CORPORATE GOVERNANCE IN SOUTH AFRICAN HIGHER EDUCATION INSTITUTIONS

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DECLARATION

I, Cornelie Crous (UFS student number 1998049942), declare that the thesis that I herewith submit for the Doctoral Degree Philosophiae Doctor (Auditing) at the University of the Free State, is my independent work, and that I have not previously submitted it for a qualification at another Institution of Higher Education.

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Name and Surname **Date**

DEDICATION AND ACKNOWLEDGEMENTS

I dedicate this study first to my Lord God. Throughout this lonely journey, I know that it was only through His grace and love that I managed to succeed and persevere.

Second, I would like to dedicate this study to three rather remarkable women, none of whom are still with us, but who were in my thoughts since day one. To my two late grandmothers, Ouma Rentia and Ouma Sarie, who have both been a tremendous example in perseverance and dedication throughout their lives. I know they would both be so excited that this study is at last completed. I miss them both so much and I wish I could share this with them. Then to Berna Ackerman, who has been one of my greatest supporters; who always encouraged me to focus and complete the study; and who never let an opportunity go by without asking how I was progressing and to offer a word of support. Tannie Berna, part of my success I attribute to you.

Since I can remember, I have wanted my own *“rooi jassie”*. I remember after attending a graduating ceremony when I was still a child, telling my Dad that one day I will be wearing my own red gown. This dream has at last realised. I could not have done this without the support, help and encouragement of so many people.

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In the words of Charles de Lint:

> *"I don't want to live in the kind of world where we don't look out for each other. Not just the people that are close to us, but anybody who needs a helping hand. I can't change the way anybody else thinks, or what they choose to do, but I can do my bit."*

LANGUAGE EDITING CERTIFICATE

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To whom it may concern

This is to certify that I language-edited the PhD thesis of Cornelie Crous manually. She effected the changes. In this way, both linguistic excellence and the candidate's ownership of her text were ensured.

Sincerely

Luna Bergh

D Litt et Phil

Language and writing specialist

NOTES ON REFERENCE PROGRAM USED

The reference program, Zotero Standalone, was used to assist in the referencing in this document. The program allowed for different referencing styles as well as for the adjustment of the referencing styles to suit authors' needs. The adjusted Harvard referencing style, developed by the Cape Peninsula University of Technology, was used in this document. This style allowed for the Reference List to be sorted into different groups of documents such as *Books and Chapters in Books, Magazine and Newspaper Articles, Journal Articles, Reports and Codes, Legislation, Statues and Court Cases, Websites* and *Documents, Conference Papers and other sources*.

Where a certain chapter in a book is referenced in the Reference List, it is done by the use of the word "In". See the example below:

Cloete, N. 2002. Policy Expectations. In *Transformation in Higher Education: Global Pressures and Local Realities in South Africa*. Cape Town: Juta.

In the group *Magazine and Newspaper Articles*, either the hard copy, or an electronic copy of an article was obtained. The electronic copies were normally found on the newspaper or magazine's website. Where the hard copy of a newspaper or magazine article was used, the source is indicated in the Reference List with the page number as follows:

Dodds, C. 2013. Jumping the gun to Seek Action against Zuma, Claims ANC. *Saturday Star.* 4.

Where the article was obtained from the newspaper or magazine's website, the URL of the article, as well as the date the article was accessed, is provided instead of the page number, and looks as follows:

Areff, A. 2015. English to be Main Language of Instruction at Stellenbosch University. *News24.* Available from: http://www.news24.com/SouthAfrica/News/ensglish-to-be-the-main-language-of-instruction-at-stellenbosch-university-20151113. Accessed on: 4 January 2016.

References in the group, *Articles*, contain the Volume as well as the Issue number where applicable. All references where there is no Issue number included, were published in journals that have only one issue per volume. No issue number was included. The two examples below demonstrate this principle. The first example contains a Volume and Issue, and the second example contains only a Volume number.

Armstrong, P. 1995. The King Report on Corporate Governance. *The JBL Journal,* 3(2): 65-70.

Barnea, A. & Rubin, A. 2010. Corporate Social Responsibility as a Conflict between Shareholders. *Journal of Business Ethics,* 97:71-86.

Where there are sources with the same author in the same year, the program automatically numbers them a, b, c etc. See the two examples below:

ANA Reporter. 2016a. Maimane Calls on Zuma for Probe Into 'Ongoing Collapse' at SABC. *The Citizen*: 3.

ANA Reporter. 2016b. Maimane Demands Details of Zuma's Loan for Nkandla. *The Citizen*. Available from: http://citizen.co.za/1304444/maimane-demands-details-of-zumas-loan-for-nkandla/. Accessed on: 19 October 2016.

Sources with more than two authors are automatically abbreviation in the in-text reference to the name of the first author and the words "et al." The Reference List then displayed all the authors. See example below:

In-text reference: (Mouton et al., 2012: 1215)

Reference List: Mouton, N., Louw, G.P. & Strydom, G.L. 2012. A Historical Analysis of the Post-Apartheid Dispensation Education in South Africa (1994-2011). *International Business & Economics Research Journal*, 11(11): 1211–1222.

Where Zotero was used to add the reference of a source with two authors within a paragraph, the program used the symbol “&”. When the author of this study referenced the same source the word “and” is used. See example below:

> Leedy and Ormrod define research as *“the systematic process of collecting, analyzing, and interpreting information … in order to increase our understanding of a phenomenon about which we are interested or concerned”* (Leedy & Ormrod, 2014: 2).

All sources that are available on websites only are found under the heading “*Websites”*. If a source was available for download in document format from a website, the document was referenced under one of the other source groups; for example, *Journal Articles, Reports*, etc. Where information was referenced directly from the website, i.e. no document is available for download from the website, the source was included under the Website group in the Reference List. For example, the reference to the By-laws of the University of California Berkeley falls under the website category, as the By-laws are not available for download from the University’s website, and the information was therefore obtained directly from the Website. This reference falls under *Websites* and not under the *Legislation, Statues and Court Cases*.

> University of California Berkeley. 2016d. University of California Manual: By-laws of the Berkeley Division of the Academic Senate 2016 Version.

The final group of references in the Reference List, Documents, *Conference Papers and other sources*, consist of sources that cannot be classified as *Books and Chapters in Books, Magazine and Newspaper Articles, Journal Articles, Reports and Codes, Legislation, Statutes and Court Cases* and *Websites*. The sources contained in this section include, for example, documents that were obtained from the Internet - such a discussion documents, lecture notes or radio talks.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMNS AND ABBREVIATIONS

ABA	-	American Bar Association
AFT	-	American Federation of Teachers
AGB	-	Association of Governing Boards
ALI	-	American Law Institute
ANA	-	Annual National Assessment
ANC	-	African National Congress
AQA	-	Academic Quality Agency
ARWU	-	Academic Ranking of World Universities
AT	-	Austria
BBC	-	British Broadcasting Corporation
BCCI	-	Bank of Credit and Commerce International
BE	-	Belgium
BE de[1]	-	Belgium – German-speaking Community
BE fr[1]	-	Belgium – French Community
BE nl[1]	-	Belgium - Flemish Community
BG	-	Bulgaria
BRT	-	Business Roundtable
CACG	-	Commonwealth Association for Corporate Governance
CACS	-	Chancellor's Advisory Committee on Sustainability
CAICFA	-	Committee on Audit, Internal Control and Financial Accountability
CARE	-	Compliance, Accountability, Risk and Ethics Committee
CEO	-	Chief Executive Officer

[1] Abbreviation used in the EURYDICE Reports of 2007 and 2008.

CEPD	-	Centre for Education Policy and Development
CERC	-	Compliance and Enterprise Risk Committee
CFO	-	Chief Financial Officer
CHE	-	Council for Higher Education
CHET	-	Council for Higher Education Transformation
CII	-	Council of Institutional Investors
CISPC	-	Campus Information Security and Privacy Committee
COO	-	Chief Operating Officer
COPE	-	Congress of the People
CPUT	-	Cape Peninsula University of Technology
CSR	-	Corporate Social Responsibility
CUT	-	Central University of Technology
CY	-	Cyprus
CZ	-	Czech Republic
DA	-	Democratic Alliance
DE	-	Germany
DHET	-	Department of Higher Education and Training
DK	-	Denmark
DoE	-	Department of Education
DUT	-	Durban University of Technology
ECGI	-	European Corporate Governance Institute
EE	-	Estonia
EL[1]	-	Greece
ES[1]	-	Spain
EUA	-	European Union Association
FI	-	Finland

FR	-	France
FRC	-	Financial Reporting Council
FSA	-	Financial Services Authority
FTSE	-	Financial Times Stock Exchange
GAAP	-	Generally Accepted Accounting Practices
HEI	-	Higher Education Institution
HEQC	-	Higher Education Quality Committee
HESA	-	Higher Education South Africa
HU	-	Hungary
IE	-	Ireland
IF	-	Institutional Forum
IFC	-	International Finance Corporation
IFP	-	Inkatha Freedom Party
IFRS	-	International Financial Reporting Standards
IIA	-	Institute of Internal Auditors
INED	-	Independent Non-Executive Director
INT	-	International
IOD	-	Institute of Directors
IODSA	-	Institute of Directors South Africa
IRGS	-	Information Risk Governance Committee
IS	-	Iceland
ITa	-	Information Technology
ITb	-	Italy
JSE	-	Johannesburg Securities Exchange
KPI	-	Key Performance Indicator
LI	-	Lichtenstein

LSE	-	London Stock Exchange
LT	-	Lithuania
LU	-	Luxembourg
LV	-	Latvia
MIT	-	Massachusetts Institute of Technology
MT	-	Malta
MUT	-	Mangosuthu University of Technology
NASDAQ	-	National Association of Securities Dealers Automated Quotations
NCHE	-	National Council of Higher Education
NDP	-	National Development Plan
NEPI	-	National Education Policy Investigation
NL	-	Netherlands
NMMU	-	Nelson Mandela Metropolitan University
NO	-	Norway
NQF	-	National Qualifications Framework
NSFAS	-	National Student Financial Aid Scheme
NWU	-	North-West University
NYSE	-	New York Stock Exchange
NZQA	-	New Zealand Qualifications Authority
OBE	-	Outcomes-based Education
OECD	-	Organisation for Economic Co-operation and Development
PCAOB	-	Public Company Accounting Oversight Board
PL	-	Poland
PMA	-	Public Management Act

PT	-	Portugal
PWC	-	PricewaterhouseCoopers LLP
RHODES	-	Rhodes University
RO	-	Romania
RSA	-	Republic of South Africa
SA	-	South Africa
SAA	-	South African Airways
SABC	-	South African Broadcasting Corporation
SADTU	-	South African Democratic Teachers Union
SAHO	-	South African History Online
SAICA	-	South African Institute of Chartered Accountants
SAQA	-	South African Qualification Authority
SCIE	-	Science Citation Index-Expanded
SE	-	Sweden
SEC	-	Securities Exchange Commission
SI	-	Slovenia
SK	-	Slovakia
SPU	-	Sol Plaatje University
SRC	-	Student Representative Council
SSCI	-	Social Science Citation Index
TEAC	-	Tertiary Education Advisor Committee
TEC	-	Tertiary Education Commission
TUT	-	Tshwane University of Technology
UCT	-	University of Cape Town
UFH	-	University of Fort Hare
UFS	-	University of the Free State

UJ	-	University of Johannesburg
UK	-	United Kingdom
UKZN	-	University of KwaZulu-Natal
UL	-	University of Limpopo
UMP	-	University of Mpumalanga
UNISA	-	University of South Africa
UNIVEN	-	University of Venda
UP	-	University of Pretoria
US	-	University Stellenbosch
USA	-	United States of America
UWC	-	University of the Western Cape
VUT	-	Vaal University of Technology
WITS	-	University of the Witwatersrand
WSU	-	Walter Sisulu University
ZULULAND	-	University of Zululand

LIST OF APPENDICES

Use of numbers in the study: All numbers under 100 in this study are written out, except when then the numbers are used as: Principle Numbers in Corporate Governance Codes; Chapter Numbers; By-law Numbers; Section Numbers; Percentages; Scores in terms of the framework; as part of calculations; and within tables.

Cut-off date for this study: Due to the late submission of some of the 2015 Annual Reports to the Department of Higher Education and Training, and the problems experienced in obtaining these Reports, the cut-off date for the empirical study was 30 November 2016.

SUMMARY

Several Universities in South Africa, namely the Tshwane University of Technology (TUT), the Walter Sisulu University (WSU), the Central University of Technology (CUT) and Vaal University of Technology (VUT), were placed under administration since 2011 because of poor administration and governance. Examples of the poor administration and governance practices include, among others, the appointment of Vice-Chancellors with questionable qualifications, the payment of exorbitant remuneration to Vice-Chancellors, malfunctioning of the Councils and accusations and rumours of corruption in the National Student Financial Aid Scheme (NSFAS). The continued national student protests in 2015 and 2016 calling for free and quality higher education have placed renewed focus on the problems experienced by Universities. The soundness of the application of corporate governance principles at Universities, therefore, needed to be investigated. Because of this need, the application of corporate governance principles at South African Universities was addressed in this study.

The Regulations for Reporting by Public Higher Education Institutions of 2014 require Universities to disclose their application of the King III principles in their Annual Reports. Although these disclosure requirements provide detail disclosure guidance, no international best practices were included. No tool, instrument or framework could be found to test the Universities' compliance with the Reporting Regulations and King III principles, which further necessitated this study. By using a qualitative research design, this study used a literature review to develop a framework. The framework was based on the guidance in the Reporting Regulations (which contains the principles of the King III Report), international best practices, and the King IV Report. The framework could be used to determine the level of compliance of disclosures found in the South African Universities' Annual Reports. Although the implementation date of the King IV Report is 1 April 2017, some Universities were proactive in the application of the principles contained in the King IV Report. The developed framework, therefore, includes additional disclosures, contained in the King IV Report, that were excluded from the Reporting Regulations, as a proactive measure in assessing the disclosure of King IV principles in the Annual Reports of the South African Universities.

This framework was used in the empirical portion of the study to analyse the Annual Reports of the South African Universities for the 2011 to 2015 financial years. A total of 113 Annual Reports were analysed against the framework. The framework included 536 items based on the Reporting Regulations of South Africa; 140 items related to the changes from King III principles, as contained in the Reporting Regulations, to the King IV Report; and sixty items based on international best practices.

Findings of the study suggest that some Universities in South Africa are proactive in the implementation of the King IV Report, although the implementation date of this report is only 1 April 2017. The disclosures of the South African Universities' application and compliance with corporate governance principles, according to both South African and international best practice, are lacking in detail. The absence of detail disclosures leads to the concerns about the disclosure practices at these Universities as well as the Universities' commitment to transparency and accountability. The problems experienced in obtaining the Annual Reports of the Universities raise additional concerns in terms of the Universities' commitment to transparency and accountability. These problems raise concerns as the Universities are largely funded by state subsidies, which make the Annual Reports of each University information that should be publicly available.

The results of the application of the framework clearly indicate that South African Universities need to address the quality of the information contained in their Annual Reports. The Council and Committee members need to be better informed of what their duties and functions are in terms of the disclosures in the Annual Reports. Universities should also ensure that the individual, or group of individuals responsible for compiling the Annual Reports is fully aware of the details that should be included in the Annual Reports.

The framework developed in this study can be used by the Department of Higher Education and Training, external auditors of the Universities as well as the Universities themselves, to determine the level of compliance with the disclosure recommendations for Annual Reports. It may further be used as a rating system to rate the South African Universities with regards to the application and disclosure of application of corporate governance principles, or as a warning system to indicate shortages in the corporate governance practices of Universities.

Key words: Corporate governance, South African Universities, Annual Report disclosure, Higher Education, Reporting Regulations, International Best Practice, King IV Report, King III Report

OPSOMMING

ŉ Aantal Suid-Afrikaanse Universiteite, naamlik die Tshwane Universiteit van Tegnologie (TUT), die Walter Sisulu Universiteit (WSU), die Sentrale Universiteit van Tegnologie (CUT) en die Vaal Universiteit van Tegnologie (VUT) is sedert 2011 weens swak administrasie en beheer, onder administrasie geplaas. Voorbeelde van die swak administrasie en beheer is onder andere die aanstelling van Visie-Kanseliers met twyfelagtige kwalifikasies, die betaling van buitensporige vergoeding aan Visie-Kanseliers, wanfunksionering van Rade en aantygings en gerugte van korrupsie met betrekking tot die Nasionale Studente Finansiële Hulp Skema (NSFAS). Die voortslepende nasionale studente betogings van 2015 en 2016 wat oproepe van gratis en gehalte hoëronderwys laat hoor, het hernude fokus op die probleme wat deur Universiteite ondervind word, geplaas. ŉ Ondersoek na die grondige toepassing van korporatiewe beheerbeginsels deur Universiteite is daarom ook nodig. In die lig van hierdie behoefte verleen hierdie studie aandag aan die toepassing van korporatiewe beheerbeginsels aan Suid-Afrikaanse Universiteite.

Die 2014 Regulasies vir Verslagdoening deur Openbare Hoër Onderwys Instellings vereis van Universiteite om hulle toepassing van die King III beginsels in hul Jaarverslae te openbaar. Alhoewel hierdie openbaarmakingsvereistes gedetailleerde riglyne bevat, is geen internasionale beste praktyk ingesluit nie. Geen hulpmiddel, instrument of raamwerk kon gevind word om Universiteite se voldoening aan die Verslagdoeningsregulasies en King III beginsels teen te meet nie, wat hierdie studie verder genoodsaak het. Hierdie studie benut ŉ kwalitatiewe navorsingsontwerp, saam met ŉ literatuuroorsig om ŉ raamwerk te ontwikkel. Die raamwerk is op die Verslagdoeningsregulasies (wat die beginsels van King III vervat, insluit), internasionale beste praktyke en die finale King IV Verslag gebaseer, wat gebruik kan word om die vlak van voldoening aan openbaarmakingsvereistes van Suid-Afrikaanse Universiteite, te bepaal. Alhoewel die implementeringsdatum van die King IV Verslag eers 1 April 2017 is, was sommige Universiteite pro-aktief in die toepassing van die beginsels soos vervat in die King IV Verslag. Daarom, as ŉ proaktiewe maatstaf vir die assessering van King IV beginsels in die Jaarverslae van Suid-Afrikaanse Universiteite, sluit die raamwerk wat ontwikkel is, addisionele

openbaarmakings ingevolge die King IV Verslag, wat nie in die Verslagdoeningsregulasies ingesluit is nie, in.

Hierdie raamwerk is tydens die empiriese ondersoek in die ontleding van Jaarverslae van Suid-Afrikaanse Universiteite vanaf 2011 tot 2015 finansiële jare, gebruik. Altesaam 113 Jaarverslae is ontleed ingevolge die raamwerk. Die raamwerk bestaan uit 536 items met betrekking tot die Suid-Afrikaanse Verslagdoeningsregulasies; 140 items met betrekking tot veranderinge tussen die King III (soos vervat in die Verslagdoeningsregulasies) en King IV Verslae; en sestig items gegrond op internasionale beste praktyke.

Die bevindinge van die studie dui aan dat sommige Suid-Afrikaanse Universiteite proaktief is in die toepassing van die finale King IV Verslag, alhoewel die implementeringsdatum eers 1 April 2017 is. Die openbaarmaking van die Suid-Afrikaanse Universiteite se voldoening aan korporatiewe beheerbeginsels, volgens beide die Suid-Afrikaanse Verslagdoeningsregulasies en internasionale beste praktyke, ontbreek ten opsigte van detail. Die afwesigheid van detail openbaarmaking wek kommer oor die openbaarmakingspraktyke van hierdie Universiteite sowel as die Universiteite se toewyding tot deursigtigheid en aanspreeklikheid. Die probleme wat ervaar is met die verkryging van die Jaarverslae van Universiteite het addisionele kommer rakende Universiteite se toewyding tot deursigtigheid en aanspreeklikheid na vore laat kom. Die probleme is kommerwekkend aangesien Universiteite grootliks deur staatsubsidies befonds word, wat beteken dat die inligting in die Jaarverslae van elke Universiteit, openbare inligting is.

Die resultate van die raamwerk dui duidelik aan dat Suid-Afrikaanse Universiteite aandag moet verleen aan die gehalte van inligting wat in hulle Jaarverslae behoort vervat te wees. Die Raad- en Komiteelede behoort verder ook beter ingelig te wees rakende hulle pligte en verantwoordelikhede met betrekking tot openbaarmaking in die Jaarverslae en die individu, of groep individue, wat verantwoordelik is vir die samestelling van die Jaarverslae behoort ten volle ingelig te wees rakende die detail wat in die Jaarverslae ingesluit behoort te wees.

Die raamwerk wat in die studie ontwikkel is, kan deur die Departement van Hoër Onderwys en Opleiding, Universiteite se eksterne ouditeurs asook die Universiteite self gebruik word ten einde die vlak van nakoming van die openbaarmakingsvereistes in Jaarverslae te bepaal. Dit kan verder ook gebruik word as ŉ graderingstelsel om die Suid-Afrikaanse Universiteite ten opsigte van hul toepassing van korporatiewe beheerbeginsels te gradeer, of as ŉ vroeë waarskuwingstelsel aan Universiteite oor tekortkominge in hulle korporatiewe beheer praktyke.

Sleutelwoorde: Korporatiewe beheer, Suid-Afrikaanse Universiteite, Jaarverslae openbaarmaking, Hoër Onderwys, Verslagdoeningsregulasies, Internasionale Beste Praktyke, King IV Verslag, King III Verslag

CHAPTER 1– INTRODUCTION TO THE STUDY AND CHAPTER OUTLINE

1.1 INTRODUCTION AND BACKGROUND

Governance in Higher Education Institutions in South Africa has been under the spotlight for several years (Goldstone, 2007: 2; Macfarlane, 2012: 14; Ncana, 2010: 4; Ratshitanga, 1998: 10) (for this study, the term Higher Education Institution refers to publicly funded University, and the term University will be used throughout the study when referring to a Higher Education Institution). The aspects addressed in a number of reports and articles on Universities, include maladministration (Ramothwala, 2013: 10; Van Rooyen, 2012: 4; Whitfield, 2012: 8), poor leadership (Macupe, 2012: 7), abuse of power (Ramothwala, 2013: 10) and poor governance (Macupe, 2012: 7; Williams, 2012: 4).

Because of maladministration and poor governance, the South African Minister of Higher Education placed several Universities under administration, and several reports by these administrators were published in the Government Gazette. In 2011, two reports were published; one on the Tswhane University of Technology (TUT) (Nzimande, 2011: 2–8) and the other at the Walter Sisulu University (WSU) (Ncayiyana, 2011: 3–34). In 2012, reports were issued on the Central University of Technology (CUT) (Smith, 2012: 1–37) as well as the Vaal University of Technology (VUT) (Sikhakhane, 2012: 3–54). Allegations in these reports boiled down to maladministration and poor governance. An example of poor governance and maladministration is the appointment of the Vice-Chancellor at TUT during an irregular Council meeting (Kloppers-Lourens, 2011: 3), and the same individual whose doctoral qualification was questioned in several articles (Kloppers-Lourens, 2011: 3; Magome, 2011a: 3; Magome, 2011b; Mthembu, 2011: 6). The Vice-Chancellor at TUT allegedly obtained the degree from the St. George's University International, an institution not recognised by the South African Qualification Authority (SAQA) (Kloppers-Lourens, 2011: 3). Despite the Council's knowledge about the non-accreditation of the degree, the person was appointed as Vice-Chancellor at TUT (Kloppers-Lourens, 2011: 3). Klopper-Lourens (2011: 3) is of the opinion that the remuneration received by the particular Vice-Chancellor amounts to R2.2 million, for a position *"obtained fraudulently",* which is a misappropriation of funds. The irregular appointment of senior staff like the financial executive by the Vice-Chancellor at TUT (Rademeyer, 2011: 7) raised further concerns. Two of the four Council members who were appointed by the Minister of Higher Education and Training at TUT resigned because of these irregularities (Kloppers-Lourens, 2011: 3; Rademeyer, 2011: 7). The two Council members were quoted to say the reason for their resignation was that they were no longer prepared to be associated with the fraudulent and unprofessional behaviour of the Council (Rademeyer, 2011: 7).

In a report from the independent assessor into the affairs of WSU, the stakeholders of the University asked for the Council to be dissolved due to poor governance. In a similar report on VUT, a lack of understanding of the role of the Council was identified by the appointed administrator as an aspect of concern (Ncayiyana, 2011: 7–8). In a report on the state of affairs at CUT, a serious breach of good corporate governance principles by this University was identified (Smith, 2012: 10).

It is evident from the above-mentioned reports that there is a problem with governance at the Universities referred to above. These reports raise the need for an investigation into the effectiveness of governance principles at Universities in South Africa. It is, however, not only the Universities that were placed under administration that are experiencing governance problems. Another example is the resignation of a Council member at the University of the Free State (UFS) in 2014, possibly due to irregularities and un-procedural actions of the University management (Burger, 2014: para. 1).

Other problems have plagued South African Universities over the past few years and included rumours of corruption with the National Student Financial Aid Scheme (NSFAS), student unrest and poor quality students coming from the school system (Editorial, 2015b: 1; Goosen, 2015: para. 1-14; Heard, 2015: para. 1-12; Herman, 2015: para. 1-9; Kekano, 2015: para. 1-8; Lund, 2015: para. 1-22; Ramphele, 2015: para. 1-9; Vilette, 2015: para. 1-9).

Because of the level of poverty in South Africa, funding for Higher Education for certain poor students was provided by the National Student Financial Aid Scheme (NSFAS) (ANC, 2007: 74). This financial aid was recently in the news for alleged corruption (Editorial, 2015b: 1; Goosen, 2015: para. 1-14; Heard, 2015: para. 1-12; Herman, 2015: para. 1-9; Kekano, 2015: para. 1-8; Lund, 2015: para. 1-22; Ramphele, 2015: para. 1-9; Vilette, 2015: para. 1-9). In March of 2015, students marched to the Minister of Higher Education and Training's office to demand the write-off of student debts as well as the abolishment of all student fees (Editorial, 2015b: para. 3-4). As a result of this march, the Department of Higher Education and Training admitted the NSFAS fund was flawed and a spokesperson for this department said: *"[w]e know that NSFAS is not sufficient to cover everyone and again there is an element of corruption and fraud that we are going to make an announcement soon for a forensic investigation around NSFAS because a lot of [m]oney we are convinced gets diverted by University … [c]ertain officials divert this money through corrupt means and ends up not going to the poor child"* (Editorial, 2015b: para. 6-7). The NSFAS spokesperson also indicated the scheme welcomes the probe as *"[t]here is a lot of corruption in the institutions; officials are working with the students to defraud the system"* (Heard, 2015: para. 2; Ramphele, 2015: para. 3). The probe also brought to light that there are insufficient funds in the scheme to support all students and excludes most of the students who are poor (Editorial, 2015b: 1; Goosen, 2015: para. 4; Ramphele, 2015: para. 8).

One cause quoted for insufficient funds in the NSFAS scheme is the poor repayment of funds provided to students. In the 2013/2014 financial year, only 30% of students owing the scheme repaid their debt (Lund, 2015: para. 7). The recovery rate of similar international financial aid funds is around 60%-70% (Lund, 2015: para. 6). Additionally, the Financial and Fiscal Commission warned that the NSFAS funds only have sufficient funds to assist 50% of students who qualify for the funding, and requested the government to assist in increasing NSFAS funds (Lund, 2015: para. 7). Allegations against Universities about the misuse of the NSFAS funds were also made. These allegations included Universities providing falsified student numbers, documentation and funds, which were fuelled by the difficulty to obtain reliable information on, among others, student numbers from Universities (Kekano, 2015: para. 5; Vilette, 2015: para. 2).

Because of the problems with poor recovery of outstanding NSFAS loans and insufficient funding, students launched the #FeesMustFall campaign in October 2015 - which shut down academic activities for more than a week at some Universities (Heard, 2015: para. 10). The protest actions began at WITS, spread to some of the other Universities in South Africa and escalated to a march to the Union Buildings in Pretoria on 23 October 2015 (Subramany, 2015: para. 10).

This campaign called for a zero per cent increase in University fees for 2016 and some students called for free Higher Education (Vilette, 2015: para. 9). This is not surprising as the African National Congress (ANC), at their 2007 Annual National Conference, resolved to implement free Higher Education to *"all undergraduate students"* in South Africa by 2014 (ANC, 2007: 74; Munusamy, 2015: para. 9). The call for zero increase in University fees flared up again in September of 2016, when University students refused to accept the decision from the Minister of Higher Education and Training to allow Universities to increase fees for 2017 by a maximum of 8% (Pather, 2016: para. 8; Nicolson, 2016: para. 3; Staff Reporter, 2016h: para. 6). The protest actions during 2016 have led to most of the Universities in South Africa shutting down from the end of September (News Team, 2016: 1; Nicolson, 2016: para. 4; Staff Reporter, 2016g: para. 1; Swanepoel, 2016: 6), protests turning violent and burning of University property (Staff Reporter, 2016d: para. 1; Kekano, 2016: para. 1; Reuters, 2016b: para. 1) and staff members at one University being held hostage (Van der Merwe, 2016: para. 1).

The result of the zero increase in fees in 2015 is a shortfall of R2,3 billion for South African Universities (Editorial, 2015a: 1) in 2016. The South African government agreed to help fund the increase but requires the Universities to contribute as well, from their reserves, towards funding the shortfall (Editorial, 2015a: 1). Even though the government is willing to assist, they place the blame for the fee crises at the door of the Universities for *"unilaterally deciding"* on the increase of fees (Hunter & Nkosi, 2015: para. 5). In 2016, the National Treasury said it was working with the Department of Higher Education and Training and other departments to find the R2.5-billion needed to address the shortfall of University fees for the 2017 financial year (Nicolson, 2016: para. 12).

The Director of the Centre for Higher Education Transformation also blamed the Vice-Chancellors of the Universities for not putting sufficient pressure on the government to increase subsidies. This is evident from the fact that almost half (49%) of University budgets in 2000 constituted government subsidies, while only 40% of funding were received from government funds in 2015 (Nkosi, 2015a: para. 9). The Higher Education and Training Department, in turn, admitted to the underfunding of Universities, but put the blame for the shortage of funds on the weakening economy (Nkosi, 2015a: para. 16).

The call for free Higher Education continued with the 2016 student protests (Pather, 2016: para 1; Staff Reporter, 2016g: para. 28; Glum, 2016: para. 4). As mentioned earlier, the creation of the NSFAS was the first step in free education for undergraduate studies for the poor (ANC, 2007: 74; Badat, 2010: para. 18). In 2012, the Minister of Higher Education and Training tabled a report on the possibility of free Higher Education containing recommendations which would make free Higher Education possible (Wesi, 2015: para. 1-4; Wesi & Mathebula, 2015: para. 1-4). The recommendations in this report were not implemented. After the renewed student protests in 2016, the Minister of Higher Education and Training again stated that free Higher Education will not be happening soon, and that poor students in South Africa already receive alleviation from fees in the format of NSFAS funds (Stuurman, 2016: para 2).

Calls were even heard for graduates who earn above a certain level to contribute towards the NSFAS funds to help increase the shortage of funds (Badat, 2010: para. 23). Another argument is to allow free Higher Education for students and to let students repay their studies once they start earning above a certain level (Hull, 2015: para. 16). These payments can be seen as a form of graduation tax and can be accelerated as the graduate's remuneration increases with the understanding that if a graduate does not obtain a certain level of remuneration, the fees will be for the *"public account"* (Hull, 2015: para. 16). The Minister of Higher Education and Training also called for the rich to be taxed to pay for free Higher Education for the poor (Essop, 2015: para. 9) and this call was echoed by the student movement in 2016 (Nicolson, 2016: para. 16). None of these proposed plans for funding for free Higher Education has been implemented, and funding for Higher Education, therefore, remains a problem for South Africa, and there seems to be neither an easy solution nor consensus regarding the source of funding.

Additional to the problems created by the national call for free Higher Education is the issue surrounding the language policies and the removal of statues at Universities. In 2015, two South African Universities, Stellenbosch University (US) and the University of the Free State (UFS), changed their parallel medium language policies. The US was the first to start the process, and the UFS followed suit (Areff, 2015: para. 1-21; Burger, 2015: para. 1-13; Lotriet, 2015: para. 1-7; Petersen, 2015: para. 1-15; Quintal, 2015: para. 1-20). Both institutions are in the process of formalising a new policy, but the Councils of these institutions decided to change to English as the primary educational language with support in other languages such as Afrikaans, Xhosa and Sesotho (Areff, 2015: para. 3; Burger, 2015: para. 9; Quintal, 2015: para. 20). Contrary to the decisions of these two institutions to change to English medium institutions, the North-West University (NWU) is considering a parallel medium policy as their Council regards mother tongue education as a constitutional right (Burger, 2015: para. 9).

In July of 2016, a full bench review by the Free State High Court set aside both the Senate and Council of the UFS's decision to change its language policy (Free State High Court, 2016: para. 59). The decision included an order of costs, forcing the UFS to pay their own as well as all the applicants' legal costs. The judges found the UFS failed to comply with the following aspects of the Ministry of Higher Education and Training's policy on language (Free State High Court, 2016: para. 40):

- Acknowledge Afrikaans as a language of scholarship and science;
- Support for the retention of Afrikaans as a medium of academic expression; and
- Support the Ministry's position that the sustained development of Afrikaans is the responsibility of not only some Universities.

Non-compliance with the language policy of the Department of Higher Education and Training (DHET) is a clear indication of the non-compliance of the UFS with the principles of good corporate governance (see Chapter 2). The main reason provided by the UFS for the change in the language policy was that the current language policy created racial segregation and the offering of courses and material in English was of a poorer quality than those offered in Afrikaans (Free State High Court, 2016: para. 47). The High Court did not accept this as a valid reason. The bench of judges said the change in language policy indicated the University implied that it would *"rather offer the poorer quality tuition to all students than make efforts to improve the quality of tuition offered in English classes"*. The judgement further acknowledged the demand for Afrikaans and English classes came from all race groups and that the argument of racial segregation due to language was unsupported (Free State High Court, 2016: para. 49–50). After the July judgement, the UFS decided to implement its new language policy in 2017. On 12 September 2016, a full bench review of the Free State High Court ordered the UFS not to implement the policy before their appeal to the Constitutional Court and the Appeals Court was completed (Solidariteit, 2016: para. 1). On 29 September 2016, the Constitutional Court denied the UFS's application for an appeal to the decision of the July 2016 judgement. The Court's refusal was based on the finding that it was not in the interest of justice to hear the appeal. The UFS, however, obtained permission to appeal the July judgement in the Supreme Court of Appeals (Van Rooyen, 2016: 1).

In November 2016, the Supreme Court of Appeals of South Africa overturned the High Court's July 2016 judgement and ruled in favour of the implementation of the UFS's new language policy (Staff Reporter, 2016h: para. 1; Petersen, 2016: para. 1; Loader, 2016: para. 1). Although the finalisation of the appeal is only expected early in 2017, the Supreme Court of Appeals ruled the new policy could be implemented in 2017 (Petersen, 2016: para. 5; Loader, 2016: para. 5). The ruling was based on the finding that Afriforum could not prove that Afrikaans speaking students would suffer *"irreparable harm"* with implementing the policy (Petersen, 2016: para. 7; Staff Reporter, 2016h: para. 3). The policy will be piloted in 2017 with first-year students in the Law, Health Sciences and Humanities faculties (Loader, 2016: para. 5). The remainder of the faculties will continue with the Afrikaans-English policy until 2018 when the new policy will be phased in (Loader, 2016: para. 5).

Apart from the call from students to remove Afrikaans as an educational language, students have also demanded the removal of colonial statues from campuses. The students felt the statues were an indicator of the inequality they had experienced (Bonorchis, 2015: para. 4; Subramany, 2015: para. 13). The statue of Cecil John Rhodes, located on the main campus of the University of Cape Town (UCT), was the first statue removed in 2015 while other statues - Paul Kruger, Queen Victoria, Mahatma Gandhi, J.G. Strydom, Fernando Pessoa and Sarah Baartman - was defaced by green paint (Bonorchis, 2015: para. 1; Baily, 2015: para. 1). The removal of the Cecil John Rhodes statue was said to be a part of a bigger concern of students about the poor level of transformation in Higher Education in South Africa (Baily, 2015: para.6; Baloyi & Isaacs, 2015: para. 3).

It is, however, not only the Universities in South African that are dealing with poor governance issues. The South African school system has been fraught with problems of its own. Less than 50% of children who enter grade one, matriculate (Modisaotsile, 2012: 1). The reason quoted for the poor success rate of these children are uninvolved parents, weak and uneducated governing bodies, poor literacy, numeracy, language and mathematical skills and the lack of leadership (Modisaotsile, 2012: 1; www.leader.co.za, 2011: para. 13). Modisoatsile (2012: 2) further states the following are problems in South African education (Nkosi, 2016: para. 11; DoE, 2009: 1–3; Holborn, 2013: para. 7 and 11; Smuts, 2014: para. 5; Dirks, 2013: para. 3; Spaull, 2013: 12):

- Poor quality of education;
- Class sizes of thirty-two children per class;
- Poor literacy skills;
- Poor numeracy skills;
- Poor teacher training;
- Unskilled teachers;
- Lack of commitment of teachers;
- Poor support for learners at home; and
- Shortage of resources.

The problems in terms of poor education, poor facilities, overcrowded classrooms and inadequately trained teachers represent one of the causes of the 1976 student uprising (Tracey, 2015: para. 3; SAHO, 2016: para. 12; BBC, n.d.: para. 9). The problems identified during the Sharpeville and Soweto student uprisings still exist (CEPD, n.d.: 1). This is evidenced by a statement made by the Minister of Basic Education in a parliamentary briefing that *"[t]he diagnostic test of the [National Development Plan] said 80% of the schools were dysfunctional"* (Wilkinson, 2015: para. 8). The functionality of schools is measured by matric results for secondary schools, and the results of Annual National Assessment (ANA) (Wilkinson, 2015: para. 13). In 2015, the South African Democratic Teachers Union (SADTU) called on its members to boycott the ANA's as a measure to force the Education Department to respond to the teachers' concerns of being undermined (Nkosi, 2015b: para. 6; SADTU, 2015: para. 1; Editorial, 2016a: para. 1).

Although the South African matric pass rate has shown remarkable results, that is 75.8% in 2014 and 70.7% in 2015 (Quintal, 2016: para. 1), it is important to note the percentage is calculated on the number of candidates who sat for the exams and not the number of candidates who were enrolled for matric (Molefe, 2015: para 6; Rusznyak, 2014: para 3). To improve matric results, underperforming schools have discouraged weaker students from writing the matric exams (Rusznyak, 2014: para. 4). Rusznyak (2014: para. 9-10) further indicates that the focus on knowledge was diminished by the introduction of the new school system, Outcomes-based Education (OBE), and that focus was placed on the student and his or her opinion and called for a democratic relationship between student and teacher. Teachers were discouraged from using textbooks in this new system, and students were discouraged to read (Rusznyak, 2014: para. 9). The result was that students barely moved beyond what they already knew (Rusznyak, 2014: para. 9; Mouton et al., 2012: 1215) and students did not reach their individual potential (Ashton, 2008: para. 17).

Research has also shown that the strongest grade six students have scored higher in a standardized mathematics test than the weakest grade six teachers, thus reiterating the problem of poorly qualified teachers (Rusznyak, 2014: para. 16; Spreen & Vally, 2010: 47; Zille, 2013: 14; John, 2013: 21; Kahn, 2011: 9). The poor quality of teachers was blamed on the Department of Education who failed to provide sufficient in-service training to allow teachers to gain acceptable levels of knowledge in literacy and numeracy (Dlamini, 2013: 8; Solomon, 2014: 16).

The consequences of the problems which have faced the school system in South Africa are severe and far-reaching. The South African youth are unable to secure employment based only on their matric results (Klinck, 2015: para. 1; Molefe, 2015: para. 8). Of the students who did pass their matric, most are refused University entrance because of their poor results (Klinck, 2015: para. 2; Molefe, 2015: para. 9; Rusznyak, 2014: para. 8). Some of those that do gain access to University need to be spoonfed basic knowledge that should have been embedded while attending school. Candidates are trained to write basic exams to improve the University pass rates (Klinck, 2015: para. 23). Klinck (2015: para. 23) rightly questions the suitability of these students to then go and facilitate learning, as for example, teachers.

The education researcher, Nic Taylor, summarised it well when saying *"[t]he bad news in South Africa is that nearly 80% of schools provide education of such poor quality that they constitute a very significant obstacle to social and economic development, while denying the majority of poor children full citizenship"* (Editorial, 2015c: 1). The Centre for Education Policy and Development (CEPD) states: "*the Schools Act does not focus sufficiently on teachers, principals or even the greater majority of South African Schools"* (CEPD, n.d., p. 2). It is evident from the aforementioned that there are several governance and leadership issues in the South African education system. Good leadership and governance are thus crucial for the South African education system (Editorial, 2015d: 1; IOD, 2015: para. 2).

The effectiveness of the governance principles should allow the Universities in South Africa to increase their roles in society. With the high unemployment rate of 2.7 million under the South African youth in 2013 and 3.6 million in 2015, education and Higher Education can play a vital role in alleviating poverty (Butler-Adam, 2013: 2; Maswanganyi, 2015: para. 6; Ball, 2013: 3; SAnews.gov.za, 2011: 1). Butler-Adam further argues that education is the foremost method in addressing potentially risky socio-economic situations (2013, p. 2). Barac and Marx (2012: 352) support this view as they argue that Universities should make a major contribution to social reformation in South Africa to stimulate economic growth. The desperation of some matriculants to escape their poor social environment by going to University does, however, not always bode well. In 2012, students who wished to escape poverty and who wished to enrol at the University of Johannesburg (UJ) caused a stampede (Polgreen, 2012: para. 2). During this stampede, seventeen students were injured, and a woman died (Editorial, 2012: 1; Staff Reporter, 2012 par. 1).

