

## **Government Gazette**

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### **GENERAL NOTICE**

**Notice 326 of 1999**

### **DEPARTMENT OF EDUCATION**

#### **HIGHER EDUCATION ACT, 1997 (ACT No. 101 OF 1997)**

I, Sibusiso Mandlenkosi Emmanuel Bengu, Minister of Education, do hereby, in terms of section 47(2) of the Higher Education Act, 1997 (Act No. 101 of 1997), publish the report of Emeritus Professor S J Saunders, the independent assessor (appointed under section 44 of the same Act) on the investigation conducted at the University of Fort Hare, as set out in the Schedule.

S.M.E. BENGU

Minister of Education

### **SCHEDULE**

#### **REPORT TO THE MINISTER OF EDUCATION, THE HONOURABLE S M E BENGU**

**By  
EMERITUS PROFESSOR S J SAUNDERS**

**Appointed as independent assessor to investigate the affairs of the University of Fort Hare in terms of chapter 6 of the Higher Education Act, 1997 (Act No. 101 of 1997)**

The terms of reference of the Minister of Education to the independent assessor to conduct an investigation into the affairs of the University of Fort Hare were

**1. Terms of reference: General**

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

- the source and nature of the discontent at the University of Fort Hare; and
- steps required to restore proper governance, including promotion of reconciliation, at the University of Fort Hare.

**2. Terms of reference: Specific**

The independent assessor must enquire into and report to the Minister on any issue which he may deem of importance, including the following:

- the reason for the deterioration of relationships between and among various constituencies and structures at the university;
- the reason for the serious lack of confidence in the governance structures of the university, in particular concerning
  - the inability of management to properly administer the university's finances;
  - perceived maladministration by management;
  - financial management decisions made by management;
  - and the role and functioning of the council.

**3. To make recommendations on:**

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

**4. Completion and report:**

Independent assessor to complete his work and submit a report to the Minister within 30

working days of his appointment

A number of events led up to the appointment of an independent assessor to investigate the affairs of the University of Fort Hare. During 1998, the National Ministry of Education received letters from the National Education, Health and Allied Workers' Union (NEHAWU) in the Eastern Cape Province, alleging mismanagement of the university's finances. A meeting was held between departmental officials and NEHAWU representatives on 3 August 1998, during which NEHAWU demanded an investigation by an independent assessor into the financial affairs of the university. In addition, the Department had correspondence from SAPTU making allegations against the management of Fort Hare and correspondence from a visiting professor, expressing his concerns about certain aspects of the university. Matters came to a head when the Interim Transformation Forum called for the suspension of the vice-chancellor, the deputy vice-chancellor academic, the registrar and the council, following on the failure to pay salaries in a timely fashion in December and January, and the withholding of payments deducted from salaries and wages to the Receiver of Revenue and other parties. This followed on the increase in the deficit at the end of December from an expected R13.8 million to a deficit of R46.8 million.

I received full co-operation from the staff of the vice-chancellor's office, and the members of staff whom I interviewed spoke freely with me. I had one-on-one interviews with 54 members of staff and I interviewed a further 62 members of staff in groups, usually quite small ones. These groups included heads of departments, the Interim Transformation Forum, the SRC, NEHAWU, the National Tertiary Education Staff Union, SAPTU, and the Democratic Staff Association and Gender Forum. Two notices were sent out to the Fort Hare community inviting any member of the community to meet with me. One message gave them access to my personal telephone at the university and allowed them to make contact with me without anyone identifying them. In addition, I wrote to all members of council asking them to give me any information which might be useful to me in my task and I spoke with the university auditors, with Mr Christopher of the Fort Hare Foundation who is also a member of the council, and with Professor Iya, a former dean of the law faculty, now with Vista University. I met with the chairperson of council, Professor Francis Wilson and spoke with and received documentation from Mr D B Kotze, previous director of finance. I read the minutes of a number of meetings of council and of the executive committee of council, of the staffing committee and of the finance committee, and I read the university's strategic plan of development 1999 - 2001 and 1995 - 2000. I read numerous documents and memoranda submitted to me by groups and by individuals.

I was impressed by the quality of some of the people I met, both in the academic and the administrative branches of the university, and also amongst some of the trade unionists. I was also impressed by the student leadership whom I met. There is a number of people committed to trying to solve the problems of Fort Hare in a constructive manner and we have to remember the important historical role of the university- in higher education in Africa in general, and in South Africa in particular. Some of the members of the university are very conscious of this. There is no doubt that there is a great deal of tension and lack of trust in the university, that splinter groups have emerged, and that there are major problems as shall be seen in this report. Rumours abound in the university and the overall morale of the staff and the students is low.

The vice-chancellor of the university is Professor Mbulelo V Mzamane, and he was appointed in 1994. The vice-chancellor is a gregarious, outward-going person whose appointment gave rise to great expectation in the university as a whole. Unfortunately he has become the subject of serious criticism from virtually all sectors of the university. The great majority of the people I spoke to were unanimous in their serious criticisms of him. Firstly, he is away from the campus for a great deal of the time. The reasons for his absence are unknown to the university community; some believe that he spends most of his time fund-raising, but he has not been responsible for any new funds accruing to the Fort Hare Foundation, nor is the deputy vice-chancellor (finance) aware of any funds raised by the vice-chancellor.

