation as at 31 December 2005". At that point the programme information of Turfloop and Medunsa had not been integrated. Nevertheless, it appears that the institution can offer a wide range of programmes, including many at masters and doctoral levels. There was not an opportunity to correlate the numbers of staff with higher degrees to these higher degree programmes. It is important for the University to assure itself that sufficient highly qualified staff is available to supervise the research degrees currently on offer.

The University's formal student enrolment plan contains a suggestion that a number of qualifications will be added by 2010. Besides doctoral degrees, it is envisaged that a bachelor's degree in engineering will be introduced. Doing this would require considerable funds, which may not be available at present.

## Students per programme

The University's academics have been divided into four faculties: Health, Humanities, Management and Law, Science and Agriculture in an attempt to rationalise the use and costs of staff in future. It is assumed that this presented an opportunity to cull under-subscribed modules and programmes. Regrettably however, it seems that there are still many programmes and modules with enrolments of less than 10 students each. These "small" programmes result in the institution's resources being dissipated. Accordingly, it is recommended that the institution should initiate a process for reducing the numbers of small modules that are not of strategic importance

## CONCLUSIONS

- The management information system is inadequate for providing the necessary decision support to the Executive for managing the institution effectively and efficiently.
- However, there appears to be a lack of data integration to investigate/understand/determine the dynamics of the causes and effects of changes in crucial variables within the University.
- The management information office is understaffed and the appointment of an experienced Institutional Researcher is essential.
- An integrated approach to institutional planning is needed that takes into account all aspects of running a higher education institution.
- Although the University of Limpopo is *de facto* a merged institution, the operation (and management) of the institution takes place in "nearly" two separated and isolated silos. Animosity and distrust between the staff members of the two campuses are apparent.
- It appears that the student enrolment plan submitted to the DoE was prepared in isolation by the Planning/HEMIS unit, with the result that the plan does not appear to be used as the University's major guideline for managing the University. This preliminary conclusion is supported by the existence of divergent views on whether the University is set to increase or decrease in size by 2010. As acceptance of the plan by the DoE will determine the University's subsidies for the current planning period, and the University will have to be managed accordingly, it is essential that consensus on this crucial factor should be obtained speedily. Thereafter, managerial interventions are needed to ensure that the trajectory chosen by the institution is followed.

- The University's "programme and qualification mix" is broad, resulting in some doubt as to whether there are not too many expensive small modules being presented, and whether there are sufficient highly qualified academics to present the large variety of offerings, especially at postgraduate levels. Rationalisation of some of these is likely to be beneficial.

## ANNEXURE D

### ASSESSMENT OF CURRENT STATUS AND PRACTICES WITHIN THE HUMAN RESOURCES DIVISION

#### 1. Background

The Task Team was appointed by the Minister of Education to assist the Independent Assessor in his assessment of the current practices at the University of Limpopo, in order to make recommendations to the Minister on the way forward with regard to governance and management at this institution.

As the University of the North and Medunsa merged on 1 January 2005, this assessment includes an evaluation of the progress made towards merging these two institutions

The following staff, were interviewed as part of this assessment:

Mr LD Liebenberg	Interim Executive Director HR U of L
Mr H Matalong	Interim Director HR Medunsa campus
Mr C Marais	Remuneration Manager U of L
Ms I Fourie	Training and Dev. Director U of L
Mr Mabelebele	HR Manager Admin and Support Services
NEHAWU	Senior office bearers
Ms M Mokoditsoa	Interim HR Manager Sciences
Mr Ramahlako	Interim Manager: Provisioning
Ms T Kekana	Manager HR Faculty Management and Law
Mr T Mokhudu	Interim HR Manager Humanities
Mr B Mabasa	Senior Personnel Officer Medunsa
Ms G Motsamai	Personnel Officer Medunsa
Ms Fouche	Deputy Director HR Medunsa
Mr Lebelo	Ass. Director Labour Relations U of L
Prof Teffo	Dean Humanities Turfloop
Prof Mollel	Dean Agric and Science Turfloop

While these interviews were essentially restricted to HR matters, the people interviewed, without exception, raised institutional problems in the context of service delivery and performance. These will be dealt with in Section 4 of this report.

## 2. Institutional HR statistics

### 2.1 Staff

The Medunsa campus has 1 349 staff including Permanent, Joint Medical, Contract and Temporary staff.

The Turfloop campus has 919 staff in the same categories.

Total Academic staff is 400 (Medunsa) and 368 (Turfloop). This gives a ratio of Academic to Administrative staff of 1:1.95 against a national average in the higher education sector of 1.74. However, calculating the campuses separately gives ratios of 1:2.37 (Medunsa) and 1:1.50 (Turfloop). The Medunsa figures are skewed as this campus has retained its service staff whereas Turfloop has outsourced these functions.

If the service staff is excluded, then this ratio for the university as a whole is 1:1.44. While this might suggest that the administrative section is understaffed, it needs to be seen in the context of other ratios, for example students to academic staff, before any logical assumptions could be made.

Of interest is the ratio of Human Resource (HR) staff to all other staff – with Turfloop having 31 against a total complement of 888 (1 HR staff to 29 other staff) and the Medunsa campus 9 HR staff against a complement of 1340 (1 HR staff to 148 other staff). These ratios should be seen against the Higher Education sectoral average of 1 HR staff to 110 other staff - suggesting that the Medunsa campus is understaffed and the Turfloop significantly overstaffed by approximately 8 people. It would appear that, according to the general comments of those interviewed, HR has, over some time, become the "dumping ground" for staff not wanted elsewhere. This is further borne out by the next section on qualifications.

### 2.2 HR Staff Qualifications (40 staff)

#### HR Related qualifications

Certificate:	4
Diploma:	7
Degree	0
Postgraduate degree:	0

#### Non-HR Related qualifications

Certificate:	1
Diploma:	2
Degree	8

Postgraduate degree: 4

14 HR staff has a matric and 14 have less than matric.

While there is obvious capacity, there are severe doubts from user departments as to the competencies, of HR staff

## 2.2 Discipline

Staff dismissals for infringing the disciplinary code are: 2005 - 4, 2006 - 3 and 2007 to date - 1. With a total of 2 268 staff this is exceptionally low given the comments made by the majority of staff interviewed, that there is a relatively high level of known fraud, particularly in the Transport section. It was also noted that, in many incidents of alleged fraud or infringements of the disciplinary code, attempts to bring the matter to a formal disciplinary hearing are interfered with considerably.

## 2.3 Staff Turnover

The following reflect the staff turnover figures for the last three years:

	<u>Academic</u>	<u>Administration</u>
2005	7,3%	1.8%
2006	7.6%	3.2%
2007 to date	5.1%	1.7%

The figures for administrative staff are on the low side, in terms of a healthy turnover, which should be around 7-8% per annum. Academic turnover for 2005/6 is normal with the exception of 2007, which, if annualized, would reflect 15.3%: high enough to cause real concern.

Appointments over the same period see a gain in actual numbers of 14 Academics and 18 Administrative staff.

## 2.4 Recruitment

The major problem in this area appears to be the approval by the VC of each and every post required to be filled, with lead times varying from one month to several months. Once approval has been received however, the average time to appoint a person seems to be in the region of three months.

There would also appear to be a significant amount of interference in the process of selection as reported by the majority of staff interviewed, particularly in the case of attempting to fill the DVC posts recently. The general perception of the



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 R1 0334 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 anyone 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 their 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 ACTIVITIES**

- 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 - 15<sup>th</sup> 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 75<sup>th</sup> 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 impossible, 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.
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