To achieve social reformation, economic resources are needed. The economic resources allocated to South African Universities equal an average of 20% of the total annual national budget of South Africa (Butler-Adam, 2013: 1; Mtshali, 2013: 6). This amounts to R207-billion in the 2012-2013 budget and an estimated R236-billion for the 2014-2015 budget (Monama, 2013: 8). The total expenditure envisioned for the three years 2016 to 2018 amounts to 21%, 32% and 21% of the total annual budget of South Africa, respectively (RSA, 2015a: vii) with the proposed increase in 2017 budgeted for the two new Universities, namely the Sol Plaatje University (SPU) and the University of Mpumalanga (UMP). The envisioned average increase from 2011 to 2015 for NSFAS funds are 15,8% to an estimated R6,1 billion and an overall increase in University subsidies of only 6.3% (RSA, 2015a: 251). Additional to the subsidies, a further R300-million has been allocated to establish two new Universities in South Africa (Monama, 2012: 8). The existence of these two new Universities will further increase the pressure on the already limited funding available to Universities in South Africa (Mkhwanazi, 2012a: 4; Phakathi, 2012: 4; Serrao, 2009: 10). With only a 6.5% increase in subsidies, and an increase of 8.6% in Public Universities (from twenty-three to twenty-five), the increase in subsidies is not nearly sufficient to service the Universities in South Africa.

The lack of funding will also have a severe effect on the required research outputs at Universities. The National Development Plan (NDP) requires wider innovation from University Councils by the year 2030 (RSA, n.d.: 38). Part of this plan is to allow foreign students, who completed a research degree at a South African University, to obtain a seven-year work permit to be able to continue working in South Africa to increase the skills sets in the South African economy (RSA, n.d.: 40). These skills sets are further important for reaching the National Development Commission’s target of 5 000 doctoral degrees to be awarded at Universities by 2030 and an increase of staff at Universities with Ph.D. degrees from 35% to 75% (Badat, 2014: para. 7). These targets are very ambitious (Badat, 2014: para. 7) and place additional pressure on Universities to increase research outputs amidst decreasing subsidies and increasing student numbers (837 776 in 2009 to 1 263 422 in 2016) (RSA, 2013a: 6; RSA, 2016).

The above-described problems may be an indication of poor corporate governance practices. It is, therefore, important to define the concepts of governance and corporate governance. These concepts are addressed in section 1.2 below.

1.2 DEFINING GOVERNANCE AND CORPORATE GOVERNANCE

The term corporate governance is crucially important to this study. As this term is often used interchangeably with the term governance, this portion of Chapter 1 will focus on defining both terms as well as highlighting the similarities and differences between the terms. The section will further highlight the use of the term governance in different recent postgraduate studies to illustrate the vast interpretation and application of the term governance.

1.2.1 Defining governance

The terms governance and corporate governance are buzzwords often used in management and in publications. Using the search terms *"governance"* and *"Corporate Governance"* support this on Internet search engines, which provides 141 million and 42 million hits respectively. The two terms governance and corporate governance are often interchanged and used as synonyms. The vast range of different definitions indicates that the term governance is not easy to define. Chhotray and Stoker agree with this and argue that there is not one universally accepted definition for either governance or corporate governance (see 1.2.2) (Chhotray & Stoker, 2009: 3).

Several definitions for governance exist. The definitions range from a business perspective on the one hand to a Higher Education perspective on the other. The term governance stems from the Latin term *"gubernare"* which means to steer.

Governance of an entity can, therefore, be seen as the steering of that particular entity. Below are several definitions of governance:

Institute of Governance: **"***Governance determines who has power, who makes decisions, how other players make their voice heard and how account is rendered"* (Institute on Governance, 2016: para. 3).

Claxton-Freeman: *"A classification of whether an institution is operated by publicly elected or appointed officials (public control) or by privately elected or appointed officials (private control) ... Governance refer to the means and actions by which a collective entity decides matters of policy and strategy"* (Claxton-Freeman, 2015: 25, 37).

Yirdaw: *"The structure and process of authoritative decision making regarding issues significant for external and internal stakeholders of a University"* (Yirdaw, 2014: 11).

Chapell: *"[I]n its verb form, the exercise of authority; in its noun form, a group of people brought together for the purpose of administration"* (Chappell, 2013: 10).

Yudt: *"… the structures and processes through which institutional participants interact with and influence each other and communicate with the larger environment"* (Yudt, 2013: 15).

Zhang: *"… the formal structure by which policies are developed and decisions are made"* (Zhang, 2013: 46).

Sterk: *"The distribution of authority and functions among units within a larger entity, the modes of communication and control among them, and the conduct of relationships between the entity and its surrounding environment"* (Sterk, 2011: 4–5).

Chhotray and Stoker: *"[g]overnance is about the rules of collective decision-making in settings where there are a plurality of actors or organisations and where no formal control system can dictate the term of* *the relationship between these actors and organisations"* (Chhotray & Stoker, 2009: 3).

World Bank: ***"****Conceptually, governance (as opposed to "good" governance) can be defined as the rule of the rulers, typically within a given set of rules. One might conclude that governance is the process – by which authority is conferred on rulers, by which they make the rules, and by which those rules are enforced and modified"* (World Bank, 2013: para. 1).

Oxford Dictionary: ***"****The action or manner of governing a state, organisation, etc."* (Oxford, n.d.).

Pandey: *"Decision making structure and performance evaluation"* (Pandey, 2004: 82).

Corson: ***"****Use of the term "govern" and "governance" is generally reserved for consideration of the functioning of institutions of Higher Education. Those terms are used to describe the process of "deciding" and of seeing to it that the decisions made are executed. That process involves – in the college or University – students, teachers, administrators, Trustees, and, increasingly individuals and agencies outside the institution in establishing policies, rules and regulations, and in collaboration to carry out those guides to action. The extensive diffusion of authority and the consequent need for collaboration warrant the use of a distinctive term"* (Corson, 1975: 20).

Yossomsakdi: ***"****The functions of the government in planning, coordinating supervising, governing, and administrating higher-education institutions. These functions are distributed to various government agencies at national and/or institutional level"* (Yossomsakdi, 1999: 22).

It is further clear from literature that authors interpret the term "governance" differently. Although the definitions differ, they do have commonalities and similar meanings. From the above definitions, the following common definition is derived:

> *“Governance deals with the structure and authority of those who have the power of collective decision making and the process they follow to ensure the protection of internal and external relationships, while allowing for communication amongst all parties involved within a given set of rules while being held accountable.”*

The European Commission (Dobbins et al., 2011: 666) identifies several aspects as part of governance which relates specifically to Universities, among others, funding, increased cooperation between Universities and industry, and a closer match between market demands and qualifications offered by Universities. Even though the European Commission has a specific meaning attached to governance for Universities, scholars have used the terms in different ways in their own studies.

Some of the studies that deal with governance in Higher Education focus on the financial governance models (Childress, 2015: 1–157; Mortensen, 2009: 1–625; Ploeger, 2015: 1–285; Zgaga, 2002: 325–332). Others deal with governance to manage academic programs, Faculty or Senate governance (Duensing, 1973: 1–120; Fitzelle, 1998: 1–203; Harmening, 2013: 1–256; McCormack, 1995: 1–184; Miller, 2013: 1–152; Yudt, 2013: 1–150) and curricula, quality education and student affairs (Hapney, 2012: 1–534; Waldrop, 2000: 1–102; Yirdaw, 2014: 1–205). Still other studies interpret governance in Higher Education as institutional governance, governance structures or trusteeship (Amaral et al., 2002; Yossomsakdi, 1999: 1–444; Asbury, 1994: 1–415; Brandon, 1976: 1–368; Contreras, 2005: 1–462; Gross, 2005: 1–145; Martini, 2000: 1–242; Potts-Dupre, 1994: 1–396; Dorner, 2014: 1–217; Claxton-Freeman, 2015: 1–125; Chappell, 2013: 1–437). Studies relating governance in Information Technology (ITa) are also increasing (Dulaney, 2013: 1–143; Mohseni, 2012: 1–192).

It is clear from these different studies that none of the scholars has used the term *“governance”* to refer to entire processes and structures in their studies. Scholars rather used the term to investigate only portions of University governance and not to gain a holistic view of the processes and structures of Universities. No current or recent study could be identified which did address the holistic view of governance as defined above.

1.2.2 Defining Corporate Governance

As mentioned in section 1.2.1, the terms governance and corporate governance are often interchanged in literature. This portion of the study will focus on defining the term corporate governance. Just as with governance, several different definitions for corporate governance exist. Sagar et al. (2008:324) state that corporate governance is not static and that it develops with the urgent needs of *the "business of the day"*. It is therefore so that there is no common international definition for corporate governance. The following are some definitions of corporate governance:

> **International Finance Corporation:** ***"****Corporate Governance refers to the structures and processes for the direction and control of companies. Corporate Governance concerns the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders. Good Corporate Governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital"* (IFC, n.d.: para. 1).
>
> **Claessens and Yurtoglu:** ***"****The relationship between shareholders, creditors, and corporations; between financial markets, institutions, and corporations; and between employees and corporations. Corporate Governance would also encompass the issue of corporate social responsibility, including such aspects as the form's dealings affecting culture and the environment and the sustainability of [the] firms' operations"* (Claessens & Yurtoglu, 2012: 4).
>
> **Grambling et al:** *"process by which the owners and creditors of an organisation exerts control and require accountability for the resources entrusted to the organisation"* (Gramling et al., 2012: 44).
>
> **Gray and Manson:** states that corporate governance relates to *"structures that should be in place both within the company and those imposed by society to control how companies are governed"* (Gray & Manson, 2011: 705–706).

The Organisation for Economic Cooperation and Development (OECD): ***"****[a] set of relationships between a company's management, its Board, its shareholders and other stakeholders. [It] also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined"* (Mallin, 2006: 3).

King Report on corporate governance: ***"****Corporate Governance is simply the system by which companies are directed and controlled. While it is simple to state the concept, it has become more complicated by virtue of the various interest groups…"* (IOD, 1994).

Cadbury: *"[t]he country's economy depends on the drive and efficiency of its companies. Thus the effectiveness with which their Boards discharge their responsibilities determines Britain's competitive position. They must be free to drive their companies forward, but exercise that freedom within a framework of effective accountability. This is the essence of any system of good corporate governance… "[c]orporate governance is the system by which companies are directed and controlled"* (The Cadbury Committee, 1992, para. 1.1 and 2.5).

From the above definitions, the following definition for corporate governance is derived:

"Corporate governance is the existence of structures, rules and regulations designed to direct and control entities for the benefit of all stakeholders in the entity and no longer only the managing and directing of entities which involves the interests of financial shareholders."

1.2.3 Similarities between governance and corporate governance

As seen from 1.2.1 and 1.2.2 above, the definitions for both governance and corporate governance are mostly similar. Both deal with the structures and processes that form part of the overall rules and governance of any entity to the benefit of stakeholders. These structures and processes are there to ensure the governance and management of relationships, both internal and external to the entity and stakeholders. Corporate governance further deals with the performance, sustainability and corporate social responsibility of an entity. The term governance is often used in the public sector to describe the structures and authority of those in power to manage relationships (see 1.2.1). The term corporate governance is most often used in the private sector to describe the structures and authority used in business to manage relationships. Governance and corporate governance can largely be seen as synonyms as they address the same principles and arguments (see 1.2.1 and 1.2.2) and the term corporate governance will, therefore, be used in this study.

1.3 RESEARCH PROBLEM

From the reports of several South African University administrators (see 1.1) it clearly follows that corporate governance used in South African Universities leaves much to be desired. Based on the King III Report, the authority on corporate governance in South Africa, aspects such as board subcommittees, internal audit, compliance with accounting and reporting frameworks, different aspects of Audit Committees, etc. are critically important for good governance of any entity (IOD, 2011b). In his thesis, Austin calls for a reform of University governance at the University of the West Indies, a developing country (Austin, 2009: 1) which has not kept up with University governance reforms in Europe. In 2002, Reed et al. argue that the bureaucracy of the academy in Europe has not moved with the times and that some traditional concepts need to be superseded by new corporate structures and cultures (Reed et al., 2002: xx). Austin’s (2009) sentiment is that efficiency, effectiveness, and economy should be the main drivers of governance at Universities. To achieve effectiveness and efficiency, the application of corporate governance principles needs to be investigated.

From the literature review (Chapters 2 and 3), the following problems emerge:

1. Although the Reporting Regulations of 2014 provide guidance to South African Universities in terms of governance practices, there are no clear

international standards for governance of Universities. The lack of international best practices is because of the different models for University governance used globally. There are, furthermore, different international models on corporate governance. There is limited research linking the corporate models to the traditional University governance models to create a corporate governance model for Universities in South Africa. This is demonstrated by the problems experienced at, for instance, the Tshwane University of Technology (TUT) (see point 1.1) with the appointment of a Vice-Chancellor, which is an indication of poor corporate governance.

2. The individual statutes of each University, the Higher Education Act 101 of 1997 (as amended in 2012) and the Regulations for Reporting by Public Higher Education Institutions of 2014 (hereafter the Reporting Regulations) provide guidance to South African Universities in terms of governance and the disclosure of governance practices in Annual Reports. There is, however, no instrument or framework that can be used to determine the level of compliance with the disclosure requirements of the Reporting Regulations of South African Universities (Ncayiyana, 2011; RSA, 2014c; RSA, 1999a). Even though the Universities report to the Minister of Higher Education and Training, there is no formal instrument that can be used to compare their governance practices.
3. The changes in the University environment in South Africa after some Universities were placed under administration, coupled with the #FeesMustFall campaigns of 2015 and 2016, make it evident that a framework is needed that can be used in the analysis the South African Universities' disclosure of application of corporate governance principles in terms of South African principles as well as international best practices.

The crux of the problem is therefore that there is no framework available to South African Universities to measure application of corporate governance principles in terms of South African Legislation, the King III and the King IV Reports and international best practices.

1.4 RESEARCH OBJECTIVE

The main objective of the study is to develop a framework to determine the level of compliance of South African Universities with local and international corporate governance disclosure principles. The analysis of the South African Universities' Annual Reports submitted to the Minister of Higher Education and Training for the years 2011 to 2015, against the framework, may contribute towards securing the following primary objectives:

- To assist South African Universities in determining the level of their compliance with the Reporting Regulations of 2014 in terms of the Higher Education Act 101 of 1997 (as amended in 2012);
- To assist South African Universities in determining the level of their disclosure in terms of application of corporate governance principles as contained in the King III Report on Governance;
- To assist South African Universities in determining how geared, they are for the application and disclosure of application of corporate governance principles as contained in the King IV Report on Governance; and
- To assist South African Universities in determining the level of their compliance with international best practices in terms of corporate governance principles applied to University governance.

As secondary objectives, this study may firstly enable the Councils and Management of South African Universities in following sound governance principles. The study may further enable Councils to increase their respective institution's application of the basic corporate governance principles such as transparency, responsibility, fairness, independence, discipline and accountability.

1.5 RESEARCH METHODOLOGY, RESEARCH METHOD AND RESEARCH DESIGN

1.5.1 Introduction

Leedy and Ormrod define research as *"the systematic process of collecting, analyzing, and interpreting information … in order to increase our understanding of a* *phenomenon about which we are interested or concerned"* (Leedy & Ormrod, 2014: 2). Kaniki adds to this by indicating that research does not exist in isolation and *"build upon what has been done previously"* (Kaniki, 2012: 19). To increase such understanding of a phenomenon and to build on previous research, a process involving scientific methods needs to be followed (Welman & Kruger, 1999: 2). Research, therefore, includes an understanding of what has already been done and building on that knowledge to expand the existing knowledge base. This expansion is guided by the research methodology (see 1.5.2), research methods (see 1.5.3) and research design (see 1.5.4). Each of these three is briefly discussed below.

1.5.2 Research methodology

According to the online Oxford Dictionary, the term methodology can be defined as a *"system of methods used in a particular area of study or activity"* (Oxford Dictionaries, n.d.). McGregor and Murname (2010:420) state:

> *"[t]he word methodology comprises two nouns: method and ology, which means a branch of knowledge; hence, methodology is a branch of knowledge that deals with the general principles or axioms of the generation of new knowledge. It refers to the rationale and the philosophical assumptions that underlie any natural, social or human science study, whether articulated or not. Simply put, methodology refers to how each of logic, reality, values and what counts as knowledge inform research".*

Leedy and Ormrod describe research methodology as *"the general approach the researcher takes in carrying out the research project; to some extent, this approach dictates the particular tools the researcher selects"* (Leedy & Ormrod, 2014: 7).

This general approach to a research project can thus determine how the researcher answers the research problem in a systematic way (Kothari, 2004: 8). The focus of research methodology is thus the process of understanding which tools, methods and techniques to use in order to produce meaningful results (Henning et al., 2004: 36; Kothari, 2004: 8; Mouton, 2005: 56). Mouton (2005: 45) further explains the point of departure of the methodology section is the specific tasks at hand with the focus on the individual steps the researcher will follow and the most unbiased and objective procedures to be employed. Kothari (2004: 8) summarises it as follows:

> *"Thus, when we talk of research methodology we not only talk of research methods but also consider the logic behind the methods we use in the context of our research study and explain why we are using a particular method or technique and why we are not using others so that research results are capable of being evaluated either by the researcher himself or others"*.

Research methodology is, therefore, more than just a collection of research methods. It includes understanding the reason and principles behind each method and why each method is relevant to the study. The research methodology is further the awareness of the contribution that each of the chosen methods can make to the study. Research methodology can be seen as the umbrella under which the research project is planned, executed and where all the different research methods are collected.

1.5.3 Research methods

The Oxford Online Dictionary defines a method as a *"particular procedure for accomplishing or approaching something, especially a systematic or established one"* (Oxford Dictionaries, n.d.). A research method can thus be seen as the tools, techniques or processes that a researcher uses, which is shaped by the research methodology (Durie, 2013 par. 2; Leedy & Ormrod, 2014: 7).

Scholars recognise mainly two research methods, namely quantitative and qualitative. Each of these has its own tools and techniques and are briefly discussed below.

1.5.3.1 Quantitative research

Data in quantitative research is normally presented in numerical format rather than in narrative format (Given, 2008: 715; Leedy & Ormrod, 2014: 97). Quantitative research involves measuring something after the collection and analysis of data (Cooper & Schindler, 2014: 146; Welman & Kruger, 1999: 13, 49 & 68). The measurement is normally done in the form of testing variables, both dependent and independent to either prove or disprove a hypothesis (Welman & Kruger, 1999: 13, 49 & 68). Cooper and Schindler (2014: 147) explain that quantitative research focus on the description, explanation and prediction of test theory and work with large sample sizes and a probability design. With quantitative research, the research design is determined at the start of the research project and consistency in the research and data is crucial for success (Cooper & Schindler, 2014: 147). The researcher also has limited interaction with participants and the opportunity to probe participants does not present itself with this method (Cooper & Schindler, 2014: 147; Henning et al., 2004: 3; Tharenou et al., 2007: 17–35). This method is therefore best suited for research where the researcher does not necessarily want to interact with the participants and the causality between variables is the main focus.

1.5.3.2 Qualitative research

Contrary to the focus of quantitative research, qualitative research focus on gaining an in-depth understanding of the theory and interpretation of the results in a non-numerical manner (Cooper & Schindler, 2014: 147). The qualitative researcher seeks to gain an in-depth understanding of the meaning and quality of the results rather than the frequency of the phenomenon (Cooper & Schindler, 2014: 144; Leedy & Ormrod, 2014: 97). The researcher will further attempt to find a pattern and a reason for the way something happens in qualitative research and would attempt to see the bigger picture (Henning et al., 2004: 6). To achieve the identification of patterns, the researcher will collect data in textual format from a small sample while searching for themes by using inductive reasoning. This research method is thus best suited for a researcher who wants a more in-depth understanding of phenomenon rather than quantity of results, and who wants a more personal interpretation of results while not only relying on numerical data.

1.5.3.3 Conclusion on research methods

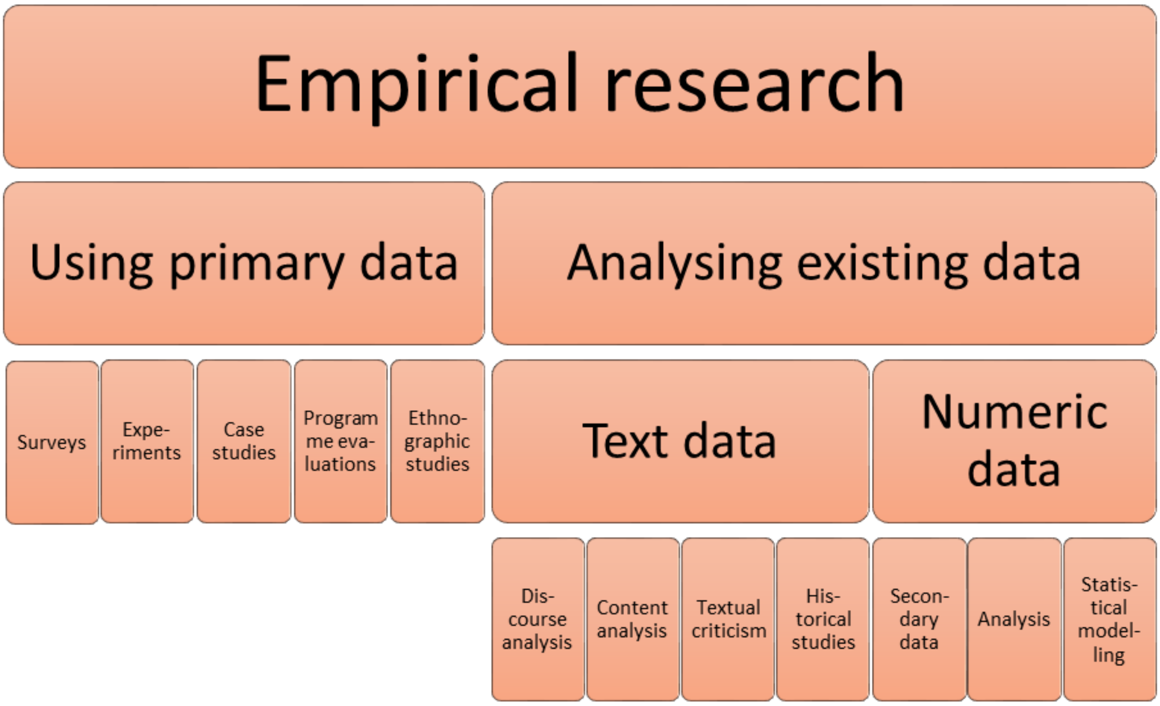
This study will make use of a qualitative research method, as an a tool to gain an understanding of the compliance of South African Universities with disclosure of corporate governance principles in terms of the framework will be sought (see 1.5.7). This framework will allow for identification of non-disclosure of compliance trends in the Annual Reports of the South African Universities over the period 2011 to 2015.

The small sample of 119 Annual Reports is ideally suited for a qualitative approach. During the period 2011 to 2012, South Africa had twenty-three Universities (23 x 2 = 46 Annual Reports), and two additional Universities were founded in 2013, namely Mpumalanga University and Sol Plaatje University. Sol Plaatje University has issued Annual Reports since 2013, while the Mpumalanga University issued their first Annual Report only in 2015, which brought the total Annual Reports of Universities to twenty-four in 2013, twenty-four in 2014 and twenty-five in 2015 (total 119).

1.5.4 Research Design

Durrheim defines a research design as *a "strategic framework for actions that serves as a bridge between research questions and the execution or implementation of the research"* (Durrheim, 2012: 34). Sellitz et al. (1965: 50 in Terre Blance et al., 2012: 34) state that the research design comprises the plans the researcher uses to arrange the collection and analysis of data in such a way to achieve the objectives of the research in an economic manner. Tredoux and Smith concur with this view in stating that the research plan defines the research elements, their interrelationship and the methods and samples that form part of a research project (Tredoux & Smith, 2012: 161). The threefold focus of the research design is thus on what kind of study is planned, what kind of results are envisioned with the research problem as the point of departure (Mouton, 2005: 56) and on answering the six open-ended questions, namely what, why, how, where, when and who (Trafford & Lesham, 2008: 91). Mouton (2005: 57) further states the research design is tailored to address the different kinds of questions. The research design for a typical empirical study would look as follows (see Figure 1.1) (Mouton, 2005: 57):

Figure 1.1 Research design for empirical study



This design can be used as a basis for any empirical research project and can be adjusted for the different research methods (see 1.5.7). The ultimate aim of the research design is thus to provide a combination of the key elements in such a way that the validity of the results of the research is maximised (Tredoux & Smith, 2012: 162).

1.5.5 Research Design for this Study

The research design used in this study is the analysis of existing data in the format of Annual Reports to the Minister of Higher Education and Training by South African Universities (see 1.5.7). The content of the existing data (the Annual Reports) will be analysed based on the framework developed during the literature review phase of the study (see 1.5.6.2).

1.5.6 Literature Review

The literature review examines the existing and recent research studies in order to act as the basis of a research project, which allows a researcher to place their study into context and into a theoretical perspective (Cooper & Schindler, 2014: 596;

Leedy & Ormrod, 2014: 51; Terre Blance et al., 2012: 19). Mouton (2005: 90-91) further stipulates that the requirements for a literature review are as follows:

- It should be exhaustive in the coverage of the main aspects of the study;
- It should be fair in the treatment of the authors;
- It should be topical and not dated;
- It should not be confined to only internet sources and searches; and
- It should be well organised.

When adhering to these requirements, the literature review will be easy for readers to follow and the importance of the literature for the study should be clear. The benefits of performing a literature review include (Leedy & Ormrod, 2014: 51; Mouton, 2005: 87):

- Determining whether other researchers have addressed and answered the same problems as the study currently undertaken;
- Offering new ideas, perspectives and approaches the researcher have not considered;
- Providing information on other individuals to be contacted;
- Revealing sources of data;
- Indicating the methodologies used by other researchers;
- Introducing measurement tools that have already been developed;
- Interpreting findings and tying results to the work others have done;
- Ensuring there is no duplication of a previous study;
- Identifying the most recent and authoritative theories on the topic;
- Finding the most widely accepted empirical findings in the field; and
- Identifying the most widely accepted definition of key concepts in the field.

The literature review in this study was divided into two main phases. The first phase of the literature review will provide background on the history of corporate failures and scandals (see 2.2.2.3), companies (see 2.2.2.2) and corporate governance (see 2.2.2.4). The development of corporate governance in the United Kingdom (see 2.3.2) the United States of America (see 2.3.3) and South Africa (see 2.3.4) are also addressed. The first phase will further provide background on the internal and external governance structures used in University governance in certain countries in Europe (see 3.4), the United States of America (see 3.5), Australia (see 3.6), New Zealand (see 3.7) and South Africa (see 3.8). The second phase of the literature review is used to develop the framework for the empirical portion of the study (see Chapter 4).

1.5.6.1 Literature review - phase 1

Phase 1 of the literature review contains the background to the historical development of corporate governance principles and addresses the following main aspects:

- A brief historical overview of companies and their governing bodies (see 2.2.2.2);
- Corporate failures and scandals (see 2.2.2.3);
- The general history of the development of corporate governance (see 2.2.2.4);
- The development of the major corporate governance theories such as the Agency Theory (see 2.2.2.5), Stewardship Theory (see 2.2.2.6), Resource Theory (see 2.2.2.7), Network Theory (see 2.2.2.8), Class Hegemony Theory (see 2.2.2.9), Stakeholder Theory (see 2.2.2.10) and Enlightened Shareholder Theory (see 2.2.2.11);
- The development of corporate governance in the United Kingdom (see 2.3.2);
- The development of corporate governance in the United States of America (see 2.3.3);
- The development of corporate governance in South Africa (see 2.3.4);
- The controversial issue of remuneration and compensation paid to the executives of non-profit organisations (see 3.2);
- A discussion on the external governance structures used in University governance, which includes shared governance (see 3.3), state supervision, control and interference (see 3.3.3.2) and cooperative governance (see 3.3.3.3);
- Internal and external governance models used in the governance of some European Universities (see 3.4);

- Internal and external governance models used in the governance of some Universities in the United States of America (see 3.5);
- Internal and external governance models used in the governance of Australian Universities (see 3.6);
- Internal and external governance models used in the governance of New Zealand Universities (see 3.7); and
- Internal and external governance models used in the governance of South African Universities (see 3.8).

The literature review contained in Chapters 2 and 3, as described above, provided a basis and background for developing the framework in the second phase of the literature review.

1.5.6.2 Literature review – phase 2

The second phase of the literature review was used to develop the framework for the empirical portion of the study. The Reporting Regulations of 2007 and 2014 contain disclosures required in terms of the Higher Education Act 101 of 1997 (as amended in 2012), which all South African Universities need to comply with. The Reporting Regulations of 2007 were still based on the King II Report principles and were used by Universities until the issuance of the 2014 Reporting Regulations, based on King III principles. As the King III Report was issued and implemented in the private sector in 2009, and some Universities may have been proactive in the application of the principles of King III in their reporting, it was decided to include the 2007 Reporting Regulations and compare them to the 2014 Reporting Regulations to identify differences between the two sets of Regulations (see Appendix A) (RSA, 2014c). The detail contained in the two sets of Reporting Regulations were summarised in terms of the following subsections contained in the Reporting Regulations:

1. Minimum content to be included in the Annual Report;
2. Performance Assessment;
3. Report of the Chairperson of the Council;
4. Statement of governance;
5. General disclosure aspects in terms of Council;

6. Composition and functions of the Council;
7. Remuneration Committee composition and functions;
8. Finance Committee composition and functions;
9. Planning and Resource Committee composition and functions;
10. Council Membership Committee composition functions;
11. Audit Committee and related disclosures;
12. Risk Committee composition and functions;
13. Governance of Information Technology (ITa)[2];
14. Conflict Management;
15. Stakeholder Relationships (worker and student participation);
16. Code of Ethics;
17. Council statement on sustainability;
18. Report of the Senate to Council;
19. Report of the Institutional Forum;
20. Vice-Chancellor Report on administration and management;
21. Report on internal administrational structures and controls (System of Internal Control);
22. Report on the assessment of the exposure to risk and the management thereof;
23. The statement of the Chief Financial Officer (CFO) and the Chairperson of the Finance Committee of the Council on the annual financial review;
24. Report on Transformation;
25. The compliance of Financial Statements with Generally Accepted Accounting Practices (GAAP) and International Financial Reporting Standards (IFRS);
26. The use of electronic financial data as a supplement to the Annual Reports; and
27. Copies and records of proceedings (approved minutes) for each council meeting.

[2] See the list of acronyms and abbreviations. There are two instances in the study that uses the abbreviation IT. One term refers to the abbreviation for Information Technology (ITa) and the other refers to the Country Italy (ITb) (see Table 3.1).

Subsections 24 to 27 were included for consolidating the Reporting Regulations, but excluded for the framework, as they do not directly relate to corporate governance disclosures. The content of the Reporting Regulations of both 2007 and 2014 are typical, detailed descriptions and requirements found in public sector documentation. The detail descriptions and requirements of the 2007 Reporting Regulations were first summarised in a table format under the twenty-seven headings mentioned above (see Appendix A). The 2014 Reporting Regulations were then added to the table (see Appendix A). The similarities between the two sets of Reporting Regulations are indicated in **BLACK** in the table. All requirements in the 2014 column indicated in **RED** are additional requirements in the 2014 Reporting Regulations, not contained in the 2007 Reporting Regulations (see Appendix A). All aspects indicated in the 2007 Reporting column in **BLUE** are requirements that were not included in the 2014 Reporting Regulations (see Appendix A). Aspects indicated in **GREEN** were moved within the Reporting Regulations. In compiling Appendix A, the terminology used in the Reporting Regulations was used as far as possible. This caused some inconsistencies in terminology; for example, the terms "material", "significant" and "major" were used interchangeably in the Reporting Regulations.

After the reconciliation between the 2007 and 2014 Reporting Regulations, the content of the 2014 Reporting Regulations was compared to the principles of corporate governance as contained in the King III Report. As King III is not detail-oriented like the Reporting Regulations, the principles of King III were reconciled with the twenty-seven subsections contained in the Reporting Regulations (see Appendix B), to confirm that all the principles in the King III Report were included in the Reporting Regulations. The same exercise was performed with the King IV Report (see Appendix B). Where an entire chapter in the King III and or King IV Report was applicable to a subsection, the chapter number was indicated without repeating the detail principles in each chapter. Where only specific principles were applicable, the specific principles were stated.

The information contained in Appendix A and B was then utilised to develop the framework. The content of the 2014 Reporting Regulations was further condensed to keywords, to make capturing information easier (see 4.3). Specific disclosure recommendations contained in the King IV Report were added to the framework (see 4.3.2).

To include international best practices in terms of the disclosure of the application of corporate governance principles at Universities, the Financial Statements of the top ten international Universities for the 2013, 2014, 2015 and 2016 years in terms of the Shanghai University Ranking System were analysed. This list is obtained from the Academic Ranking of World Universities (ARWU) website which has ranked academic Universities since 2003 (www.shanghairanking.com, n.d.). Over 1 200 Universities from all over the world are considered, and only the top 500 Universities are listed on the website (ARWU, 2013; ARWU, 2014; ARWU, 2015; ARWU, 2016). Table 1.1 *Top Ranked Universities 2013 to 2016* contains the positions of the top ten Universities on the ARWU website for the years 2013 to 2016.

The ranking criteria used are Nobel Laureates, Field Medallists, Highly Cited Researchers or papers published in *Nature* or *Science*. Universities with significant papers indexed in the Science Citation Index-Expanded (SCIE) and the Social Science Citation Index (SSCI) are also considered.

Ranking the Universities are based on the criteria mentioned above, and different weights are awarded to the criteria. The weighting is as follows:

Criteria	**Indicator**	**Weight**
Quality of education	Alumni of an institution winning Nobel Prizes and Field Medals	10%
Quality of faculty	Staff of an institution winning Nobel Prizes and Field Medals	20%
	Highly cited researchers in twenty-one broad subject categories selected by Thompson Reuters	20%
Research Output	Papers published in *Nature* and *Science*	20%
	Papers included in Science Citation Index-expanded and Social Science Citation Index	20%
Per Capita Performance	Per capita academic performance of an institution	10%
Total		**100%**

Table 1.1 Top Ranked Universities 2013 to 2016

		Position on ARWU list				Position on Times Higher Education Ranking List				Position on the QS World University Ranking List				Average position			
University	**Country**	**2013**	**2014**	**2015**	**2016**	**2013**	**2014**	**2015**	**2016**	**2013**	**2014**	**2015**	**2016**	**2013**	**2014**	**2015**	**2016**
Harvard University	USA	1	1	1	1	4	2	2	6	2	4	2	3	2	2	2	3
Stanford University	USA	2	2	2	2	2	4	4	3	4	7	3	2	3	4	3	2
University of California Berkeley	USA	3	4	4	3	9	8	8	13	25	27	26	28	12	13	13	15
Massachusetts Institute of Technology (MIT)	USA	4	3	3	5	5	5	6	5	1	1	1	1	3	3	3	4
University of Cambridge	UK	5	5	5	4	7	7	5	4	3	2	3	4	5	5	4	4
California Institute of Technology	USA	6	7	7	8	1	1	1	1	10	8	5	5	6	5	4	5
Princeton University	USA	7	6	6	6	6	6	7	7	10	9	11	11	8	7	8	8
Columbia University	USA	8	8	8	9	14	13	14	15	14	14	22	20	12	12	15	15
University of Chicago	USA	9	9	9	10	10	9	10	10	9	11	10	10	9	10	10	10
University of Oxford	UK	10	9	10	7	2	2	3	2	6	5	6	6	6	5	6	5

(ARWU, 2013; ARWU, 2014; ARWU, 2015; ARWU, 2016; QS Top Universities, 2013; QS Top Universities, 2014; QS Top Universities, 2015; QS Top Universities, 2016; Elsevier, 2013; Elsevier, 2014; Elsevier, 2015; Elsevier, 2016)

The top ten Universities according to the ARWU rankings were compared to two other ranking models, namely the Times Higher Education World University Ranking and the QS World University Ranking models for the years 2013 to 2016 (see Table 1.1). Most of the Universities on the ARWU Ranking List featured in the top ten Universities on this list, except for the Colombia University and the University of California Berkeley. The difference between the Rankings is because of different criteria used. On average, the top ten Universities on the ARWU Ranking list ranked under the top fifteen Universities, and the ARWU listing was used as the final list to determine the top ten Universities.

The Financial Statements for the top ten Universities were compared to the framework developed from the Reporting Regulations of 2014, King III and the King IV Reports. Any corporate governance-related disclosures not already included in the framework were included in the framework under the heading "International" (see also 4.3.3).

The framework, therefore, consists of summarised disclosure recommendations regarding corporate governance principles in terms of the South African Reporting Regulations, King IV disclosures and international best practices for subsections one to twenty-four (see page 28 - 30). Each of the disclosure recommendations, identified under the twenty-four subsections, were allocated 1 point. These were then added to gain a total for compliance with the South African Reporting Regulations, the King IV Report and international best practices. These totals were reworked to an average score out of ten to identify trends in non-application of corporate governance principles (see 4.3 for further information on the capturing and analysis of data).

The developed framework is complex as it includes legislative requirements, in the form of Reporting Regulations, the King III and King IV Reports, which are principles based, and international best practices, based on the analysis of Annual Reports. Although the Reporting Regulations are legislative documents that Universities need to comply with, the Reporting Regulations still conform to the King III principles, in using the term *"should"*. King IV, also a principles-based document, continues to use the term *"should"*, like the King III Report. The King IV Report defines the term as *"an aspiration or ideal state"* that indicates a recommended course of action *"without mentioning or excluding other possibilities"* (IOD, 2016: 17). The framework was therefore developed according to the above interpretation of the term *"should"* and the empirical results, for all three categories of the framework, will be discussed on this premise.

1.5.7 Empirical studies

The framework developed in 1.5.6.2 was used to analyse the Annual Reports to the Minister of Higher Education and Training of the South African Universities for the period 2011 to 2015. This five-year period was chosen as it began two years after implementing the King III Report in the private sector in 2009. Although the Reporting Regulations only required the application of the King III Report from 2014 onwards, the expectation existed that some of the South African Universities may have already implemented principles contained in the King III Report from 2011 onwards.

Until 2013, there were twenty-three Publicly Funded Universities in South Africa, namely:

Cape Peninsula University of Technology	CPUT
Central University of Technology	CUT
Durban University of Technology	DUT
Mangosuthu University of Technology	MUT
Nelson Mandela Metropolitan University	NMMU
North-West University	NWU
Rhodes University	RHODES
Tshwane University of Technology	TUT
University of Cape Town	UCT
University of Fort Hare	UFH
University of the Free State	UFS
University of Johannesburg	UJ
University of Kwazulu-Natal	UKZN
University of Limpopo	UL
University of South Africa	UNISA

University of Venda	UNIVEN
University of Pretoria	UP
University of Stellenbosch	US
University of the Western Cape	UWC
Vaal University of Technology	VUT
University of Witwatersrand	WITS
Walter Sisulu University	WSU
University of Zululand	ZULULAND

The Sol Plaatje University issued Annual Reports since 2013 and Mpumalanga University issued its first Annual Report in 2015, which brings the total number of Public Funded Universities to twenty-four in 2013 and 2014 and twenty-five in 2015. A total of 119 Annual Reports for the 2011 to 2015 financial years were analysed against the framework (see 1.5.3.3).

1.6 CONCLUSION ON RESEARCH DESIGN

The research design followed in this study is a combination of a literature review and an empirical study. The literature review was completed in two phases. Phase 1 comprises the history and development of the corporate governance principles, theories, and codes (see Chapter 2). It further includes a discussion of the internal and external governance structures used in University governance in South Africa, the United Kingdom, the United States of America, Australia and New Zealand (see Chapter 3). Phase 2 of the literature review was used to develop the framework based on the Reporting Regulations of 2007 and 2014 as well as principles contained in the King IV Report and international best practices (see Chapter 4). The framework was applied to the Annual Reports of the South African Universities for the years 2011 to 2015 (see Chapter 4).

1.7 LIMITATIONS OF THE STUDY

Several limitations were identified relating to this study. The study is based on only publicly funded Universities, and the results may therefore not be suited for generalisation to private Universities. Non-cooperation of Universities was foreseen as the information needed may be seen to be sensitive in nature, even though the information contained in the Annual Reports can be seen as public information. The Annual Reports provided to the Minister of Higher Education and Training may not be easily accessible via the Department of Higher Education and Training or electronically via the University websites (see also 4.2).

There is a difference in interpreting the term Annual Report among the Universities in South Africa. The term *"Annual Report"* in business normally refers to, among others, the audited Financial Statements, accompanying notes and information, which include corporate governance practice disclosure. However, not all South African Universities use the same interpretation of the term Annual Report as some Universities provide only student numbers, throughput rates and research results in Annual Reports and exclude the financial and corporate governance disclosures (see 4.2). To obtain complete sets of information, which include all the information needed for the research, have proven to be a limitation of the study.

1.8 PRACTICAL ETHICAL ASPECTS

Even though the information obtained from the published reports of the twenty-five Universities represent public documentation, the information is sensitive in nature. The information will be handled as confidential.

Both the Research Committee and Faculty Council of the Economic and Management Sciences Faculty at the University of the Free State have approved the research proposal for this study. Further, both the promoter and the student are members of the South African Institute of Chartered Accountants (SAICA) and are held accountable to the highest ethical standards by this Institute.

1.9 OVERVIEW OF THE STRUCTURE OF THE STUDY

This study consists of five chapters, the content of which is briefly discussed below:

Chapter 1: Chapter 1 contains the introduction and background information (see 1.1), defining the term corporate governance (see 1.2), the research problem (see 1.3), research objective (see 1.4), the research design (see 1.5.5), expected limitations for the study (see 1.7), practical ethical aspects (see 1.8), overview of the structure of the study (see 1.9) and the significance of the study (see 1.12).