The vice-chancellor has referred to projects in this regard. Some reports on overseas visits have been made to council.

There are widespread allegations that he interferes with and cuts across proper procedures and makes inappropriate changes to decisions which have been taken using the correct procedures. A significant number of those interviewed alleged that there was inappropriate involvement by the vice-chancellor in the approval of staff to go on the staff development programme (study and research leave) and that some academic appointments were made without advertisement or interview and without the departments being involved. There are widespread allegations that the

committees of the university are dysfunctional and that the vice-chancellor is away so much that most committee meetings, of which he is a member or chairs, do not take place. There are allegations of his failure to deal properly with grievance procedures which (in part) lead to litigation, and there is a number of cases pending against the university. It is to be hoped that these cases can be settled internally following on this report. There is general agreement that he fails to communicate with the university. For example, when the budget deficit resulted in the freezing of funds, and subsequently in the delay in payment of salaries and the failure to transfer money appropriately which had been deducted from staff salaries for P.A.Y.E., insurance, medical aid, etc., he did not communicate those problems to the university community. For that matter there was no communication with the university at all.

The vice-chancellor told me, and he has told members of the university community, that he does not see it as his responsibility to communicate, but that he relies on "representatives" to report back to structures. The vice-chancellor is reported as stating that he is responsible for public relations, but public relations is grossly under-resourced and for some time has been almost non-existent. He is criticised for saying "I am not a finance man", when questioned about the financial state of the university. Documents circulating in the university show that the university is paying for 75% of the academic fees plus a 75% residence subsidy for the vice-chancellor's daughter in Boston, U.S.A. The vice-chancellor states that the university agreed to take responsibility for these costs on his appointment. There is a formal request by the vice-chancellor to the registrar dated 16 August 1995 asking for the university to release his daughter's educational allowance. This is annotated, presumably by the registrar, to Mr Dlabantu, the then director of finance, asking him to attend to the matter. The letter is copied to the Right Reverend B B Finca, the chairperson of council at the time. In any case, the funds should be paid directly to the educational institution in Boston in the case of the academic fees and also if the daughter is in a hall of residence, in the case of subsistence. The cheques for 1997 were made out in favour of the vice-chancellor. It is true that, under section 4.7 of the rules of December 1994, a study subsidy may be paid "at overseas universities", provided that "special arrangements have been made with the vice-chancellor and funds are available", but the rules further state "If assistance has to be given at all, it will be based on the Fort Hare fees structure, unless the fees charged by that university are less than the admission fees charged by Fort Hare". Further, under Rule 6, applications must be made on the prescribed form, obtainable from the personnel office, on or before 15 April. Revised rules of November 17, 1997, make no mention of study at overseas universities, with the exception of a pencilled-in provision: "Applications for exemption to these rules may be applied for in writing to the vice-chancellor/rector". I do not know if the November 1997 modified rules were adopted. The registrar informed me that he had refused to sign the cheque when asked to do so. It would have been preferable for the university to have paid the vice-chancellor a special allowance if it wished to help to this extent in this regard. The matter was clearly known by the chair of council at the time.

Also circulating widely on campus is correspondence relating to the payment of funds for student bursaries into the vice-chancellor's personal bank account. This was rectified on 25 January 1999, but it is a pity that there was a delay in this regard. The funds were received in 1997. There is evidence of over catering for functions hosted by the vice-chancellor. A farewell party on 25 September 1998 involved an invoice reflecting R15 723.13 for "drinks". A significant number of those I spoke with are critical of the vice-chancellor's lifestyle.

He and other members of top management have not given leadership in drawing up the university's rolling three year plan or in giving effect to a vision for the University of Fort Hare. There is no doubt that the retrenchment of over 900 workers in 1997 required determination and courage on the part of the top management of the university including the vice-chancellor, and that it was necessary because of the history behind the development of the large work force and the financial state of the university. The vice-chancellor must be given credit for that. The vice-chancellor has also acted coolly in dealing with major crises on occasion.

The deputy vice-chancellor (academic) is Professor T M V Maqashalala. It is common cause that the relationship between the vice-chancellor and the deputy vice-chancellor (academic) is not good and there is very little communication between them. When the vice-chancellor is away on his numerous absences from the campus he is not seen to leave the deputy vice-chancellor in charge nor to ask him to act for him. Indeed, there is no acting vice-chancellor at that time; the registrar acts for the vice-chancellor in an informal way. The vice-chancellor disputes this. The deputy vice-chancellor (academic) is also criticised by many members of staff for cutting across procedures and for causing committees to be dysfunctional, and he is also criticised because of his absence from the campus.

The registrar of the university is Dr I K Mabindisa. There is criticism of him for not following proper procedures and for contradicting decisions arrived at through due process. There is criticism of the inefficient registration of students on the Bisho campus and of the failure to recruit students in a proper manner, inasmuch as letters to undergraduate and postgraduate students have allegedly either not gone out at all or have been considerably delayed. There are allegations that in some instances the tender procedures were not followed, but these allegations do not suggest any impropriety on the part of the registrar. He is sometimes regarded as not acting on matters which come before him without considerable delay, and there are allegations that he sometimes deals with staff in a vigorous manner. Some of the criticisms are likely to be rooted in the key role he played in the retrenchment of over 900 workers. Despite these criticism there is clear evidence that the registrar is hard working, reliable and able and has achieved a great deal under difficult circumstances.