Chapter 2: Chapter 2 contains a portion of the comprehensive literature review and forms part of phase 1 of the literature review. In this chapter, an overview of the development of companies and their governing bodies (see 2.2.2.2), and a brief history of the development of corporate governance will be provided (see 2.2.2.4), and corporate governance models, in general, will be discussed (see 2.2.2.5 to 2.2.2.11). A short discussion is also included on some corporate failures and scandals (see 2.2.2.3) that contributed to the development of corporate governance principles. This is followed by a discussion on the development of corporate governance in the United Kingdom (see 2.3.2), the United States of America (see 2.3.3) and South Africa (see 2.3.4).

Chapter 3: Chapter 3 contains a brief discussion on the controversial issue of compensation of the executive officers of non-profit organisations (see 3.2) and forms part of phase of the literature review. The chapter further includes discussions on the international models used in the internal and external governance models of Universities (see 3.3). Subsequently, Chapter 3 includes a discussion on the internal and external governance models for University governance used in some European Countries (see 3.4), the United States of America (see 3.5), Australia (see 3.6), New Zealand (see 3.7) and South African (see 3.8).

Chapter 4: Chapter 4 contains the framework developed from the literature in Chapter 2 and Chapter 3, as well as the analysis of the top ten international Universities (see 4.3.3) and the King IV Report (see 4.3.2), to analyse the Annual Reports of the South African Universities and forms part of phase 2 of the literature review. The empirical results are presented under the twenty-four subsections (see 4.5). The chapter concludes on the South African Universities' application of good corporate governance principles (see 4.6).

Chapter 5: Chapter 5 contains the final summary of findings of the study with possibilities for future research in the field.

1.10 SIGNIFICANCE OF THE PROPOSED RESEARCH

Because of the number of Universities placed under administration since 2012, and the fact that the application of King III principles only became a requirement for South African Universities for the financial year ended 31 December 2015, this research will contribute towards the debate on governance and governance disclosures in South African Universities. No comprehensive report or Doctorate Thesis, on the disclosure of application of corporate governance principles by South African Universities, could be identified during performance of this study. There are, however, several Ph.D. studies performed in the United States of America and Europe on governance in Higher Education, but these studies all focus on governance from a Higher Education perspective and do not include any reference to corporate governance principles. The increased financial pressure on the South African Universities because of the #FeesMustFall and #FreeEducationMovement in 2015 and 2016, and the impact of these campaigns on the sustainability of the Universities, increase the need for a framework to be used to ensure accountability and responsibility of Universities.

In light of the above, the study will fill an important void and will be beneficial to the Universities, the South African Government and the Big Four Audit firms in managing and governing the scarce resources available in South Africa (see point 1.1) for Higher Education as well as in aiding the Universities in the disclosure of corporate governance principles. The application of the proposed framework may enable Universities to ensure greater accountability and transparency of their management and corporate governance practices.

Poor governance at all levels of education has a definite impact on any country. Even the negative impact from the school system has a detrimental effect on University education. Crouch and Walker sum it up as follows:

> *"Poor governance gives rise to many of the problems observed in the educational systems of poor countries today. These problems include [a] failure of resources - books, instructional materials, construction materials - to reach the school; [b] ghost teachers; [c] high rates of absenteeism among teachers and headmasters; [d] poor teacher deployment with large differences in class size between schools; [e] low attention by teachers to students whom they are not paid to tutor; [f] wastage of resources within schools"* (Crouch & Walker, 2009).

1.11 CHAPTER CONCLUSION

Rising costs of Higher Education, an increase in student numbers and decrease in state subsidies have driven the South African Public Higher Education sector to the brink of disaster. With the increased pressure from student protesters for free Higher Education with the #FeesMustFall and #FreeEducationMovement of 2015 and 2016, the governance practices of Universities become increasingly important. The late implementation of King III governance principles in 2014, five years after the issuance of the King III Report in 2009, is an indication that corporate governance was not a priority at South African Universities. Even though the public Universities in South Africa should be held accountable for managing the Institutions of Higher Learning and the state subsidies they receive, this accountability duty has been neglected until changes were made in the 2014 Reporting Regulations. As the implementation date of the King IV Report on Governance is 1 April 2017, the South African Public Universities should be focusing on applying the principles of the King IV Report and not still be struggling with implementing and disclosing the principles of the King III Report.

This study will analyse the Annual Reports of the public Universities in South Africa, based on a framework developed from the literature review. The framework will be based on the Reporting Regulations for Public Higher Education Institutions, international best practices and the recommendations of the King IV Report. The results of the analysis of the Annual Reports will identify shortcomings in applying and disclosing corporate governance principles at South African Public Universities.

CHAPTER 2 – CORPORATE GOVERNANCE BACKGROUND AND OVERVIEW

2.1 INTRODUCTION

Chapter 1 provided an overview of the problems facing South African Education, both in schools and at University level. These problems included demands for fee decreases and even free and better quality Higher Education. The decrease in state subsidies and limited NSFAS funding with the increase in student's numbers threatens the financial sustainability of public Universities in South Africa. The University Councils of the public Universities, therefore, have an increased duty of responsibility and accountability to ensure the sustainability of South African Universities. These two duties are reflected not only in the actions of the Councils but also in the disclosures of the Universities' application of good corporate governance principles in the Annual Reports of the Universities.

Chapter 2 provides a brief overview of the development of companies, followed by a discussion on the general development of corporate governance and corporate governance theories. The chapter further includes dialogue on some corporate failure and scandals such as Enron and WorldCom in the United States of America (USA), Parmalat in Europe and African Bank in South Africa and public sector scandals in South Africa like Nkandla, the South African Airways (SAA) and the South African Broadcasting Corporation (SABC). The major theories of corporate governance, namely Agency Theory, Stewardship Theory, Stakeholder Theory, Network Theory, Class Hegemony Theory, Resource Theory and Enlightened Shareholder Theory are also addressed. A discussion on the corporate governance developments in the United Kingdom (UK), the USA and South Africa follow the corporate governance theories.

While searching for academic material on the application of corporate governance principles in South African Universities, the search terms "Corporate Governance", “South Africa” and “Universities”, as well as different variations of these terms, were used. Although thirty results were delivered on these search terms, none of the sources dealt with the application of corporate governance principles in Universities but rather referenced the application of corporate governance principles in the private sector by individuals at different Universities. The same search terms were utilised on the EBSCOHost, HeinOnline, JStor, Proquest and Taylor & Francis search engines. Although results were yielded with the application of the search terms, none of the sources contained all three search criteria. Most of the sources yielded results combining the terms “Corporate Governance” and “South Africa” and again was performed by individuals at different Universities.

Because of the lack of scholarly material regarding the application of Regulations for Reporting by Public Higher Education Institutions (hereafter Reporting Regulations), the portion of the chapter that deals with the changes in terms of corporate governance and reporting in Universities is based solely on the Reporting Regulations as published in the Government Gazette (see 1.5.6.2, Appendix A and Appendix B) and a report published by PWC in 2014 on the quality of disclosure in the Annual Reports of South African Public Universities (see 2.3.4).

2.2 THE HISTORY OF CORPORATE FAILURES, SCANDALS, COMPANIES AND CORPORATE GOVERNANCE

2.2.1 Introduction

The origin of corporate governance is not easy to determine. This is evidenced by the different views of scholars on the first use of corporate governance principles (Wells, 2010: 1247). Most scholars use the seminal work of Berle and Means, The Modern Corporation and Private Property published in 1932, as the first published work on corporate governance (Charreaux, 2008: 17). Berle and Means’ main argument was the need for corporate governance because of the separation between owners of companies and those who manage companies (Berle & Means, 1932: 47). Wells disagrees with scholars on Berle and Means being the first scholars of corporate governance principles (Wells, 2010: 1247-1248). According to

Wells, several journalists have addressed separation of owners and management as well as shareholder protection well before Berle and Means in the 1920's (Wells, 2010: 1248–1249). Wells further argue that Ripley preceded Berle and Means in publishing his work, Main Street and Wall Street, in 1927 wherein Ripley, a well-known economist at the time, launched a campaign against financial and legal innovation that was, as he claimed, *"allowing corporate managers to wrest control of corporation away from its owners – shareholders scattered across the country"* (Ripley, 1927 in Wells, 2010: 1249). Scholars like Tricker contend that the principles of corporate governance can be traced as far back as the introduction of the double accounting system by Luca Pacioli in 1494 (Tricker, 2012b: 39; Pacioli, 1494: 101). The double accounting system was used long before the publication of Pacioli's work, but he was the first to publish these principles. Cheffins traces the origins of corporate governance back to the creation of the East India Company (1602) (see 2.2.2.2) and the Hudson Bay Company (1670) (see 2.2.2.2) (Cheffins, 2012: 1).

2.2.2 General development of companies, corporate failures, scandals and corporate governance theories

2.2.2.1 Introduction

Tricker argues that until the development of the double entry accounting system by Pacioli, all traders were using the single-entry system and that the general introduction of the double entry accounting system was the beginning of the concept of corporate governance (Tricker, 2012b: 39) as it allowed traders to have an overview of their assets and liabilities immediately (Brown, 1905: 108). Even the well-known author William Shakespeare recognised the importance of corporate governance in his play, The Merchant of Venice (Shakespeare, 1996). Even though the term was not used in this play, Shakespeare described the merchant Antonio's agony while he watched as the ships containing his fortune, which he had entrusted to others, sail away (Shakespeare, 1996; Tricker, 2012b: 58). The merchant Antonio's predicament describes the occurrence of the separation between the ownership of Antonio versus others managing his assets, which led to the development of Agency Theory (see 2.2.2.5). Separating ownership and management as described by Shakespeare (Shakespeare, 1996) in this play was based on reality, and it became more problematic with the establishment of the first companies in history.

This section of the chapter will cover the general development of companies such as the East India Company in 1602 (Brittan), the Dutch West Indian Company in 1621 (Netherlands), the Hudson Bay Company in 1670 (Canada), the Bank Royale in 1716 (France) and the South Sea Company in 1720 (Brittan), all of which have played a role in the early development of corporate governance (see 2.2.2.2). Accounting failures and scandals further shaped the development of corporate governance. The accounting failures and scandals of the South Sea Company, Enron, WorldCom, Parmalat, Africa Bank, Nkandla, the South African Airways (SAA) and the South African Broadcasting Corporation (SABC) will be discussed briefly (see 2.2.2.3). Following the accounting failures and scandals will be a brief discussion on the general development of corporate governance principles and theories (see 2.2.2.4).

2.2.2.2 Brief historical overview of companies and their governing bodies

In 1602, the East India Company was created with over a 1 000 shareholders (Tricker, 2012b; Crous, 2012: 51; Wells, 2010: 1251; Cheffins, 2012: 1; Farrar, 1999: 261; Braendle & Kostyuk, 2007: 3). The East India Company was the first example of collective ownership in the United Kingdom (UK), with a split between the owners and the management. The East Indian Company had a governing body of twenty-four members (Tricker, 2012b; Cadbury, 2002: 3), which consisted of sixteen directors and eight ex officio directors, namely the Governor of the Court of Directors, the Deputy Governor and all the voting members of the Court of Proprietors (Cadbury, 2002: 3).

Another well-known company was the Dutch West-India Company (Tricker, 2012a) which was the first joint-stock company in history. This company was chartered in 1621 and was allowed to handle the slave trade between Africa, the Caribbean and North America (The Columbia Electronic Encyclopedia, 2012. para. 1; Yale Law School, n.d.: 1). The governing body and the shareholders of this company, like the East India Company, were not the same parties (Tricker, 2012b; Yale Law School, n.d.: 1). The company's charter required that "*they having chosen a governor in* *chief, and prepared instructions for him, they shall be approved, and in commission given by us. And that further, such governor in chief, as well as other deputy governors, commanders, and officers, shall be held to take an oath of allegiance to us and also to the Company"* (Yale Law School, n.d.: 1). This governor in chief can be seen as the first case of the idea of a Chief Executive Officer (CEO). The oath of allegiance the CEO and his fellow officers took, seems to be the forerunner of the fiduciary duties that modern directors owe to companies.

In 1670, Radisson and De Groseilliers incorporated the Hudson Bay Company for trading purposes in the now known Canada (Tricker, 2012a; Tricker, 2012b; Cheffins, 2012: 1; Farrar, 1999: 261; Hudson Bay Company, n.da. par. 1). Through a Royal Charter, the twenty individuals who were involved in founding the company, which ranged from royalty to squires and knights, were given the right to continue with trading and to act on behalf of the company (Hudson Bay Company, n.db.: para. 4). The royal charter further required these twenty individuals to choose seven individuals from themselves to form the Governing Board, called The Committee (Hudson Bay Company, n.db.: para. 8). The Royal Charter further required that one individual must serve as the Governor of the Company and one individual serves as the Deputy-Governor of the company (Hudson Bay Company, n.db.: para. 8). The twenty individuals with the Governor and Deputy Governor can be compared to the modern-day Board of Directors. Even though the company traded until the 1820's, sufficient funds for the successful operation of the company could not be raised, and it later merged with a rival company (Tricker, 2012a; Tricker, 2012b; Hudson Bay Company, n.da. para. 3).

In 1716, John Law founded the first formal bank in the format of Banque Royale (Sandrock, n.d.: 4; Sustain, 2009. par. 9). This institution was the first to offer paper money to shareholders in exchange for dividends (Sandrock, n.d.: 4; Sustain, 2009. par. 9). John Law further established the Mississippi Company, also known as the Company of the West, to develop the French Colony in Louisiana (Tricker, 2012b: 40; The Library of Congress, n.d.: para. 1). He later incorporated this company in the Banque Royale (Tricker, 2012b: 40; The Library of Congress, n.d.: para. 1). The Company of the West sold 500-*livre* shares, called *"mothers"* to obtain the funding to continue with the endeavours in Louisiana and Law was the only director of this company (The Library of Congress, n.d.: para. 2). The company, under Law's leadership, over issued banknotes and the confidence of investors in the Company weakened over time (The Library of Congress, n.d.: para. 2). When the shareholders tried to redeem the paper money in 1720, the bank could not meet the demand and went bankrupt (Tricker, 2012b; Sustain, 2009. para. 12). With the failure of the Banque Royale, public outcries of corporate excesses and the insufficient management of risks were heard (Tricker, 2012b; Sustain, 2009. para. 12).

As the occurrence of corporate failures became more frequent, Adam Smith raised concerns about the lack of proper management and implied corporate governance in his works published between 1723 and 1790. Smith (in Tricker, 2012b, p. 40 and in Cadbury, 2002, p. 5) wrote: "*The Directors of companies, being managers of other people's money rather than their own, cannot well be expected to watch over it with the same anxious vigilance with which they watch over their own. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company".* Adam Smith thus realised the problem of separating ownership and management in his seminal work, long before the establishment of the formal corporate form of Joint-Stock Companies in 1844 (Kwen, 2008: 16). It appears that Adam Smith, in addressing the separation of ownership and management, inadvertently also addressed the first concepts of corporate governance principles in the eighteenth century, when identifying the need to protect the interest of the owners.

The nineteenth century saw the growth of companies into giant and complex companies in industries like railroads. With the mergers of companies, enterprises became *"single giant enterprises"* in the early twentieth century (Wells, 2010: 1253). Wells further contends that the changes in the United States Ownership of companies in the early 1920's saw a larger number of private investors, who invested small amounts in companies (Wells, 2010: 1252–1253). This change in ownership led to the realisation that the shareholders no longer controlled companies and that the interest of shareholders and managers were no longer the same (Wells, 2010: 1255). The difference in the interests of the shareholders and managers of companies brought about corporate failures and corruption as managers no longer acted in the best interest of the owners, and thus necessitated the development of measures to curb failures and corruption (Rädel & Reynders, 1981: 194; Schumann et al., 1957: 62; Crous, 2012: 54).

2.2.2.3 Corporate failures and scandals

- ***South Sea Company 1720***

In 1720, the British House of Lords gave the monopoly for trading with Spain's South American colonies to the South Sea Company. The South Sea Company persuaded the British Government to convert Spain's national debt into South Sea Company shares (Harvard Business School, n.d.: para. 4). This conversion led to significant speculation of the company stock (Harvard Business School, n.d. par. 8). The company went bankrupt and King George I, with other gentry, lost their fortunes (Tricker, 2012b; Castelow, n.d. par. 16). The Directors of the company were held liable for the loss and arrested and stripped of their fortunes (Castelow, n.d. par. 15).

- ***Enron 2001***

Perhaps not the biggest, but one of the most notorious recent corporate failures in accounting history is that of Enron, the energy utility company in the United States of America in 2001. In 2001, Enron ranked as the seventh largest corporation in the USA by the Fortune Magazine (Terry, 2007: 33). In April 2001, Enron reported an increase in their earnings of 18%, but the detailed accounting records did not support the earnings claim (Squires et al., 2003: 8). In October of 2001, Enron announced that the company was experiencing losses to the value of $618 million and subsequently restated their Financial Reports of 1997, 1998, 1999, 2000 and the first quarter of 2001 (Squires et al., 2003: 8; Terry, 2007: 33). The restatement of Financial Reports came amid reports of the misuse of Special Purpose Entities. About 3 500 Special Purpose Entities were used to hide related party transactions, which were not completed at arms-length (Squires et al., 2003: 8; Terry, 2007: 35; Rossouw et al., 2011: 217; Sims & Brinkmann, 2003: 245). The company further manipulated computer-generated values assigned to long-term energy contracts to artificially increase earnings of the company (Squires et al., 2003: 9; Rossouw et al., 2011: 218).

When the company filed for bankruptcy in September of 2001, the share price of the company dropped from $80 per share to mere cents and the shares were considered worthless (Squires et al., 2003: 7–8). While the price of Enron's shares plummeted, the directors of the company sold their own shares in Enron while still encouraging employees to invest their earnings in Enron shares (Sims & Brinkmann, 2003: 246). During investigations into the Enron saga, several aspects of the behaviour of management and the Board of Directors were identified as the main cause for the fall of Enron. These aspects include (Terry, 2007: 33; Sims & Brinkmann, 2003: 245–250):

- An aggressive growth strategy involving Andrew Fastow, the Chief Financial Officer (CFO) of Enron, helping to create complex structures for Enron;
- Lack of transparency surrounding the financial deals made with Special Purpose Entities;
- Dodgy accounting practices;
- The non-disclosure of conflict of interest between Enron's management and the Special Purpose Entities;
- The Board of Directors continuing to push the boundaries of ethical behaviour;
- Management encouraging rule-breaking;
- Fostering a culture of intimidation and non-compliance with Enron's Code of Ethics;
- Shifting the blame and pointing fingers; and
- Promoting and retaining individuals who provided results with little regard to ethics.

After the aspects above were identified as the main reasons for Enron's demise, a closer look into the Board of the Directors was warranted. In a report issued by the Senate Permanent Subcommittee on Investigations, the Board was found to have been derelict in performing their duties (Terry, 2007: 37). The Senate Permanent Subcommittee on Investigations found that the Board failed to stop Enron from using misleading accounting; failed to make adequate disclosures; and failed to ensure the independence of the auditor (Terry, 2007: 37). Further aspects the Board failed in including monitoring the Board Chairman and Chief Executive Officer (CEO) exercising prudent judgement and the challenging management (Terry, 2007: 37).

The Senate Permanent Subcommittee on Investigations concluded that, ultimately, Enron's Board of Directors failed to protect the shareholders (Terry, 2007: 37). The Senate Permanent Subcommittee on Investigations' report added that the highly paid Board of Directors was often in conflict through their direct interests in dealings with the Special Purpose Entities and that the Board was too weak to perform its duties (Terry, 2007: 37).

The consequences of the Enron scandal were far-reaching. These consequences include the loss of public trust in institutions (DiPiazza & Eccles, 2002: 2); 21 000 Enron employees losing their jobs; Arthur Andersen (Enron's auditors) found guilty of obstruction of justice for shredding documents and Arthur Andersen's subsequent demise; the introduction of the Sarbanes-Oxley legislation in the United States of America (see 2.3.3.5); and the establishment of the Public Company Accounting Oversight Board (PCAOB). With the demise of Arthur Anderson, the Big Five audit firms were reduced to the Big Four (Marx, 2008: 8). The findings of the Senate Permanent Subcommittee on Investigations coupled with the consequences of Enron's demise paved the way for the United States of America developing stronger and stricter legislation and governance practices (see 2.3.3.3 to 2.3.3.7).

- ***WorldCom 2002***

Another major accounting scandal is the WorldCom scandal of 2002. The internal auditors of WorldCom discovered inflated assets to the value of $11 billion (Di Stefano, 2005: para. 1). The internal auditors also discovered $3,3 billion in profits in the records of the company that was improperly recorded for the period 1999 to the first quarter of 2002 (Tran, 2002: para. 1). The company further improperly reported on $3,8 billion in expenses as capital investments. The Chief Executive Officer (CEO) of WorldCom, Bernie Ebbers, was subsequently sentenced to twenty-five years' imprisonment for fraud (www.accounting-degree.org, n.d.; Romero & Atlas, 2002: para. 3; Di Stefano, 2005: para. 1). Although the main culprit for the demise of WorldCom was quoted as the CEO, Bernie Ebbers, the Report of Investigation issued by the Federal Bankruptcy Court indicated that the Board of Directors shared the blame for the demise of the company (Di Stefano, 2005: para. 13). The report of investigation further pointed out that the senior management of WorldCom lacked effective checks and balances. To address the lack of checks and balances, the following recommendations were included in the Report of Investigation (Di Stefano, 2005: para. 14):

An active and independent Board of Directors and Committees should exist;

- A corporate culture of candour where ethical conduct is encouraged and expected and where the advice of lawyers is sought and respected should prevail; and
- That policies and procedures should be formalised and well documented.

Some of these recommendations correspond with the corporate governance principles found in the Sarbanes-Oxley Act (see 2.3.3.5), the Business Roundtable Statement of Corporate Governance (see 2.3.3.3) and reports issued by the Blue Ribbon Commission (see 2.3.3.4).

- ***Parmalat 2003***

The Parmalat Scandal in Italy has been dubbed the Enron of Europe over the years (Editorial, 2011: para. 1). In 2003, Parmalat defaulted on a €150 million bond because management claimed that one of the company's customers, Epicurum, defaulted in paying their debts (Celani, 2004: para. 12). Later it was found that Epicurum was an offshore company owned by Parmalat (Celani, 2004: para. 12). This default in loan payments to Parmalat triggered an investigation into the finances of the company. The investigation revealed that the company claimed to own assets to the value of €4 billion at the Bank of America (Editorial, 2011: para. 4; Editorial, 2004: para. 4), which later turned out to be false. A letter from the Bank of America that was provided as proof of the existence of the assets also turned out to be falsified by the Parmalat Chief Financial Officer (CFO), Fausto Tonna (Editorial, 2011: para. 4; Editorial, 2004: para. 4; Celani, 2004: para. 13). With the falsified letter from the Bank of America, the former Chief of Corporate Finances for the Bank of America in Italy, Luca Sela, later admitted that he had received kickbacks from Parmalat as part of a scheme to defraud the shareholders (Editorial, 2011: para. 5).

The CFO was not the only executive director involved in the fraudulent scheme. The Chief Executive Officer (CEO) of Parmalat, Calisto Tanzi, who with the Tanzi family, owned 51% of the shares in Parmalat, ordered the destruction of documents on the falsified bank accounts for a period of fifteen years, effectively trying to hide evidence (Editorial, 2004: para. 5). Parmalat's founder and CEO Calisto Tanzi, his son Stefano and brother Giovanni, the former CFO, Fausto Tonna and sixteen other individuals, including board members, and even the company lawyers were arrested for fraud in 2003 (Editorial, 2004: para. 5). In 2008, Fausto Tonna was sentenced to two and a half years' imprisonment for being the mastermind behind a complex set of offshore subsidiaries, and in December 2010, Calisto Tanzi was sentenced to eighteen years imprisonment for fraud (Editorial, 2011: para. 7 and 8).

- ***African Bank 2014***

South Africa did not escape the corporate scandal wave. Well-known instances of corporate scandals in South Africa include Masterbond, LeisureNet, Regal Bank, Saambou Bank, Fidentia and most recently, African Bank (Kirk, 2009; Nel, 2001: 1–917; Editorial, 2007; Van Zyl, 2011; Theobald, 2013; Gush, 2002; Venter, 2008; Editorial, 2008; Mbuya, 2003; Pretorius, 2014). In 2014, African Bank's credit rating was decreased to junk status after customers defaulted on unsecured loans and the bank suffered a record loss of R8,5 billion (Editorial, n.d.: para. 1; Donnelly, 2014: para. 5). The company's loss was because of loans made in the unsecured credit market, i.e. loans that were awarded to customers who did not provide assets as security for their loans (Editorial, n.d.: para. 1 and 2).

With the unsecured loans, African Bank also acquired the furniture retailer, Ellerine Holdings Ltd for $800 million just before the global financial crises in 2008, and the recorded loss of R8,5 billion impacted negatively on the investment in Ellerine Holdings Ltd (Editorial, n.d.: para. 2). In 2014, the investigation from the South African Reserve Bank found the management of African Bank may have been guilty of misrepresentation of the Bank's affairs and even intentional misrepresentation and fraud because of gross negligence and breach of the fiduciary duties of the directors (Donnelly, 2014: para. 13). The Reserve Bank's investigation further showed the shareholders of the Bank could seek damages against the Directors in terms of the Companies Act 71 of 2008 (Donnelly, 2014: para. 14).

In a report issued in 2016, the South African Reserve Bank issued their final findings into the investigation of African Bank and found the directors of African Bank in breach of their fiduciary duties and guilty of reckless trading (Donnelly, 2016: para. 3). The 2016 report shows *"at multiple levels, a failure of governance",* which includes aspects such as the appointment of a Chief Risk Officer (CRO) who did not have the required qualifications for the Bank's heavy business model and the board allowing itself to be dominated by the founders and Chief Executive Officer (CEO) (Donnelly, 2016: para. 4–17). Other governance failures included in the 2016 report were: the overlap of board members between African Bank and their parent company; investing in the Ellerine Holdings Ltd company without performing a proper due diligence: and the board not providing proof they had sufficient time to consider the Ellerine Holdings Ltd acquisition before the application to purchase was brought before the Registrar of Banks (Donnelly, 2016: para. 4–17). Based on the findings of the 2016 report, the directors of African Bank clearly did not comply with the corporate governance principles of transparency, accountability, responsibility, discipline and independence (see 2.3.4.2).

- ***Nkandla***

In 2012, the improvements to the Nkandla home of South Africa's President came to the fore. Concerns were raised about the so-called security upgrades to the homestead, and the personal benefit of these upgrades the President enjoyed (Steenkamp, 2013: 4; Dodds, 2013: 4; Philip, 2013: 1; Lamprecht, 2014: 2). A report issued by the Department of Public Works in 2013 pointed out that the President received no personal gain from the improvements (Dodds, 2013: 4; Philip, 2013: 1; Magome, 2013: 2). The Department of Public Works launched an investigation into these allegations and issued a report in 2013. The Department of Public Works refused to publicise the 2013 report as it contained so-called "security information" (Dodds, 2013: 4; Philip, 2013: 1; Magome, 2013: 2). Authors described this refusal to publicise the report as an attempt by the President to avoid accountability (Swanepoel & Gibbs, 2013: 3). The independence of the Department of Public Works was also questioned because of the decision not to publicise the 2013 report (Swanepoel & Gibbs, 2013: 3).

Subsequent to 2013, the Public Protector of South Africa launched an independent investigation into the improvement at the Nkandla homestead. The two-year investigation by the Public Protector brought to light that improvements to the value of R7,8 million were not made in terms of security improvements as previously claimed (Verasamy, 2016: para. 1; Editorial, 2016d: para. 1). The Public Protector further pointed out that the President should repay this amount (Verasamy, 2016: para. 1; Editorial, 2016d: para. 1). The Constitutional Court of South Africa supported this recommendation by the Public Protector (Verasamy, 2016: para. 1; Editorial, 2016d: para. 1).

The repayment of the improvements caused renewed anxiety under opposition parties as the source of the funding for the repayment by the President was questioned (Whittles, 2016b: para. 3; Editorial, 2016b: para. 1; Schoeman, 2016: para. 1). Amid reports that the improvements were paid for by a home loan in the President's name, opposition parties questioned the validity of the home loan and continued to call for proof of the home loan (Editorial, 2016c: para. 1; Schoeman, 2016: para. 1; Staff Reporter, 2016e: para. 3; ANA Reporter, 2016c: para. 1; ANA Reporter, 2016b: para. 1). The none-security upgrades to the Nkandla homestead, the denial of the President of personal gain due the upgrades and the subsequent questions about the origin of the funding for the repayment of the upgrades are clear indicators of poor governance compliance, specifically in terms of the governance principles of accountability, responsibility, and discipline (see 2.3.4.3).

- ***South African Airways (SAA)***

The finances of the South African Airways (SAA) Company have attracted attention for several years. SAA has received R16,8 billion in government bailout money since the early 1990's (Staff Reporter, 2013d: para. 4; Staff Reporter, 2014d: para. 8). In 2007, the company received a capital injection from the government to the value of R8,45 billion (Editorial, 2014: para. 1). In the 2012/2013 financial year, SAA received another bailout of R1,3 billion that consisted of a subordination loan from the government, a R5 billion guarantee for 2012 and 2013 as well as a R550 million bank-facility to cover fuel and short-term commitments (Staff Reporter, 2013d: para. 4; Editorial, 2014: para. 2). Yet, despite these bailouts, the company still had operating losses of R1 billion for the 2012/2013 financial year (Staff Reporter, 2014d:

para 1). Another bailout of R6.5 billion, in the form of a government guarantee, after making a loss of R648 million in the first six months of 2015, was required for the company to remain a going concern (Mokhitli, 2015: para. 3; Staff Reporter, 2015: para. 1; Staff Reporter, 2013b: para. 1; Ismael, 2015: para. 1). The terms of the bailout were that the carriers provided monthly reports to Treasury on their 90-day rescue plan to turn the finances of the company around (Mokhitli, 2015: para. 3; Staff Reporter, 2015: para. 1; Staff Reporter, 2013b: para. 1; Ismael, 2015: para. 1). The dire finances of the company caused some of the Board members to resign as the company faced liquidation (Van Rensburg, 2016: para. 1). In 2016, the Minister of Finance once again approved an application for a bailout of the company after the appointment of a new Board (Reuters, 2016a: para. 1).

The governance challenges of SAA did not stop with the bailout received from the government but spilt over to the Board. After a breakdown in the relationship between the Board of SAA and the then Minister of Public Enterprises, six board members resigned in 2012 (Steyn & Donnelly, 2015: para. 21). Again in 2014, six board members resigned, citing the tension between the Board and the Minister of Public Enterprises as the reason for their resignation (Steyn & Donnelly, 2015: para. 24). The resignation of the Chairperson of the Audit and Risk Committee of SAA, a Chartered Accountant, in 2016 forced the government to appoint new Board members to comply with the requirements of the Companies Act 71 of 2008 in terms of the number of Non-Executive Directors that should serve on the Board (Van Rensburg, 2016: para. 9–10; TNA Reporter, 2016: para. 1; Whittles, 2016a: para. 1). The 2016 bailout of R5-billion came amid concerns that Dudu Myeni was reappointed as the Chairperson of the Board as she has not *“proven herself to be the best person for the job”* (Reuters, 2016a: para. 3; Manyathela, 2016: para. 3).

The continued bailout of SAA over the years still could not confirm the sustainability of the company. The consistent change in Board members because of tensions between the Board and the Minister of Public Enterprises may be an indication of poor governance and non-commitment to responsibility and accountability of the SAA Board. Despite the governance and financial problems experienced by the SAA, there is no indication that the Board of the company is held responsible or accountable.

- ***South African Broadcasting Corporation (SABC)***

The South Africa's Broadcasting Corporation and its Board have been fraught with controversy over the past few years. In 2012, the appointment of the Commissioner of the government's National Planning Commission on the SABC Board caused controversy as she had resigned as an SABC Board member in 2005 (Underhill, 2012: 12). This led to investigations into the SABC Board by the Auditor General, which caused three Board members to resign because of infighting (Mkhwanazi, 2012b: 4; Mkhwanazi, 2013c: 4). In 2013, the SABC Board welcomed five new interim board members who the Chief Executive Officer of the time described as having a *"blend of skills and experience across a wide range of industries"* (Staff Reporter, 2013c: 5). The skills and experience of the Board members were seen to be necessary to bring stability to the Board after the infighting, which led to resignations in 2012 (Mkhwanazi, 2013a: 4). The interim Board members were replaced after six months (Mkhwanazi, 2013a: 4). The appointment of permanent Board members on the SABC Board caused renewed controversy (Mokone, 2013: 2; Mungadze, 2013: 4; Mkhwanazi, 2013b: 4; Staff Reporter, 2013a: 20; Mkhwanazi, 2013d: 4). The members of Parliament asked for candidates who have the necessary skills to serve on the Board (Mungadze, 2013: 4) while the Democratic Alliance (DA), the Congress of the People (COPE) and the Inkatha Freedom Party (IFP) rejected the list of Board members as they claimed the list was dominated by individuals who had close relationships with the ruling party (Mokone, 2013: 2; Staff Reporter, 2014a: 20). The concerns of the opposition parties were set aside, and the Board was appointed nonetheless (Mokone, 2013: 2).

In 2014, the controversy surrounding the SABC Board increased with the revelation that the Chief Operating Officer (COO), Hlaudi Motsoeneng, and the Chairperson of the Board, Ellen Tshabalala, falsified their qualifications (Staff Reporter, 2014c: 12; Phakathi, 2014: 3; Van Der Merwe, 2014: 4; Kganyago, 2014: 19; Mkhwanazi, 2014b: 4; Mkhwanazi, 2014a: 1; Staff Reporter, 2014b: 3). Despite the lack of qualifications of the COO, the Minister of Communications confirmed his appointment (Ndenze, 2014b: 4; Shoba et al., 2014: 1; Ndenze, 2014a: 4). The polemic surrounding the COO and the Board of the SABC continued into 2015 and 2016. After a Supreme Court ruling that the COO should face disciplinary actions, he agreed to leave his position until the conclusion of a disciplinary hearing (Dodds, 2015: 4; Van Der Berg, 2015: 1).

In 2016 the COO, who was once again filling his position as COO, threatened employees of the Broadcaster if they did not do as they were told (Mkentane, 2016b: 14). This followed allegations that the SABC was applying censorship in their reporting when the Board decided not to broadcast images of public violence (Thakali & Mkentane, 2016: 2; Thloloe, 2016: 17). This new non-broadcasting policy implemented at the SABC was called *"unintelligent"* and *"unlawful"* by the African National Congress (ANC) (Thakali & Mkentane, 2016: 2; Mkentane, 2016a: 4; Child, 2016: 2). Because of this new policy, SABC staff threated to stop reporting the news (Hosken & Mahlangu, 2016: 4), which led to the dismissal of eight journalists by the COO. After the eight journalists were fired for not complying with new policy and for speaking out against the COO, the competency of the Board was questioned by opposition parties (Staff Reporter, 2016c: 6) and the Broadcaster was accused of regressing to apartheid censorship practices (Thloloe, 2016: 17). An interdict was brought against implementing the new policy, and the Pretoria High Court approved the interdict in July 2016 (Mahlangu et al., 2016: 2).

The South African Parliament subsequently announced that it would launch a full-scale inquiry into the problems of the SABC (Staff Reporter, 2016b: 2; Capazorio, 2016: 4). This announcement was made only after opposition parties asked for an inquiry into the SABC and the removal of the COO (Mkentane, 2016a: 4; Staff Reporter, 2016a: 2; ANA Reporter, 2016a: 3).

No country or government in the world is protected against corporate failures, scandals, and poor governance as is evident from the discussion above. Corporate failures and scandals just serve as a reminder that governance legislation and codes that are in place are not cast in stone and represent a constant work-in-progress. Because of the occurrence of corporate failures and scandals, the most significant developments in terms of corporate governance are pragmatic in nature as a response to corporate failures, collapses, corruption, scandals, and domineering, powerful individuals. The pragmatic development of governance principles (see 2.2.2.4) occurred in the emergence of mainly seven governance theories, namely:

- Agency theory (see 2.2.2.5);
- Stewardship theory (see 2.2.2.6);
- Resource theory (see 2.2.2.7);
- Network theory (see 2.2.2.8);
- Class hegemony theory (see 2.2.2.9);
- Stakeholder theory (see 2.2.2.10); and
- Enlightened shareholder theory (see 2.2.2.11).

A brief overview of the development of corporate governance is presented below. This is followed by the explanation of the seven theories listed above.

2.2.2.4 Brief overview of the development of corporate governance

The existence of accounting scandals and failures (see 2.2.2.3) such as Enron, WorldCom, Parmalat, African Bank, Nkandla, SAA and the SABC, confirms the need for proper corporate governance principles and practices. Some corporate governance principles are contained in legislation such as the Companies Act 71 of 2008 (RSA, 2008a) and the Sarbanes Oxley Act of 2002 in the United States of America (USA) (see 2.3.3.5). Most of the development of corporate governance, however, occurred with the development of reports and codes and is largely pragmatic in nature (Marx, 2008: 97). The development of the codes and reports mainly started in the 1990s with the issuance of the Principles of Corporate Governance in the USA (see 2.3.3.2) and development of the Cadbury Report in the United Kingdom (UK) in 1992 (see 2.3.2.1). The development of corporate governance in the UK continued with the issuance of several reports and codes with the latest Corporate Governance Code issued in 2016 (see 2.3.2.2 to 2.3.2.15). Developments of corporate governance in the USA also continued with the latest development of codes done by the Council of Institutional Investors in 2013 (see 2.3.3.2 to 2.3.3.7).

Other countries followed suit and South Africa issued its first King Report on Corporate Governance in 1994 (see 2.3.4.1). The first South African King Report contained principles and recommendations for sound corporate governance and included topics such as risk management and internal audit (see 2.3.4.1) (Coetzee, 2010: 14; Goodchild, 2016: 23). The first King Report was updated in 2002, and the more comprehensive King II Report was issued. The King II Report also includes the idea of triple-bottom-line reporting which require companies to report on profit, their impact on the environment and stakeholder relationships (see 2.3.4.2) (Goodchild, 2016: 23; Coetzee, 2010: 14; Crous, 2012: 107). In 2009, South Africa issued the King III Report (see 2.3.4.3), and many of the ideas and principles contained in the first two King Reports were included in this Report (Goodchild, 2016: 24; Jackson & Stent, 2012: 4/4). Where the King I and King II Reports required all Listed Entities to comply with its recommendations, King III was specifically adjusted to be applicable to all entities (see 2.3.4.3) (Goodchild, 2016: 24; Crous, 2012: 111; IOD, 2011b: 16). The draft King IV Report was issued for comment early in 2016, and the final King IV Report was issued on 1 November 2016 with an implementation date applicable to entities with a financial year starting on or after 1 April 2017 (see 2.4.4.4). For this study, whenever King IV or the King IV Report is mentioned, it refers to the final King IV Report.

The King IV Report is designed to be implemented by all forms of entities and contains industry-specific guidance on the application of the code (see 2.3.4.4) (SAICA, 2016: 2; IOD, 2016b: 2). A discussion on the development of Corporate Governance Codes and Reports in the United Kingdom (see 2.3.2), the United States of America (see 2.3.3) and South Africa (2.3.4) are included under section 2.3.

2.2.2.5 Agency Theory

Berle and Means first recognised the divergence of interests of shareholders and managers in 1932 by publishing their seminal work, The Modern Corporation, and Private Property (see also 2.2.1). In 1976, Jensen and Meckling expanded on the agency problem and published their work, The Theory of the Firm: Managerial Behavior, Agency Cost and Ownership Structure (Jensen & Meckling, 1976: 288–307). In this work, Jensen and Meckling argue that the existing relationship between shareholders and owners (also referred to as principals) with management (referred to as agents) rests on the premise of a contractual relationship between these parties and that there is a cost involved in the writing of these contracts (Jensen & Meckling, 1976: 305–360; Van Slyke, 2007: 162; Brennan, 2007: 4; Ajibo, 2014: 41).

Jensen and Meckling provided for three components to the costs of contracts (Jensen & Meckling, 1976: 308–309). The three components are: the costs incurred by the principals in monitoring the financial consumption of the agents; the costs incurred by the agents in monitoring themselves (referred to as boding costs); and the reduction in wealth experienced by the principal (Jensen & Meckling, 1976: 308–309). The reduction of wealth is because of the difference in the agent's decisions and the decisions that have the potential to maximise the principals' wealth (called residual loss) (Jensen & Meckling, 1976: 308–309; Chhotray & Stoker, 2009: 148; Tricker, 2012b: 56).

Jensen and Meckling's theory highlighted the need for a balance between the costs of the agent versus those of the principals. This balance served to minimise risks and thus formed the basis for developing governance principles in control over the agents, in the form of directors (Heminway, 2012: 98–99). To achieve this balance, principals need to impose control structures, in the form of Board of Directors, audits and performance evaluations on the agents (Alberti, 2001: 11; Davis et al., 1997: 22). These control structures serve to curb the agent's self-interest (Davis et al., 1997: 23), ensure that agents act on behalf of principals and align the interest of principals and agents (Alberti, 2001: 11). Hillman and Dalziel further state that the control structures include a monitoring function where the Board of Directors (agents) are responsible for monitoring management on behalf of the shareholders (principals) (Hillman & Dalziel, 2003: 384).

Agency Theory further holds that agents cannot always be trusted to act in the best interest of the principals and the company, as the directors' view on acceptable risk differ from the view of the principals for acceptable risk (Alberti, 2001: 11; Tricker, 2012b: 54; Brennan, 2010: 8; Van Slyke, 2007: 161). Agency Theory also explains these differences in the principals and the agents' interests are often caused by self-interested actions of the agents, which are in conflict with the best interest of the principals (Brennan, 2010: 8).

As mentioned above, Agency Theory calls for control structures to monitor the actions of the agents. Managerial researchers often use the control structures, in the form of the Board of Directors and the performance evaluations, as a basis of discussion of executive remuneration practices while using Agency Theory (Baeten et al., 2011: 7; Daily et al., 2003: 374; Hillman & Dalziel, 2003: 383; Wasserman, 2006: 960; Otten, 2007: 3). Otten argues that agency theory should not be used to determine “how much” executives need to be paid, but rather “how” they should be paid (Otten, 2007: 10). Otten contends that by providing incentives to executives, the alignment of their interests to those of the shareholders become easier and that residual losses can decrease (Otten, 2007: 10). It is, therefore, important to determine the optimal pay package as a trade-off between costs of monitoring the agents and incentives paid to the agents (Otten, 2007: 11; Baeten et al., 2011: 10). An important premise in using Agency Theory for executive remuneration is thus the need for monitoring of agents (managers and Board of Directors) in performing their duties in terms of their contract with the principals (shareholders and owners).

There is some critique on Agency Theory as well, in terms of which the assumed self-interest behaviour of the agents has been criticised as an oversimplified view of human nature (Davis et al., 1997: 24; Tricker, 2012b: 56). Tricker contends there are other critics of the theory who also argue that Board behaviour *“is not well represented by contractual relationships, but is influenced by inter-personal behaviour, group dynamics and political intrique”* (Tricker, 2012b: 56). Davis et al. (1997: 37) contend the problem with Agency Theory seems to be the philosophical and moral assumption that man is inherently self-interested and cannot be trusted to look after the interests of others. Under this theory, directors can therefore not be trusted, and the costs related to aligning the interest of directors to those of the shareholders represents the main objective of Agency Theory (Davis et al., 1997: 37). Agency Theory indeed seems to be an oversimplification of the contractual relationships between agents and principals and does not provide for recognising other stakeholders such as employees and the government. The lack of a trusting relationship between agents and principals seem to be an excessive problem, as principals would surely not invest if there is no trust relationship with the agents. Stewardship Theory addresses the issue of the trust relationship and may prove to be a more acceptable theory concerning corporate governance.

2.2.2.6 Stewardship Theory

Stewardship was first recorded in the Holy Bible. In 2 Corinthians 8 verse 20 to 21, Paul guides the church on how they should be accountable for their finances: *"… that no man should blame us in this abundance which is administered by us: Providing for honest things, not only in the sight of the Lord, but also in the sight of man*" (The King James Version, n.d.). In Proverbs 27 verse 23 to 24, churches are urged to fulfil their responsibilities in terms of stewardship: *"Be thou diligent to know the state of thy flocks, and look well to thy herds. For riches are not for ever: and doth not the crown endure to every generation?"* (The King James Version, n.d.). Although several other verses in the Holy Bible contain reference to stewardship, these two verses clearly advocate the stewardship principle and do so by referencing honesty and diligence.

The consequences of poor stewardship are also found in the Holy Bible. In Luke 16 verse 1 to 13, a rich man had a steward who was accused of wasting goods (The King James Version, n.d.). The steward was subsequently relieved of his duties as *"[h]e who is faithful in that which is least is faithful also in much: and he that is unjust in the least is unjust in much…[a]nd ye have not been faithful in that which is another man's, who shall give you that which is your own?"* (The King James Version, n.d.). The steward was held accountable for his actions, as he was no longer allowed to continue in his duties as steward.

Stewardship Theory is used both as a complement and a contradictory approach to Agency Theory (Daily et al., 2003: 372; Davis et al., 1997: 26; Lambright, 2009: 208; Van Slyke, 2007: 158). Stewardship Theory is also based on a contractual relationship between the principals and agents, as is the case in Agency Theory (Van Slyke, 2007: 164). The main difference between the Stewardship and Agency Theories is that in the Stewardships Theory, directors can be trusted to serve the best interest of the shareholders (Anderson et al., 2007; Tricker, 2012a; Tricker, 2012b; Daily et al., 2003: 372; Baeten et al., 2011: 18; Lambright, 2009: 208; Wasserman, 2006: 960; Van Slyke, 2007: 159) whereas the directors might serve their own interest according to Agency Theory (see 2.2.2.5). Daily et al. (2003: 373) reason that according to Stewardship Theory, the agents will attempt to protect their professional reputations as experts at decision-making and thus will operate and manage a company in a manner that maximises financial performance to the benefit of shareholders.

Davis et al. call this behaviour collectivistic behaviour, which indicates the agents act to the benefit of the collective interest and not in self-interest (Davis et al., 1997: 24). Van Slyke concurs with Davis et al. and indicates the *"trust"* relationship within Stewardship Theory focuses on collective goals and objectives which cause agency and transactional costs to decrease in the long run (Van Slyke, 2007: 165). Brennan agrees with this argument while pointing out that the directors in this theory are interested in protecting their personal reputations and career prospects (Brennan, 2010:12).

The *"trust"* relationship between the agents and the principals, therefore, needs to pull through to control structures. The control structures in Stewardship Theory are empowering in nature, thus allowing for autonomy of the agents; *"trusting"* the agents will act in the best interest of the principals (Davis et al., 1997: 25; Van Slyke, 2007: 167). Van Slyke argues that Stewardship Theory and the inherent trust relationship that exists empower not only management but also employees through responsibility, autonomy, a shared culture and norms, personal power and trust (Van Slyke, 2007: 167).

Because of the trust relationship between the stewards and the principals in Stewardship Theory, the theory recommends that the Chief Executive Officer (CEO) also serve as the Chairman of the Board (Brennan, 2010: 12; Hamd, 2011: 1; Azeez, 2015: 182), which may ensure long-term financial results and sustainable performance (Chiu, 2012: 387; Davis et al., 1997: 37). This principle that the CEO and Chairperson of the Board may be the same individual goes against the principles of corporate governance, which require the Chairperson and the CEO to be two separate individuals (see for example 2.3.2.1 and 2.3.4.2).

Criticism against Stewardship Theory includes that the theory oversimplifies the role of a steward and that the theory reinforces the ego of the stewards (Schrapel, 2013: slide 5). Critics further argue that the Financial Statements of listed entities are so complex that only experts can understand them, which makes it impossible for shareholders to assess directors' performance (Tricker, 2012b: 54). Tricker further argues that Stewardship Theory does not provide for the protection of minority shareholders and that their interest is mostly contained in the codification in the form of either company legislation or common law (Tricker, 2012b: 54–55).

The trust relationship that develops between the agent and the principal may be difficult to measure as trust is based on experience. Although the trust relationship between agents and principals may be difficult to measure, the fact that there is a trust relationship between the two is crucial for the successful application of corporate governance. The fact that directors in Stewardship Theory are more likely to protect their professional reputations may increase the willingness of the directors to be held accountable and responsible for their actions. Stewardship Theory allows the Chairperson the Board and the CEO to be the same individual, which is a concern as this may not contribute towards an independent board as advocated by corporate governance principles.

2.2.2.7 Resource Dependency Theory

Resource Dependency Theory places the directors as the connection between the business objectives and the strategic environment within which a company operates. This connection between the directors and the business objectives is based purely on the organisation's dependence on resources from outside of the organisation, such as labour, capital, and raw materials. (Au et al., 2000: 31; Elouaer, 2006: 3; Baeten et al., 2011: 15; Daily et al., 1999: 84; L'Huillier, 2014: 309; Hillman & Dalziel, 2003: 383; Viader & Espina, 2014: 4). Daily et al. propose that at the foundation of this theory is the so-called outside directors' responsibility to secure the resources needed by the entity to ensure performance and survival (Daily et al., 2003: 372).

As Resource Dependency Theory focuses on the directors' responsibility to obtain scarce resources, is it based on the supply-demand principle (Sherer & Lee, 2002: 103; Hessels & Terjesen, 2010: 206) from the field of economics. Resource dependency can thus be considered a market-orientated model. Fink et al. argue that beyond the *"link"* between the directors and resources, Resource Dependency Theory is affected by social factors outside the organisation in the context of the organisation's relationship with the environment (Fink et al., 2006: 500). Based on the use of the term *"environment"* in the literature on Resource Dependency Theory, the term does not seem to refer to the natural environment. It rather seems to refer to the business environment surrounding an organisation and the internal and external factors that may influence the organisation.

The theory was criticised for its predominant focus on how a firm responds to environmental constraints (Carvalho & Ferreira, 2015: introduction; Casciaro & Piskorski, 2005: 167–199). Further critique on the theory is that it does consider the interdependencies between the internal and external environments and resources (Carvalho & Ferreira, 2015: introduction; Finkelstein, 1997: 787–810).

Resource Dependency Theory's reliance on the link between the directors and resources does not consider relationships between an organisation and its shareholders. Neither does it consider any relationship or responsibility of directors in terms of stakeholders other than shareholders. This narrow focus on resources is not conducive to the application of governance principles found in the governance codes worldwide (see 2.3.2, 2.3.3. and 2.3.4).

2.2.2.8 Network Theory

Network Theory recognises the need for social networks and the dependence of governance processes on these networks (Tricker, 2012a; Tricker, 2012b: 57). Network Theory argues that a director who is a member of more than one Board of Directors should use the social networks he/she creates as a member of those Boards, to the benefit of the organisation (Alberti, 2001: 16). The social networks created by the directors should, therefore, be utilised to ensure that the organisation obtains the necessary resources to be successful.

The development of Network Theory mainly occurred in the social sciences. The main critique against this theory is the narrow focus on cultural dimensions within research and the discarded analysis of institutional and political dimensions (Bräten, 2003: 8; Granovetter, 1999: 11). If a director were to use information obtained as a member of a Board to the benefit of another organisation, it might seem as if the director is in breach of confidentially and independence requirements in terms of legislation and corporate governance principles. Network Theory does not seem to account for this fiduciary duty of directors and does not seem to recognise this as a limitation of the theory.

2.2.2.9 Class Hegemony Theory

Class Hegemony Theory focuses on all the directors of a company's self-perception. This perception allows directors to see themselves as an elite group that dominates both the organisation and its external relationships (Tricker, 2012b: 57; Daily et al., 1999: 85; Coetzee, 2010: 140). Class Hegemony Theory was criticised for interpreting governing bodies as a group of elitists where the power is held by one social class, namely the upper class, only (Alberti, 2001: 16–17; Baeten et al., 2011: 14; Brennan, 2010: 13). Class Hegemony Theory is also called a Marxist or socialist model of governance (Mills, 1965 and Nichols, 1969 in Otten, 2007: 16).

Class Hegemony Theory is in direct contradiction to Stewardship Theory where the directors are trusted to act in the best interest of the shareholders (see 2.2.2.6). If according to Class Hegemony Theory, directors mainly act in their own interest, they may also not be interested in protecting the interest of the shareholders and other stakeholders. Class Hegemony Theory is therefore not suited for application to the corporate governance principles developed in the corporate governance codes (see 2.3.2, 2.3.3. and 2.3.4).

2.2.2.10 Stakeholder Theory

All the theories above (see 2.2.2.5 to 2.2.2.9) are lacking in identifying and managing stakeholders in governance as they focus on the importance of the directors, their networks, behaviour, and ability to secure resources. The stakeholder perspective stems from society's need to be recognised as interested parties in an organisation. Recognising society's need for inclusion led to developing Stakeholder Theory to balance the responsibility, accountability, and power within an entity (Tricker, 2012b: 58).

Freeman et al. argue the stakeholder approach to governance cannot be defined as a theory, but rather a pragmatic approach to governance (Freeman et al., 2012: 1). Stoney and Winstanley, as well as Jamali, disagree with Freeman by explaining that the stakeholder approach can be divided into three distinct theoretical approaches, namely descriptive theory, instrumental theory and normative theory (Jamali, 2008: 219; Stoney & Winstanley, 2001: 607; Crane & Ruebottom, 2011: 79).

Of the three Stakeholder Theories, the most commonly used is the descriptive theory, which is used to outline the views of directors in terms of how the entity take stakeholders' interests into account (Jamali, 2008: 219; Stoney & Winstanley, 2001: 607; Gilbert & Rasche, 2008: 671). The instrumental theory argues the entity is an instrument used by directors to create wealth to promote economic objectives whether or not it is beneficial for the entity to engage with stakeholders (Jamali, 2008: 219; Stoney & Winstanley, 2001: 607; Gilbert & Rasche, 2008: 761). The normative theory is based on philosophical, moral and ethical requirements which cement the relationship between the organisation and the stakeholders and addresses why an organisation should take account of stakeholder interest (Jamali, 2008: 219; Stoney & Winstanley, 2001: 607; Gilbert & Rasche, 2008: 761; Purnell & Freeman, 2012: 109–110). Despite the difference in the three stakeholder theories, authors agree that the Stakeholder Theory of governance is focused on long-term value and wealth creation to ensure the survival of an entity (Minoja, 2012: 67; Henderson, 2009: 22).

Stakeholder Theory reasons that an organisation owes a duty to all those affected by their behaviour and advocates the responsibility of the directors to manage these relationships between those affected by the organisation and the organisation (Tricker, 2012b: 58). The relationships with those affected by the organisation reach far beyond the traditional contractual relationships as set out in legislation and the support of the stakeholders ensure the survival of an entity. The relationships are also not reliant on the impact the stakeholders have on the company profits (Alberti, 2001: 13; Queen, 2015: 685; Magness, 2008: 178).

Stakeholders have been identified as, among others, the government, employees, suppliers, related industries, investors, customers, political groups, local communities and the environment (Alberti, 2001: 12; Baeten et al., 2011: 14–15; Queen, 2015: 685; Jamali, 2008: 217; Kaler, 2009: 299; Orts & Strudler, 2009: 607). These stakeholders can be divided into two main groups, namely internal and external stakeholders. Internal stakeholders are typically described as employees and shareholders, whereas external stakeholders are described as suppliers, customers, governments, competitors, civil society organisations, the local community and the natural environment (Neubaum et al., 2012: 30; Beringer et al., 2013: 831; Cennamo & Berrone, 2012: 1158). Kaler contents that stakeholders should be identified based on their contribution towards the entity (Kaler, 2009: 304). By looking at the contribution of each stakeholder group, the Board of Directors is then responsible for focusing on and recognising only those who directly contribute to the entity as stakeholders (Kaler, 2009: 304; Beringer et al., 2013: 831; Cennamo & Berrone, 2012: 1158). Adding the natural environment to the stakeholder group may imply the inclusion of environmental activists. It may, however, in some cases be questionable whether or not these activists actually make a contribution towards the entity.

Regardless of how stakeholders are identified, Stakeholder Theory requires directors to be held responsible for maintaining relationships with the stakeholders while remaining accountable towards the shareholders for their actions. This calls for an approach in which the rights, powers, and duties of the stakeholders, in relation to the organisation, are balanced (Henderson, 2009: 22; Jamali, 2008: 219).

Because of the balance of powers, duties and rights of both stakeholders and directors, the Stakeholder Theory are often used in research dealing with corporate social responsibility of entities (Jamali, 2008: 213–231; Barnea & Rubin, 2010: 71–86; Keim, 1978: 32–39; Cespa & Cestone, 2007: 741–771; Minoja, 2012: 67; Russo & Perrini, 2010: 207–221). Because of the above-mentioned balance, Baeten et al. argue that Stakeholder Theory is ideally suited for use in performance management of directors (Baeten et al., 2011: 15). They further argue that measures used for performance should include the alignment of interests of the entity and its stakeholders (Baeten et al., 2011: 15).

Queen explains the critics of Stakeholder Theory are concerned that the burden the different agendas of the shareholders and other stakeholders place on the directors, could be too much for directors to deal with (Queen, 2015: 685). Queen, Henderson and Orts as well as Strudler all argue that directors find it very difficult to balance the interests of the different stakeholders with that of the shareholders (Queen, 2015:

685; Henderson, 2009:22; Orts & Strudler, 2009:611). Blattberg (in Queen, 2015: 685) found that corporate executives tend to waste time and resources in their in dealing with conflicting interests and so potentially destroy shareholder value (Barnea & Rubin, 2010: 72; Cespa & Cestone, 2007: 1) and decrease the value that directors add to each of the stakeholder groups (Henderson, 2009: 25). The stakeholder approach to governance, therefore, turns away from the dominant shareholder-centred approach or so-called shareholder supremacy model that the Agency Theory promotes (Chiu, 2012: 388). Stakeholder Theory does, however, conform to the international codes of corporate governance and seem to be the internationally recognised prominent theory in the corporate governance literature (see 2.3.2, 2.3.3. and 2.3.4).

2.2.2.11 Enlightened Shareholder Theory

The Enlightened Shareholder Theory seeks a middle ground between the principles of shareholder supremacy, as advocated by Agency Theory, and the interest of stakeholders (Henderson, 2009: 25; Queen, 2015: 686). Pichet adds Enlightened Shareholder Theory is informed by the principles of both Stakeholder Theory and shareholder supremacy (Pichet, 2011: 360). An important premise for the success of Enlightened Shareholder Theory is that the shareholders of the entity, along with the Board of Directors, should be concerned with the long-term wealth and survival of the entity (Chiu, 2012: 398; Brink, 2010: 647; Ajibo, 2014: 50; Queen, 2015: 684; Henderson, 2009: 25; Keay, 2010: 19). Enlightened Shareholder Theory further states that the shareholders are deemed to be enlightened in the actions of the directors, and the entity and the shareholders would want to take issues into account that deal with Corporate Social Responsibility (Ajibo, 2014: 52).

Brink asserts that Enlightened Shareholder Theory promotes the sharing of control and ownership of the entity between the shareholders and the directors (Brink, 2010: 648). This shared control and ownership imply the directors should be aware of the impact their decisions have on the entity and the shareholders. The directors should further knowingly bear the consequences of their actions (Brink, 2010: 648). The shared control and ownership further rest on the fiduciary duties that directors owe to shareholder in terms of common law and company legislation (Chiu, 2012: 398; Brink, 2010: 648; Ajibo, 2014: 49; Keay, 2010: 19).

Enlightened Shareholder Theory, therefore, asks for the active involvement of shareholders in the management of an entity and imparts a duty *"to be informed"* about the consequences of shareholder and management decisions (Henderson, 2009: 27). Enlightened Shareholder Theory further requires that directors are aware of the different stakeholder groups and interest, yet accept their fiduciary duties in terms of long-term wealth creation for the shareholders and the entity (Ajibo, 2014: 50).

Some scholars criticise Enlightened Shareholder Theory as being just a revision of the shareholder-orientated governance theories with some increased focus on stakeholders (Andreadakis, 2013: 425). Several authors argue that Enlightened Shareholder Theory lacks precision in terms of guidance provided to directors on how to balance the interests of all stakeholders and that the theory does not address the accountability of directors to stakeholders (Andreadakis, 2013: 425; Keay, 2007: 577–612; Ramnath & Nmehielle, 2013: 108). As the Enlightened Shareholder Theory addresses the responsibilities of both the shareholders and the directors to manage an organisation to the benefit of all stakeholders, the theory supports the developments in the international corporate governance codes (see 2.3.2, 2.3.3. and 2.3.4). The King IV Report issued in South Africa in 2016 is specifically based on Enlightened Shareholder Theory (see 2.3.4.4).

2.2.2.12 Conclusion on the development of corporate governance models

Originally, none of the theories discussed under sections 2.2.2.5 to 2.2.2.11, specifically addressed the issue of different groups of directors. There has, however, been several studies performed based on these theories that mention the independence requirements of directors (Rutledge et al., 2016: 49–71; Daily & Dalton, 1996: 99–114; Rasheed, 2015: 181–198; Duru et al., 2016: 4269–4277; Eisenberg, 2016: 14–20; Zona et al., 2015: 1–30; Krause et al., 2016: 1900–2002; Kent & Zunker, 2015: 1–31; Rao, n.d.: 116; Bullock, 2015: 177–219).

The different theories in terms of corporate governance each have its supporters and opponents. Central to all of the corporate governance theories is the importance of the Board of Directors and their responsibility towards shareholders and other stakeholders. Corporate governance theories range from the self-interest of directors

(Agency Theory), the altruistic view on directors' behaviour (Stewardship Theory) to the importance of the inclusion of shareholders in governance practices. It is evident from the literature there is no "*one-size-fits-all*" approach to corporate governance theory, and perhaps a combination of these theories is the best option.

2.3 Development of Corporate Governance in the United Kingdom, United States of America and South Africa

2.3.1 Introduction

The occurrence of corporate scandals such as Enron, WorldCom, Parmalat and African Bank (see 2.2.2.3) necessitated the development of corporate governance codes, principles and legislation on a global scale. The development of corporate governance occurred in most countries and included the United Kingdom, the United States of America, South Africa, New Zealand and Australia, to name but a few. A very brief overview relating to the development of corporate governance in Australia and New Zealand is presented below. This overview is followed by a discussion on the development of corporate governance in the United Kingdom, the United States of America and South Africa.

Australia issued corporate governance reports in 1991, 1993 and 1995 called the Bosch Reports and the Hilmer Reports in 1993 and 1998 (Marx, 2008: 153; CACG, 1999: 19–22; Du Plessis et al., 2014: 100; Hendrikse & Hefer-Hendrikse, 2014: 98; Wixley & Everingham, 2015: 19). These reports were aimed at promoting good corporate governance practices in Australia (Marx, 2008: 153; CACG, 1999: 19–22; Du Plessis et al., 2014: 89,100), and corporate governance principles for use by listed entities were issued in 2003 (Marx, 2008: 154; Tricker, 2012a: 497–503) and adjusted in 2007 and 2010 (Marx, 2008: 154; Tricker, 2012a: 497–503).

The Securities Commission of New Zealand issued corporate governance principles in 2003 and adjusted them in 2007 (Tricker, 2012a: 497–503). Although several other countries have their own corporate governance principles, codes and reports, this study will focus on the development of the codes and reports in the United

Kingdom (UK) (see 2.3.2), the United States of America (USA) (see 2.3.3) and South Africa (see 2.3.4).

Where the developments in the UK and the USA were segmented as far as the content of the different documents and reports are concerned, which necessitated several reports and reviews of reports, the changes in the South African King Reports were much more comprehensive and less fragmented. The remainder of this chapter will focus on the development of corporate governance in the UK, the USA and South Africa.

2.3.2 Development of Corporate Governance in the United Kingdom

The United Kingdom (UK) has issued several reports since the Cadbury Report in 1992 (see 2.3.2.1). These reports include, among others, the Greenbury Report in 1995 (see 2.3.2.2), the Hampel Committee Report in 1998 (see 2.3.2.3), the Combined Code in 1998 (see 2.3.2.4), the Turnbull Report in 1999 (see 2.3.2.4), the Higgs Report in 2003 (see 2.3.2.5), the Smith Report in 2003 (see 2.3.2.6), the Combined Code in 2003 (see 2.3.2.7) and the Combined Code in 2006 (see 2.3.2.9) (Hendrikse & Hefer-Hendrikse, 2014: 91; Wixley & Everingham, 2015: 15). Further reports and codes include the 2009 Combined Code (see 2.3.2.10), the Stewardship Code (see 2.3.2.11) the UK Corporate Governance Code in 2010 (see 2.3.2.12), the UK Stewardship Code (see 2.3.2.13) and the 2102, 2014 and 2016 UK Corporate Governance Codes (see 2.3.2.14 and 2.3.2.15). Each of these reports is discussed briefly below.

2.3.2.1 The Cadbury Report (1992)

The Cadbury Report was the result of the cooperation between the Financial Reporting Council (FRC), the London Stock Exchange (LSE) and the accounting profession in the UK to address financial aspects of corporate governance (The Cadbury Committee, 1992: para. 2.1). The Cadbury Report came after the corporate collapse of Maxwell and the Bank of Credit and Commerce International (BCCI) in the UK. The Cadbury Report had the objective of addressing the standards of Financial Reporting, accountability and excessive director's remuneration (The Cadbury Committee, 1992: preface) and had a narrow focus on

Financial Reporting of corporate governance and disclosure (Du Plessis et al., 2014: 301).

The Cadbury Report was the first report which contained a Code of Best Practice in terms of corporate governance and included the concept of compliance with the code or explaining any areas of non-compliance (The Cadbury Committee, 1992: para. 1.3; Hendrikse & Hefer-Hendrikse, 2014: 92; Wixley & Everingham, 2015: 15; Farrar, 2008: 235). Paragraph 3.1 of the Cadbury Report further recommended that all listed companies registered in the UK comply with the Code of Best Practices as set out in the report (The Cadbury Committee, 1992: para. 1.3; Hendrikse & Hefer-Hendrikse, 2014: 92; Wixley & Everingham, 2015: 15; Farrar, 2008: 235).

By adhering to the Code of Best Practices, companies listed on the London Stock Exchange could obtain a balance between meeting the standards of corporate governance and the *"essential spirit"* of the entity (The Cadbury Committee, 1992: para. 1.5). The application of the Code further enhanced the clarity of the responsibilities of the directors, shareholders, and auditors and in the process increased investor confidence and support for development (The Cadbury Committee, 1992: para. 1.6). The report also reviews the structure and responsibilities of the Board of Directors, considers the role of auditors and the rights and responsibilities of shareholders (The Cadbury Committee, 1992: para. 2.9). The Cadbury Report emphasises the wider use of independent Non-Executive Directors (INEDs), and the importance of independent decision-making about a company's strategy, performance, resources and standards of conduct (Mallin, 2006: 4; Hendrikse & Hefer-Hendrikse, 2014: 92; Farrar, 2008: 235, 242, 327, 348, 394, 398, 400, 401 and 554; The Cadbury Committee, 1992: para. 4.11 to 5.1).

The Cadbury Report further initiated the compulsory existence of the Audit-, Remuneration and Nominations Committees. A minimum of three Non-Executive Directors, of which two should be independent, were recommended. The Remuneration Committee was charged with overseeing the executive remuneration and the Nominations Committee was responsible for proposing suitable new Board members (Mallin, 2006: 4; Hendrikse & Hefer-Hendrikse, 2014: 92; Farrar, 2008: 235, 242, 327, 348, 394, 398, 400, 401 and 554; The Cadbury Committee, 1992:

para. 4.11 to 5.1). An independent board was also introduced with the recommendation that a board should ensure a strong independent component in terms of which the Chairperson of the board and the Chief Executive Officer of a Board were the same person. The induction of new directors was recommended, and consultation with legal and financial advisers were also supported in the report (Mallin, 2006: 4; Hendrikse & Hefer-Hendrikse, 2014: 92; Farrar, 2008: 235, 242, 327, 348, 394, 398, 400, 401 and 554; The Cadbury Committee, 1992: para. 4.11 to 5.1).

The recommendations contained in the Cadbury Report formed the basis for many of the corporate governance codes to follow, even in South Africa (see 2.3.4) and was the beginning of the worldwide exercise of issuing and revising corporate governance codes and practices. The Greenbury Report followed the Cadbury Report in 1995 and is discussed briefly below.

2.3.2.2 The Greenbury Report (1995)

The Greenbury Report was written as a response to the public and shareholders' concern about director's remuneration practices, and as such the Greenbury Report focuses on the remuneration of the Board of Directors (Greenbury, 1995: preface). The report included themes of accountability, responsibility and full disclosure requirements about Board remuneration to align the interest of the directors to that of the shareholders and to improve company performance (Greenbury, 1995: preface). The Greenbury Report also recommended that all listed entities apply the best practices set out in the Report (Greenbury, 1995: 12; Hendrikse & Hefer-Hendrikse, 2014: 92; Millichamp & Taylor, 2012: 93).

The Greenbury Report supported the existence of a Remuneration Committee and recommended that the members of the committee include only Independent Non-Executive Directors (INED's) (Mallin, 2006: 4; Hendrikse & Hefer-Hendrikse, 2014: 92; Millichamp & Taylor, 2012: 93; Greenbury, 1995: para. 4.3 to 8.12). The Greenbury Report further sets out the duties of the Remuneration Committee and necessitated the Remuneration Committee to set the broad remuneration policy in terms of remunerating Executive Directors while striving to improve company performance and complying with the Code of Best Practices. Full disclosure of directors' remuneration to shareholders was added as a recommendation and asked for details such as stock options and pension entitlements for each individual director (Mallin, 2006: 4; Hendrikse & Hefer-Hendrikse, 2014: 92; Millichamp & Taylor, 2012: 93; Greenbury, 1995: para. 4.3 to 8.12).

The Greenbury Report forms a significant part of the greater development of corporate governance in the UK and provides specific guidance on the remuneration of directors (Greenbury, 1995: para. 5.5 – 5.24). It was also included in the Combined Code of Corporate Governance in 1998 (see 2.3.2.4). The principles contained in the Greenbury Report are also found in other corporate governance codes such as the King Reports in South Africa (see 2.3.4). The next significant development concerning corporate governance in the UK was the issuance of the Hampel Report in 1998 that addressed corporate governance standards.

2.3.2.3 The Hampel Report (1998)

The Hampel Committee was set up in 1995 (Mallin, 2006: 5) to review the implementation of the recommendations made by the Cadbury and Greenbury Reports (Hampel, 1998: 5). The Hampel Committee was tasked with promoting high standards of corporate governance in the interest of protecting investors and to enhance the standing of companies listed on the London Stock Exchange (Hampel, 1998: 66). The Hampel Report recommended that good corporate governance needs broad principles and not more detailed guidelines (Hendrikse & Hefer-Hendrikse, 2014: 93; Farrar, 2008: 242,352,374 and 559; Millichamp & Taylor, 2012: 19; Hampel, 1998: 16–56). The Hampel Report further included guidance about the roles, responsibilities, and involvement of institutional shareholders in the governance of companies and embraced the corporate governance principles of enhanced accountability and audit requirements (Hendrikse & Hefer-Hendrikse, 2014: 93; Farrar, 2008: 242,352,374 and 559; Millichamp & Taylor, 2012: 19; Hampel, 1998: 16–56).

In 1998, the Cadbury, Greenbury and Hampel Reports were combined to form the UK Combined Code. The Combined Code was prescribed as part of the London Stock Exchange listing requirements (Tricker, 2012b, p. 46).

2.3.2.4 The Combined Code (1998) and Internal Control Guidance for Directors on the Combined Code: Turnbull Report (1999)

In 1998, the London Stock Exchange issued the Combined Code, which contained the recommendations of the Cadbury, Greenbury and Hampel Reports (Mallin, 2006: 5; The Committee on Corporate Governance, 2000: preamble; Millichamp & Taylor, 2012: 19). Although compliance with the principles set out in the Combined Code is voluntary, listing requirement number 12:43A on the London Stock Exchange requires listed entities to comply with the governance principles in the Combined Code (Mallin, 2006: 5; Marx, 2008: 102; Baker & Anderson, 2010: 63; Donovan et al., 2015: 173).

The Combined Code, finalised in May 2000, comprises seventeen principles with forty-eight provisions and includes a part on the directors' responsibility to review the effectiveness of systems of internal controls (Marx, 2008: 102; Mallin, 2006: 5). This code contains a section that deals with the role and responsibilities of the Board of Directors (The Committee on Corporate Governance, 2000: para. A1–A6); a section containing detail regarding the remuneration of directors (The Committee on Corporate Governance, 2000: para. B1–B3); a section on the relationships with shareholders (The Committee on Corporate Governance, 2000: para. C1–C3); and a section on Institutional Investors (The Committee on Corporate Governance, 2000: para. D1–D3).

The London Stock Exchange, with the Institute of Chartered Accountants in England and Wales, agreed to issue guidance on the application of the section which dealt with the review on internal control, as set out in the Combined Code, and these guidelines were issued in 1999 (The Institute of Chartered Accountants in England and Wales, 1998: 1). The guidance intended to (The Institute of Chartered Accountants in England and Wales, 1998: 4):

> *"reflect sound business practices whereby internal control is embedded in the business process by which a company pursues its objectives;*

remain relevant over time in the continually evolving business environment;

enable each company to apply it in a manner which take account of its particular circumstances"

The guidance recommended that the directors apply their judgement in reviewing the internal controls and that in doing so, the Board of Directors should adopt a risk-based approach to establish the relevant internal controls (The Institute of Chartered Accountants in England and Wales, 1998: 4; Mallin, 2006: 5; Talbot, 2013: 158; Baker & Anderson, 2010: 63; Donovan et al., 2015: 173). The risk-based approach to internal controls is a well-documented and used principle in corporate governance and is found in other corporate governance codes as well as, for example, the governance codes in South Africa (see 2.3.4). After 1999, the next significant report on corporate governance in the UK was the Higgs Report issued in 2003.

2.3.2.5 The Higgs Report (2003)

The Higgs Report, issued in 2003, provided additional recommendations on the role and effectiveness of Non-Executive Directors (Mallin, 2006: 5; Higgs, 2003: 3; Millichamp & Taylor, 2012: 19). The Higgs Report suggested that the Chief Executive Officer (CEO) of a company could not serve as the Chairperson of the Board as well (Higgs, 2003: 5; Solomon, 2007: 61; Dubnick & Frederickson, 2015: 216). The report further suggests that the Non-Executive Directors meet separately from Executive Directors at least once a year and that the occurrence of this meeting should be included in a statement in the Annual Financial Statements (Higgs, 2003: 5; Solomon, 2007: 61; Dubnick & Frederickson, 2015: 216; Du Plessis et al., 2014: 317). Further recommendations require that every company should have independent directors whose responsibility it is to liaise with shareholders on concerns of shareholders that were not addressed by the CEO or Chairperson of the Board. The induction of new directors is emphasised again in this report (Higgs, 2003: 5; Solomon, 2007: 61; Dubnick & Frederickson, 2015: 216; Du Plessis et al., 2014: 317). The specific liaison with stakeholders is one of the principles contained in Stakeholder Theory (see 2.2.2.10) and is also used in the King Reports in South Africa (see 2.3.4).

2.3.2.6 The Smith Report (2003)

The focus of the Smith Report, also issued in 2003, was the appointment and review of the Audit Committees (Mallin, 2006: 6; Smith, 2003: 3; Du Plessis et al., 2014: 317; Solomon, 2007: 62; Van Daelen & Van Der Elst, 2010: 90; Dempsey, 2013: 43). The Smith Report recognises the Board's responsibility and duty to act in the best interest in the company, and the report emphasises the importance of independence on the Audit Committee to protect the shareholders of the company (see 2.3.2.1) (Mallin, 2006: 6; Smith, 2003: 3; Du Plessis et al., 2014: 317; Solomon, 2007: 62; Van Daelen & Van Der Elst, 2010: 90; Dempsey, 2013: 43). The protection of shareholders could be attained by the Audit Committee performing their duties as well as the existence of an open and frank relationship between the Audit Committee and the Board of Directors based on mutual respect (Smith, 2003: 4; Du Plessis et al., 2014: 317; Solomon, 2007: 62; Dempsey, 2013: 43). The guidance on the Audit Committee contained in the Smith Report was to be applied to all listed companies with a reporting period starting on 1 July 2003 (Smith, 2003: 5; Du Plessis et al., 2014: 317; Solomon, 2007: 62; Dempsey, 2013: 43).

2.3.2.7 Revised the Combined Code (2003)

In 2003, the Financial Reporting Council (FRC) issued the Combined Code of Corporate Governance, which included the recommendations made in the Higgs (see 2.3.2.5) and Smith Reports (see 2.3.2.6) in 2003 (FRC, 2003: preamble). The recommendations contained in the Higgs Report on Internal Control are in principles C2 and C3 of the Combined Code and the recommendations contained in the Smith Report are in principle C3 of the Combined Code (FRC, 2003: preamble, 15 & 16; Mallin, 2011: 8). Other than confirming the principles contained in the Smith and Higgs Reports, no other changes occur in the 2003 Combined Code.

2.3.2.8 Internal Control: Revised Guidance for Directors on the Combined Code (2005)

In 2005, the Turnbull Report (see 2.3.2.4) was revised to include a recommendation that a Board of Directors includes an internal control statement to shareholders in the Annual Financial Reports of a company (Mallin, 2006: 7; Turnbull, 2005: preface). The recommendations included a notification to the shareholders in the Annual

Financial Reports of the *“significant failings or weaknesses”* in the company’s internal control systems (Mallin, 2006: 7; Turnbull, 2005: 11).

2.3.2.9 The Combined Code (2006 and 2008)

The Financial Reporting Council (FRC) revised the Combined Code in 2006, which superseded the 2003 Combined Code (FRC, 2006: preamble). The revised Combined Code was made applicable to all listed entities with a Financial Reporting year starting on, or after, 1 November 2006 (FRC, 2006: preamble). The Combined Code in 2006 had minor and limited changes from the 2003 Combined Report (FRC, 2006: preamble).

The FRC again revised the Combined Code in 2008 and issued the revised code, which superseded the 2006 Combined Code (FRC, 2008: preamble; FRC, 2006: preamble). The revised Combined Code was applicable to all listed entities with a Financial Reporting year starting on, or after, 29 June 2008 (FRC, 2008: preamble). The changes in the Combined Code of 2008 included the Corporate Governance Rules as implemented by the Financial Services Authority (FSA), which contains European requirements about the Audit Committees and Corporate Governance Statements. The requirements about the Audit Committees and the Corporate Governance Statements overlapped with existing principles in the Combined Code (FRC, 2006: preamble). Changes to the 2006 code included the FSA listing rules that deal with disclosure requirements of listed entities as well as transparency rules about the Audit Committees (FRC, 2008: 25–27). These changes were included in the 2008 Combined Code.

2.3.2.10 The Combined Code (2009)

In 2009, the FRC yet again issued a revised Combined Code (FRC, 2009: executive summary). The changes in this 2009 Code were to be implemented by all companies with a Financial Reporting period starting on, or after, 29 June 2010 (FRC, 2009: 3). The changes to the Code were driven by the need to have greater focus on the behaviour of the Board of Directors and contained recommendations on the appropriate mix of skills, experience, and independence needed on a board (FRC, 2009: 3). The 2009 Code provided further guidance on the external evaluation of Board performance, aligning Board remuneration to the company’s risk policies and a choice on the location of disclosures, between the company's Annual Report and website (FRC, 2009: 3). The 2009 Code further advocated enhanced communication with shareholders as well as developing a Stewardship Code for Institutional Investors (FRC, 2009: 2) and that the Combined Code be renamed to the United Kingdom Corporate Governance Code.

2.3.2.11 The Stewardship Code (2010)

In terms of Section 172 of the UK Companies Act, Enlightened Shareholder Theory (see 2.2.2.11) should be followed for corporate governance of listed entities (FRC, 2010a: 1). The shareholders are therefore expected to take action if they believe the Board is not performing their duties, and the Institutional Investors' involvement became even more important (FRC, 2010a: 1). The FRC believed the effective implementation of a Stewardship Code in the UK would allow for more effective engagement of investee companies. The FRC further believed implementing the Code may have improved the governance and performance of listed companies (FRC, 2010a: 4). Upon completion of the Stewardship Code, this code replaced Section E of the Combined Code, which deals with Institutional Investors (see 2.3.2.7). The principles contained in the Stewardship Code addressed the effective monitoring of a company's performance and active dialogue that is needed between the company and the Institutional Investor. Institutional Investors were also recommended to monitor their investee companies to determine when it will be necessary to engage in dialogue with the company about the effective Board structures, subcommittees and independence of directors (FRC, 2010a: 14–20; Mallin, 2013: 112; Hafeez, 2015: 124; Hannigan, 2016: 146). The Stewardship Code further included additional disclosure recommendations that Institutional Investors should comply with. These recommendations are (FRC, 2010a: 33):

- The Institutional Investor's policy on voting, including proxy rules and how to use information during voting;
- How Institutional Investors endeavour to identify problems to minimise losses to shareholders;
- How Institutional Investors determine guidelines on how and when they will escalate their activities to protect shareholders; and
- The confidential nature of discussions.

The Stewardship Code obliged companies that implemented this Code to obtain an independent audit opinion on the voting practices of Institutional Investors. Institutional Investors were further recommended to consider when to escalate their actions by making public statements, submitting resolutions at shareholders' meetings and requesting general meetings (FRC, 2010a: 34–35). The 2010 Stewardship Code was opened for comments, and the Code was finalised in 2012 (see 2.3.2.12) with implementation required in September 2012.

2.3.2.12 The UK Corporate Governance Code (2010)

In the wake of the global economic crises, the FRC reviewed the UK Corporate Governance Code to focus more on the spirit of the Code than the letter of the Code (FRC, 2010b: preface). The secondary purpose of revising the UK Corporate Governance Code was to enhance the interaction between the Board and the company shareholders (FRC, 2010b: preface; Du Plessis et al., 2014: 372). The 2010 review of the Code was therefore focused on the "*tone"* of the wording in the Code and the changes made intended to signal the principles' importance (FRC, 2010b: preface). The changes in the tone of the Code was established by changing supporting principles to main principles and emphasising some principles more than others by moving main principles to supporting principles (Linklaters, 2010: 2). The new UK Corporate Governance Code recommended that all the directors of Financial Times Stock Exchange (FTSE350) companies be subject to annual re-election to ensure greater accountability (FRC, 2010b: preface; Bruner, 2013: 266).

The re-election of all directors, as prescribed by the UK Combined Code, may negatively affect the continuity and succession planning of the Board of these companies. The 2010 Combined Code did not consider the impact of the re-election of all directors.

2.3.2.13 The UK Stewardship Code (2012)

In 2012, the FRC issued the UK Stewardship Code directed at Institutional Investors of listed entities (FRC, 2012c: 2). The final code is based on the 2010 Stewardship Code (see 2.3.2.11) and rests on the following seven principles, for which the Institutional Investors are responsible, to protect and enhance the value to shareholders (FRC, 2012c: 5–9; Hannigan, 2016: 147–148):

1. Institutional Investors should disclose how they perform their stewardship responsibilities;
2. Institutional Investors should have a robust policy on managing conflict in relation to the stewardship which should be publicly disclosed;
3. Institutional Investors should monitor their investee companies;
4. Institutional Investors should establish clear guidelines on when, and how, to escalate their stewardship duties;
5. Institutional Investors should be willing to act collectively with other investors as appropriate;
6. Institutional Investors should have a clear policy on voting and disclose their voting activities; and
7. Institutional Investors should report periodically on their stewardship and voting activities.