Taken together, there is a lack of collective leadership in the university, allegations of a failure to follow procedure, an undercutting of middle management, both in the academic and the administrative sector, which most feel have had serious consequences for the university, e.g. in areas such as promotion and in new appointments. The interim deputy vice-chancellor (finance) is Mr R Olander, who is on secondment from Price Waterhouse, and stepped into the breach in November 1998 with the departure of the previous deputy vice-chancellor (finance) Mr D B Kotze. Mr Olander is an impressive man who is undertaking his task with vigour and is a credit to his profession.

There is a serious loss of morale amongst the academic staff. The majority of deans and heads of department feel they are not backed up by top management with respect to absenteeism, overpayment of staff when on leave and in other matters. The average academic member of staff works 2? days a week. Some of those who do come to the campus, do no work at all. Very little research is undertaken and there is poor personnel and institutional discipline. The structural plan of the university resulted in some departments being told that they would be closed at the end of 1998, but nothing has happened and these staff are, in a sense, in limbo, which is contributing to the loss of morale. There was no consultation with many of the staff in this regard. The entire computer science department has resigned. There is hardly any support for academic development programmes.

Morale is equally poor amongst the administrative staff and here again absenteeism is an important feature and there is very poor discipline. The student counselling section was told that it would be closed from the end of 1998, a decision which is not easy to understand. There are many administrative problems: some of them include the following:

Staff development, i.e. study and sabbatical leave, has been liberally granted in the last few years. Astonishingly, some members of staff have had this privilege for up to five years on full pay. A number have had the privilege for two and three years and a significant number do not return to the university and suffer no penalty, which they should suffer in terms of contractual arrangements. In addition, some members of staff on study leave and sabbatical continue to receive their transport allowance despite the fact that they are not in the country, and this has been repeatedly brought to the attention of those responsible, but without any action being taken. It is possible that these staff receive R500 per month for "meals", as do other academic staff at the University of Fort Hare, even when they are out of the country. The staff development committee is the committee which approves the general staff development programme. Staff development programmes started at the end of 1993, before the arrival of Professor Mzamane. The first meeting of the committee was held on 29 November 1993. There were eight meetings as a committee in 1994 under the chairpersonship of Professor Ngara. Under the chairpersonship of Professor Mzamane, there were two meetings in 1995, three in 1996, four in 1997 and one on 17 February 1998. There are no minutes of any meeting held after that date. The staff development programme in itself is an excellent attempt to develop a cadre of top black academics in South Africa. The problem is that procedures have not been followed, rules have not been enforced and top management is alleged to have interfered in the procedures in an arbitrary manner.

There are "ghost" employees in the university. The council minutes of 13 September 1996 show that a sample of 200 employees audited, demonstrated that 10 had no authority for salaries, 7 no authority for houses and 1 no authority for a transport allowance. A full report was to go to the next council meeting, but that did not occur. The minutes also reveal that there was no control over drivers' overtime pay, that there were discrepancies in the petrol account, and on 28 November 1996, the audit committee reported that the University of Fort Hare should "crack down on corruption" which was occurring on a "wide scale at the University of Fort Hare". The minutes also

note that some staff leave the campus at lunch time and that some are paid while being absent without approval. Disciplinary action was urged; council endorsed this, and referred the matter to management for action. It seems unlikely that any action was taken at the time. This year five members of staff who had left the university, were paid a total of R28 000 in January because the proper procedures weren't followed, and this just involves the basic salary and not fringe benefits. I am informed that, in 1998, two academic members of staff were paid for the whole year: one did not come to the campus at all and the other spent only three hours on the campus. No action was taken. There is a record of a member of staff being on sick leave on full pay for a year.

The university has an agreement with Vodacom and all members of staff have mobile telephones and are required to refund the university for private calls. One clerk claimed R523 in one month for official calls. The conventional telephone bill was R9 000. The fact of the matter is that the machine which is used to monitor these calls hasn't worked for over a year. Some members of staff owe money to the university when they resign, but despite the policy which should be enforced to recover this money from the pension money due to them, frequently this does not occur and the money is lost to the university. The meters on the staff houses with regard to electricity and water bills are not read for months and the payment is considerably in arrears. Very few of the university cars are functioning and yet there are nine drivers, many of whom are paid overtime and some, I am informed, can earn as much as R5000 to R6000 a month. The most lucrative posts in the university in 1998 were said to be the drivers and herders of goats on the experimental farm because, in the nature of things, herders of goats have to work early in the morning and late at night and over the weekend and therefore are in a position to claim large amounts of overtime.

An independent company handles the salaries of top management, but the university has been unable to balance and reconcile tax year end certificates and, as a result, has been unable to meet the requests of the Receiver of Revenue in Bisho. Journal entries have failed to be made in a timely fashion, the year end ledger reconciliations have not been completed at times, payments for medical aid, pensions and other matters have been paid at the same rates for many months in the uncertainty whether the amounts are correct or not, housing bonds and insurance policies have been overlooked and attention has repeatedly been drawn to these matters with people concerned.