Each of the seven principles in the UK Stewardship Code is accompanied by detail guidance on how to achieve the principles (FRC, 2012c: 5–9; Hannigan, 2016: 147–148). The detail guidance is not included for the study.

2.3.2.14 The UK Corporate Governance Code (2012 and 2014)

The reviewed UK Governance Code of 2012 was applicable to all listed companies with a Financial Reporting period beginning on, or after, 1 October 2012 (FRC, 2012b: 1). The reviewed Code emphasised that compliance with the Code, although ensuring good corporate governance practices, will not necessarily guarantee effective Board behaviour because of a range of situations and management behaviour that exist (FRC, 2012b: 2). The FRC further decided to make only minor changes to the UK Corporate Governance Code about the accountability of Boards (FRC, 2012a: para. 1). The changes to the UK Corporate Governance Code required FTSE350 companies to put out tenders for external audit at least every ten years (FRC, 2012a: para. 3–7; Wixley & Everingham, 2015: 105; Bruner, 2013: 266; Mallin, 2013: 65).

The Code further proposed that the Audit Committee should provide information to shareholders on how the Audit Committee has carried out its duties. The Board of Directors was further required to confirm that the Annual Report and related accounts are fair, balanced and understandable to ensure the narrative sections or the report is consistent with the Financial Statements (FRC, 2012a: para. 3–7; Wixley & Everingham, 2015: 105; Bruner, 2013: 266; Mallin, 2013: 65). Additionally, the Board of Directors were required to explain and report on the progress in terms of Board diversity and to provide fuller explanations to shareholders about why they chose not to follow provisions of the UK Corporate Governance Code (FRC, 2012a: para. 3–7; Wixley & Everingham, 2015: 105; Bruner, 2013: 266; Mallin, 2013: 65).

In 2014, the UK Corporate Governance Code was updated and applied to all listed entities with a Financial Reporting period starting on, or after, 1 October 2014 (FRC, 2014b: 1). This revision of the Code focused on the increased provision of information about the risks that affect the long-term viability of companies (FRC, 2014b: 2; FRC, 2014a: para. 1). Companies would need to increase the presentation of information to give a clearer and broader view of solvency, liquidity and risk management (FRC, 2014b: 2; FRC, 2014a: para. 1). Investors should further need to assess the statement of the Board regarding the company solvency, liquidity, and risk management and engage accordingly (FRC, 2014a: 2).

The Code does not supply a definition or clarification on who these investors may be. The term may refer to shareholders only, to institutional shareholders only or a combination of the two. Bruner interprets this term as the shareholders of the company (Bruner, 2013: 266) and Tricker as well as Levitt interprets the terms as meaning institutional investors (Tricker, 2012a: 91; Levitt, 2015: 218).

The assessment of the risk management of the company by institutional investors are not enforceable and is only a recommendation in terms of the Code (FRC, 2014a: 2). This engagement liability of the investors corresponds to the requirements in the Stewardship Code (see 2.3.2.13). The Code does not provide guidance as to the consequences for the investors if they do not meet this liability. Additional changes were made to the Corporate Governance Code about the remuneration of Board members that recommended that Boards ensure that Executive Directors' remuneration is aligned with the long-term success of the company and to ensure that this alignment is clearly demonstrated to shareholders (FRC, 2014a: 2).

2.3.2.15 The UK Corporate Governance Code 2016

On 27 April 2016, the FRC issued the final document on the UK Corporate Governance Code to reflect the legislative changes in Audit Committees and auditor appointments in the UK (FRC, 2016a: para. 1). The European Union issued an Audit Regulation and Directive Document dealing with Audit Committees, and the UK Corporate Governance Code incorporates these changes (FRC, 2016b: 2). All companies with reporting periods starting on after 17 June 2016 should apply this Code (FRC, 2016b: 2).

2.3.2.16 Conclusion on the development of Corporate Governance in the United Kingdom

The major developments in corporate governance in the United Kingdom (UK) are mostly pragmatic in nature. Since the issuance of the first corporate governance guidance in the Cadbury Report in 1992, the UK has regularly reviewed the corporate governance principles as recommended in the Cadbury Report. The reviews of the corporate governance principles ranged from detail reviews on internal controls, remuneration of Executive Directors, roles and responsibilities of Non-Executive Directors, changes to legislation about Audit Committees and external auditors to the role and responsibilities of Institutional Investors in the form of the Stewardship Code. The UK Corporate Governance Code, with the Stewardship Code, can therefore still be seen as working documents.

2.3.3 Development of Corporate Governance in the United States of America

2.3.3.1 Introduction

In 1932, Berle and Means (in Tricker, 2012b: 47 and in Sagar et al., 2008) noted a growing shift in the power of executive management away from remote shareholders in public companies in the United States of America (USA). They observed that:

> *"The rise of the modern corporation has brought a concentration of economic power which can compete on equal terms with the modern state – economic power versus political power, each strong in its own field. The state seeks to some aspects to*

regulate the corporation, while the corporation, steadily becoming more powerful, makes every effort to avoid such regulation…The future may see the economic organism, now typified be the corporation, not only on an equal plane with the state, but possibly even superseding it as the dominant form of social organisation" (Tricker, 2012a).

This seminal work of Berle and Means was the first work to indicate that investors should be protected from over-powerful corporate Boards (Tricker, 2012b: 42). Later developments in the USA called for broadening corporate responsibility beyond increasing shareholder values. This development led to the publishing of the work of Jensen and Meckling (1976) in the USA, which became the basis of Agency Theory (see 2.2.2.5) (Tricker, 2012b: 43). This portion of Chapter 2 will focus on the corporate governance principles documents issued in the USA and not on the legislative changes in the country as legislation in the USA differs from state-to-state. Corporate legislative changes further fall outside the scope of this study as the focus is on corporate governance principles and not legislative changes.

2.3.3.2 Principles of Corporate Governance (1990) and Corporate Governance and American Competitiveness (1990)

In 1994, the American Law Society issued a two-volume document called the *Principles of Corporate Governance: Analysis and Recommendations* (ALI, 1990: para. 1; Marx, 2008: 122; Cox & Hazen, 2011: 97; Du Plessis et al., 2014: 66; Tricker, 2015: 502; OECD, 2012: 115). This two-volume document served as the catalyst for several publications in the USA on corporate governance principles. The document is divided into seven parts (ALI, 1990: para. 1–7). Part 1 contains the definitions of terms and analysis of the recommendations.

Part 2 of the document identifies the objective of a business corporation as *"the conduct of business activities with a view to enhancing corporate profit and shareholder gain".* Part 2 further recognises the level to which this objective should be restricted by legislation, ethical or humanitarian considerations (ALI, 1990: para. 1–7). Part 3 covers the legal functions and powers of the senior executives and the Board of Directors, the rights of the independent Board members to retain outside expertise and advice and the role of Audit Committees in a large publicly held entity. Part 4 sets out the Board of Directors and officers of an entity's duty of care and associated standards about managing the company and reiterates the application of the business rule in decision-making (ALI, 1990: para. 1–7).

Part 5 of the document covers the duty of directors, senior management, and shareholder in dealing fairly with the entity and provides guidance on dealing with conflict-of-interest situations. Part 6 of the document addresses the role of directors and shareholders in term of transactions in the control of tender offers. Part 7 includes corporate remedies, procedures, and standards which should be used in measuring damages because of breach of duties by the Board of Directors (ALI, 1990: para. 1–7).

This document sparked several investigations into corporate governance principles and resulted in several documents issued by the Business Roundtable, such as the Corporate Governance and American Competitiveness in March 1990 (ABA, 1990: 241; Tricker, 2015: 502; OECD, 2012: 115). The 1990 corporate governance document indicates that corporations in the United States of America were created and chartered in terms of legislation specific to every state (ABA, 1990: 242–243). Principles contained in this document include the responsibility of the Board for innovation, risk management, company strategy, supporting the Chief Executive Officer (CEO) of the company and to act rapidly in the face of changes applicable to the company (ABA, 1990: 244; Cox & Hazen, 2011: 97; Du Plessis et al., 2014: 66; OECD, 2012: 115). The American Corporate Governance Document further includes guidance on the central position the Board of Directors should play in a company and identifies the following five functions of the Board of Directors (ABA, 1990: 246; OECD, 2012: 115; Tricker, 2015: 502):

1. The selection, regular review and replacement of the CEO, including the responsibility of succession planning;
2. The review and approval of financial objectives, major strategies and plans of the company;
3. Provision of advice and council to top management;

4. The responsibility of shareholders for the selection and recommendation for election of candidates to serve on the Board of Directors; and
5. Reviewing the adequacy of systems to comply with applicable laws and regulations.

The American Corporate Governance Document also provides guidance on the operation of Boards. The document recommends the size of the Boards of Fortune500 companies be thirteen members, but acknowledges the optimum number of board members as between eight and fifteen members (ABA, 1990: 248–249). The Boards should further consist of a majority of independent directors, and the Board should consist of individuals who have wisdom, a proven record of accomplishment, the ability to challenge and stimulate management and the willingness to commit their time (ABA, 1990: 249). The American Corporate Governance Document also recommends diversity in terms of gender, age, race and geographical location to strengthen the Board of Directors (ABA, 1990: 249; Tricker, 2015: 502). This 1990 document recommends a minimum of three Committees that should assist the Board in the performance of their duties. These Committees are the Audit Committee, a Compensation Committee, and a Nominations Committee, which should consist of only non-management members (ABA, 1990: 249). Additional to the recommendation as set out in the American Corporate Governance Document, the Business Roundtable also issued corporate governance guidance.

2.3.3.3 Business Roundtable Statement of Corporate Governance

The Business Roundtable (BRT) is an association of CEOs of the leading Fortune500 companies in the USA and was established in 1972 (ABA, 1990: 241). The body consists of the CEOs of more than 200 companies, and it is considered to be the authority on matters which affect listed entities in the USA (ABA, 1990: 241; Marx, 2008: 129; Hendrikse & Hefer-Hendrikse, 2014: 93; Van Den Berghe & De Ridder, 2012: 121; Kieff & Paredes, 2010: 49; Tricker, 2015: 13). The BRT issued several documents on corporate governance, including the Business Roundtable's Statement on Corporate Governance and American Competitiveness (see 2.3.3.2), the Statement on Corporate Responsibility in 1981 and the Role and Composition of the Board of Directors of the Large Publicly Owned Corporations in 1978 (Marx, 2008: 129; The Business Roundtable, 1997: foreword). The Statement of Corporate

Governance issued by the BRT in 1997 culminates from the aforementioned documents and contains a summary of the recommendations of the previous documents (The Business Roundtable, 1997: foreword; Tricker, 2015: 13; Du Plessis et al., 2014: 66).

The 1997 statement of the BRT holds that good corporate governance practices provide an important framework for the timely response of the Board of Directors to situations which may directly affect its shareholders (The Business Roundtable, 1997: 1). The BRT statement further emphasises that the substance of corporate governance is more important than the form (The Business Roundtable, 1997: 1; Marx, 2008: 129). The principles listed in the 1997 document include the functions of the Board Directors as stated in the Corporate Governance and American Competitiveness Document (see 2.3.3.2) and the principles on the composition and size of the Board of Directors were reviewed and that the optimal number of directors was set at between eight and sixteen members (The Business Roundtable, 1997: 4–21; Hendrikse & Hefer-Hendrikse, 2014: 93; Van Den Berghe & De Ridder, 2012: 121; Kieff & Paredes, 2010: 49; Tricker, 2015: 13). The document further advocates that the substantial portion of the Board of Directors be independent and the Audit Committee and Compensation Committee also consist of independent members (The Business Roundtable, 1997: 4–21; Hendrikse & Hefer-Hendrikse, 2014: 93; Van Den Berghe & De Ridder, 2012: 121; Kieff & Paredes, 2010: 49; Tricker, 2015: 13).

Beyond the independence of the Board of Directors, the document proclaims that the retirement and resignation of directors be formalised in rules and that the CEO regularly reviews the effectiveness and performance of the Board of Directors. To ensure the Board of Directors' performance, the document recommends that information on how they should perform their duties should be provided to the Board and that each Board should consider its policies and practices in terms of corporate governance principles (The Business Roundtable, 1997: 4–21; Hendrikse & Hefer-Hendrikse, 2014: 93; Van Den Berghe & De Ridder, 2012: 121; Kieff & Paredes, 2010: 49; Tricker, 2015: 13).

The Business Roundtable reviewed the Statement on Corporate Governance in 2002 and issued a revised document called the Principles on Corporate Governance. The revised document rests on the following six principles (The Business Roundtable, 2002: iii–iv; Tricker, 2015: 14; Du Plessis et al., 2014: 67):

1. The Board of Directors is responsible for selection of the CEO and other senior management in the ethical and competent company;
2. The management is responsible for operation of the company in an ethical and effective manner to ensure value creation for the shareholders;
3. Under the oversight of the Board and the Audit Committee, management is responsible for production of Financial Statements that fairly present the financial position of the company;
4. The Board and the Audit Committee is responsible for the engagement of an independent auditor;
5. The external auditor is responsible for ensuring its own independence and to perform the audit in terms of Generally Accepted Auditing Standards; and
6. The company is responsible for dealing with its employees in an ethical and equitable manner.

The six principles discussed above are critical to the functioning of companies, and the Business Roundtable acknowledged that no legislation or regulation could replace the voluntary complying with these principles (The Business Roundtable, 2002: v). To support the Board of companies in complying with the six principles identified above, the 2002 document provides guidance on the role of the Board of Directors and management, the oversight function of the Board and managing the relationship between the company, shareholders and other constituencies (The Business Roundtable, 2002: 1–28).

In 2010, the Business Roundtable issued a reviewed document on corporate governance principles (The Business Roundtable, 2010:   para. 2). The changes to the 2010 document were intended to guide the ongoing advancement of corporate governance practices and assisting the advancement of companies to compete, create jobs and generate long-term, sustainable economic growth (The Business

Roundtable, 2010: para. 5). The 2010 document rests on nine principles of governance (The Business Roundtable, 2010: para. 6–14; Eisenhofer & Barry, 2013: 3/71; Carroll et al., 2012: 386; Hill & Thomas, 2015: 260).

The first principle recommended that the Board of Directors take responsibility for selecting the CEO and other senior management. The second principle recommended that management be held responsible for the operation of the company in an ethical and effective manner to ensure value creation for the shareholders. The third principle charged the Audit Committee to take an oversight role for producing Financial Statements that fairly present the financial position of the company (The Business Roundtable, 2010: para. 6–14; Eisenhofer & Barry, 2013: 3/71; Carroll et al., 2012: 386; Hill & Thomas, 2015: 260).

The fourth principle recommended that the Board and the Audit Committee take responsibility for the engagement of an independent auditor. Principle 5 recommended that each company deals with its employees in an ethical and equitable manner. Principle 6 requested the Board of Directors to use the company's Corporate Governance Committee to play a leadership role by regularly reviewing the skills and experience of Board members (The Business Roundtable, 2010: para. 6–14; Eisenhofer & Barry, 2013: 3/71; Carroll et al., 2012: 386; Hill & Thomas, 2015: 260). The final three principles dealt with the Board's responsibility to use the Compensation Committee to oversee the company's compensation policy and goals based on performance; to deal with the shareholder in a meaningful way on issues that affect the long-term interest of shareholders; and for the oversight and the development of the company's strategic plans and the evaluation of risks (The Business Roundtable, 2010: para. 6–14; Eisenhofer & Barry, 2013: 3/71; Carroll et al., 2012: 386; Hill & Thomas, 2015: 260).

As with the 2002 document, the 2010 document contains guidance to Boards on how to implement these principles. The 2010 document also contains an added section on the key corporate actors in a USA company and explains the roles of the Board, the shareholders and management and the relationship between these three groups (The Business Roundtable, 2010: para. 18–22). In 2012, the Business Roundtable once again reviewed the principles for corporate governance to reflect changes from the Dodd-Frank Wall Street Reform and Consumer Protection Act (The Business Roundtable, 2012: para. 1). Changes were made to the following five areas (The Business Roundtable, 2012: para. 2–7; The Business Roundtable, 2012: 1–32; Carroll et al., 2012: 3, 71 & 386; Tricker, 2015: 111):

- **Independent leadership:** where the CEO and the Chairperson of a company is the same person, the company should appoint a Lead Director, and the leadership structure of the company should be reviewed annually;
- **Whistle-blower provisions and compliance oversight:** every company should establish procedures for handling all types of misconduct, violations of laws and regulations as well as violations of company ethics and the Audit Committee should meet annually with the person responsible for this function;
- **Risk oversight:** the Business Roundtable emphasised the need for the Board to have oversight on the risk management of the company and to ensure that the strategy of the company is linked to risks;
- **Shareholder communication and engagement:** the 2012 Principles recognise the importance of the Board to communicate to shareholders, always act in the best interest of the company and all of its shareholders; and
- **Political activities:** the Roundtable recommends the Board of companies, which is involved in political activities, disclose their policies on political activities.

The changes to the corporate governance principles documents issued by the Business Roundtable since 1997, were pragmatic in nature - much like the changes in the United Kingdom corporate governance principles (see 2.3.2). The modifications were made because of changes to legislation and the global business environment.

2.3.3.4 The Blue Ribbon Commission

The Securities Exchange Commission (SEC), the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotations (NASDAQ) established the Blue Ribbon Commission to investigate several aspects about corporate governance. Since 1993, the Blue Ribbon Commission has issued the following twenty reports: *Executive Compensation: Guidelines for Corporate*

Directors (1993); Performance Evaluation of the Chief Executive, Board and Directors (1994); Director Compensation: Purpose, Principles and Best Practices (1995); Director Professionalism (1996); CEO Succession (1998); Audit Committees: A Practical Guide (1999); The Role of the Board in Corporate Strategy (2000); Board Evaluation: Improving Director Effectiveness (2001); Risk Oversight: Board Lessons for Turbulent Times (2002); Executive Compensation and the Role of the Compensation Committee (2003); Board Leadership (2004); Director Liability: Myths, Realities and Prevention (2005); The Governance Committee: Driving Board Performance (2007); Board-Shareholder Communications (2008); Risk Governance: Balancing Risk and Reward (2009); The Audit Committee (2010); Performance Metrics: Understanding the Board's Role (2010); The Effective Lead Director (2011) and The Diverse Board: Moving from Interest to Action (2012) (The Blue Ribbon Commission, 2012: v; Solomon, 2007: 226; Tricker, 2015: 112; Hendrikse & Hefer-Hendrikse, 2014: 93). These documents are not discussed for the purpose of this study.

2.3.3.5 Sarbanes-Oxley (2002)

Following Enron's collapse (see 2.2.2.3), Senators Oxley and Sarbanes both presented a document containing requirements for the accountability, responsibility, and transparency of the financial status of companies to the House of Representatives in the United States of America (USA). The two documents were combined to form the Sarbanes-Oxley Act in April 2002 (Powers, 2006: para. 2). This act placed more stringent rules on the governance of entities listed in the USA and consists of eleven Chapters, called titles, each of which is briefly discussed below (USA, 2002: Table of contents; Marx, 2008: 140–142; Hendrikse & Hefer-Hendrikse, 2014: 97–98; Farrar, 2008: 19 and 237; Millichamp & Taylor, 2012: 26):

- **Title I: Public Company Accounting Oversight Board (PCAOB):** This section deals with the establishment of the Public Company Accounting Oversight Board (PCAOB), as an independent, non-governmental Board responsible for the oversight of the public companies in the interest of protecting investors and enhancing public trust in external auditor's reports;
- **Title II: Auditor Independence:** This section addresses the required independence of external auditors, partner rotation, and preapproval of other

services provided by external auditors. This section was intended to ensure the independence of the external auditor;

- **Title III: Corporate Responsibility:** Title III contains the requirements about Audit Committees, the responsibility for Financial Statements, reporting on the effectiveness of internal controls, forfeiture of bonuses and profits, bars and penalties applicable to Board members, rules about insider trading and pension fund blackouts and the responsibility of company attorneys;
- **Title IV: Enhanced Financial Disclosures:** This section requires additional and enhanced disclosure requirements in terms of conflict of interest of Board members, off-balance sheet transactions and compliance with company code of ethics by Board members and Executive Directors;
- **Title V: Analyst Conflicts of Interest:** Title V contains the rules for addressing conflict of interest that could arise when security analysts recommend securities in research reports and public appearances;
- **Title VI: Commission Resources and Authority:** In Title VI the SEC is awarded access to additional funding if needed and the SEC, with the federal courts, were provided with authority to impose censure and prohibitions on individuals and companies;
- **Title VII: Studies and Reports:** This section provides guidance to federal bodies in conducting studies about consolidating public accounting firms, credit rating agencies, violations, enforcement actions and investment banks;
- **Title VIII: Corporate and Criminal Fraud Accountability:** The section contains guidance on the criminal penalties payable for altering documentation, debts in terms of violation of securities fraud laws not being dischargeable, the statute of limitation of securities fraud, review of sentencing guidelines for obstruction of justice, in the case of criminal fraud, protection to employees of publicly trading entities who provide evidence of fraud and criminal penalties for defrauding shareholders of public companies;
- **Title IX: White-Collar Crime:** The section contains guidance on the criminal penalties payable for mail and wire fraud, violations of the Employee Retirement Income Securities Act of 1974 and includes detail on the amendment of the sentencing of white-collar crime and additional requirements in terms of Financial Reporting;

- **Title X: Corporate Tax Return:** The section provides the CEO with the responsibility for signing the corporate tax returns of the company; and
- **Title XI: Corporate Fraud and Accountability:** Additional authority is provided to courts in this section to act, including issuing fines and imprisonment, for tampering with records, impeding official investigations, accepting extraordinary payments and retaliating against whistle-blowers.

The requirements as set out in the Sarbanes-Oxley Act are clear and comprehensive. The most significant aspects were specifically applicable to Audit Committees and the independence requirements of external auditor (Powers, 2006: para. 3). Additional to the Audit Committee and external auditors were the requirements of public companies to take responsibility for evaluating the effectiveness and efficiency of the internal controls of the company and to ensure the internal evaluation of internal controls.

The biggest criticism surrounding the implementation of the Sarbanes-Oxley Act is the implementation costs. The costs incurred for public companies because of the Sarbanes-Oxley Act was significant (Protiviti Risk and Business Consulting, 2015: 1). In the 2015 fiscal year 58% of large companies spent more than $1 million on costs, excluding external audit costs; 95% of small companies spent less than $500 000; and 25% of large companies spent more than $2 million on annual Sox Compliance (Protiviti Risk and Business Consulting, 2015: 1 & 6), compared to average compliance costs in 2007 where large companies spent an average of $1,8 million and small companies an average of $330 000 (SEC, 2009: 43–44) and a total expense in terms of Sox Compliance of $6 billion in 2007 (IIA, 2007: 10).

2.3.3.6 New York Stock Exchange (NYSE) Corporate Governance Rules

In 2002, the New York Stock Exchange (NYSE) issued draft corporate governance rules. These rules were finalised and published in 2003. The rules were codified in the listing requirements in Section 303A of the NYSE's Listed Company Manual (NYSE, 2003: 1). The corporate rules asked for added disclosures on the aspects dealing with the independence of the Board, regular meetings by Non-Executive Directors without management to increase their effectiveness and the existence of totally independent Nomination and Compensation Committee (NYSE, 2003: 4–18; Tricker, 2015: 114; Du Plessis et al., 2014: 299; Mallin, 2016: 58).

The corporate governance rules further required listed companies to have an Audit Committee and for listed companies to adopt and disclose corporate governance guidelines. The corporate governance guidelines rested on directors' qualification standards, directors' responsibilities, directors' access to management, directors' compensation, directors' orientation and continued education, management succession and annual performance evaluation (NYSE, 2003: 4–18; Tricker, 2015: 114; Du Plessis et al., 2014: 299; Mallin, 2016: 58).

The existence and disclosure of a code of business conduct and ethics for directors and employees represent another of the requirements set forth in the corporate governance rules. Finally, the corporate governance rules required that each listed company's CEO must annually certify to the NYSE that he/she is not aware of any corporate governance violations (NYSE, 2003: 4–18; Tricker, 2015: 114; Du Plessis et al., 2014: 299; Mallin, 2016: 58).

These rules are similar to the corporate governance principles of the Business Roundtable (see 2.3.3.3). In 2010, the NYSE issued a changed report on corporate governance based on the turbulent financial markets, changes in ownership and shareholding in publicly listed companies with increased Institutional Investors and increased disclosure regulation in terms of listing requirements (NYSE, 2010: 1; Du Plessis et al., 2014: 299; Mallin, 2013: 62). The 2010 NYSE document rests on the following ten principles (NYSE, 2010: 1; Du Plessis et al., 2014: 299; Mallin, 2013: 62):

1. The Board of Directors of a listed company should be focused on long-term sustainable growth for shareholders, and to be accountable towards shareholders for its performance;
2. Increased responsibility of the Board of Directors in terms of corporate governance principles;
3. Shareholders' rights and responsibility to exercise their votes in a responsible manner;

4. Integration of good corporate governance with the company strategy and objectives and good corporate governance should not be seen as a simple compliance exercise;
5. Legislation and rule-making by agencies is important for corporate governance and efficient markets;
6. Good corporate governance principles are important for transparency, sound disclosure requirements, and communication;
7. Although independence is important for the composition of Boards, a balance is needed to ensure a correct mixture of expertise, diversity, and knowledge;
8. Proxy advisory firms need to be held accountable and held to standards of transparency;
9. The SEC should work with the NYSE and other exchanges to ease the burden of proxy voting and communication to improve greater participation of individual investors in proxy voting;
10. The SEC and or the NYSE should consider a wide range of views to determine the impact of major corporate governance reforms.

Evident from the changes to the New York Stock Exchange corporate governance principles, corporate governance principles for listed entities is a working document much like the development of corporate governance in the United Kingdom (see 2.3.2). As the markets and investor profile in the USA changes, the corporate governance principles also change. Independence of board members, internal audit, ethical business and the responsibility of management for corporate governance are gaining importance in listed entities. The increased involvement of Institutional Investors also received increased attention and the involvement of the Council of Institutional Investors on the development of corporate governance were evident in the USA since 1985.

2.3.3.7 Council of Institutional Investors

The Council of Intuitional Investors (CII) was founded in 1985 by a group of twenty-one individuals who represented public pension fund officials with the goal of providing more oversight over investing their members' retirement assets (CII, n.d.: para. 1; Bratton & McCahery, 2015: 42; Baker & Anderson, 2010: 4–2; Tricker, 2015:

91). Currently, the CII's membership includes more than a 125 public, union and corporate employee benefit plans with a combined asset value of $3 trillion (CII, n.d.: para. 3). In 2013, the CII issued a document containing the core principles of corporate governance. The CII argues that accepting the corporate governance policies promotes responsible business (CII, 2013: 1; Tricker, 2015: 91; Baker & Anderson, 2010: 402). The corporate governance policies rested on core principles. The core principles, contained in the document, are the annual election of directors by confidential ballot; the requirement that two thirds of the Board should be independent; the disclosure of the qualification and independence of directors; and the existence of an Audit, Nominations and Compensation Committee (CII, 2013: 1–2). The principles of independence and the existence of the three committees seem to be a duplication of the principles established in other documents in the USA (see 2.3.3.2 to 2.3.3.6). Duplicating these principles seems superfluous and repeating the principles in more than one document does not increase their importance.

2.3.3.8 Conclusion on the development of Corporate Governance in the United Stated of America

Corporate governance principles in the United States of America (USA) was addressed by different bodies like the Blue Ribbon Commission, the Business Roundtable, the New York Stock Exchange, and the Council for Institutional Investors as well as in legislation like the Sarbanes-Oxley Act. Although most of the principles proposed by these entities and bodies are similar, there is no single uniform document that is used by companies in the USA. Calls were heard for conforming to the corporate governance principles in the USA but were not addressed (Tricker, 2012b: 50). The development of corporate governance in the USA, much like in the UK, further seems fragmented, repetitive and mostly reactive in nature. The principles contained in all the reports do, however, mirror the global good corporate governance principles of independence, accountability, and transparency despite the fragmented development.

2.3.4 Development of Corporate Governance in South Africa

Similar to corporate governance in the United Kingdom (UK) and the United States of America (USA), corporate governance in South Africa is also a work-in-progress.

Corporate governance became part of the South African economic landscape in 1994 with the introduction of the first King Report. In 2002, the King Report was adjusted, and the King II Report was issued. The issuance of the King III Report in 2009 and the King IV Report 2016 followed suit. In 2007 the Higher Education Implementation manual of Annual Reporting included disclosure recommendations in terms of the King II Report, and only in 2014 was the Reporting Regulations for use in Public Higher Education Institutions changed to conform to King III (RSA, 2007. para.1.2; RSA, 2014c: 1). Each of these developments will be discussed briefly below.

2.3.4.1 King I (1994)

The first King Report was issued because of the efforts and initiatives of the Institute of Directors (IOD) in South Africa. The report was based on the principles of the Cadbury Report as issued in the United Kingdom (Puttick & Van Esch, 2005: 813; Kakabadse & Korac-Kakabadse, 2002: 307; Cliffe Dekker Attorneys, 2002: 2; Armstrong, 1995: 65; Jansen van Vuuren & Schulschenk, 2013: v; Department of Public Enterprises, 2002: 3; Miles & Jones, 2009: 57; Rossouw et al., 2002: 289; Jebe, 2014: 265; Hendricks & Wyngaard, 2010: 105; Andreasson, 2011: 656) (see 2.3.2.1). The King Report focused on unique South African circumstances and included a more expansive range of issues than contained in the Cadbury Report (Armstrong, 1995: 65; Miles & Jones, 2009: 57; Barac & Moloi, 2010: 20). The first King Report emphasised stakeholder engagement and the Board's responsibilities to consider the impact of the company on the wider community (Miles & Jones, 2009: 57; Barac & Moloi, 2010: 20). The King Report further went beyond the financial and regulatory requirements in advocating an integrated approach to good governance (Rademeyer & Holtshausen, 2003: 767; Barac & Moloi, 2010: 20; Hendrikse & Hefer-Hendrikse, 2014: 92; Jackson & Stent, 2014: 4/3; Boubaker & Nguyen, 2014: 435). This integrated approach included principles of good financial, social, ethical and environmental practices (Hendricks & Wyngaard, 2010: 105; Banik et al., 2015: 80; Mallin, 2016: 371; Bloomfield, 2013: 11). The King I Report includes aspects dealing with increased transparency and segmental disclosures, needed for South African companies to address declining ethical business and preventing Non-Executive Directors, representing the majority shareholders, from becoming too dominant and overriding the interest of minority shareholders (Kakabadse & Korac-Kakabadse, 2002: 307–308; Puttick & Van Esch, 2005: 813; Hendrikse & Hefer-Hendrikse, 2014: 92). These aspects are discussed in the following sections contained in the King I Report (IOD, 1994: 1; Marx, 2008: 179):

- The Board of Directors (section 2);
- The Chairman of the Board (section 3);
- Non-Executive Directors (section 4);
- Directors appointments (section 5);
- Directors remuneration (section 6);
- Board meetings (section 7);
- Professional advice (section 8);
- Stakeholder communication (section 9);
- Auditing (section 10);
- Workers communication (section 11);
- Affirmative action (section 12); and
- Code of Ethics (section 13).

In 1995, the Johannesburg Securities Exchange (JSE) adopted the principles, contained in the King I Report, and all listed entities on the JSE since then, were required to comply with the King I Report (Puttick & Van Esch, 2005: 813; Crous, 2012: 106; Hendricks & Wyngaard, 2010: 92; Boubaker & Nguyen, 2014: 435; Banik et al., 2015: 80). The listing requirements further required listed entities to disclose compliance, or non-compliance, with the corporate governance principles as contained in the King I Report (Crous et al., 2012: 549; Puttick & Van Esch, 2005: 813).

As with the corporate governance codes in the United Kingdom, the King Report needed adjusting to address global developments in the corporate governance. With the corporate scandals like Enron, WorldCom (see 2.2.2.3) and LeasureNet, the Institute of Directors decided to review the King Report (Barac & Moloi, 2010: 21). After the review, the King II Report was issued in 2002.

2.3.4.2 King II (2002)

The second King Report was drafted in 2001 and issued in 2002, with an effective implementation date of 1 March 2002 (IOD, 1994: 1; Marx, 2008: 181; Jackson & Stent, 2014: 4/3). Legislative developments during the 1990's and early 2000's brought about changes to the King I Report (see 2.3.4.1) (IOD, 1994: 8). Included in the legislative changes were, among others, the Labour Relations Act 66 of 1995, the Basic Conditions of Employment Act 55 of 1998, the National Environmental Act 75 of 1997, the Insider Trading Act 135 of 1998, the Public Finance Management Act 1 of 1990 and the Company's Act 61 of 1973 to name but a few (RSA, 1995; RSA, 1997a; RSA, 1998b; RSA, 1998a; RSA, 1999b; RSA, 1973; IOD, 1994: 8). The King II Report is much more principles based than the first King Report and rests on the following seven principles (Crous et al., 2012: 546–547; Puttick & Van Esch, 2005: 815–816; IOD, 1994: 10–11; Jackson & Stent, 2014: 4/5):

1. Discipline – *"Corporate discipline is a commitment by a company's senior management to adhere to behaviour that is universally recognized and accepted to be correct and proper. This encompasses a company's awareness of, and commitment to, the underlying principles of good corporate governance, particularly at senior management level";*
2. Transparency – *"Transparency is the ease with which an outsider is able to make meaningful analysis of a company's actions, its economic fundamentals and the non-financial aspects pertinent to that business. This is a measure of how good management is at taking necessary information available in a candid, accurate and timely manner – not only the audited data but also general Reports and press releases. It reflects whether or not investors obtain a true picture of what is happening inside the company";*
3. Independence – *"Independence is the extent to which mechanisms have been put in place to minimize or avoid potential conflict of interest that may exist, such as dominance by a strong Chief Executive or large shareowner. These mechanisms range from the composition of the Board, to appointments to Committees of the Board, and external parties such as auditors. The decisions made, an internal process established, should be objective and not allow for undue influences";*

4. Accountability – *"Individuals or groups in a company, who makes decisions and take actions on specific issues, need to be accountable for their decisions and actions. Mechanisms must exist and be effective to allow for accountability. These provide investors with the means to query and assess the actions of the Board and its Committees";*
5. Responsibility – *"With regard to management, responsibility pertains to behaviour that allows for corrective action and sanction for mismanagement. Responsible management would, when necessary, put in place what it would take to set the company on the right path. While the Board is accountable to the company, it must act responsively to, and with responsibility towards all stakeholders of the company";*
6. Fairness – "*The systems that exist within the company must be balanced in taking into account all those that have an interest in the company and its future. The rights of various groups have to be acknowledged and respected"; and*
7. Social responsibility – *"A well-managed company will be aware of, and respond to, social issues, placing high priority on ethical standards. A good corporate citizen is increasingly seen as one that is non-discriminatory, non-exploitive, and responsible with regard to environmental and human issues. A company is likely to experience indirect economic benefits such as improved productivity and corporate reputation by taking those factors into consideration".*

Additional to the seven governance principles in the second King Report, this report further moved away from just reporting on profits, or the so-called single-bottom-line, to reporting on economic, environmental and social aspects, also called the triple-bottom-line (Cliffe Dekker Attorneys, 2002: 2; Miles & Jones, 2009: 57; Barac & Moloi, 2010: 21; Hendricks & Wyngaard, 2010: 105; Jebe, 2014: 269; Mallin, 2016: 371). It also addresses the stakeholder inclusive approach where the Board is accountable towards shareholders, employees, suppliers, customers, financiers and the community (King, 2010: 448; Miles & Jones, 2009: 57; Andreasson, 2011: 657; Jebe, 2014: 269). The second King Report received praise for its inclusion of integrated reporting (Gstraunthaler, 2010: 148; Jebe, 2014: 270), which was not included in the corporate governance codes and documents elsewhere in the world (see 2.3.2 and 2.3.3).

The King II Report contains six Chapters. Chapter 1 addresses the responsibilities of the Board of Directors to ensure the split between the CEO and the Chairperson of the Board. The chapter further includes guidance on the Executive and Non-Executive Directors, appointment of the Remuneration Committee and other Committees - such as the Audit and Nominations Committees, allocation of share options to Non-Executive Directors, the mandatory evaluation of directors, restricted dealings of company shares by the directors and officers of the company, Annual Reporting, general meetings and recommendations about the company secretary (Puttick & Van Esch, 2005: 814; Cliffe Dekker Attorneys, 2002: 3–20; IOD, 1994: 16–44; King, 2010: 451; Kakabadse & Korac-Kakabadse, 2002: 310–311; Mallin, 2016: 371; Bloomfield, 2013: 11). Chapter 2 addresses the Board's responsibility regarding risk management. The risk management recommendations including guidance on the different risk areas, that should be addressed by the Board, the internal auditor's role in terms of risk management, the responsibility of the Board to ensure a comprehensive system of controls to ensure the mitigation of risks and reporting on the company's risk management (Puttick & Van Esch, 2005: 814; Cliffe Dekker Attorneys, 2002: 3–20; IOD, 1994: 16–44; King, 2010: 451; Kakabadse & Korac-Kakabadse, 2002: 310–311; Mallin, 2016: 371; Bloomfield, 2013: 11).

Chapter 3 contains guidance on the role and functions of the internal audit department. The guidance regarding the scope of the work of internal audit, the responsibility regarding risks and strategy of the company as well as to ensure that an internal audit be conducted at least once a year. Chapter 4 recommends that, as part of integrated reporting, the Board should ensure the company reports on its social, transformation, ethical, safety, health and environmental management policies and that procedures are produced at least once a year. The Board should, further, demonstrate a commitment to integrity and ethical business and the company should value the diversity that women and black people can bring to the company (Puttick & Van Esch, 2005: 814; Cliffe Dekker Attorneys, 2002: 3–20; IOD, 1994: 16–44; King, 2010: 451; Kakabadse & Korac-Kakabadse, 2002: 310–311; Mallin, 2016: 371; Bloomfield, 2013: 11).

The penultimate chapter focuses on the importance and qualities of the external auditor, the provision of non-audit services by the external auditor, consideration about the independent review of interim results and the Board's responsibility in terms of going concern of the company. The chapter also addresses recommendations about the membership of the Audit Committee and the role and function of the Audit Committee. The final chapter confirms the application of King II principles in terms of requirements of section 424 of the Companies Act 61 of 1973 and Listing Requirements of the Johannesburg Stock Exchange (Puttick & Van Esch, 2005: 814; Cliffe Dekker Attorneys, 2002: 3–20; IOD, 1994: 16–44; King, 2010: 451; Kakabadse & Korac-Kakabadse, 2002: 310–311; Mallin, 2016: 371; Bloomfield, 2013: 11).

Some of the recommendations in the King II Report were incorporated in the Companies Act 71 of 2008 and others were included in the listing requirements of the Johannesburg Stock Exchange (Hendricks & Wyngaard, 2010: 105). With some of the principles contained in the King II now codified in the Companies Act 71 of 2008 and listing requirements, the King II Report had to be revised to address the changes (Andreasson, 2011: 657; Gstraunthaler, 2010: 148; Jackson & Stent, 2014: 4/3) and the King III Report was issued.

2.3.4.3 King III (2009)

The changes in the Companies Act 71 of 2008 brought about the renewed call for changes in the King II Report. The King III Report, issued in 2009, included a renewed call to businesses to focus on more than just economic value, and to take into account their social and environmental performance (Miles & Jones, 2009: 59; Mallin, 2016: 371; Bloomfield, 2013: 11; Boubaker & Nguyen, 2014: 435). The King III Report further focuses on sustainability, corporate citizenship, social responsibility and stakeholder relationships (Miles & Jones, 2009: 60; Mallin, 2016: 371; Bloomfield, 2013: 11; Boubaker & Nguyen, 2014: 435; Hendrikse & Hefer-Hendrikse, 2014: 101–102). The King III Report was also expanded to include new principles on Information Technology (ITa) governance, alternative dispute resolution, enhanced independence requirements of Non-Executive Directors, rotation of directors and business rescue (Posthumus et al., 2010: 25; Barac & Moloi, 2010: 22; IOD, 2011b: 14–15; Jackson & Stent, 2014: 4/6; Hendrikse & Hefer-Hendrikse, 2014: 101–102). The King III further focuses on sustainability, corporate citizenship, social responsibility and stakeholder relationships, which are interwoven into the principles of the King III Report, which is divided into the following nine Chapters (IOD, 2011b: 20–140; Jackson & Stent, 2014: 4/7 –4/38; Hendrikse & Hefer-Hendrikse, 2014: 101–102):

1. Ethical leadership and corporate citizenship;
2. Board and Directors;
3. Audit Committees;
4. The governance of risk;
5. The governance of information technology;
6. Compliance with laws, rules, codes and standards;
7. Internal Audit;
8. Governing stakeholder relationships; and
9. Integrated Reporting and Disclosure.

Scholars and business owners identified the biggest drawback of the King III Report as the fact that the report is written from a commercial perspective and does not provide for non-profit organisations nor for government institutions (Hendricks & Wyngaard, 2010: 107; Jackson & Stent, 2014: 4/4). The King III Report, however, indicates that the report is principles based and the principles contained in the report could and should be applied by any entity, regardless of its economic nature or the manner of incorporation (IOD, 2011a: 16). With the increased international focus on the principles of Enlightened Shareholder Theory of corporate governance (see 2.2.2.11), changes to the South African corporate governance code were inevitable. The King III Report, which was based on Stakeholder Theory (see 2.2.2.10), needed to be revised in accordance with the Enlightened Shareholder Theory principles and the King IV Report was issued in 2016.

2.3.4.4. King IV (2016)

On 15 March 2016, the Institute of Directors issued the draft King IV Report in South Africa (SAICA, 2016: 2). The Report is designed to make the implementation of corporate governance principles easier by reducing the principles in the report from seventy-five to seventeen principles (SAICA, 2016: 2; IOD, 2016b: 2–82; IOD, 2016a: 1–122). The King IV Report includes reference to governing bodies instead of Board of Directors, to make the implementation easier for all types of entities

(SAICA, 2016: 2). For the purposes of this study, whenever reference is made to King IV or the King IV Report, the reference relates to the final King IV Report.

Although the draft King IV Report was incomplete in its guidance to non-profit entities and others, the final code includes sector-specific guidance on the application of the code for the small and medium entities, non-profit organisations, retirement funds, municipalities and state-owned entities (SAICA, 2016: 3; IOD, 2016b: 65; IOD, 2016a: 74–117). The King IV Report will be applicable to all entities with a financial year end starting on, or after, 1 April 2017 (IOD, 2016a: 38).

Major changes in the King IV Report include calls for executive remuneration to be more transparent and for the governing body of the entity to provide strategic direction about executive remuneration. The King IV Report further recommends that organisations include a remuneration report in the Annual Financial Statements. This report includes the disclosure of the background and overview of the main provisions of the organisation's remuneration policy as well as disclosure relating to implementing the remuneration policies. Additional recommendations about the voting and approval of remuneration of Non-Executive Directors should also be established by the entity (SAICA, 2016: 2; IOD, 2016b: 20; IOD, 2016a: 31; De Lange, 2016: 1).

The King IV Report also recognises that risks are ever evolving and, as such, the traditional risk management was expanded to include not only risk management but also managing opportunities of the company (SAICA, 2016: 2; IOD, 2016b: 18; IOD, 2016a: 30). The concept of integrated thinking was confirmed in the King IV Report which recommends that the governing body make decisions in an integrated manner, and so confirms the importance of integrated reporting and thinking. The King IV Report defines integrated thinking as the pro-active *"consideration by the organisation of the relationships between various operating and functional units and the capitals that the organisation uses or affects"(*IOD, 2016b: 11). Integrated thinking, therefore, has to be embedded in the strategy, risk and opportunities, sustainable development, performance and outcomes of any entity and require a holistic view of an entity (IOD, 2016b: 11; IOD, 2016a: 28).

The recommended review of the independence of the members of the governing body, reasonably informed third party, and the King IV Report lists a number of indicators that can be used for this evaluation (SAICA, 2016: 3; IOD, 2016b: 42–43; IOD, 2016a: 28). The report further expands the concept of a combined assurance model to include management, internal assurance providers and external assurance providers (SAICA, 2016: 3; IOD, 2016b: 21–22; IOD, 2016a: 31).

Additional disclosure recommendations were incorporated in the King IV Report, and examples of the recommendations are (SAICA, 2016: 3; IOD, 2016b: 34–64; IOD, 2016a: 40–73):

- Disclosure on structures and processes put in place about ethics management;
- Disclosure about the governing body's composition, qualifications, experience, mix of skills and findings on independence;
- Disclosure on the role and functions of the Committees, composition of the Committees, key areas of focus of the Committees and the satisfaction regarding the compliance with the terms of reference of the Committees; and
- Disclosure about the nature and extent of non-assurance services provided by the external auditor, independence of the Audit Committee, independence of the external auditor, audit firm tenure and audit partner rotation.

The disclosure of and application of the principles, set out in the King IV Report, should be done on an *"apply and explain"* basis, whereas the King III Report recommended disclosure to be done on an *"apply or explain"* basis. This recommends that an entity or organisation should apply the principles contained in the report and explain how the principles are effected (SAICA, 2016: 2; IOD, 2016b: 30–31; IOD, 2016a: 7). A high-level disclosure of practices and principles that were implemented should be made in the form of a narrative account (IOD, 2016b: 30–31). The changes in the principles in the King IV Report, with the enhanced disclosure recommendations, are there to promote good corporate governance in delivering ethical culture, performance and value creation, adequate and effective control and building public trust (IOD, 2016b: 2).

2.3.4.5 Higher Education Reporting Regulations

In 2003, the Department of Higher Education and Training issued Regulations for Reporting by Public Higher Education Institutions (Reporting Regulations) in terms of the Higher Education Act 101 of 1997 (as amended in 2012). The Reporting Regulations contained information about the content and format of the Annual Reports of Public Universities in South Africa (RSA, 2003a: introduction). The objective of the Reporting Regulations is to ensure a minimum standard of reporting by governance structures and management of Universities, in terms of Generally Accepted Accounting Practices (GAAP) and International Financial Reporting Standards (IFRS) (RSA, 2003a: introduction). The Reporting Regulations include reference to principles in the King II Report on Corporate Governance and equate the Council of a University to the Board of Directors of a company (RSA, 2003a: introduction). The Reporting Regulations require the Council to take measures to provide the right quality and quantity resources; to achieve the optimal balance between outputs of products, services and other activities; to achieve policy objectives and operational goals; and to ensure that the University's activities are conducted in terms of an accepted standard (RSA, 2003a: introduction).

The 2003 Reporting Regulations require the following to be included in the Annual Report (RSA, 2003c):

- Reports and statements on governance and Reports on operations (section 2.2.1);
- Annual financial review (section 2.2.1);
- Report of the independent auditors on the Consolidated Financial Statements (section 2.2.1);
- Report of the independent auditors on the supplementary financial data and financial performance indicators (section 2.2.1);
- Supplementary financial data and financial performance and status indicators; Report of the Chairperson of the Council (section 3.1.1);
- Statement on corporate governance with specific focus on Council Committees, Conflict Management, Worker and Student Participation in terms of Cooperative Governance and the Code of Ethics (section 3.1.2);

- Report of the Senate to the Council on Teaching, Research and Extension (section 3.1.3);
- Report from the Institutional Forum (section 3.1.4);
- Report of the Vice-Chancellor on management and administration (section 3.1.5);
- Report on the internal administration and operational structures and controls (section 3.1.6);
- Report on assessment of the exposure to risk and the management thereof (section 3.1.7); and
- The Annual Financial Review – Report of the Chairperson of the Finance Committee and the Chief Executive – Finance (section 3.1.8).

The details to be included in the above sections of the Reporting Regulations are also provided with examples of what the Annual Report should look like (RSA, 2003a: 34–37 and section 2.2.1). Section 2.2.2 of the Reporting Regulations required application of the corporate governance principles of the King II Report and stated: *"[t]he Council, in respect of its governance, and the Executive Management, in respect of its management and administration, must ensure that the institution for which they are responsible complies, as far as is relevant to Higher Education institutions, with the content and recommendations of the King Report on Corporate Governance for South Africa – 2002"* (RSA, 2003a: section 2.2.2).

The applicable sections in the King II Report are referenced in the Reporting Regulations by reference to the page numbers in the King II Report (RSA, 2003a: section 2.2.2). Chapter 2 of the Reporting Regulations contained an example, with templates, of what the audited Financial Statements of the Universities should look like (RSA, 2003c: section 2). Chapter 3 of the Reporting Regulations encloses the details on the content of the Annual Report and its subsections (RSA, 2003c).

Each of the sections in Chapter 3 of the 2003 Reporting Regulations contains a detail narrative description of the content that should be covered in each of the statements. The 2003 Reporting Regulations do not indicate that the Audited Financial Statements of the Universities should be included in the Annual Reports, although the Reporting Regulations do require submitting the audited Financial

Statements. This may explain the difficulty in obtaining the complete Annual Reports, which include the audit report and the Financial Statements from Universities, for the purpose of this study (see 4.2).

In 2007, the Reporting Regulations for Annual Reporting of public Universities were reviewed. The reviewed regulations replaced the need for the Annual Reports of Public Higher Education Institutions to report on the internal administration and operational structures and controls (Section 3.1.6) and the Annual Financial Review (Section 3.1.7) of the 2003 Reporting Regulations (RSA, 2007: section 2.1.1) with the following sections in the Annual Reports (RSA, 2007: section 2.1.1):

- The Statement of the Chief Financial Officer (CFO) and the Chairperson of the Finance Committee of the Council on the Annual Financial Review;
- Compliance with the Financial Statements with General Accepted Accounting Practices (GAAP) or International Financial Reporting Standards (IFRS);
- The disclosure of remuneration of senior management; and
- The use of electronic financial data as a supplement to the Annual Report.

The 2007 Reporting Regulations also include reference to the applicable pages in the King II Report, as did the 2003 regulations, as well as a manual to assist with the effective implementation of the regulations (see Appendix A for the detail contained in the 2007 Reporting Regulations) (RSA, 2007: 17–36). In 2014, PWC issued a Report on the trends in Annual Reporting of publicly funded Universities in South Africa (Nongwa & Carelse, 2014: 1–47). The Report analysed the Annual Reports of the twenty-three public Universities for the years between 2010 and 2012 to achieve the following three objectives (Nongwa & Carelse, 2014: 2):

1. To confirm that all six elements or sections are addressed in the Annual Reports of the public Universities;
2. To investigate the level of implementation of the minimum recommendations in each of the sections; and
3. Evaluate the quality of the information provided in the Annual Reports.

The results of the PWC Report questioned the availability of information to other stakeholders as it appears that the information contained in the Annual Reports are servicing the relationship between the Department of Higher Education and the institutions (Nongwa & Carelse, 2014: 45). Nongwa and Carelse (2014: 45) further found that a conscious effort should be made to increase the public accessibility of information, as not all Annual Reports are downloadable from the Institutions' websites (see also 4.2). Two of the six reports required by the Reporting Regulations, namely the supplementary financial data and performance indicators as well as the report of the independent auditor, were not available on the websites of the Universities (Nongwa & Carelse, 2014: 45). Nongwa and Carelse (214: 45) also questioned the language used in the Annual Reports. They indicated that much of the language used in the disclosure of the Annual Reports made the information inaccessible to users who are not familiar with the Higher Education Sector (Nongwa & Carelse, 2014: 45). They recommended that the Department of Higher Education and Training should provide constructive feedback to institutions on how to effect changes in the quality of the Annual Reports, sharing best practice among Universities and developing a disclosure index to measure the quality of the Reporting done by Universities (Nongwa & Carelse, 2014: 46).

The 2014 PWC Report came on the eve of the change of the Reporting Regulations of public Universities for the 2015 financial year, at which time the regulations were updated for King III recommendations (RSA, 2014c: 1–33). The 2014 Reporting Requirements required public Universities to produce a strategic plan, which must be updated at least every five years; submit an annual performance plan to the Department of Higher Education and Training (DHET) that contain medium-term expenditure frameworks with performance targets aligned with the strategic plan; identify core indicators used to monitor performance; adopt a mid-year reporting system to submit the midterm performance reports; and to ensure that the strategic plan, annual performance plan, annual performance report, budget documents and mid-year performance reports are all aligned (RSA, 2014c: 3).

The 2014 Reporting Regulations include guidance on the information that should form part of the Annual Report about the above-mentioned aspects. The Reporting Regulations provide further details on what should be included in the Annual Report and are much more extensive than its 2007 predecessor. The 2014 Reporting

Regulations require the following sections to be included in the Annual Report of public Universities (RSA, 2014c: 6–7):

- The performance of the public University for the preceding calendar and financial years to be signed by the Chairperson of the Council (see 4.5.3);
- The Performance Assessment (see 4.5.3);
- Report on the work of the University and the extent to which the objectives as set in the performance plan and the strategic plan, were met (see 4.5.3);
- Report of the Chairperson of the Council about the Council's assessment of the performance, and degree, of progress in terms of achieving the targets, set out in the Annual Performance Plan (see 4.5.3);
- List of Council members, their representative constituencies for the previous year and at the date of acceptance of the report, including an indication of which provision of the statute the member serves (see 4.5.2);
- A Statement of the Council on Governance (see.5.5);
- A Statement of Council on Sustainability (see 4.5.18);
- A Statement of Council on Transformation (see 4.5.25);
- A Report from Council on risk assessment and management of risks (see 4.5.23);
- A Report from the Vice-Chancellor on management and administration (see 4.5.21);
- The Report from Senate to the Council (see 4.3.3.14 and 4.5.19);
- The Report of the Institutional Forum to the Council (see 4.5.20);
- The Statement from the Finance Executive Manager and Chairperson of the Finance Committee on the Financial Results (see 4.5.24);
- The Statements from the Audit Committee on how it fulfilled its duties (see 4.5.12);
- The Audited Financial Statements which must comply with International Financial Reporting Standards (IFRS);
- The Consolidated Financial Statements;
- Annualised gross remuneration for Executive Management, disclosed in a note, containing remuneration paid to each individual in their executive capacity and other services (see 4.5.8);

- Gross remuneration of each Council member for duties performed as Council member (see 4.5.8);
- The Report from the Independent Auditor on the Annual Report;
- Supplementary information verified by the External Auditor; and
- Copies of proceedings for each Council meeting with agendas and attendance registers held within the past twelve months.

In comparison to the 2007 Reporting Regulations, the 2014 Reporting Regulations are much more detailed and comprehensive (see Appendix A). The 2014 Reporting Regulations also include guidance on the content of the above required sections in the implementation manual (RSA, 2014c: 9–33). The implementation manual for the 2014 Reporting Regulations, furthermore, includes reference to King III principles with the detailed guidance (RSA, 2014c: 9–33). Appendix A contains a detailed analysis of the requirements in terms of the 2007 Reporting Regulations and the 2014 Reporting Regulations. Appendix B contains a summary of the minimum content sections that should be contained in the Annual Reports with the King III Report and the King IV Report principles (see 1.5.6.2 and 4.3.2).

2.3.4.6 Conclusion on the development of Corporate Governance in South Africa

The corporate governance developments in South Africa, like in the United Kingdom (UK), were driven by legislative and global changes in corporate governance. Different from the segmented changes in the UK, where the reports issued only covered portions of corporate governance, the South African revision of corporate governance codes was comprehensive in nature. The first King Report of 1994 is based on the same principles as the Cadbury Report in the UK and emphasised stakeholder engagement and an integrated approach to corporate governance. The King I Report contains twelve sections, which were adopted by the JSE in 1995 as listing requirements. The second King Report (2002) builds on the principles of an integrated approach and includes the seven principles of good corporate governance. The King II Report further introduces the concept of the triple-bottom-line approach to corporate governance and contains only six sections. As the Company's Act changed in 2008, so that some corporate governance principles were codified, the review of the King Report was necessary. The issuance of the

King III Report in 2009 included expanded focus on sustainability, corporate citizenship, social responsibility and stakeholder relationships, which was contained within the nine Chapters of the Report. The King IV Report, issued in 2016, provides heightened focus on executive remuneration, more guidance on risk and opportunity management, integrated reporting, integrated thinking and the independence of board members. The King IV Report also includes expanded disclosure recommendations.

The application of the corporate governance principles in Universities in South Africa was first introduced in the Reporting Regulations in 2003 when the Reporting Regulations included references to the King II Report. Only in 2014 were the Reporting Regulations for Universities adapted to reflect the King III principles.

2.4 Chapter Conclusion

Chapter 2 provides an overview of the general development of corporate governance. The chapter further provides a brief overview of the main accounting scandals such as Enron, WorldCom, Parmalat, Africa Bank, Nkandla, South African Airways (SAA) and the South African Broadcasting Corporation (SABC), as a demonstration of the pragmatic development of corporate governance globally.

The different corporate governance theories namely Agency Theory, Stewardship Theory, Resource Theory, Network Theory, Class Hegemony Theory, Stakeholder Theory and Enlightened Shareholder Theory were discussed. All the governance theories are different perspectives on the accountability scope of the Board of Directors, in terms of their actions. The literature suggests that there is not a one-size-fit-all approach to corporate governance and that a hybrid model of the different theories is needed.

This chapter further discusses the developments regarding corporate governance codes in the United Kingdom, the United States of America and South Africa. The corporate governance developments in all three areas are pragmatic because of legislative and global developments. Some corporate governance developments, such as the Sarbanes-Oxley act in the USA, were mainly because of a corporate scandal such as Enron.

The chapter concluded with the development of corporate governance disclosure recommendations in South African Universities, which showed that King III principles were implemented in South African Universities only in 2014 (six years after implementing the principles in the private sector). Chapter 3 will build on this aspect of governance and will include a discussion of the internal and external governance models used in University governance. Chapter 3 will also contain a brief discussion of the internal and external University governance structures used in some Universities in the USA, some European Countries, New Zealand, Australia and South Africa.

CHAPTER 3 – INTERNAL AND EXTERNAL GOVERNANCE OF UNIVERSITIES

3.1 INTRODUCTION

Chapter 2 provided a brief overview of the development of corporate governance theories, principles and codes in the United States of America (USA), the United Kingdom (UK) and South Africa. Chapter 2 further provided a discussion on the development of Reporting Regulations for Universities in South Africa since incorporating corporate governance principles as contained in the King II Report in 2003 and the move to King III principles in 2014.

Chapter 3 begins with a brief discussion on the issue of remuneration of executive management of non-profit organisations (see 3.2). This discussion is included as the corporate governance codes, and reports all include the existence of either a Remuneration or Compensation Committee (see 2.3.2 to 2.3.4) that is responsible for determining executive compensation. As the empirical portion of this study (see Chapter 4) is based on publicly funded Universities in South Africa, they may, to a certain extent, also be seen as non-profit organisations and the remuneration of their executive management, in the format of the Council, is just as controversial as elsewhere in the world.

The main focus of the chapter is a discussion of the main concepts of internal governance structures in terms of Universities in the form of shared governance (see 3.3.2) followed by external governance structures in the form of state involvement in University governance (see 3.3.3). The chapter further deals with the internal governance structures found in the USA, some European countries, New Zealand, Australia and South Africa. The USA was chosen as eight out of the top ten international Universities are from the USA (see Table 1.1 under 1.5.6.2). As the remaining two Universities, under the top ten international Universities are from the UK, the decision was made to increase the sample to Universities in the European Union Education Network (EURYDICE) (see 3.4.1). The EURYDICE Report includes thirty countries that form part of this education network (see Table 3.1).

Whenever the term Europe is used in this chapter, it, therefore, refers to the thirty countries that form part of the EURYDICE Network (see 3.4.3).

The internal governance of Australia (see 3.6) and New Zealand (see 3.7) are also included in this chapter. The internal governance of Australian Universities (see 3.6.3) is similar to that used in South African Universities (see 3.8.3), and the New Zealand governance structures closely resemble private sector practices (see 3.7.3). Australia and New Zealand are further both also former British Colonies, just like South Africa. The inclusion of Australia and New Zealand in the chapter, therefore, provides a balanced view of internal and external governance structures between the southern and northern hemispheres.

3.2 BRIEF DISCUSSION ON COMPENSATION OF NON-PROFIT EXECUTIVES

Compensating executives (also called Board members, Trustees or volunteers in executive management positions) of non-profit organisations are highly controversial (Lampkin & Chasteen, 2014: 10). Even paying remuneration to the executive management of churches was under the spotlight (Goodchild, 2016: 145 and 151). The majority of authors argue for paying compensation to the executives of non-profit organisations (Lampkin & Chasteen, 2014: 3; Eppley, 2008: para. 7; McPherson, 2012: 10; Zingheim et al., 2005: 15–16; Huff, 2014: 8; Preston & Brown, 2004: 222; Koepke et al., 2016: 1; Perego & Verbeeten, 2013: 5; Ntshitenge, 2014: 76–77). Most of the authors, however, also include arguments against compensating executives of non-profit organisations. Both the positive and the negative arguments are discussed briefly below.

Arguments in favour of paying compensation orbit around compensating executives of non-profit organisations for the time they invest in their duties as executives (Lampkin & Chasteen, 2014: 3; Eppley, 2008: para. 7). Additionally, arguments hold that executive management further needs to be compensated for the level of skill and experience they bring to the organisation as these skills and experience add value to the non-profit organisation (Eppley, 2008: para. 10; Huff, 2014: 11; McPherson, 2012: 10). During the performance of their duties, the executives are also held responsible and accountable for their actions and decisions and, according to various authors, this responsibility and accountability duty also warrants compensation (Huff, 2014: 8; Lampkin & Chasteen, 2014: 2). When the executives are compensated, it is also easier to hold them accountable for their actions and decisions (Lampkin & Chasteen, 2014: 2).

Arguments were also heard that compensation should include only reimbursement of travel expenses (Huff, 2014: 8), or that compensation should be based on the number of years the individual has served on the Board (Zingheim et al., 2005: 15–16). According to the literature, however, compensation of executives of non-profit organisations should be based on performance, as is the case in for-profit organisations (Zingheim et al., 2005: 16; Preston & Brown, 2004: 221). The performance-based compensation of executives of non-profit organisations has the added benefits of giving credibility to the goals of the organisation and ensuring commitment of the executive management to reach these goals (Zingheim et al., 2005: 16; Preston & Brown, 2004: 221).

Ntshitenge, however, warns that if executives are compensated, there should be measures in place to guard against "*excessive compensation*" (Ntshitenge, 2014: 1). Excessive compensation may be the cause of wasteful expenditure and the squandering of the non-profit organisations' valuable resources (Ntshitenge, 2014: 1). To counter this potential waste, authors recommend that executives of non-profit organisations should be paid a fixed fee and not a fee based on performance (Editorial, 2007a: 21; Tancraitor, 2016: 37).

The arguments for paying compensation to executives of non-profit organisations are much stronger and prove to be beneficial to the non-profit organisations. Studies have shown paying compensation to the executives of non-profit organisations had a positive influence on the performance of the organisation itself (Preston & Brown, 2004: 222; Koepke et al., 2016: 1; Perego & Verbeeten, 2013: 5). Paying compensation to the executives of non-profit organisations is primarily necessary not only for compensating time and expertise, but to hold the executives accountable and to improve the performance of the organisation.

As Universities can largely be seen as non-profit organisations, remunerating their executives is also a controversial issue. The governing bodies of Universities, also called Councils, more often than not, include Alumni members (see 3.5.3.1, 3.5.3.4 and 3.8.3.1). A case can be made that Alumni members of Councils may want to serve on the Council out of loyalty to the University and may not expect any compensation for their time and effort spent on their duties. However, not all members of University Councils in South Africa are Alumni members, as the Minister of Higher Education and Training are allowed to appoint his/her own representatives on the Councils as can the Local Municipality and, in some cases, the Premier of the Province wherein the University is located (see 3.8.3.1). This diverse membership may necessitate paying compensation to Council members to hold them accountable for their actions.

Limited *"good"* arguments against compensating executives of non-profit organisations are found. The major arguments against paying compensation are that paying compensation to Board members negatively impact the non-profit organisation's autonomy and paying compensation does not improve the governance of the organisation (Huff, 2014: 10). This argument seems to be weak and does not counter the arguments in favour of compensation of executives of non-profit organisations.

The next section of the chapter will focus on the internal and external governance models used in Universities. Most Universities worldwide use the shared governance model for internal governance (3.3.2). The external governance models used deal with the level of state involvement in governing Universities (see 3.3.3).

3.3 INTERNATIONAL MODELS ON INTERNAL AND EXTERNAL UNIVERSITY GOVERNANCE

3.3.1 Introduction

The principles of shared governance are found in most international Universities as is evident from the different studies performed on the meaning and implementation of shared governance (see 3.3.2). In the United States, there are several studies on shared governance available, including Williams (2015), Mills (2014), Glover-Alvis (2012), Jenkins and Jensen (2010), Tierney (2006), Angiello (1997) and the AFT (n.d.) (Williams, 2015: 1–110; Mills, 2014: 1–108; Glover-Alves, 2012: 1–179; Jenkins & Jensen, 2010: 24–27; Tierney, 2006: 1–237; Angiello, 1997: 1–341; AFT, n.d.). Williams (2015) also refer to research that was performed in the United Kingdom on shared governances and Knight (2002) specifically references the lesson to be learned about shared governance from Australia (Williams, 2015: 1–110; Knight, 2002: 1–11). Shared governance is, therefore, an internationally used governance model for internal institutional governance at Universities and is discussed below.

3.3.2 Internal Governance - Shared Governance Model

The central theme in the shared governance model is the participation of key stakeholders, with the *"administration"* of a University, in institutional decision-making (Smalling, 2006: 19–20; Angiello, 1997: 41; Birnbaum, 2006: 3; Jenkins & Jensen, 2010: 26; Zhang, 2013: 22). The Academic Senate of the Californian State University (in Mills, 2014) defines shared governance as the relationship between administration and faculty where faculty is responsible for providing direction and advice to the University on important policy matters (Mills, 2014: 8). Williams identifies the parties involved in shared governance as those responsible for organisational governance, also known as the controlling body, Faculty, and Senate (Williams, 2015: 10). Zhang adds students, the Chief Executive Head or President of a University and the Trustees or Council members to the list of groups who are involved in shared governance (Zhang, 2013: 22). Williams further indicates that in the United States of America, involving the state as external governance role player, should be considered with shared governance (Williams, 2015: 22).

The participation of the key stakeholders in the shared governance model discussed above, bring with it the accompanying authority, power, expertise, and competence needed by these stakeholders to make the correct decisions (Tierney, 2006: 79). Tierney explains that the balance of authority, power, expertise and competence is difficult to achieve in shared governance, as there are specific cultural, historical and contextual differences between the stakeholders, but does not provide more insight into what the cultural, historical and contextual differences might be (Tierney, 2006:

79). This oversight in Tierney's work makes it difficult to consider the importance of the impact of differences on the balance of authority, power, expertise and competence of stakeholders. In a study on the implementation and meaning of shared governance in parochial Universities in the United States of America, Glover-Alves argues that the most important aspect of shared governance is the issue of trust among the different parties involved (Glover-Alves, 2012: 29).

Glover-Alves identifies the following aspects as important in building trust for shared governance to be successful: benevolence, reliability, expert knowledge, honesty and transparency (Glover-Alves, 2012: 29). Supporting the importance of trust, successful shared governance has the benefits of all parties contributing to institutional decision-making and policymaking processes, leading to promoting institutional vision, mission, academic integrity, sustainability and retaining public accountability (Zhang, 2013: 57).

Each of the parties involved in the shared governance of a University needs to understand they have a role to play and accompanying responsibilities regarding good governance. The roles and responsibilities of the different parties in a shared governance model differ from University to University. The governance and authority for hiring of staff and curriculum mostly rest with the Faculty (Jenkins & Jensen, 2010: 25; AFT, n.d.: 7). The role of the Senate in shared governance also differs. Occasionally, the Senate's only role is to provide a voice to the Faculty members in the operations of a University, and in other cases, a more hands-on approach in terms of quality control is in place (Williams, 2015: 20).

The Senate's role and responsibilities in terms of governance are often contained in statutes and include quality control over academic programmes (Shattock, 1998: 44; Knight, 2002: 281) as is the case in Europe (see 3.4.3) and South Africa (see 3.8.3.2). Contrary to Europe (see 3.4.3) and South Africa (see 3.8.3.1), the focus of the Chief Executive of American Universities sway more towards managing the University and less towards the shared governance principles, to achieve the Chief Executive's performance goals (Zhang, 2013: 54) (see 3.5.3). This is because of the increased pressure on accountability towards outside stakeholders and the government goals in the United States (Zhang, 2013: 54).

Authors have identified several drawbacks of shared governance. One of these drawbacks is the slow pace at which decisions are taken because of involvement of all the interested parties (Mills, 2014: 29; Bess, 1988: 3). Another drawback is the Faculty involvement in shared governance that weakens appropriate responses because of obstruction created by the Faculty in terms of their stance that shared governance have become a burden in terms of the length of time involved in decision-making (Birnbaum, 2006: 4). Smalling echoes Birnbaum on the Faculty obstruction and adds that the shared governance model limits a University's agility and flexibility, creates obstructions and sluggish decision-making processes and fosters a culture of maintaining the status quo (Smalling, 2006: 24).

Although Birnbaum (2003: 6) recognises the slow nature of decision-making with the shared governance model, he argues that the slow decision-making process is not necessarily the problem. He further argues that, because of the expectation of mutual trust and reliability of decision-making in the shared governance model, the risk that decisions are made too swiftly and without regard for institutional core values, escalates (Birnbaum, 2006: 6). This is increasingly important because of the global decrease in funding and changes in accountability regarding University governance.

The decrease in state funding, coupled with the increased requirements in accountability is making shared governance much more difficult as academic standards must be maintained despite these changes (Williams, 2015: 26). This is evident from the problems experienced in South African Universities during the #FeesMustFall and "FreeEducationMovement campaigns in 2015 and 2016 (see 1.1). Other factors that inhibit shared governance are international changes on the focus of increased graduation rates, increased enrolment numbers, alternative means of delivery in the form of distance learning, increased pressure to include more stakeholders such as business and legislators and changes in the political environment within which the University operates (Williams, 2015: 26). Although the decision-making process in the shared governance model can be lengthy in time, Mills argues that the consultative manner of shared governance facilitates more effective decision-making (Mills, 2014: 29; Smalling, 2006: 24).

In 2006, Birnbaum warns that Universities were not responsive enough about external environmental and policy changes, which have the potential to lead to Universities becoming irrelevant (Birnbaum, 2006: 5). In 2014, Mills issued the same warning and cautions that, for shared governance to remain relevant, governance systems need to adapt and change to the environment and external pressures that Universities face (Mills, 2014: 29). This is especially important for the South African Universities in 2016, as there are renewed calls for decolonisation and free education (see 1.1).

External governance models include the state control and state supervision models and explain the relationship between the state and the University (see 3.3.3.2). The external governance model used in South African is based on the state supervision model and is supported by a cooperative governance philosophy (see 3.3.3.3).

3.3.3. External Governance – Some Approaches to State Involvement in Higher Education

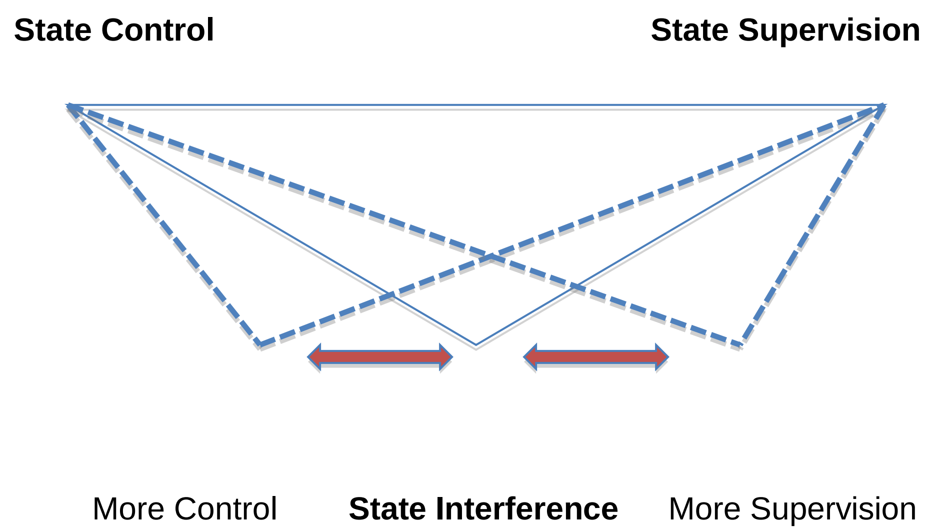
3.3.3.1 Introduction

External governance models are used to describe the relationship between Universities and the state. Scholars agree that the main models for state involvement in Higher Education are the state control and state supervision models (Huisman, 2009: 253; Du Toit, 2014: 17–18; Gornitzka & Maassen, 2000: 267–285; Tierney, 2006: 29–30; NEPI, 1992; Van Pletzen, 2015: 1–239). Some scholars also propose a newer model called the state interference model where the state can *“interfere”* with the governance of Universities in times of crises (Moja & Cloete, 1996: 10–16; Van Pletzen, 2015: 1–239; Sayed, 2000: 475–489). Most scholars, however, agree that state interference is not a model on its own, but a principle that can be applied in times of crises only. South Africa has adopted the state supervision model (see 3.3.3.3) to suit its external governance needs and included a cooperative governance philosophy within the state supervision model (Du Toit, 2014: 17–18; NCHE, 1996; DoE, 1996; DoE, 1997; Van Pletzen, 2015: 1–239; Moja et al., 1996: 129–155). The literature about the state control model, the state supervision model, and state interference are discussed briefly below. This is followed by a discussion on the application of the state supervision model in South Africa, as the empirical study will be based on South African Universities (see 1.5.6.2, 1.5.7 and 4.5). The literature on state control and state supervision uses the terms *"state"* and *"government"* interchangeably. Although there are technical differences between the two terms, the term *"state"* will be used in this discussion to prevent confusion.

3.3.3.2 The State Control Model, State Supervision Model and State Interference

Gornitzka and Maasen define state steering as *"the approach that government use to control and influence specific public sectors, such as Higher Education"* (Gornitzka & Maassen, 2000: 268). Du Toit divides this approach of state involvement into two opposites, namely state supervision and state control. He further puts the two approaches on opposite ends of a continuum (Du Toit, 2014: 17–18). When considering this continuum, it may be more prudent to place state interferences outside both state control, and state supervision as the level of state interference will change the level of state control or state supervision (see Figure 3.1 below).

Figure 3.1 State Control, Supervision and interference



In the state control model, the state *"controls"* the financial as well as the academic operations of a University (Tierney, 2006: 29–30). The *"level of control"* the state has over a University differs from country to country and includes aspects such as the shape of the systems of the University and the student enrolment levels of a University (Du Toit, 2014: 18; NEPI, 1992: 86; Van Pletzen, 2015: 33; Dobbins et al., 2011: 670). Although the level of interference in University governance is high with the state control system, countries allow for academic freedom but has little or no statutory basis for institutional autonomy (Du Toit, 2014: 18; Gornitzka, 1999: 23; Van Pletzen, 2015: 33). According to scholars, the goal of the state control model is not for the state to have absolute control, but to standardise systems where national qualifications to individuals are not awarded by the individual Universities, but by the state (Van Pletzen, 2015: 34; Moja et al., 1996: 144–148). Cloete and Kulati further argue that the state control model can only be effective if it is executed by a professional and competent civil service (Cloete & Kulati, 2003: 4). Countries traditionally known for state control include countries such as France, Germany, and Scandinavia (Du Toit, 2014: 18; Huisman, 2009: 253; Cloete & Kulati, 2003: 4).

The state supervision model, on the other hand, is recognised as a system where the central authority, normally the Minister of Education, in some cases the Minister of Higher Education (as is the case in South Africa) through the national department of education, uses either planning and funding, or assessment of outcomes, to shape the University systems (Du Toit, 2014: 17; NEPI, 1992: 86; Gornitzka & Maassen, 2000: 269; Cloete & Kulati, 2003: 4). This model is notorious for the institutional autonomy and academic freedom it guarantees to Universities (Du Toit, 2014: 19). This model allows for the state's supervisory role and responsibility to ensure academic quality and maintaining a level of accountability (Neave & Van Vught, 1994: 9–10; Van Pletzen, 2015: 35). In essence, this does not enforce detail regulation or controls but steers the University from a distance with the application of self-regulation (Neave & Van Vught, 1994: 11; Van Pletzen, 2015: 35). The National Commission on Higher Education (NCHE) in South Africa maintains that state supervision is a game being played, with the state watching the game between autonomous players and changing the rules when the game no longer obtains the satisfactory results (NCHE, 1996: 199; Hall & Symes, 2005: 202). Du Toit further adds that the state supervision model allows for most of the decision-making of Universities to be decentralised and the central authority, or the Minister of Higher Education and Training, (through the Department of Higher Education and Training) focusing on a few critical values such as monitoring and influencing the framework of rules that guides the behaviour of the actors, assuring academic quality and maintaining a certain level of accountability (Du Toit, 2014: 19–20; NEPI, 1992: 87; Moja et al., 1996: 20).

Between state control and supervision lies the state interference principle (see Figure 3.1) (Du Toit, 2014: 18). The state interference principle serves as a midpoint between state control and state supervision and is usually applied in times of crises (Du Toit, 2014: 18; Van Pletzen, 2015: 37; Moja & Cloete, 1996: 10; Cloete, 2002: 89). Scholars argue that the state interference principle is not a model but merely describes the relationship between the state and the University, which *"represents the description of the state's action in specific situations or under specific circumstances*" (Van Pletzen, 2015: 38; Sayed, 2000: 479).

Moja et al. identify the following five reasons for cases where state interference may occur (Moja & Cloete, 1996: 10):

- A weak Ministry of Education, which does not have the mandate to guide and promote Higher Education;
- A weak and poorly trained bureaucracy;
- Councils of Higher Education that are mostly dormant and only heard from during crises;
- Large Senates that concentrate only on academic matters; and
- Vice-Chancellors who have to be both Chief Executive Officers (CEO's) and politicians, without the necessary preparation or training.

Moja and Cloete further argue that state interference normally unfolds according to circumstances, such as student unrest; police intervention; appointment of commissions of inquiry; the resignation, dismissal and appointment of the principal, or Vice-Chancellor; and security police surveillance (Moja & Cloete, 1996: 10; Van Pletzen, 2015: 37). It may thus be assumed that depending on the type and severity of the intervention, the state may move towards a more controlling role in the Higher Education governance or towards a more supervisory role (see Figure 3.1). As the state's interference is *"sporadic"* and does not occur often, it supports the argument that state interference is not a model on its own, but rather a principle (Van Pletzen, 2015: 36).

3.3.3.3 The Application of the State Supervision Model in South African University Governance and the Cooperative Governance Philosophy

The relationship between the state and Universities in South Africa is founded on the state supervision model (see 3.3.3.2) of external governance (Du Toit, 2014: 23; NCHE, 1996: 176)[3]. Most of the authors indicate that the state supervision model is used as the basis for the South African cooperative governance model (NCHE, 1996: 9–10; Du Toit, 2014: 13; Van Pletzen, 2015: 58; Hall et al., 2002: 31). Du Toit however, argues that cooperative governance used in the governance of South African Universities cannot be called a model on its own, but rather a philosophy, with supporting principles that are used within the state supervision model (Du Toit, 2014: 23-24). Although most of the literature on cooperative governance refer to a model, the fact that the state supervision model was used as the basis for cooperative governance implies that cooperative governance is not a model, but rather a philosophy - as suggested by Du Toit. For the purposes of the following discussion, *"model"* in the literature was changed to *"philosophy".* The cooperative governance philosophy and the principles within the philosophy are discussed briefly below.

The cooperative governance philosophy used in South African Universities is contained in several legislative documents. These legislative documents include the Higher Education Act 101 of 1997 (as amended in 2002) (RSA, 1997b), the Green Paper on Higher Education Transformation (DoE, 1996: 37), the White Paper 3 on a Programme for the Transformation of Higher Education (DoE, 1997), the Regulations for Reporting by Higher Education Institutions in South Africa (see 2.3.4.5) and the individual Institutional Statutes of the Universities in South Africa (see 3.8.3).

The National Commission on Higher Education (NCHE) argued that the cooperative governance philosophy was founded in the principles of *"cooperative government",* as contained in the South African Constitution (RSA, 1996) and were to be used in Higher Education policy-formulation, coordination and implementation to serve the wider societal and political needs (Du Toit, 2014: 21; NCHE, 1996: 291). Hall et al.

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[3] Prof Andre du Toit investigates the legislative changes in Higher Education on the short, medium and long term. In his Report, he discusses the cooperative governance philosophy in the South African Higher Education context (Du Toit, 2014: VIII).

(2002:31)[4] confirm this by stating in their research report on internal and external governance of South African Universities that the cooperative governance philosophy was selected and implemented by the state in an attempt to correct social injustice. The cooperative governance philosophy propagates the correction of social justice, by making use of consultation and dialogue between the Higher Education Institutions in South Africa and the state (Du Toit, 2014: 34).

The cooperative governance philosophy further rests on mutual and shared commitment by all parties, such as the state and the Universities, involved in governing Universities (Du Toit, 2014: 41). Du Toit further argues that the principles in the state supervision model, as well as in the cooperative governance philosophy, are based on the voluntary cooperation in governance, of all parties involved (Du Toit, 2014: 76).

Du Toit adds that cooperative governance also involves a certain level of coercion. This was demonstrated when the NCHE indicated that, as part of the cooperative governance philosophy, they would provide detailed guidance (in the form of a framework) for the identification and strategic intervention necessary for transformation in South African Universities (Du Toit, 2014: 76; DoE, 2001: Section 1.1). This level of coercion seems to fall within the state control model or even some indication of the state interference principle rather than the state supervision model and the cooperative governance philosophy (see 3.3.3.2).

Significant changes in terms of the state's involvement in South African Universities were made in the Higher Education Act in 1998 and 2003 and again in the Higher Education Amendment Bill in 2015. Changes made in 1998 allowed the Minister of Higher Education and Training the power to merge and incorporate institutions of Higher Education in South Africa (Du Toit, 2014: 78; CHE, 2008: 49–50). Changes in 2003 awarded power to the Minister of Higher Education and Training to intervene in the business of Universities because of financial or other maladministration (CHE,

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[4] Hall, Symes and Leuscher completed this Research Report as part of the Council of Higher Education's task team investigation into the analysis of governance in Higher Education with the focus on the role of the Councils, Senates, Institutional Forums and executive management and the role between these four parties. The task team was further tasked with an investigation into the effectiveness of cooperative governance and to make recommendations on the improvement of efficiency, effectiveness and accountability of Higher Education Institutions (Hall et al., 2002: 7).

2008: 49–50; Du Toit, 2014: 78). Changes contained in the 2015 Amendment Bill give the Minister of Higher Education and Training the mandate to determine the transformation goals of the Higher Education system in South Africa, institute an appropriate framework and oversight mechanisms and to develop articulation and recognition of prior learning frameworks (RSA, 2015c: Section 3). These changes in the Higher Education Bill seem to support the state control model and even the state interference principle to some extent, rather than the state supervision model and the cooperative governance philosophy (see 3.3.3.2).

Circumstances in which the Minister of Higher Education and Training may appoint an independent assessor were increased in the proposed Bill. The Bill no longer only requires intervention in the case of financial and other maladministration, but also the following cases (RSA, 2015c: Section 42(1)):

- Financial impropriety;
- Council’s inability to perform its duties;
- Council has acted in an unfair, discriminatory or wrongful manner towards a person to whom it owes a duty;
- Council failed to comply with any law;
- Council failed to comply with any directive of the Minister of Higher Education and Training;
- Council obstructing the Minister of Higher Education and Training, or his authorised delegate, in performing his duties; and
- Stricter oversight over University spending of state subsidies.