There is evidence that invoices for the maintenance of university houses have resulted in the payment of much larger sums of money than was reflected in the original quotation, an original quotation for R9 000 having ended up in a final price of R33 000, for example. There is no internal audit function. The council has been looking at this matter for some months, but no action has been taken and the only person in that department is a very junior one who is referred to by some members of staff as "Mr Corridor" because he seems to spend all his time there and it seems that the function is really non-existent. It is quite clear that there is inadequate financial control at a number of levels. This is no reflection at all on the deputy vice- chancellor (finance) or the acting finance officer (chief accountant), both of whom are doing excellent work. The internal auditor reports to top management when any report is made, and this is improper. The internal auditor should report to the audit committee. Unfortunately the audit committee meets infrequently, and when it does meet, it usually doesn't have a quorum; and this is an institution with a very large overdraft.

The experimental farm used to run at a profit. It now runs at a loss.

The executive committee of council approved an amount of R420 320 for a concert at which Miriam Makeba was to appear. This concert took place. There was an idea that the funds could be recouped from the SABC, but no such funds have been recouped to date. It is surprising that this expenditure was approved, given the serious state of the university's finances. The approval was given on 3 September 1998. At the same meeting, the committee was informed of R4.2 million unauthorised overspending and it did not have the cash flow statement available to substantiate it. The issue of the Miriam Makeba concert had first been raised at the executive committee of 13 March 1998.

There is no doubt that the retrenchment of 938 workers in 1997 caused great tension with the unions and that the consequences of that action have persisted. The severance package cost just over R4 million and the annual saving to the university in the future is projected as R13.7 million in 1998,. The vice-chancellor and the registrar have been singled out in this regard and have been threatened, and special security measures were taken by the university at the time, which included surrounding the administration building with razor wire and employing burly, well armed security guards. The registrar has been continuously protected by security guards from that time. He receives security comparable to a head of state in his journeys between the campus and his home. It



it is clear that the threats against him should have been thoroughly investigated some time ago. Council should take urgent action in this regard. Allegations have been made that he has been subject to death threats. There is a guard at night on the vice-chancellor's residence. There is no doubt that it took considerable courage on the part of the vice-chancellor and the registrar to see this matter through.

The unions include some impressive members in their ranks. However, the university did experience in the recent past frog-marching of the deputy registrar (academic) off the campus by the unions. He didn't return and eventually was paid out R398 000. There are allegations that the unions "gang up" against administrative appointments and unduly influence these matters, including some academic appointments. The unions are improperly over-represented on a number of university committees, including selection committees and the interim institutional forum. I have the impression that the unions have an undue influence in the university. The downsizing of the number of workers was necessary in view of the fact that there was over-inflation of numbers because of the history of Fort Hare and in view of the financial crisis. This decision to downsize the work force must not be reversed.

The interim transformation forum presented a list of complaints which were motivated, and are dealt with in this regard. The interim transformation forum is the forerunner of the institutional forum which will be constituted in terms of the new University Act and in terms of the Higher Education Act. When I met with the interim transformation forum, of the 21 people there whose constituencies I could identify, 11 represented trade unions, 3 were academics and 4 were students. It is clear that this is not in conformity with what is intended in the legislation. Council took a resolution on the interim transformation forum at its meeting on 11 September 1998 and agreed that it would be constituted of four members from each of: council, senate, management, the trade unions NTESU, NEHAWU, MESHAWA, SAPTU; the democratic staff association, the SRC, SASCO, the SCO, PASMA, the gender forum and one from each faculty. It is as a result of this decision that the interim transformation forum has an inappropriate representation. In addition, council resolved that the forum's role would be to define the transformation process at the university, to amend the Fort Hare Act and Statute, to empower the stakeholders and to outline a clear programme of transformation. It is laid down in the Higher Education Act that the institutional fore should be advisory and should not undertake any executive function, and so it is clearly puzzling that the council empowered the interim forum to "Amend the Fort Hare Act and Statute". I understand that the Act and Statute were being amended by others, but to empower the forum in such a way was inappropriate. Unless the institutional fore and their interim structures get off to a good start and understand clearly what their function is, the university will be faced with great problems. There is a view that the interim transformation forum is seeking to usurp the functions of top management and the council. If this is indeed so, it is a very serious matter and two things need to be done: its terms of reference need to be made clear and its constitution needs to conform with the legislation.

The SRC has impressive leadership and the complaints raised by them are dealt with in this report. The students were ultimately responsible for the suspension of a lecturer from teaching for 6 months, quite inappropriately, in the recent past. While the students have a responsibility to represent their constituency and to see that their needs are met, they - like the unions - must take care not to resort to protest of a physical and disruptive kind with the frequency with which it has occurred on the Fort Hare campus in the recent past. A continuation of physical protest on the campus, by any sector, with any degree of frequency, will threaten the continued existence of the university, as will the absence of sound management.