These proposed changes to the powers of the Minister of Higher Education and Training have created some concerns. The main concern relates to the possible loss of academic freedom of Universities in South Africa (Bozzoli, 2016: 1; Presence, 2016: 2). These changes to the Higher Education Act 101 of 1997 (as amended in 2012) contain characteristics of state interference (see 3.3.3.2) as financial and maladministration may be seen as exceptional circumstances (Du Toit, 2014: 66; DoE, 1997: 29; RSA, 1997b).

Another principle of the cooperative governance philosophy is the principle of consultation between the state and the Universities. Du Toit (2014: 52) claims that the application of the cooperative governance philosophy, and more specifically the principle of consultation, was unsuccessful as the state in South Africa, and more specifically the Minister of Higher Education, did not consult with the key representatives in the policy-making process and the drafting of the Green and White Papers in 1996 and 1997 (Du Toit, 2014: 52). The process for the drafting of these papers did not include Higher Educational Institutions, but only received inputs from *"relevant political constituencies"* (Du Toit, 2014: 52). The Green and White papers are, however, still cited by scholars as the "*founding documents"* for the cooperative governance philosophy (Du Toit, 2014; Moja & Cloete, 1996; Moja et al., 1996; Cloete, 2002; Cloete & Kulati, 2003; Hall & Symes, 2005; Hall et al., 2004; Hall et al., 2002; Van Pletzen, 2015). Given the fact that the state did not include all the stakeholders in drafting regulatory documents, such as the Green and White Papers, the South African state's claim, that University governance is based on cooperation between all relevant parties, may be flawed.

3.3.4 Conclusion on Internal and External Governance Models

Governance in Universities is clearly divided between internal and external governance models. From the literature, the internal governance model used globally is called the shared governance model (see 3.3.2), where the different role players in Universities are all involved in the decision-making processes of a University. The role players are identified as the administration of the University, the academic personnel including Faculties, Senates, students and Councils or governing bodies, among others. The level of involvement of each of the role players differs from country to country, and there is no *"one-size-fits-all"* model that can be applied.

External governance of Universities refers to the relationship between the state and the University. This relationship can be seen to exist on two opposite ends, namely state control at the one end and state supervision at the other end. Outside these two models are the state interference principle. Not considered to be a separate model, the state interference principle is used to explain the involvement and reaction of the state in time of crises in Higher Education.

The external governance model used in South Africa is the state supervision model, which is adjusted for the inclusion of the cooperative governance philosophy. The cooperative governance philosophy allows the state to steer Universities in South Africa and to do so by issuing legislation, providing funding and quality control measures. This philosophy does, however, also require the voluntary involvement of and consultation with Universities in South Africa to be successful. Proposed changes in the Higher Education Act 101 of 1997 (as amended in 2012), contained in the Amendment Bill of 2015, increases the Minister of Higher Education and Training's powers to intervene in the business and management of South African Universities based on, among others, non-compliance of Councils to laws, financial maladministration and unfair treatment of persons to which the Council owns a duty of care. This leads to the conclusion that the involvement of the Minister of Higher Education and Training, resorts under the state control model at times and the state interference principles to some extent, rather than the state supervision model.

3.4 INTERNAL AND EXTERNAL GOVERNANCE STRUCTURES USED IN EUROPE

3.4.1 Introduction

In 2008, the European Union, through the EURYDICE Network, performed a study on the modernisation of European Higher Education (EURYDICE, 2008: 3). This report paid specific attention to the analysis of governance structures in European Higher Education Institutions, methods used to fund European Higher Education and European Higher Education Institutions' responsibilities towards staff (EURYDICE, 2008: 3). The study enhanced the knowledge of the processes of European Higher Education Institutions and was the first work in terms of geographical coverage by analysing Universities in thirty European Countries (EURYDICE, 2008: 3). This EURYDICE Report is cited by most scholars in the field of internal and external governance structures and is considered to be a seminal work and therefore used as the basis of the discussion on European University governance structures. There are limited additional sources on the European University Governance structures as discussed below.

Kretek et al. indicate that most of the recent changes to the internal and external governance structure in European Higher Education were done in 2006 and 2007 with minimal subsequent changes (Kretek et al., 2013: 39–41). Frolich et al. investigated the changes in Higher Education governance in Europe from an institutional theory perspective and focused on the strategy implications of these changes (Frolich et al., 2013: 79–93). Magalhaes et al. focus on creating a *"common language"* in Europe with specific focus on funding policies (Magalhaes et al., 2013: 95). Erkkila and Piironen discuss the competition, rankings, autonomy and accountability as aspects which influence the governance of Universities, but do not address the external and internal governance structures of European Universities (Erkkila & Piironen, 2014: 177–191). Enders et al. focus on the impact of regulatory autonomy on the performance of Universities and include some reference to the relationship between the state and Universities, but the study's main focus rest on Universities' performance (Enders et al., 2013: 5–23).

Other studies on the governance in Higher Education sectors in Europe include a comparative study on the governing bodies in English and Scottish Universities in 2008 (Berezi, 2008: i–353). EURYDICE also issued further reports on the most significant changes brought about in the European Higher Education arena based on the Bologna process in 2010 and 2012 (EURYDICE, 2010; EURYDICE, 2012). The main aims of the Bologna process were to: increase access to Higher Education, mobility of students between Universities; access to funding; quality assurance in granting access to Universities; participation of under-represented groups in Higher Education; and to promote lifelong-learning (EURYDICE, 2010: 1–43; EURYDICE, 2012: 1–17), and therefore falls outside the scope of this study.

This part of Chapter 3 will include a discussion on the external and internal governance structures of Universities in Europe, based mainly on the EURYDICE seminal report of 2008. To fully understand the EURYDICE Report, there are certain concepts and terms that need to be defined from the report (EURYDICE, 2008: 25, 33).

> ***"External regulation:*** *refers to the authority of the State or region to lay down the rules of operation for HEI's.*

External guidance: *refers to the steering power and co-ordination by external stakeholders as Members of University Boards (e.g. Boards of governors or Trustees), to which the relevant government authorities (e.g. Ministry) have delegated certain responsibilities.*

Managerial self-governance: *refers to senior leadership and management staff (rector/President, deans) who set goals and take decisions on the direction, behaviour, and activities of the institution.*

Academic self-governance: *refers to governance through consensus within and among the academic communities of an HEI."*

The European University Governance structures will be divided into external and internal governance and discussed under these headings. As the focus of this study is not on external governance structures, but rather internal governance structures, the EURYDICE Report of 2008 will be used as the basis for a brief discussion on external governance, followed by a discussion on the changes to internal governance structures in some European countries.

3.4.2 External Governance Structure in Europe

The overall responsibility for Higher Education in Europe rests with the relevant Ministry in the form of a state department led by a Minister (EURYDICE, 2008: 26). Where most European countries, included in the EURYDICE Report, only has one Ministry overseeing their Higher Education, Denmark has three different Ministries involved in Denmark's Higher Education, which makes the governance of Danish Universities complex (EURYDICE, 2008: 26).

The Ministries in the European countries have the responsibilities of overseeing the Universities' compliance with laws, rules, regulations and codes and formulating the education policies that frame the national and institutional strategic plans of the Universities (EURYDICE, 2008: 26). According to the EURYDICE Report, the Higher Education Ministries in Europe have the following responsibilities (EURYDICE, 2008: 26):

- Overseeing compliance with laws, Ministerial codes and legal statutes;
- Formulating Higher Education policies that frame national and institutional strategic plans and development;
- Formulating national strategic or development plans for Higher Education;
- Appointing external stakeholders as members of the institution-level governance bodies in some of the European countries;
- Appointing a quality assurance body responsible for setting standards of conducting evaluations, elaborations, and implementation of quality assurance in Universities

Mostly, the national level advisory body, called the Higher Education Council, Advisory Council, Research Council or similar body, supports the Ministry and is responsible for providing advice to the Ministry on Higher Education on issues such as science and art policies. These bodies may from time to time include the executive heads of the Universities as well as representatives of other Ministries, trade unions, political parties, local governments, Universities and students (EURYDICE, 2008: 26). The respective Universities also have institutional statutes which provide further guidance on aspects such as the election procedures for institutional governing bodies (EURYDICE, 2008: 27).

According to the EURYDICE Report, each country also has a national-level body which consists of all the executive heads of the Universities, called the Rector's Conference or Council (EURYDICE, 2008: 26). The body of executive heads in the Netherlands and Norway is called the Association of Universities of Higher Education Institutions, while in the United Kingdom the equivalent body is called the Universities of UK and GuildUK (EURYDICE, 2008: 26). These bodies of executive heads are responsible for presenting proposals to the relevant country's Ministry on developments of the Higher Education sector and to provide opinions on the laws, and other regulations, in the Higher Education field (EURYDICE, 2008: 26–27).

Universities in all thirty countries included in the EURYDICE 2008 Report, except for Denmark, France, Italy, Luxembourg, and Slovakia, are required to submit an Annual Report to the relevant Ministry (EURYDICE, 2008: 30, 47–72). These Annual Reports are typically used as an accountability tool and include details on student services, staff matters, internationalisation, educational and other activities (EURYDICE, 2008: 30). Some of the Annual Reports may also include information on strategic goals, a summary of resources and information on finances. Of all the countries included in the EURYDICE Report, only Slovakia's law requires the inclusion of details on the organisational structure of the University, while other countries include details such as quality control measures, student numbers, staff numbers and student success rates (EURYDICE, 2008: 30). The requirements are similar to the requirements of the aspects that should be included in the Annual Reports of South African Universities (see Appendix A).

3.4.3 Internal Governance Structures in Europe

3.4.3.1 Introduction

Research on internal governance of European Universities mostly focus on the governing body of the University, which is normally referred to as the Council or the Board and the role the executive head plays within the Council or Board (EURYDICE, 2008: 33–45; Estermann & Nokkala, 2009: 11–17; Botas & Huisman, 2012: 370–388; Elena & Sanchez, 2012: 48–56; Beach, 2013: 517–533; Giovanna, 2013: 20–34; Kwiek, 2015: 77–89; Kralikova, 2015: 68–82; Enders et al., 2013: 5–23). Sources further indicate that the academic governance of a University can rest in either the Council, the Senate, an Advisory or Supervisory body or a combination of these bodies.

There are, however, several different bodies involved in the internal governance of European Universities - as can be seen from Table 3.1 below. Table 3.1 contains a summary of the different governing bodies of the thirty European Countries involved in the EURYDICE Report. Belgium has been divided into three distinct groups on the table, namely the French Speaking Community Universities (BE fr), German Speaking Community Universities (BE de) and Flemish Speaking Community Universities (BE nl).

Table 3.1 Internal governance bodies in public and state-dependent Higher Education in Europe, 2006/2007

<table>
<tr><th></th><th>Executive Head</th><th>Academic Body</th><th>Decision-making Body</th><th>Advisory/Supervisory Body</th></tr>
<tr><td>BE fr</td><td>Rector</td><td>Academic Board</td><td>Educational Management Council</td><td>Administrative Council</td></tr>
<tr><td>BE de</td><td>Director</td><td>Academic Council</td><td colspan="2">Management Board</td></tr>
<tr><td>BE nl</td><td>Rector (Executive Board)</td><td>Academic/ Scientific Council</td><td>Governing Board</td><td>⦸</td></tr>
<tr><td>BG</td><td>Rector</td><td>Academic Council</td><td>General Assembly</td><td>Controlling Board</td></tr>
<tr><td>CZ a</td><td>Rector</td><td colspan="2">Academic Senate</td><td>Board of Trustees</td></tr>
<tr><td>DK</td><td>Rector</td><td colspan="2">Academy Council</td><td>Board of Directors</td></tr>
<tr><td>DE</td><td>Rector</td><td>University Board</td><td></td><td>Governing Board</td></tr>
<tr><td>EE</td><td>Rector</td><td colspan="2">Council</td><td>Board of Governance</td></tr>
<tr><td>IE</td><td>President/ Provost</td><td>Academic Council</td><td colspan="2">Governing Authority</td></tr>
<tr><td>EL</td><td>Rector</td><td colspan="2">Senate</td><td>⦸</td></tr>
<tr><td>ES</td><td>Rector</td><td>University Senate</td><td>Governing Council</td><td>Social Council</td></tr>
<tr><td>FR</td><td>Director</td><td>Academic/Scientific Council/ Council of Studies and University Life</td><td>Administrative Council/ Board</td><td>⦸</td></tr>
<tr><td>ITb</td><td>Rector</td><td colspan="2">Academic Senate</td><td>Social Council</td></tr>
<tr><td>CY</td><td>Rector</td><td>Senate</td><td colspan="2">Council</td></tr>
<tr><td>LV</td><td>Rector</td><td colspan="2">Senate/ Academic Assembly</td><td>Convention of Advisors (*)</td></tr>
<tr><td>LT</td><td>Rector</td><td colspan="2">Senate/ Academic Council</td><td>University/ College Council</td></tr>
<tr><td>LU</td><td>Rector</td><td>University Council</td><td colspan="2">Governing Council</td></tr>
<tr><td>HU</td><td>Rector</td><td colspan="2">Senate</td><td>Financial Board</td></tr>
<tr><td>MT</td><td>Chancellor: Rector</td><td>Senate</td><td></td><td>⦸</td></tr>
<tr><td>NL</td><td>Rector magnificus</td><td colspan="2">Executive Board</td><td>Supervisory Board/ Main Representative Advisory Board</td></tr>
<tr><td>AT</td><td>Rector</td><td>Senate</td><td colspan="2">University Council</td></tr>
<tr><td>PL</td><td>Rector</td><td colspan="2">Senate</td><td>Council (*)</td></tr>
<tr><td>PT</td><td>Rector</td><td colspan="2">University Senate</td><td>University Assembly</td></tr>
<tr><td>RO</td><td>Rector</td><td colspan="2">Senate</td><td>⦸</td></tr>
<tr><td>SI</td><td>Rector</td><td colspan="2">Senate</td><td>Managerial Board/ Council of Trustees (*)</td></tr>
<tr><td>SK</td><td>Rector</td><td colspan="2">Academic Senate</td><td>Board of Trustees</td></tr>
<tr><td>FI</td><td>Rector</td><td colspan="2">Senate</td><td>⦸</td></tr>
<tr><td>SE</td><td>Vice-Chancellor</td><td>Senate</td><td colspan="2">Governing Board</td></tr>
<tr><td>UK</td><td>Vice-Chancellor</td><td>Academic Board/ Senate</td><td>Governing Board/ Council</td><td>Court (*)</td></tr>
<tr><td>IS</td><td>Rector</td><td colspan="2">Senate</td><td>⦸</td></tr>
<tr><td>LI</td><td>Rector</td><td>Assembly/ Senate</td><td colspan="2">Council</td></tr>
<tr><td>NO</td><td>Rector</td><td>Senate (*)</td><td colspan="2">Board</td></tr>
</table>

EXPLANATIONS OF ITEMS IN TABLE 3.1:

<table>
<tr><td></td><td>Members - Solely Internal Stakeholders</td><td></td><td>Members - Internal and External Stakeholders</td><td></td><td>Members - Solely External Stakeholders</td><td>⦸</td><td>Body does not exist</td><td>(*)</td><td>Body is not mandatory for all HEI's</td></tr>
</table>

(EURYDICE, 2008: 34–35; EURYDICE, 2007: 205–241)

Table 3.1 lists the names of the governing bodies involved in the internal governance of Universities in some European Countries and indicate where the Academic Body and Decision Making Body is the same body as well as where the Decision Making Body is the same as the Advisory or Supervisory Body. The table further indicates the composition of each governing body, namely Solely Internal Stakeholders (white blocks), both internal and external stakeholders (grey block) and solely external stakeholders (yellow blocks). The table also indicates where a body does not exist

(⦸) as well as an indication where a specific body is not required at all in the Universities in a specific Country (*). Although Table 3.1 is based on information about 2007 and 2008, it is used as a basis for the discussion as there have been only limited changes to internal governance structures in Europe since 2007 and 2008 (Kretek et al., 2013: 40–42).

The EURYDICE report states that "*[a]ll HEI's in Europe have an executive body, often called the Rectorate and headed by a Rector, President of Vice-Chancellor as the* ***executive head*** *of the institution* (EURYDICE, 2008: 33). The executive head of a European University is known as the Rector, Vice-Chancellor, Principal, Director or Provost (for the purpose of this discussion the term Rector will be used). The power of the Rector has traditionally been restricted as the decision-making powers rested in the hands of the governing body (EURYDICE, 2008: 33–45; Kretek et al., 2013: 40). Over time, the powers of the Rectors have changed to allow the Rector more powers in decision-making - which in turn increased the close relationship between the Rector and a University's governing body (for the purpose of this discussion the term Council will be used) (EURYDICE, 2008: 33–45; Kretek et al., 2013: 40). To safeguard the close relationship between the Rector and the Council, the election of the correct individual as Rector is very important.

The selection of the Rector, however, differs from country to country. Rectors can be selected in one of the following four manners (Estermann & Nokkala, 2009: 14):

1. Elected by a specific group, which represents the academic staff, other staff and students of the University. This is typically found in countries such as Belgium French Speaking Universities, Croatia, Cyprus, Estonia, Finland, Greece, Italy, Latvia, Poland, Slovenia, Spain and Turkey (Estermann & Nokkala, 2009: 14);
2. Election by the Senate, or similar body, responsible for the academic issues of the University, which is democratically constituted, to represent the University community. This typically occurs in the Czech Republic (CZ), France, Hungary, Malta, Portugal, Romania and the Slovak Republic (Estermann & Nokkala, 2009: 14);

3. Appointment by the Council of the University responsible for strategic direction. This is typically the case in Denmark, Ireland, Lithuania, Luxembourg, the Netherlands, Sweden and the United Kingdom (Estermann & Nokkala, 2009: 14); or
4. Appointment by process, which involves both the Senate and the Council. This occurs in Belgium Flemish Universities, Austria, Bulgaria, Serbia and Switzerland (Estermann & Nokkala, 2009: 14).

The appointment of the Rectors in Germany, Iceland, and Norway, varies among the Universities in each country. After the selection of the Rector in Iceland, Romania, Sweden and some Universities in Switzerland, the appointment needs to be approved by the Ministry (Estermann & Nokkala, 2009: 14). In the Czech Republic, Hungary, the Slovak Republic and Turkey the President of the Country needs to approve the appointment, and in Luxembourg, the Grand Duke needs to approve the appointment (Estermann & Nokkala, 2009: 14).

In most European Countries, the Rector is a member and Chairperson of the Council. However, in Austria, the Czech Republic, Denmark, Lithuania, Luxembourg, Portugal and the Slovak Republic, the Rector is not a member of the Council but remains accountable to Council (Estermann & Nokkala, 2009: 16; EURYDICE, 2008: 38–39).

The Councils of Higher Education Institutions (HEI's) are normally seen as the *"Decision-making Bodies"* of the Institutions and are responsible for the long-term and strategic planning of the Institution (EURYDICE, 2008: 33). The decision-making body can take several forms. There are, however, trends across Europe to add an additional body in the governance mix, namely the "*Advisory or Supervisory Body***".**

The Advisory or Supervisory Body is responsible for overseeing and monitoring operational, educational and financial activities while the Council concentrates on the strategic and long-term planning of the Institution (EURYDICE, 2008: 33). This advisory or supervisory body is called by different names. In Belgium, it is called either the Administrative Council or the Management Board (combined with the decision-making body in the German Speaking Universities). Other names used for this body is the Controlling Board (Bulgaria (BG)), Board of Trustees (Cyprus (CY) and Slovakia (SK)), Convention of Advisors (Latvia (LV)) and University Assembly (Portugal (PT)), to name but a few. These supervisory and advisory bodies often form part of the Council of the Universities (see Table 3.1 above). Kretek et al. further argue that the University Boards are becoming more autonomous and are increasingly becoming similar to corporate Boards in Europe in terms of composition, functions, and authority (Kretek et al., 2013: 45). Finally, there is the *"academic body"* of the HEI. This body can be called the Senate, the Academic Council or the Academic Board and is responsible for all matters related to educational and research services offered by the HEI (EURYDICE, 2008: 33).

Estermann and Nokkala provide a brief overview of how the European decision-making bodies, namely the Councils and Senates, function. In countries such as Estonia (ES), Luxembourg (LU) and the Netherlands (NL) there is no Senate. In these three countries, there is only one decision-making body called the Council or Executive Board (see Table 3.1), which is responsible for all major decisions, including strategic, financial and academic decisions (EURYDICE, 2008: 33; Estermann & Nokkala, 2009: 12).

In the rest (twenty-seven) of the thirty countries included in the EURYDICE Report (see Table 3.1) the Universities have an academic body, called the Senate, which is responsible for issues such as qualifications, students, appointment of Council members and staff matters as well as a Council which is responsible for strategic directions and decisions (Estermann & Nokkala, 2009: 12; Kretek et al., 2013: 42).

There is, however, not always a clear distinction between the roles of the Council and the Senate. In countries such as Germany, the role of the Senate and Council differ from state to state (Estermann & Nokkala, 2009: 12). In Croatia, Iceland, and Luxembourg, primary decision-making lies with the Council, contrary to the Czech Republic, Estonia and the Netherlands where primary decision-making powers rest with the Senate (Estermann & Nokkala, 2009: 12).

The size and membership of the Councils differ from country to country. Portugal has the smallest Council size with five members and France the largest at twenty-eight members (Kretek et al., 2013: 43). Membership of the Councils also varies with representation from students, administrative staff and other external stakeholders (Kretek et al., 2013: 42; Botas & Huisman, 2012: 377).

3.4.3.2 Internal Governance Changes in Germany, Italy, Romania, Lithuania and Hungary

Kretek et al. found that the governing structures of the majority of European Countries have remained the same since 2006/2007 (Kretek et al., 2013: 40–42). There have, however, been changes in Germany (Kretek et al., 2013), Sweden (Beach, 2013), Italy (Giovanna, 2013), Romania and Lithuania (Kralikova, 72) and Hungary (Kovats, 2015). The changes in these countries are discussed briefly below.

- ***Germany***

Kretek et al. noted that in Germany the decision-making powers of University Councils in Baden-Wurttemberg and Hamburg have increased and the Councils of Universities is now allowed to veto strategic plans, internal budget allocation and budget changes (Kretek et al., 2013: 43). Their counterparts in Sachsen-Anhalt and Hessen have only limited authority and are mostly constricted to an advisory role (Kretek et al., 2013: 43). German Universities did, however, receive greater autonomy in terms of qualifications offered, but still experienced limited autonomy in terms of building management, the appointment of personnel, student numbers and new student programs (EUA, 2015: 14).

- ***Sweden***

Beach also indicates that there have been no significant changes to the internal governing bodies of Swedish Universities since 2009 (Beach, 2013: 518–520). He discusses the major policy changes in Sweden since 2006 and points out that since the 2008 EURYDICE Report, there have been no structural changes to internal governance in Swedish Universities (Beach, 2013: 518–520). The changes that Beach recommends, do not involve the expansion of Universities' autonomy to allow more freedom of internal judgement by management and administration (Beach, 2013: 518–520). This increase in autonomy echoes the changes in Germany and has been noted in the EUA's Report issued in 2015 as well (EUA, 2015: 23).

- ***Italy***

In 2010, Italy issued a new Gelmini Law (also called the Law 240/2010) which provided public Universities with a greater choice in the composition and size of their Councils (called the Board of Directors) (Giovanna, 2013: 20). The changes were needed because of the *"crises of confidence in their [Universities] structures of governance"* (Giovanna, 2013: 23). As a result of the Gelmini Law, the Italian Universities have changed their By-laws to renew their organisational structures and the composition of their University Councils. The changes require a larger independent component on the governing body chosen from Italian and International individuals with management and professional experience, providing that the independent component on the Council should be the majority (Giovanna, 2013: 23). The Gelmini Law further clarifies the roles of the University Council and Senate. The Council's responsibility was defined as providing strategic objectives, planning financial- and real estate *"activities"* and the identification of criteria for the allocation of financial and human resources (Giovanna, 2013: 23). The size of the Council is maximised to eleven members, which includes the Rector and a representative of students (Giovanna, 2013: 23). Financial sustainability and the responsibility for stakeholder relationships have also become the sole responsibility of the Council (Giovanna, 2013: 23). The responsibilities of the academic Senate of Italian Universities include the formulation of opinions and proposals that deal with education, research and student matters. The Senate is capped at thirty-five members, is chaired by the Rector and should include student representation (Giovanna, 2013: 23). As indicated in 3.4.3.1 the Rector of the Italian Universities are chosen by the Academic Senate from among the senior professors and can serve as the Rector for a maximum term of six years (Giovanna, 2013: 23).

- ***Romania and Lithuania***

Kralikova points out that Romanian and Lithuanian Universities introduced Councils only as from the period between 1990 and 2010. When compared to the EURYDICE 2008 Report, it becomes clear that Lithuania introduced the Council earlier than Romania, and that Romania introduced the Council only after 2007 (EURYDICE, 2008: 34–35; Kralikova, 2015: 72).

With the 2011 legal reform in Romanian University legislation, the Senate of the Universities retained their position as the ultimate decision-making body, but the legislation introduced an advisory body with the purpose of strengthening the Universities' relationship with external stakeholders (Kralikova, 2015: 73). The law reform further introduced a single body, called the Recruitment Committee, with the sole responsibility of appointing the Rector of the University. Half of the members on this Committee consist of academics from outside of the University and the rest of the academics from inside the University (Kralikova, 2015: 73–74).

Governance changes in Lithuanian Universities have mainly dealt with the composition and powers of the University Council. In 2009, the Educational Minister was allowed to select 50% of the Council members as well as one additional member, only if the Minister and the Senate agreed on the person (Kralikova, 2015: 76). In 2012, the Constitutional Court of Lithuania determined that less than half of the Council may consist of external members, and these members should be elected in an *"open competition"* (Kralikova, 2015: 77). The Constitutional Court further ruled the Council of the University could only approve proposals made by Senate and the Council did not have any decision-making powers. The Senate, on the other hand, is responsible for selecting the Rector, also through an *"open competition"*, and that at least one of the external members on the Council must vote in favour of the appointment of the Rector before the appointment is finalised.

- ***Hungary***

During the period 2011 to 2013, the Ministry in Hungary appointed the members of the Financial Boards of Universities (Kovats, 2015: 32–33). These Financial Boards were then responsible for decision-making in terms of institutional strategies and the selection of Rectors (Kovats, 2015: 32–33). After 2013, the legislation in Hungary changed to allow the Universities the option of having a Financial Board to which the University can appoint the members. The Universities, like in the rest of Europe, gained more autonomy in terms of content and the method of teaching and research done at the University (Kovats, 2015: 32). In 2014, the Hungarian Ministry introduced the concept of Chancellors. The Chancellors' duties were clearly defined and include responsibility for the economic, financial, controlling, functioning, accounting, employment, legal, management and Information Technology (ITa) and asset management of the University (Kovats, 2015: 33). The Ministry appoints the Chancellor of the University to which the University has no inputs (Kovats, 2015: 33). The Chancellor also has the power to veto the decisions taken by the Senate of the University (Keczer, 2015: 172).

3.4.4 Conclusion on Internal and External Governance Structures used in Europe

Evident from the research performed in the field of University governance, the external governance of European Universities has changed significantly in Germany, Italy, Romania, Lithuania, and Hungary. The Ministries in each European Country are still involved in some manner and are assisted by different bodies and Councils in each country and in different regions.

Internal governance structures in Universities in Europe can be divided into an academic body, called the Senate, and the decision-making body, called the Council, Board of Trustees, Board of Directors, Governing Board or General Assembly among others. The duties and decision-making powers of these bodies and the Senate differ from country to country and combinations of these bodies are found. All Universities included in the EURYDICE Report have an Executive head, called the Rector, Principal, Vice-Chancellor or Director and he/she is selected either by Senate, the Council, staff or a combination of the Council and Senate.

Most of the changes in the internal governance of European Universities were to provide increased autonomy and decision-making powers to University Councils and providing them with more decision-making powers, as can be seen in Germany, Sweden, the Netherlands, and Hungary. The most significant changes in Italy were maximising the size of the Council to eleven and the Senate to thirty-five members and the increase of the independent Council members on the Italian University Councils. In the Netherlands, the traditional decision-making bodies became obsolete and now only serve as consultative bodies without any decision-making authority.

Romania and Lithuania retained their Senate as the ultimate decision-making body but added a Council to the internal governance structures. Romania created a

Recruitment Committee whose sole responsibility is selecting the Rector of the University. Finally, Hungary added a Financial Board to their internal governance structures and introduced the concept of a Chancellor, appointed by the Ministry of Education.

Although there have been significant changes in the Higher Education arena in Europe with the introduction of the Bologna process, the external and internal governance structures of the Universities in Europa have remained mainly consistent. Increased autonomy; a decrease of state finding and achieving the Bologna goals of quality assurance; greater movement of students between institutions; and internationalisation remain the main focus areas on the European University agenda.

3.5 INTERNAL AND EXTERNAL GOVERNANCE STRUCTURES USED IN THE UNITED STATES OF AMERICA (USA)

3.5.1 Introduction

As in the case of the European Governance structures of Universities, the governance of Universities in the Unites States of America (USA) is diverse in nature. Each of the states in the USA has their own governance structures (Novak & Mactaggart, n.d.: 1; Chappell, 2013: 13; Yudt, 2013: 18) and it is not the purpose of this study to provide an account of all the governance structures of Universities in the USA. Academic sources on the governance structure of USA Universities are limited. Some academic sources cover the governance of finances and funding (Thornton et al., 2013: 33) and do not cover the internal and external governance structures of this study. The Higher Education Matters publication from PricewaterhouseCoopers LLP (PWC) in the USA also focuses on the governance of enterprise risk management, financial management, and crisis management and not on the external or internal governance structures (see also Thornton et al., 2013; PWC, 2013). The PWC document (Higher Education Matters refer to above) further focusses on student loans, the increased cost of Higher Education and the governance of Athletics and Business Continuity (PWC, 2014: 1–33).

A brief background to the external governance structures is provided below, followed by the internal governance structures found in Harvard University, Stanford University, University of California Berkeley and Massachusetts Institute of Technology (MIT). These Universities were chosen as they are under the top ten international Universities (see Table 1.1 under section 1.5.6.2) and may provide valuable benchmarks for University governance practices.

3.5.2 External governance structures in the United States of America

This section of Chapter 3 will include a discussion on the external governance structures found at national as well as state level in the USA. Three state governing bodies exist, namely the State Governing Board, the State Coordination Board and the State Planning, Regulatory and Services Board. The duties of the Governing Boards as well as examples of states within which these governing bodies are found are discussed in this section.

The National Department of Education in the USA is responsible for policy setting of all Education Sectors and is assisted by the National Advisory and Operational Board, Committees, and Commissions (State Higher Education, n.d.). There are nine Advisory Boards and Committees, which range from Advisory Boards for Historically Black Colleges, the National Board for Educational Sciences to Presidential Boards dealing with Educational Excellence (State Higher Education, n.d.). The two bodies dealing with Operational aspects of education are the Commission on Presidential Scholars and the National Committee on Foreign Medical Education and Accreditation (State Higher Education, n.d.).

The above-mentioned Boards and Commissions were formed to assist the National Department of Education in the United States in achieving their goals of establishing policies on federal financial aid for education and the distribution of the funds; collecting data on Schools in the United States of America; focusing attention on national educational issues; prohibiting discrimination; and ensuring equal access to education (State Higher Education, n.d.). Within the Department of Education, there is a unit called the Office of Postsecondary Education. This unit is responsible for assistance with the accreditation of Higher Education programmes, increased completion rates, increased accessibility to Higher Education and to broaden the global competitiveness of USA students (State Higher Education, n.d.).

The Department of Education and the Office of Postsecondary Education are further supported by the Higher Educational Boards, and Committees found in each state. These Committees and Boards can be seen as external governance structures. Examples of some of the external governing bodies in the USA University system are: the Alabama Commission on Higher Education, the Californian Postsecondary Education Commission, the Texas Higher Education Coordination Board, the Washington Student Achievement Council and the Georgia Department of Technical and Adult Education, to name but a few (Alabama Commission on Higher Education, n.d.; Texas Higher Education Governing Board, n.d.; Washington Student Achievement Council, n.d.; Georgia Department of Technical and Adult Education, n.d.). The state governing bodies can be divided into three distinct groups namely a State-Governing Board, a State Coordination Board and a State Planning, Regulatory and Services Board (McGuinness, 2003: 1; Mortensen, 2009: 26; Bok, 2015: 9–27). The functions of each of these Boards differ from state to state. Their general duties, however, are as follows (McGuinness, 2003: 1–2; Bok, 2015: 9–27; Davies, 2011: 45):

- Governing Board – are responsible for the general governance and management of Universities specifically;
- Coordination Board - are responsible for coordinating the responsibilities of the University, and their responsibilities varies significantly from state to state, and these Coordination Boards typically govern community colleges as is the case in Kansas State; and
- Planning, Regulatory and Services Board - have little to no formal governing power at Universities and are responsible for the regulatory and service functions such as student aid.

Not all three of these governing bodies exist in each state. There may be one or more of these bodies per state. The functions of these bodies also differ significantly from state to state. In Vermont State, there is no Coordination Board, but two separate Governing Boards. One of these Boards is responsible for

University governance (Vermont Higher Education Council) and the other Board for the governance of Colleges and Community Colleges (Vermont Higher Education Council) (Consortium of Vermont Colleges, 2016; Vermont Higher Education Council, 2016; Education Commission of the States, 2016: 11) and there are no planning or regulatory agencies involved in this state. In Idaho State, there is a single consolidated Governing Board for all Public Institutions, and the State Board of Education is responsible for all levels of education (Idaho State Board of Education, n.d.; Education Commission of the States, 2016: 4). A similar structure to Idaho State is found in Alaska, the District of Columbia, Hawaii, Nevada, North Dakota, Puerto Rico, Rhode Island and Utah (McGuinness, 2003: 3; Alaska Department of Education and Early Development, 2014; DC.gov, n.d.; State of Hawaii Board of Education, 2016; Nevada System of Higher Education, 2016; North Dakota University System, 2011; State Higher Education , n.d.; Rhode Island Board of Governors for Higher Education, 2016; Utah System of Higher Education, 2013; Education Commission of the States, 2016: 1–12).

In Georgia and Wisconsin, there are two state-level Governing Boards (Education Commission of the States, 2016: 3 &12; University of Wisconsin System, 2016). The first is the state-level Governing Board that governs research and other Universities as well as the two-year transfer colleges[5] (Education Commission of the States, 2016: 3 &12; University of Wisconsin System, 2016). The second state-level Governing Board governs the technical colleges in Georgia and Wisconsin States. In Arizona, Iowa, Mississippi, Oregon, South Dakota and Wyoming there is a consolidated Governing Board for Universities and a separate Coordination Board for Community or Technical Colleges and no Planning and Regulatory Board (McGuinness, 2003: 4–5; Arizona Department of Education, 2016; Iowa Department of Education, 2015; Mississippi Public Universities, 2016; The Association of Oregon Faculties, 2016; South Dakota Board of Regents, n.d.; Wyoming State Board of Education, 2016; Education Commission of the States, 2016: 1,4,6,10 & 12).

[5]Students who did not meet the entry requirements for a four-year College or University can use a two-year transfer college to start a bachelor’s degree and then transfer to a four-year University or College (College View, 2008: para. 1–2).

Unique to Florida State is the existence of only a state-level Governing Board for all education levels with an added local Board for each University. The state-level Board in Florida retains the coordination responsibility for local community colleges, each with its own Local Board (McGuinness, 2003: 6; Florida Department of Education, 2016; Education Commission of the States, 2016: 3).

It follows from the discussion above that the governance structures and external Governing Boards in the USA are diverse in nature and differ from state to state (AGB, 2010: 3). It is, however, unmistakable that state involvement is present in the governance of Universities of all states. Aiding the state-level Governing Board in the governance of Universities and Colleges are the internal governance structures found in Universities. A general discussion on the internal governance structures found in some states in the USA is found below. This is followed by an investigation into the internal governance structures found in Harvard University, Stanford University, University of California Berkeley and the Massachusetts Institute of Technology (MIT) Universities.

3.5.3 Internal governance structures in the United States of America

Section 3.5.3 contains a brief discussion on the different internal governance structures found in some states in the USA. The discussion includes references to statements made by the Association of Governing Boards (AGB) on the responsibility of Governing Board members in 2010 and the fiduciary duties of Governing Boards members in 2015. Afterwards, the internal governance structures of Harvard (see 3.5.3.1), Stanford (3.5.3.2), the University of California Berkeley (3.5.3.3) and the Massachusetts Institute of Technology (MIT) (See 3.5.3.4) are discussed.

Internal governance structures in the USA, similar to the external governance structures (see 3.5.2), are diverse and differ significantly from state to state. In her thesis, The Virginia Commission on Higher Education Board Appointments: The Impact of Legislative Reform on public University Governance, Chappell identifies this diversity as part of a historical overview of state governance systems (Chappell, 2013: 13–14). Chappel explains that in certain states the central Governing Boards (see 3.4.2) also have total operational control over all campuses in that state. These states include Alaska, Florida, Georgia, Hawaii, Idaho, Iowa, Kansas, Mississippi, Nevada, New Hampshire, North Carolina, Oregon, Rhode Island, Utah, West Virginia and Wisconsin (Chappell, 2013: 14). Chappell further indicates that in Arizona, Arkansas, Indiana, Kentucky, Louisiana, Massachusetts, Missouri, New Jersey, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Virginia and Washington, the state governing body does not have total organisational control and the Universities in these states have some level of autonomy (Chappell, 2013: 14). In Alabama, Delaware, Michigan, New Mexico, Vermont, Nevada and Wyoming Universities have total autonomy and as neither the Governor of the state nor the legislature, have any authority over the governance of the Universities (Chappell, 2013: 14). In the rest of Chappell's thesis, the focus is on the perceptions of state-level Council and Board members relating to legislative changes in Virginia State alone, which falls outside of the scope of this study.

Some of the Governors (also called Board members or Trustees), of public Universities that are governed by the state-level Governing Board, are the same individuals on all the University Boards in that state (Lombardi et al., 2002: 7–8). This is because of these individuals being independent and normally serves on several Boards and Commissions (Lombardi et al., 2002: 7–8). The Governing Boards of the Public Universities see themselves more as servants of regulation and ensuring that the University is governed on behalf of the public (Lombardi et al., 2002: 8).

As a 90-year old association, serving 1 260 members on Governing Boards, 1 900 campuses and 37 000 individuals, the Association of Governing Boards of Universities and Colleges (AGB) strives to enhance the effectiveness of board members through research, services, and advice (AGB, 2010: 12). The AGB has issued eleven statements since 2007, namely (AGB, 2016):

1. The AGB Statement on Board Accountability – 2007;
2. The AGB Statement on Board Responsibility for intercollegiate athletics – 2009;
3. The AGB Statement on Accreditation and Governing Bodies – 2009;

4. The AGB Statement on Board Responsibility for Institutional Governance – 2010;
5. The AGB Statement on External Influences on Universities and Colleges – 2011;
6. The AGB Boards of Directors' Statement on Conflict of Interest with Guidelines on Compelling Benefit – 2013;
7. Updated AGB Advisory Statement on Sexual Misconduct – 2015;
8. The AGB Board of Directors' Statement on Fiduciary Duties of Governing board members – 2015;
9. The AGB Board of Directors' Statement on Board Responsibility for the Oversight of College Completion – 2016;
10. The AGB Board of Directors' Statement on Governing Board Accountability for Campus Climate, Inclusion and Civility – 2016; and
11. The AGB Board of Directors' Statement on Institution-Foundation Partnerships – 2016.

Of the eleven statements made by the AGB, only two relate to the internal governance of Universities. The two statements are the 2010 statement on responsibilities of the board for institutional governance (see number 4 above) and the 2015 statement on the fiduciary duties of board members (see number 8 above). These two statements will be discussed briefly below.

In 2010, the Association of Governing Boards (AGB) of Universities and Colleges issued a statement on the responsibilities of Governing Boards for institutional governance. The AGB based the responsibilities of Governing Board members on eight principles, namely to address changes in student numbers; decrease in funding; increased accountability; increased competition between Universities; increased the effectiveness of institutional governance; and increased focus on job creation and economic growth (AGB, 2010: 4). The eight principles identified by the AGB are as follows:

1. The ultimate responsibility for governance rests with the Governing Board, and the Board is not allowed to delegate their ultimate fiduciary responsibility. The institutional leadership, vision and strategic planning of

Universities rest with the President of the University (AGB, 2010: 5). The partnership between the Governing Board and the President of the University should allow the President to be successful in performing his duties while keeping the President accountable (AGB, 2010: 5);

2. The Boards should respect the culture of decision-making of the academy, although Universities increasingly resemble businesses (AGB, 2010: 5). The Boards should further recognise the faculty's responsibility for the control over the curriculum and pedagogy in the production and transmission of information (AGB, 2010: 6);
3. The Governing Board is responsible for approving the University budget and to develop guidelines for allocating the budget in terms of the strategic objectives of the University (AGB, 2010: 7);
4. The Board should ensure open communication with the constituents on campus, including the staff, both academic and non-academic, and students. The Boards should further consider setting a policy on involving a union official in the institutional governance and articulating any limitation on their participation (AGB, 2010: 7–8);
5. The Governing Board should consider their membership, structure, policies and performance to ensure their commitment to accountability and transparency. Periodic evaluations of effectiveness and commitment need to be performed (AGB, 2010: 8);
6. The Governing Board is responsible for the appointment and performance assessment of the President of the University. The Boards should allow for the participation of constituents in selecting a candidate, but the final decision of appointment rests with the Board (AGB, 2010: 8);
7. System Governing Boards are responsible for ensuring the relationship between the different professional schools such as law, medicine, health sciences, business and intercollegiate athletics, is functioning effectively. To achieve this effective functioning, the system Boards should provide a framework within which each campus and school should operate to maximise autonomy on campuses (AGB, 2010: 8–9). The system Governing Boards are the Boards or bodies at the University and do not relate to the state Governing Boards; and

8. The Governing Boards play an important role in their institutions' communication with communities they serve. The State-Level Governing Boards should be a buffer body between the University and the state, to ensure that there is minimum political interference. The Boards should further ensure that the Universities connect with the broader communities they serve to ensure the University serve the broader public interest (AGB, 2010: 9). The AGB further cautions the Governing Boards not to accept policies and procedures from any outside organisations with the possible exception of organisations who contribute to their funding (AGB, 2010: 9).