The council meets regularly, as does its executive committee, and it is plain that the members of council give a great deal of attention to the affairs of the university. There is usually a quorum at council meetings, but unfortunately there was no quorum in November 1998, at a time when the financial crisis was mounting. At least one constituency in the university questions whether there was a quorum at the meeting held on 22 January 1999, when the question of the continuation of the vice-chancellor's contract was under discussion. Unless special measures are taken, members of a council like the University of Fort Hare which is set in a rural area and most of whose members come from urban areas elsewhere in South Africa, are unable to have a close knowledge of the campus. It is not easy for council members to serve on sub-committees of council and on several crucial committees which should be meeting in the university. Matters on the agenda of the executive committee of council are not always dealt with in council and this was the case in the allocation of a large sum of money for a concert featuring Miriam Makeba. In both the executive committee and in council, matters referred for the subsequent meeting do not always appear on the agenda of that meeting.

The university has a major crisis with regard to finance. The financial statements over the years have shown that there was a surplus of just over R2 million in 1988, a surplus of R4.8 million in 1989, a deficit of R7.8 million in 1990, a deficit of R16.7 million in 1991 and a deficit of R3.9 million in 1992. In 1993 there was surplus of R11.3 million, a surplus of R4.6 million in 1994 and a deficit of R14.5 million in 1995 and R12.2 million in 1996. The deficit increased in 1997. There was a deficit of R24.4 million at the end of 1997 and the deputy vice-chancellor (finance) predicted a deficit of R13.8 million at the end of December 1998."The deputy vice-chancellor (finance) left the university towards the end of 1998. He reported that when he joined, the university budgeting was defective and that there had been no cash flow budget. He experienced a number of problems which resulted in over-expenditure despite his best efforts and he had to review the information system, paying particular attention to security. He was critical of the way in which the financial situation was viewed. He certainly was well regarded by most in management.

The new deputy vice-chancellor (finance) was seconded from Price Waterhouse and has worked very hard and has given excellent service to the university. The first task was to prepare an update of cash flow for presentation to the meeting of the executive committee of council on 23 October 1998. The revised cash flow projected a deficit at the end of December 1998, not of R13.8 million but of R46.8 million. The reasons for this discrepancy include the following:

1. Restructuring with the loss of over 900 workers did not allow adequately for the costs of retrenchments which were not budgeted for. All the retrenchments took place in a couple of months and the total cost was over R4 million.
2. The salaries were understated in the cash flow by R600 000 per month.
3. There had been a 10% salary increase from June 1998 which had been back-dated by council to 1 April. The salary bill costs R7? million per month. (It is not clear to me why the council took this decision in the light of the overall financial position.)
4. The university had introduced new administrative computer systems in 1998 and the two new systems being used couldn't be integrated. The university, therefore, started using the ITS system for income and one of the other new systems for the general ledger for accounts, but these could not be integrated and the new acting deputy vice chancellor (finance) found a R77 million difference between the two systems. The new system gave rise to a lot of problems. The general ledger could not be got out, nor could the cash books, nor was there any way of getting the total of the commitments entered into. It was decided to move back to ITS and this was done in December 1998, everything being recaptured on that system except for 20 to 30 foreign invoices, and everything was re-computerised and reconciled. There was R16 million in outstanding cheques not accounted for and it was at this time that the cash flow was recalculated and the accurate deficit identified.
5. The All Saints Campus at Bisho has been purchased.

Fort Hare had a current student debt of R17 million at the beginning of 1999. There is general agreement that, while that is an important part of the problem, it is not the only problem and its resolution will not solve the university's financial problems by itself. By 11 January, approximately R5 million of the outstanding R17 million had been paid. Discussions were held both with the Department and with the university's bankers. There were two immediate problems: the first was the deficit at the end of 1998, and the second the funds needed to take the university from 1 January 1999 to 1 April 1999, when the subsidy for the new year reaches the university. With regard to the 1998 deficit of R45.3 million, the bank had already agreed to an overdraft of R28 million, which left a shortfall of R17.3 million. The bridging funds required to enable the university to pay running costs during the first three months of 1999 were estimated to be R29.2 million. An amount of R4.46 million was paid by the Department of Education to the university on 18 December 1998, and was the balance of the allocations which had been made in 1998 to Fort Hare for purposes of interest and capital redemption. The Department stipulated that any balance, after the university had met outstanding interest and capital redemption claims, could be deemed as an addition to the university's subsidy for 1998/1999. In addition, the Department informed the university on 29 December 1998 that an amount of R1.39 million had been allocated to Fort Hare from the Institutional Redress budget. This represented a total of R5 850 751 from the Department to help with the cash flow crisis of the university. The university was informed by the Director-General of Education of its subsidy for the 1999/2000 financial year and of some additional monies which would be available. It was also informed of the NSFAS allocation to the university for the coming year, which will be administered by the Tertiary Education Fund of South Africa. This allowed the university to plan its cash flow for 1999. In addition, the bank gave additional overdraft facilities of R20 million in February 1999.

In December 1998 the cash flow problem was so serious that the university had to delay paying salaries and wages by three days and, in addition, despite showing a deduction on the pay slips for PAYE, insurance and medical aid, the monies accruing to the university for these purposes were not paid over. Most of the agencies concerned were informed of the delay. The same procedure was followed in January 1999, when again there was a three day delay in paying salaries, and the deductions were not paid over. The staff were not informed that the pay run was to be delayed, nor were they informed that the deductions were not being paid over. The vice-chancellor was to go overseas in November, but was prevented from doing so by the deputy vice-chancellor (finance) who pointed out to him how serious the financial position had become, but the vice-chancellor did go overseas a few days before the salary crises in December and it was left to the chairperson of council and other members of management to deal with the problem. He was unwise to absent himself from the campus at such a time. The university has been obliged to send out a notice to members of staff, indicating that they should document any disadvantage accruing to them because of a failure to pay over the deductions. Some of the smaller insurance companies were not informed and it seems that at least one member of staff has been inconvenienced. In addition, in May 1998 the university authorised the bank to automatically set off against any of the liabilities to the bank any monies standing to its credit in any of the branches of the bank. Other arrangements were also entered into and these all had the effect of making it impossible for members of staff to draw funds from dedicated accounts. It is true that salaries were still paid against these accounts, but funds for equipment or for other research purposes were no longer available, and these included funds from outside donor agencies, including both national and international. As soon as I discovered that this was the case, I alerted the chairperson of council, the vice-chancellor and the deputy vice-chancellor (finance) - who had inherited this system which was introduced long before he came on the scene - of what I saw as a very serious situation which, if it was not illegal, was certainly improper in my view.

It should be noted that the financial statement dated 31 December 1994, carried the following qualification by the university's auditors: 'We further report that as a result of a break-down in controls we have not been able to satisfy ourselves as to

- whether or not all boarding fees have been correctly recorded and deposited and
- whether the compensation paid to staff was properly authorised and correctly stated."

They also reported that the fixed asset register had not been properly maintained and that certain properties were not registered in the name of the university. The annual financial statement at the end of 1995 was again qualified inasmuch as the auditors reported that the fixed asset register had not been properly maintained and that certain properties had not been registered in the name of the university and further, that their review of the general computer controls and systems application controls indicated that reliance could not be placed on system security, and that most management control functions within the computerised systems were not operating properly. Furthermore, controls over the recording and receipt of residence fees and the proper authorisation of compensation paid to staff were also found to be inadequate. As a result it had not been possible for us to obtain the required audit assurance that

- amounts had been allocated to the appropriate accounts;
- all revenue has been recorded;
- expenditure has been properly incurred and supported by authorised documentation."

The financial statements at the end of 1996 were once again qualified. Once again the auditors reported that the fixed asset register had not been properly maintained and that certain properties had not been registered in the name of the university. Once again, their review of the general computer controls and system application controls indicate that reliance could not be placed on system security, that most management control functions within the computerised system were not operating properly. Furthermore, controls over the recording and receipt of residence fees and the proper authorisation of compensation paid to staff were also found to be inadequate, once again. As a result it was once again not possible for them to obtain the required audit assurance that

- amounts had been allocated to the appropriate accounts;
- all revenues had been recorded,
- expenditure had been properly incurred and supported by authorised documentation.

I have not been able to have sight of the auditors' statement covering the 1997 financial statements and I have not seen the 1998 statements which are not yet available. The council should have dealt



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Rumours abound on the Fort Hare campus. I was told of murders, some used the word assassinations, and there is undoubtedly a great deal of insecurity.

What is to be done? One option facing the Ministry is to recommend that the university be closed, and the cash flow projections combined with what is happening on the campus make this an option which must be taken seriously. The University of Fort Hare has a long and distinguished history. It has very distinguished alumni: it should have an important role to play in contemporary South Africa. I was very impressed by the quality of some of the academic members of staff I interviewed. I was also very impressed by the quality of some of the administrative staff, of the student leadership and of some of the members of the trade unions. There is no doubt that there are people committed to trying to make the university a successful institution once again, but there is also no doubt that it is very dysfunctional at the moment.

If the university is to remain open, my recommendations are as follows:

1. The vice-chancellor's contract must not be renewed. The question of the renewal of his contract has been under discussion and the chairperson of council did consult the deans and the matter was dealt with at a meeting of the senate on 10 November 1998. At that meeting the minutes record that the matter was resolved by secret ballot and that "Out of 54 members who votes: 6 abstained; 20 voted against the renewal of to contract; 24 in favour of renewal of the contract and four papers were spoilt". What puzzles me is that 54 people attended the meeting, including the vice-chancellor's special assistant, the acting deputy registrar (academic) and the minuting secretary, and to reach a figure of 54 all three of those non-members of senate would have had to vote or, alternatively, the proceedings were irregular in another way because the figures don't add up. I am therefore puzzled by the matters as recorded in the senate minutes. The matter was discussed at the meeting of council at the end of January (no minutes are available), and the vice-chancellor's contract was renewed, provided that certain conditions were met, but I am also informed that the meeting did not have a quorum at that stage I have been unable to confirm whether that was so or not. Whatever the truth in these matters is, I do not recommend that the vice-chancellor's contract should be renewed. Professor Mzamane is a very talented person who, by his own admission, does not have an aptitude for hands-on management in administration. He states himself that he does not like to set behind a desk "shuffling papers" and that he is not interested in financial management. As such, he is much more suited to an academic post than a managerial one which is essential in a vice-chancellor and critical for Fort Hare at the present time. He has lost the confidence of the vast majority of the people I interviewed and this is for a number of reasons. He is frequently absent from the campus and staff have great difficulty in getting access to him. It is alleged that he undermines procedures and doesn't follow regulations, and it is clear that he doesn't communicate well with the members of the university community. Indeed, he has stated more than once that the representatives of the various structures should report back to them and that he should not have to communicate. What the university needs is a vice-chancellor with strong managerial skills and if a distinguished academic with such skills cannot be recruited by the university, the council should consider appointing somebody whose skills are almost entirely managerial. Universities overseas have done this at certain times and, while there are drawbacks in not having a distinguished academic lead a university, it is essential that the vice-chancellor has strong management skills. Hopefully the university will be able to attract an outstanding academic with those skills, but, failing that, should look to major South African corporations in the hope of recruiting a top manager or having one seconded to the university for (say) three years.
2. I recommend that, until the new vice-chancellor is in the post, the council appoint a troika to manage the university and give it leadership. The membership must be selected by council after consultation in the university, but could consist of the deputy vice-chancellor (academic) plus two senior academics. The former may be able to play this role if his responsibilities are clearly defined and if he commits himself fully to the university.
3. The council should appoint several subcommittees of one or two people: one committee to meet regularly with the troika, one with the registrar, one to monitor the administration in general and one to monitor financial affairs. Other sub-committees may be needed.
4. The secondment of Mr Olander from Price Waterhouse should continue as deputy vice-chancellor (finance), but Price Waterhouse should be asked to second additional staff to

secure adequate financial control at all levels and that the external personnel should develop the skills of the in-house staff. The internal audit must be strong and independent, must report to an active audit committee which in turn reports to council and not to management.

5. The threats to the registrar should be fully investigated by the relevant authorities and the need for special security procedures reviewed.
6. Outside managers should be seconded to strengthen all levels of administration and develop capacity in existing staff. The university's Institute of Government may be able to help to a certain extent. Every support must be given to the registrar.
7. Committees must meet frequently and regularly and proper procedures must be followed.
8. Council or the executive committee must meet once a month and must approve an action plan to eliminate financial and administrative abuse and to monitor it closely. The proposed sub-committee must report regularly.
9. Most importantly, the council must insist that the budget and finance committees meet regularly and frequently and council must develop a budget plan to ensure that the university is out of debt in three years. It must receive a report on the cash budget on a monthly basis.
10. Restructuring of the academic and administrative staff will have to be examined in detail and action taken based on the present needs of Fort Hare and sound labour practices.
11. The packages of all the top management should be a matter of public record administered by the university in the same way all other salaries are handled. This can only occur when all universities agree to this procedure, which I understand is the case but does not occur in practice. My experience of South African universities over many years leads me to believe this to be important and that it should include a declaration concerning directorships of public and private companies. Universities need most (if not all) the attention of their top executives.
12. The unions must act with due regard to the interests of the university as well as their members, as must the SRC and other student organisations. Disruptions of university life are not compatible with solving the university's problems. Obviously management must act responsibly and with accountability. The unions must cease to have a disproportionate influence in university affairs.
13. The university must ensure that the students pay their fees.

But what of cash flow projections? By the end of December 1999 the overdraft is budgeted to rise to R52 million. This is because student numbers have not reached expected figures, although these are far from final, and the projections allowed for the payment of amounts due to the Foundation and to projects. While notch increases are budgeted for, no overall salary increase is included.

In December 2000 the overdraft is projected as R71 million.

If the structures proposed are put in place and if they act with rigour, there is no doubt that expenditure will fall. Council will have to consider the recommendations of the financial managers very seriously and ensure that the budget is balanced within three years. It will not be easy to achieve, but failure could see the university closing. Members of all sectors at Fort Hare share the blame for the present state of affairs. If Fort Hare continues to exist (and I hope that it does) then all sectors are going to have to work together and commit themselves to eliminating the faults of the past and to building on the strengths of the institution. Plainly decisions about Fort Hare must be taken in the context of the university system as a whole. The forensic audits of a number of institutions will help to inform decisions in this regard. I welcome the institution of a forensic audit at Fort Hare university. If that decision had not already been taken, I would have recommended it and will be happy to co-operate with the forensic auditor if he/she wishes me to do so, based on my work as the independent assessor.

The National Department of Education will have to monitor developments at Fort Hare very closely. If the financial position does not radically change for the better and if the administration of financial and other controls continues to be ineffective, there will be no choice in the matter: Fort Hare will cease to be a university.

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security. He was critical of the way in which the financial situation was viewed. He certainly was well regarded by most in management.

The new deputy vice-chancellor (finance) was seconded from Price Waterhouse and has worked very hard and has given excellent service to the university. The first task was to prepare an update of cash flow for presentation to the meeting of the executive committee of council on 23 October 1998. The revised cash flow projected a deficit at the end of December 1998, not of R13.8 million but of R46.8 million. The reasons for this discrepancy include the following:

1. Restructuring with the loss of over 900 workers did not allow adequately for the costs of retrenchments which were not budgeted for. All the retrenchments took place in a couple of months and the total cost was over R4 million.
2. The salaries were understated in the cash flow by R600 000 per month.
3. There had been a 10% salary increase from June 1998 which had been back-dated by council to 1 April. The salary bill costs R7? million per month. (It is not clear to me why the council took this decision in the light of the overall financial position.)
4. The university had introduced new administrative computer systems in 1998 and the two new systems being used couldn't be integrated. The university, therefore, started using the ITS system for income and one of the other new systems for the general ledger for accounts, but these could not be integrated and the new acting deputy vice chancellor (finance) found a R77 million difference between the two systems. The new system gave rise to a lot of problems. The general ledger could not be got out, nor could the cash books, nor was there any way of getting the total of the commitments entered into. It was decided to move back to ITS and this was done in December 1998, everything being recaptured on that system except for 20 to 30 foreign invoices, and everything was re-computerised and reconciled. There was R16 million in outstanding cheques not accounted for and it was at this time that the cash flow was recalculated and the accurate deficit identified.
5. The All Saints Campus at Bisho has been purchased.

Fort Hare had a current student debt of R17 million at the beginning of 1999. There is general agreement that, while that is an important part of the problem, it is not the only problem and its resolution will not solve the university's financial problems by itself. By 11 January, approximately R5 million of the outstanding R17 million had been paid. Discussions were held both with the Department and with the university's bankers. There were two immediate problems: the first was the deficit at the end of 1998, and the second the funds needed to take the university from 1 January 1999 to 1 April 1999, when the subsidy for the new year reaches the university. With regard to the 1998 deficit of R45.3 million, the bank had already agreed to an overdraft of R28 million, which left a shortfall of R17.3 million. The bridging funds required to enable the university to pay running costs during the first three months of 1999 were estimated to be R29.2 million. An amount of R4.46 million was paid by the Department of Education to the university on 18 December 1998, and was the balance of the allocations which had been made in 1998 to Fort Hare for purposes of interest and capital redemption. The Department stipulated that any balance, after the university had met outstanding interest and capital redemption claims, could be deemed as an addition to the university's subsidy for 1998/1999. In addition, the Department informed the university on 29 December 1998 that an amount of R1.39 million had been allocated to Fort Hare from the Institutional Redress budget. This represented a total of R5 850 751 from the Department to help with the cash flow crisis of the university. The university was informed by the Director-General of Education of its subsidy for the 1999/2000 financial year and of some additional monies which would be available. It was also informed of the NSFAS allocation to the university for the coming year, which will be administered by the Tertiary Education Fund of South Africa. This allowed the university to plan its cash flow for 1999. In addition, the bank gave additional overdraft facilities of R20 million in February 1999.

In December 1998 the cash flow problem was so serious that the university had to delay paying salaries and wages by three days and, in addition, despite showing a deduction on the pay slips for PAYE, insurance and medical aid, the monies accruing to the university for these purposes were not paid over. Most of the agencies concerned were informed of the delay. The same procedure was followed in January 1999, when again there was a three day delay in paying salaries, and the deductions were not paid over. The staff were not informed that the pay run was to be delayed, nor were they informed that the deductions were not being paid over. The vice-chancellor was to go

overseas in November, but was prevented from doing so by the deputy vice-chancellor (finance) who pointed out to him how serious the financial position had become, but the vice-chancellor did go overseas a few days before the salary crises in December and it was left to the chairperson of council and other members of management to deal with the problem. He was unwise to absent himself from the campus at such a time. The university has been obliged to send out a notice to members of staff, indicating that they should document any disadvantage accruing to them because of a failure to pay over the deductions. Some of the smaller insurance companies were not informed and it seems that at least one member of staff has been inconvenienced. In addition, in May 1998 the university authorised the bank to automatically set off against any of the liabilities to the bank any monies standing to its credit in any of the branches of the bank. Other arrangements were also entered into and these all had the effect of making it impossible for members of staff to draw funds from dedicated accounts. It is true that salaries were still paid against these accounts, but funds for equipment or for other research purposes were no longer available, and these included funds from outside donor agencies, including both national and international. As soon as I discovered that this was the case, I alerted the chairperson of council, the vice-chancellor and the deputy vice-chancellor (finance) - who had inherited this system which was introduced long before he came on the scene - of what I saw as a very serious situation which, if it was not illegal, was certainly improper in my view.

It should be noted that the financial statement dated 31 December 1994, carried the following qualification by the university's auditors: 'We further report that as a result of a break-down in controls we have not been able to satisfy ourselves as to

- whether or not all boarding fees have been correctly recorded and deposited and
- whether the compensation paid to staff was properly authorised and correctly stated."

They also reported that the fixed asset register had not been properly maintained and that certain properties were not registered in the name of the university. The annual financial statement at the end of 1995 was again qualified inasmuch as the auditors reported that the fixed asset register had not been properly maintained and that certain properties had not been registered in the name of the university and further, that their review of The general computer controls and systems application controls indicated that reliance could not be placed on system security, and that most management control functions within the computerised systems were not operating properly. Furthermore, controls over the recording and receipt of residence fees and the proper authorisation of compensation paid to staff were also found to be inadequate. As a result it had not been possible for us to obtain the required audit assurance that

- amounts had been allocated to the appropriate accounts;
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