The AGB's document on the responsibilities of the governing bodies is not legislation but serves as guidance to Governing Boards. The 2015 statement from the AGB on the fiduciary duties of Governing Board members, stipulates that the Governing Board members are increasingly held accountable for their actions (AGB, 2015: 1). The increased accountability of the Governing Board members' places renewed focus on their fiduciary duties (AGB, 2015: 1). To assist the Governing Board members in performing their fiduciary duties, the AGB issued the statement in 2015 to serve as a *"tool to orient"* Board members on their fiduciary duties (AGB, 2015: 1). According to the 2015 statement, the Governing Board members have three fiduciary duties. The first duty is the duty of care, which requires Board members to act in good faith with a degree of diligence, care, and skill (AGB, 2015: 4). According to the 2015 statement, the second fiduciary duty requires Board members to be independent and act in the best interest of the University or College and is called the duty of loyalty (AGB, 2015: 6). Finally, the 2015 statement require the Board members to be obedient in the sense of ensuring the University or College is operated in such a manner that the purpose of the University or College is complied with (AGB, 2015: 8). This duty of obedience also requires the Board members to ensure the University or College comply with relevant laws and regulations (AGB, 2015: 8).

The last duty of obedience seems to fit into the first two of the duty of care and loyalty. If a Board member acts in the best interest of the University or College with the necessary skills, surely the University or College will reach its purpose and comply with laws and regulations.

University governance in the USA is complicated by the distinction between the research and non-research Universities with single or multiple Governing Boards (Lombardi et al., 2002: 9). To make the discussion on the internal governance structure in USA Universities easier for this study, the top four USA Universities in terms of the Global University Ranking (see Table 1.1 under 1.5.6.2), were chosen. All four Universities have a single Governing Board (Lombardi et al., 2002: 9). The four Universities chosen are:

1. Harvard University (see 3.5.3.1);
2. Stanford University (see 3.5.3.2);
3. University of California Berkeley (see 3.5.3.3); and
4. Massachusetts Institute of Technology (MIT) (see 3.5.3.4)

and the internal governance structures of these Universities are discussed below.

3.5.3.1 Harvard University

Harvard University is governed by two governing bodies, namely the Fellows of Harvard College, also known as the Corporation, and the Board of Overseers (Harvard University, 2016b par. 4). The composition of these two governing bodies is contained in documentation reaching back to the seventeenth century (1650). In combination, these two bodies serve the same purpose as the Board of Trustees and help shape the University's agenda; take responsibility for academic quality, and progress of activities.

Harvard further has a Provost, who is responsible for academic policies and activities at University-wide level; to promote collaboration across the University; and to ensure implementation of policies and practices relating academic issues (Harvard University, 2016c). Harvard furthermore has a President who serves as the Chief Executive Head of the University (Harvard University, 2016c).

According to the historical documentation, the Corporation of Harvard has the fiduciary responsibility for the academic, financial, and physical resources and overall well being of the University (Harvard University, 2016b: para. 5). The members of the Corporation are the President, the Treasurer and other members known as Fellows (Alumni of Harvard) (Harvard University, 2016b: para. 5). The Corporation also expanded its membership from seven to thirteen members in 2010 (Harvard University, 2016b: para. 5) and the starting date of service as Fellow, is disclosed on the official Website of the University (Harvard University, 2016a: para. 1). The Corporation is further responsible for the following functions (Harvard University, 2016b: para. 5):

- *"[E]ngages with questions of long-range strategy, policy, and planning;*
- *[E]ngages with transactional matters of unusual consequence;*
- *[S]erves as a confidential sounding Board for the President on matters of importance;*
- *[M]eets with deans, vice Presidents, and others from time to time to discuss a wide array of programs and plans; and*
- *[I]s responsible for approving the University's budgets, major capital projects, endowment spending, tuition charges, and other matters".*

The Board of Overseers at Harvard University is the larger of the two bodies and consists of thirty elected members and two ex officio members, namely the President and the Treasurer. Degree holders, other than the members of the Corporation and University officers, elect the members (Harvard University, 2016b: para. 5). The election of members is typically staggered on a six-year basis to ensure the continuance, and consistency, of the Board (Harvard University, 2016b: para. 5). Except for the President and the Treasurer, all remaining members of the Board of Overseers are independent (Harvard University, 2016b: para. 5). The main functions of the Board of Overseers are (Harvard University, 2016b: para. 5):

- *"[I]nfluence over the University's strategic directions,*
- *[P]rovides counsel to the University leadership on priorities and plans,*
- *[H]as the power of consent to certain actions of the Corporation …*
- *[S]uperintendence of the visitation process*[6]*,*

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[6] The visitation process is where undergraduate students from other Universities are allowed to apply to spend a term of a year at Harvard University (Harvard University, 2016b: para. 1).

- *[T]he principal mechanism for periodic external review of the quality and direction of the University's schools, departments, and selected other programs and activities."*

The Board of Overseers further largely carries out this responsibility by operation of over fifty Committees. The work of the Committee is overseen by, and Reported to, the Board (Harvard University, 2016b: para. 5).

The composition of the Corporation and the Board of Overseers is disclosed in the Annual Financial Reports of Harvard University, but only the names of the members with no additional information (Harvard University, 2012; Harvard University, 2013; Harvard University, 2014; Harvard University, 2015). Details on the Corporation and Board members and their term of office are disclosed on the Harvard official website (Harvard University, 2016a; Harvard University, 2016d). No additional governance information is reported in the Annual Reports other than financial information. Each school, faculty or department at Harvard, like the Harvard Business School and the Harvard Law School, issues their own Annual Report, which includes information on the Department, School or Faculty - such as programmes launched, recruitment of students and research projects. None of these reports include reporting on internal governance structures, Audit Committees or responsibilities of the Governing Boards. The absence of the disclosure of the governance structures and information on the skills and qualification of the members of committees makes it difficult to determine the effectiveness and independence of committees.

Notwithstanding the difficulty in determining independence and effectiveness of committees, Harvard University has been greatly successful over the years. The composition of the Harvard Corporation and the Board of overseers may indicate why Harvard University has been so successful. With involving Alumni and independent external Board members, compliance with and successful implementation of independence requirements in terms corporate governance principles in governing Harvard University are evident.

3.5.3.2 Stanford University

Stanford University gains its existence from the laws of the State of California (Stanford University, 2016: para. 1). The University is managed by a Board of thirty-eight Trustees who are responsible for the management of the funds and all the property of the University. The Board of Trustees is called the Board of Trustees of the Leland Stanford Junior University (Stanford University, 2016: para. 1). The names of the members of the Board of Trustees are listed on the official website of the University, but no additional information on the term of their service or their qualification is provided (Stanford University, n.da: para. 1). Based on the published list of Board members on the website, all the members seem to be independent.

Stanford University also has a President as well as a Provost. The President is responsible for raising funds, deciding on future land use and addressing the needs of the medical centre associated with Stanford (Stanford University, n.da.: para. 1). The Provost is responsible for academic and budgetary programmes, which include research, coordination, administration and support of the University’s academic community (Stanford University, n.da: para. 1). The Faculty Senate further supports the Board, President, and Provost in academic matters.

The Faculty Senate is responsible for granting degrees and formulating policies on curriculum matters of all undergraduate programmes (Stanford University, n.dc: para. 2, 4 & 5). The Senate has fifty-five voting members, who are elected annually, and include standing seats for the student representatives, the Registrar, the Vice-Provost Academic Affairs, the Vice-Provost Student Affairs, the Vice-Provost of Faculty Development and Diversity, a Chairperson, Vice-Chairperson and Steering Committee chosen from within the Senate (Stanford University, n.dc.: para. 2, 4 & 5).

Additional internal governance structures in the form of an Office of Audit, Compliance, and Privacy also exist at Stanford University (Stanford University, n.da.). The Office of Audit, Compliance, and Privacy at Stanford University is divided into three separate departments, namely Internal Audit Services, Compliance and Ethics and the Privacy Department (Stanford University, n.da.: para.2–4). This University also has a Risk Management Department, whose main responsibilities are continuous evaluation of cost/benefit analysis of insurance programs; protecting Stanford resources against losses; and enabling the University to provide high-quality education and research (Stanford University, 2013b: para. 1). Information on the duties and responsibilities of the Audit, Compliance and Privacy Office, and the Risk Management Department, are contained on the official website of Stanford University, but there is no additional disclosure of the duties and responsibilities in the Annual Reports of Stanford (Stanford University, 2015; Stanford University, 2013a; Stanford University, 2014). No other information about internal governance structures, Audit Committees or responsibilities of the state-level governing body or the Board of Trustees is available on the University Website or the Annual Reports.

3.5.3.3 University of California Berkeley

The University of California is a University with multiple campuses throughout California. At the head of all the campuses is the President of the University and he/she is responsible for managing the fiscal and business operations of the University (University of California Berkeley, n.dd: para. 1). Each campus has a Chancellor, Vice-Chancellor, and Provost. The Chancellor is responsible for providing administrative, organisational, strategic and compliance services to support the Vice-Chancellor and the Provost in performing their duties (University of California Berkeley, 2016e: para. 1).

The California University Berkeley campus has an Executive Vice-Chancellor and Provost at the helm of the University. These two positions are held by the same individual but involve different responsibilities (University of California Berkeley, 2016f: para. 1&2). The Vice-Chancellor is the executive head of the University and is responsible for the day-to-day operation of the University (University of California Berkeley, 2016f: para. 2). The Provost, on the other hand, is responsible for the planning, development, implementation, assessment and enhancement of all academic programmes, policies and supporting infrastructure (University of California Berkeley, 2016f: para. 3).

The academic Senate of Berkeley assists the Provost in performing their duties, and gains their powers to do so from the Board of Regents, a state governing body that oversee ten public University campuses in California (University of California

Berkeley, 2016e: para. 1; University of California Berkeley, n.dd.: para. 1). The Board of Regents of the University of California Berkeley has a total of thirty-one members, of which twenty are independent and appointed by the Senators of the State of California (University of California Berkeley, n.dc.: para. 1–31). Additional to the Board of Regents, the University of California Berkeley also has an academic Senate.

The membership of the academic Senate is determined by the By-laws of the University. The members of the Berkeley Senate are: the President of the University, the Chancellor, the Vice-Chancellors, the Provost and Deans, the Directors of Academic Programs, the Assistant or Associate Vice-Chancellor for Admission and Enrolment, the Registrar and Chief Librarian at Berkeley, all Professors, Associate Professors and Assistant Professors, instructors, Senior Lecturers and Vice-Presidents, Deans and Directors of state-wide units who wish to enrol for the Senate (University of California Berkeley, 2016a: 1–2).

Other internal governance structures found at Berkeley University include specific administrative committees. Each of the committees is briefly discussed below:

- **Capital Renewal Committee:** The capital renewal Committee is responsible for identifying and prioritising capital renewal and infrastructure needs (University of California Berkeley, 2016b: para. 12). The Capital Renewal Committee consists of thirteen members. All the members are involved in either managing the University or its assets, and no independent committee members could be identified on the list of members (University of California Berkeley, 2016e: para. 2);
- **Compliance Committees:** The University of California Berkeley has three committees dealing with compliance. These committees are the Campus Committee on Audit, Internal Control and Financial Accountability, the Compliance, Accountability, Risk, and Ethics Committee and the Compliance and Enterprise Risk Committee (University of California Berkeley, 2016b: para. 18–22). The duties of these committees overlap, and each of the committees is discussed below:

- **Campus Committee on Audit, Internal Control and Financial Accountability (CAICFA):** This Committee provides campus-wide assistance regarding issues of internal control, policy implementation, a program for the audit of internal control and financial accountability. This Committee meets four times a year and provides advice to the Chancellor about internal control concerns (University of California Berkeley, 2016b: para. 18). The Committee has a total of seventeen members, none of whom are independent. All the members of this committee are either Deputy Vice-Chancellors or Campus Chiefs (University of California Berkeley, n.da.: para. 2);
- **Compliance, Accountability, Risk and Ethics Committee (CARE):** This Committee has the duty of identifying, assessing and monitoring campus-wide compliance risks. The Committee is further responsible for the Enterprise Risk Management of the University (see also Compliance and Enterprise Risk Committee below). The members of the Committee are Executive Vice-Chancellor and Provost, the Campus Ethics and Compliance Officer, all the Vice-Chancellors selected by management and representatives of the California State Office of Ethics, Compliance and Audit Services. The membership of this Committee thus does not include any independent members. This Committee also has an oversight role over the Compliance and Enterprise Risk Committee (see below) (University of California Berkeley, 2016e: para. 20–21);
- **Compliance and Enterprise Risk Committee (CERC):** The Compliance and Enterprise Risk Committee identify, assess and monitors campus-wide risks. This Committee prioritises the identification of risks and communicates these risks to the Compliance, Accountability, Risk and Ethics Committee (see above). The Compliance and Enterprise Risk Committee is further responsible for making recommendations on compliance policies and best practices for implementation at campus level and provides assistance to the risk owners on risk mitigation (University of California Berkeley, 2016e: para. 22). The Compliance and Enterprise Risk Committee consist of thirty members (University of California Berkeley, 2015b: 1–4). Only

one of the members of the Committee, the local Chief of Police (i.e. the City's Chief of Police), seems to be independent. The remainder of the members are all senior managers, deputy Vice-Chancellors and directors of different departments at the University (University of California Berkeley, 2015b: 1–4);

- **Information Committees:** The University of California Berkeley has two committees dealing with Information and Information Technology, namely the Information Risk Governance Committee and the Campus Information Security and Privacy Committee. Similar to the compliance committees, the duties and responsibilities of these two committees overlap.
    - **The Information Risk Governance Committee (IRGC):** The Information Risk Governance Committee provides the campus-wide framework about institutional governance of information technology and the risk surrounding IT (University of California Berkeley, 2016e: para. 38–39). This Committee reports ITa risks to the Compliance, Accountability, Risk and Ethics Committee (see above), and covers areas such as autonomy privacy - where individuals can conduct activities without being watched - and Information Security and Privacy (University of California Berkeley, 2016e: para. 38–39). The Committee consists of twenty-four members; nineteen members with voting rights; and five without. The membership of the Committee is designed to be representative of the Berkeley Campus. The members include Deans, Directors and Deputy Vice-Chancellors (University of California Berkeley, 2016g: para. 2).
    - **Campus Information Security and Privacy Committee (CISPC):** The Information Security and Privacy Committee include student representation and is a standing Committee of Berkeley responsible for developing campus-wide strategies, direction, planning and guidance about information security. The Committee meets monthly, and their responsibilities are set out in their own charter (University of California Berkeley, 2016e: para. 39; University of California Berkeley, 2014). The committee consists of twenty-three members (University of California Berkeley, 2014: para.1). Membership of the Committee should be representatives of the campus, much like the IRGC (see

above), and none of the members on the CISPC are independent (University of California Berkeley, 2014: para.1).

- **Chancellor's Advisory Committee on Sustainability (CACS):** The Committee on sustainability is charged with advising the Chancellor on matters about the environment and sustainability. The Committee promotes campus-wide dialogue about environmental sustainability; attempts to integrate environmental sustainability with the existing campus programme, and to instil a culture of long-term sustainability and forward-thinking. This Committee also includes student representation. The Committee functions in terms of its own charter (University of California Berkeley, 2016c: para. 66; University of California Berkeley, n.db: para. 1). The CACS has nineteen members, all of who represent either students or staff on campus (University of California Berkeley, 2015a: 1). There are no independent members on this committee (University of California Berkeley, 2015a: 1).

Although Berkeley does have administrative committees that assist the Vice-Chancellor and Provost in the governance of the University, the information about the composition, membership and duties and responsibilities is not disclosed in the Annual Financial Report of the University (University of California Berkeley, 2014a; University of California Berkeley, 2015c; University of California Berkeley, 2013). Information on the members and the groups they represent are available on the Berkeley official website. Only one of the administrative committees has an independent member (CERC), in the form of the local Chief of Police (i.e. the City's Chief of Police), but the rest of the committees consist of only staff and management. The skills and competence of the Committee members can also not be determined because of the lack of information provided on the official website of the University. The absence of independent members brings into question the ability of the committees to make independent decisions about governance principles (see 2.3.4.2).

3.5.3.4 Massachusetts Institute of Technology (MIT)

The Massachusetts Institute of Technology (MIT) has a President as the Chief Executive of the University, a Chancellor, and Provost (MIT, 2016). The Chancellor has the responsibility of oversight over the graduate and undergraduate programmes and student affairs. The Provost of MIT shares responsibility for the educational and research programmes with the Chancellor, President, and Deans and is further responsible for budgeting and capital planning of the Institute (MIT, 2016). The Provost and Chancellor are the two most senior members of the MIT management team, and together, they advise the President of the University on strategic planning, faculty appointments, resource development and institutional resources and buildings (MIT, 2016).

The governing body of MIT is called the MIT Corporation and is a Board of Trustees. The members of the Corporation include distinguished leaders in science, engineering, industry, education, and public service as well as the President, Chairman, Treasurer and Secretary to the Corporation. The governing body has a total membership of seventy-eight active members and includes representatives of the Alumni, the Commonwealth of Massachusetts, the Governor, the Chief Justice and the Secretary of Education in Massachusetts (MIT, n.d.: para. 1–2). According to the official website, *"almost all"* of the Trustees on the Board of Trustees are graduates of MIT (MIT, n.d.: para. 6). The involvement of Alumni in the governance of MIT may, like with Harvard University (see 3.5.3.1), be an indication of why this University is so successful. The inclusion Alumni on the Board of Trustees to *"almost all"* trustee positions, on the other hand, brings into question the independence of the Trustees and the Board as a whole.

The Corporation also has standing committees assisting them in their functions. These committees include a Membership Committee and a Risk and Audit Committee. The composition of these committees is disclosed on the official MIT website, and their responsibilities are set out in the By-laws of MIT (MIT, n.d.: para. 1–2).

By-law 15 deals with the membership and responsibilities of the Membership Committee at MIT. The Membership Committee consists of a Chairperson, who is the Chairperson of the Corporation, and the President of the Institute. Additional members of between five to eight serve on this Committee, and each member serves for a term of four years. The Committee is responsible for nominating candidates for membership of the Corporation as well as the standing Committee of the Corporation such as the Executive, Risk and Audit Committees (MIT, 2012b: section 15).

By-law 18 of the MIT By-laws deals with the Risk and Audit Committee of MIT. This Risk and Audit Committee consists of between five and eight members. The members of the Risk and Audit Committee should include two representatives of the Executive Committee and is selected by the Executive Committee of MIT. Although the members of the Executive Committee are listed on the official website of MIT, there is no indication of who each member represents. The rest of the members are selected from the members of the MIT Corporation. As the independence of the Board of Trustees is questionable because of *"almost all"* trustees being Alumni, the independence of the Risk and Audit Committee is also questioned and cannot be determined.

The duties of the Risk and Audit Committee are appointing a public accountant to examine the books of the MIT; presenting the Audit Report to the Executive Committee of MIT; ensuring quality and integrity of MIT financial information; and taking responsibility for MIT's internal and external auditors, tax filing, compliance with laws, regulations, standards, ethical behaviour as well as risk management (MIT, 2012b: section 18). As the responsibility for the academic programmes rests with the Provost, MIT does not have an academic Senate. The Faculty members assist in determining the educational policy of MIT, and the Faculty meets monthly to perform this duty (MIT, 2016).

Although there are several internal governance structures, such as the MIT Corporation, Faculty and the standing committees, the detail on the composition, membership, election and duties are not disclosed in the Financial Statements of MIT, and can only be found on the official MIT website (MIT, 2012a; MIT, 2013a; MIT, 2015a; MIT, 2015b; MIT, 2014; MIT, 2013b). This raises concerns about the transparency of the governance practices of the University and their commitment to corporate governance principles. The high level of involvement of Alumni in the governance of MIT may be an indicator of why the University has been so successful over the years.

3.5.4 Conclusion on the Internal and External Governance Structures Used in the United States of America (USA)

Governance of Universities in the United States is complicated by the absence of one document in the United States that deals with corporate governance principles (see 2.3.3). This complexity is further increased by the diversity in terms of the Governing Boards. Although some of the external governance of Universities is done by state-level Governing Boards, whose involvement ranges from only oversight to complete operational control, others are governed by a combination of state-level and Institutional Boards (Board of Governors, Board of Overseers, Board of Trustees, etc.).

Internal governance of Universities also differs significantly and depends on the state-level Board and their involvement in the governance of Universities. This is evident from the analysis of the four Universities, namely Harvard University, Stanford University, the University of California Berkeley and the Massachusetts Institute of Technology (MIT).

The level of state funding for these Universities also differs. MIT receives only 16% of their annual income from the state (MIT, 2015a: 17). Harvard receives 33% of their annual income from state subsidies and Stanford 32% (Harvard University, 2015: 22; Stanford University, 2015: 2). The University of California Berkeley receives 28% of their annual income from state subsidies (University of California Berkeley, 2015: 8). Evidently, except for MIT, the other three Universities receive a significant portion of their annual income from state subsidies. This places an increased burden on these Universities to be transparent in their actions and management and the application of good corporate governance principles.

The independence of governing bodies is a well-established corporate governance principle (see 2.3.2.1, 2.3.3.2, 2.3.3.3 and 2.3.4.2). Although the composition of the Governing Bodies of the four Universities discussed under section 3.5.3 differs, there are commonalties in the composition. Harvard University (see 3.5.3.1) is governed by two governing bodies, namely the Harvard Corporation, which consist of Alumni members and the Board of Overseers that consist of independent members. A Board of Trustees, whose members are all independent, governs Stanford University (see 3.5.3.2). A State-Level Board, namely the Board of Regents of which twenty of the thirty-one members are independent, governs the University of California Berkeley (see 3.5.3.3). The Massachusetts Institute of Technology (MIT) is governed by the MIT Corporation that is made up of Alumni members (see 3.5.3.4).

The level of disclosure of the composition, skills, and experience of the board members also differs among Universities. None of the Universities, however, disclose the skills and experience of their members in their Annual Reports, which brings into questions the Universities' commitment to transparency.

The disclosure of the existence, composition, skills and experience of committees at the four USA Universities are also not on par. Although three of the four Universities, excluding Harvard University (see 3.5.3.1), do have measures in place to deal with Audit and Risk Management, the disclosure of the existence of Audit and Risk Committees, with their duties and responsibilities, are lacking in the Annual Reports of the Universities. Stanford University has an Office of Audit, Compliance, and Privacy, which deals with compliance, and audit-related aspects (see 3.5.3.2). There is, however, no mention of the existence of an Audit or similar Committee.

The Stanford University website further does not supply any information on the skills, independence and experience of the staff that works in the Audit, Compliance and Privacy Office (see 3.5.3.2). At the University of California Berkeley, there are three committees that deal with compliance and risk management (see 3.5.3.3). These committees are the CIACFA, the CARE and CERG and their duties and responsibilities overlap (see 3.5.3.3). No evidence could be found on the University website as to the independences of the Committee members (see 3.5.3.3). At MIT there is a combined Risk and Audit Committee (see 3.5.3.4). No evidence could be found on the independence of Committee members at MIT (see 3.5.3.4). Neither the University of California Berkeley nor MIT disclosed any information on the skills and experience of their Committee members in their Annual Reports (see 3.5.3.3 and 3.5.3.4). Where the University of California Berkeley (see 3.5.3.3) and MIT (see 3.5.3.4) have a Risk Committee that is combined with the Audit Committee, Stanford University has a Risk Management Department (see 3.5.3.2). No details are provided on the Stanford official website about the independence, skills, and experience of the staff in the Risk Management Department.

Evident from the lack of disclosure and availability of information in the Annual Reports and on the official websites of the four Universities, application of corporate governance principles and disclosure of such compliance, are not at a high level at these Universities. The difficulties experienced in collecting the information lead to the conclusion that the corporate governance principle of transparency is not adhered to by these Universities. The lack of information further makes it difficult to reach a conclusion regarding the accountability of the Universities and their Governing Boards.

Although the four Universities' application to corporate governance principles in terms of committees, independence of Committee members, transparency and accountability are lacking, the four Universities discussed are still successful and feature under the top ten international Universities (see Table 1.1 under 1.6.6.2). Despite the poor disclosure of application of corporate governance principles in terms of committees and disclosures of application of corporate governance principles in the Annual Reports of Harvard and MIT, the involvement of Alumni may be an important factor in terms of the success of these two Universities.

3.6 INTERNAL AND EXTERNAL GOVERNANCE STRUCTURES GOVERNANCE STRUCTURES USED IN AUSTRALIA

3.6.1 Introduction

In 1995, Australia issued the Hoare Report that specifically relates to proposed changes to Australian University Governance. The report was necessitated by changes in student representation at Universities, a wider range of activities of the Universities and changes to the Commonwealth of Australia funding system. The report proposed changes to the governance practices and based the proposed changes on contemporary management principles (Hoare, 1995: 1).

In 2002, the Minister of Education, Science, and Training issued a Ministerial discussion paper on the state of Australian Universities. The discussion paper focused on the challenges faced by Universities, namely globalisation, success rates of students, social and environmental aspects, technological advances, demography and labour markets, fiscal capacity and governance of Universities (Nelson, 2002: iii–vi).

In 2003, the National Governance Protocols for Higher Education Governance were issued to further align the governance of Australian Higher Education with contemporary management principles (De Silva & Armstrong, 2014: 78; Vidovich & Currie, 2011: 47–48). These Protocols were to serve as best practice and included aspects such as the responsibilities of the governing bodies; procedure for appointment, selection and duties of governing body members; induction and training; the size of governing bodies; risk management in regard to controlled entities; and reporting (De Silva & Armstrong, 2014: 78). The issue of the governance protocols can thus be defined as external governance structures although they deal with issues included in internal governance.

3.6.2 External Governance Structures in Australia

The Australian National University Act, issued in 1946 (as amended in 2014), externally governs Universities in Australia. This University Act was issued by the Commonwealth of Australia and is applicable to all Higher Education Institutions, including Universities (Norton & Cherastidtham, 2014: 62; Commonwealth of Australia, Sydney, 2014a; Vidovich & Currie, 2011: 46). The role and responsibility of the Australian Commonwealth can be found in the Hoare Report and can be summarised as follows (Hoare, 1995: 39):

- *"[A]llocation of funds in accordance with overall national goals and priority;*
- *[E]xpression of national goals in Higher Education;*
- *[S]pecial initiatives of national significance;*
- *[C]o-ordination of the national development of the Higher Education system, taking account of State policies and priorities;*
- *[D]eveloping the Higher Education system consistent with other [Australian] Commonwealth policies, particularly in education, training and employment;*

- *[C]onstitutional power to provide assistance to students; and*
- *[P]ower to issue entry permits to overseas students."*

To assist the Australian Commonwealth in their duties and responsibilities, several agencies and departments were created. The Department of Education and Training is mainly responsible for allocating teaching and research block grant funding to Universities. This department further has the duty to set overall policy for all tertiary education standards in Australia (Norton & Cherastidtham, 2014: 63; Australian Government, 2016). The Higher Education Minister appoints the Higher Education Standards Panel. This Panel is responsible for the development, and content, of standards relating to Higher Education provider registration, course accreditation and course qualifications. While performing their duties, the Standards Panel needs to consult with the state education Minister and the Tertiary Education Quality and Standard Agency of Australia, instituted in 2012 (Norton & Cherastidtham, 2014: 63; Australian Government, 2012).

The Tertiary Education Quality and Standards Agency accredits and approves programmes of Higher Education Institutions that are not defined as Universities (Norton & Cherastidtham, 2014: 64; Australian Government, 2012). The Standards Agency further monitors Higher Education providers, ensures that minimum standards are upheld and accredit and reaccredit courses and operates independently of the Minister of Higher Education (Norton & Cherastidtham, 2014: 64).

The Minister of Higher Education and Training, with the Department of Education and all the agencies and panels, discussed above, provide guidance to Australian Universities. Together these individuals, departments, agencies, and panels are responsible for the external governance of Australian Universities. The external governance structures of Australian Universities are complemented by internal governance structures such as the Board, the Board Committees, and the Senate, which is discussed below in section 3.6.3.

3.6.3 Internal governance structures in Australia

In their article on the evaluation of corporate governance measures in Australian Higher Education sectors, De Silva and Armstrong identify internal governance structures as the Board and the Board Committee (De Silva & Armstrong, 2014: 81). Vilkinas and Peters, on the other hand, identify internal governance structures as Academic Boards, also known as Senates (Vilkinas & Peters, 2013: 1). The internal governance structures of Australian Universities can, therefore, be considered to be the Board, (called the Council from hereon), Council Committees and the Academic Board, also called the Senate. The Councils, Council Committees as well as the Senates of Australian Universities are discussed below.

Just like in the United States of America (see 3.5.3 and 3.5.4), Australia does not have a single document that governs disclosures in the Annual Report of Universities specifically. Australian Universities do, however, need to comply with the disclosure requirements contained in the Public Management Act of 1997 (PMA) (as amended in 2014) (Commonwealth of Australia, Sydney, 2014b: overview). The PMA is applicable to all entities that deal with public money and public property and requires that annual Financial Statements be compiled and audited on an annual basis (Commonwealth of Australia, Sydney, 2014b: sections. 55–57). The Act does not supply detail guidance on disclosure, as is the case in South African legislation (see 2.3.4.6 and Appendixes A). The detail on the disclosure requirements in Australian Universities is contained in fifty-seven different Standing Directives from the Minister of Finance and Financial Reporting Directions (Swinburne University of Technology, 2015: Statutory and Financial Report 10–13; University of Melbourne, 2015: 108–111).

In 2014, the Department of Higher Education in Australia reviewed the governance of Australian Universities and issued a report in conjunction with Deloitte Touché Tohmatsu Limited (hereafter referred to as the Deloitte Report). This report aimed to align the governance arrangements of Australian Universities with contemporary governance and management practices. The report further tried to ensure the contemporary governance, and management practices are fit for the purpose of the Higher Education in the country and to help the Universities aspire to high International Standards (Deloitte, 2014: 4). The contemporary governance structure proposed in the 2014 Deliotte Report deals with the Council and Council Committee specifically. This 2014 report is used as the basis for the discussion on the composition of Councils and Council Committees below.

De Silva and Armstrong found that the Councils of the thirty-seven Universities included in their studies ranged in size between twelve members and twenty-two members (De Silva & Armstrong, 2014: 81). The Deloitte Report's proposed changes to the governance structures include reducing the Council sizes to fifteen members, but given student involvement in the Council, proposes that the Council should not exceed thirty members (Deloitte, 2014: 31). According to the Australian National University Act, the members of the Council should include the Chancellor and Vice-Chancellor of the University as ex officio members of the Council. The remainder of the Council consisted of three academics, one member from the general staff of the University, one postgraduate and one undergraduate member (Commonwealth of Australia, Sydney, 2014a: section 10) for a total of eight members. The Minister of Higher Education can then appoint seven members on the Council. The seven members appointed by the Minister of Higher Education with the Chancellor, therefore, makes eight of the fifteen members of the Council independent (Deloitte, 2014: 27–28). This independence requirement for Councils was confirmed by De Silva and Armstrong when they found that an average of 60% of the Councils at Australian Universities are independent (De Silva & Armstrong, 2014: 81). Examples of the composition of Council from Swinburne University of Technology, Monash University and Melbourne University are included in the discussion below to demonstrate the independence compliance of the Councils.

Three Universities in Australia, namely Swinburne University of Technology, Monash and Melbourne University, implemented the proposed changes in the Deloitte Report in their 2014 financial year (Swinburne University of Technology, 2016; Monash University, 2016a; The University of Melbourne, n.d.). Swinburne University of Technology has a Council size of thirteen. The Council consists of the ex officio members, namely the Chancellor, Vice-Chancellor and the Chairperson from the Senate; four members appointed by the Minister of Education and four members appointed by Council. The members appointed by Council represent the staff and students of the University respectively and allow for deliberation on wider University issues (Deloitte, 2014: 11; Monash University, 2016a; Swinburne University of Technology, 2016b; The University of Melbourne, n.d.). The Monash and Melbourne Universities both have fifteen-member Councils (Monash University, 2016a; The University of Melbourne, n.d.). The Councils consists of the ex officio members, Ministerial appointees and Council appointed members. Staff and student representation on the Monash Council are six members with the requirement that there should be at least one staff member and the one student-representative (Monash University, 2016a). At the Melbourne University, there are five Council-appointed members, specifically three staff members and two student representatives (The University of Melbourne, n.d.).

To ensure the independence of the members appointed by the Minister of Education, the appointment of the external members can only be done if the University has, through its Council Nomination Committee, recommended the external Council members to the Minister's office (Deloitte, 2014: 31; Commonwealth of Australia, Sydney, 2014a: section 10(2)). The Australian National University Act 1991 (as amended in 2014) provides specific requirements about the external Council members (Commonwealth of Australia, Sydney, 2014: section 10(3) – (6); Deloitte, 2014: 31–32). These requirements are that (Commonwealth of Australia, Sydney, 2014: section 10(3) – (6); Deloitte, 2014: 31–32):

- The Nominations Committee should consider desirability of appointment while considering the skills, expertise, and gender among the Council members;
- A minimum of two Council members should have expertise in financial issues;
- A minimum of one of the members with financial expertise should have commercial expertise;
- The person recommended by the Nominations Committee should not be:
    - A current member of the National Parliament;
    - A current member of the State Parliament;
    - A current member of the Legislature;
    - A current member of the academic or general staff of the University;
    - A student of the University; or
    - A member of the Nominations Committee.

The exclusion of the individuals from the National and State Parliaments, the Legislature, the University and the Nominations Committee further improves the chances that the members appointed by the Minister are independent. This independent requirement conforms to the general principles of independence in terms of corporate governance principles (see 2.3.2.1, 2.3.3.2, 2.3.3.3 and 2.3.4.2).

Council members of Australian Universities are not remunerated for their services. However, in the 2014 Deloitte Report on the changes to governance and management of Universities, recommendations are made that Council members, other than staff members, be remunerated for their services. This is to ensure that Council members publicly recognise their governance responsibilities (see also 3.2) (Deloitte, 2014: 35). The 2014 Deloitte Report recommended that the remuneration of University Council members should be determined by making use of the annual Remuneration Tribunal document.

The Remuneration Tribunal of Australia determines the remuneration of State Officials and includes guidance on the reimbursement of travel expenses as well as remuneration for part-time services (Commonwealth of Australia, Sydney, n.d.: para. 1). In a case where there is no specific guidance about the remuneration of a state official, for example, a member of a University Council, the Remuneration Tribunal document makes provision for the application of general guidance (Remuneration Tribunal, 2015: 3). The Remuneration Tribunal document, published in 2015, does not contain specific guidance on the level of remuneration for members of University Councils. If the recommendations of the Deloitte Report are applied, the general remuneration guidance contained in the Remuneration Tribunal document will allow the Chairperson of a University Council to be paid a daily fee of $512 and the members of the Council a fee of $384 per day (Remuneration Tribunal, 2015: 3).

As mentioned previously, the University Councils are supported by Council Committees. Specific guidance is provided regarding the committees in the Australian National University Act of 1991 (as amended in 2014). Section 18(1) of the Australian National University Act 1991 (as amended in 2014), provides for the delegation of power and functions to several Council Committees. The membership of these committees is Council members with the assistance of other members, with the required skills and expertise to serve on these committees (Commonwealth of Australia, Sydney, 2014a: section 18(1); Deloitte, 2014: 37). The minimum Council Committees required are not discussed in the Act, but only indicated in the 2014 Deloitte Report and are the:

- Audit and Risk Management Committee;
- Committee on Conditions and Appointment of Vice-Chancellor;
- Emergency Appointment (Vice-Chancellor) Committee;
- Finance Committee;
- Nominations Committee of Council; and
- Honorary Degree Committee.

Although the 2014 Deloitte Report did comment on the absence of a Remuneration Committee, no recommendation was made about incorporating such a Committee in the Australian National University Act (Commonwealth of Australia, Sydney, 2014a: section 18(1); Deloitte, 2014: 37). Some Universities have, however, implemented a Remuneration Committee such as Swinburne University of Technology and Monash University (Swinburne University of Technology, 2016a: para. 3; Monash University, 2016b: 1). The University of Melbourne, for example, does not have a Remuneration Committee (The University of Melbourne, 2016). This is supported by the findings of De Silva and Armstrong who found that only twelve out of the thirty-seven Universities in their study did have a Remuneration Committee (De Silva & Armstrong, 2014: 82).

Both the Deloitte Report and the National University Act require Universities to have an Audit and Risk Management Committee (Commonwealth of Australia, Sydney, 2014a: section 18(1); Deloitte, 2014: 37). De Silva and Armstrong found that not all thirty-seven Universities included in their studies have an Audit and Risk Management Committee (De Silva & Armstrong, 2014: 82). They further found that most of the members of the Audit and Risk Management Committees were independent and that the Chairpersons of these committees were independent (De Silva & Armstrong, 2014: 82). This confirms the Australian Universities' commitment to the principles of independence in terms of corporate governance principles (see 2.3.2.1, 2.3.2.6, 2.3.2.15, 2.3.3.3, 2.3.4.2 and 2.3.4.3).

According to section 10(2) of the Australian National University Act 1991 (as amended in 2014), the Council Nomination Committee should consist of the Chancellor of the University, as well as a maximum of six other persons appointed by the Chancellor (Commonwealth of Australia, Sydney, 2014a: section 10(2)). De Silva and Armstrong found that only twenty out of thirty-seven Universities in their study had a Nominations Committee as required by the legislation (De Silva & Armstrong, 2014: 82). To make future nominations for Council membership easier on the University Councils, the 2014 Deloitte Report recommended that the Council Nomination Committee keep a skills register to ensure that members appointed on the University Council have the required skills and expertise (Deloitte, 2014: 37).

Assisting the Council and Council Committees in the governance of the Australian Universities is the Academic Board (also called Senates) (Dooley, 2013: 1; Vilkinas & Peters, 2013: 2). Most Australian Universities have an Academic Board, which serves as the principal policymaking and advisory body about teaching, research and educational programmes (Dooley, 2013: 1; Vilkinas & Peters, 2013: 2). Because of the Senates' responsibilities regarding teaching, research and educational programmes, a detailed discussion on the composition and duties of the Senate are not included in this study. A brief background is provided on the general duties and size of the Senates of Australian Universities, though.

In addition to the general duties in terms of teaching, research and education programmes identified above, the Senates of Australian Universities are responsible for quality control, institutional memory, maintaining academic standards and communication with the institute and external stakeholders (Vilkinas & Peters, 2013: 1). The duties in terms of quality control have caused concerns as Rowlands argue the role of the Australian Senates was reduced to focus only on quality assurance and less on improving teaching and research (Rowlands, 2012: 98–99). Rowlands further argue that the increased focus on quality was because of the increased focus on contemporary management principles (Rowlands, 2012: 98–99) and Bonnell concurs with this view (Bonnell, 2016: 26). The focus on contemporary management principles is supported by the broader quality assurance framework in Australia, which allows Senates to play a central role in developing academic standards (Rowlands, 2012: 99; Dooley, 2013: 1).

The loss of focus on the development of academic standards, and the increased focus on managerial principles, has largely caused Senates in Australia to become ineffective (Baird, 2007: 101–115; Rea, 2016: 14). According to Rowlands the application of contemporary management principles has caused the senior management of Universities to lose the trust they had in the Senates (Rowlands, 2012: 104). In response to this loss of trust, the senior management decreased the authority of the Senates (Rowlands, 2012: 104). The major reason listed for this loss of trust in the Senate, is that the members of Senate were elected from within the academic community of each University and did not necessarily have the skills and experience in terms of management to contribute towards managing the Universities (Rowlands, 2012: 104; Baird, 2007: 112). Despite this loss of trust, the Australian University Senates remain responsible for quality control of academic programmes as well as education and research-related duties (see 3.4.3, 3.5.3, 3.7.3 and 3.8.3).

3.6.4 Conclusion on the Internal and External Governance Structures used in Australia

The governance practices in Australia have undergone some changes since the issue of the 1995 Hoare Report. The suggested size of Councils, fifteen members, of which the majority should be independent, closely resembles the practices used by private entities. Although the law in Australia does not require the remuneration of Council and Committee members, recommendations were made by the Deloitte Report to consider implementing Remuneration practices. The implementation of Remuneration Practices may improve the commitment of Council members towards the application of good governance principles (see 3.2 for benefits of remuneration of Executives of Non-Profit Organisations).

The use of standing Council Committees, with independent members, also mirrors the corporate governance principles of independence found in corporate governance principles (see 2.3.2.1, 2.3.5.2, 2.3.3.3 and 2.3.4.2), as well as the delegation of powers and functions to standing committees. The existence of Council Committees in Australian Universities such as the Audit Committee, the Remuneration Committee, and the Nominations Committee further supports the ideals of good corporate governance principles in Australian Universities. Despite the concerns raised about the contribution the Senates of Australian Universities can make to good governance of Universities, the Senates still have a role to play in the governance of academic, research and learning activities.

Finally, the disclosure practices of Australian Universities are not governed by a single document as in South Africa (see 2.3.4.5). The disclosure requirements for Australian Universities are contained in fifty-seven different documents and may prove to be a daunting task to comply with. However, the ease of access to the information of the Australian Universities on their Websites proves the Universities' commitment to transparency and other corporate governance principles such as independence.

3.7 INTERNAL AND EXTERNAL GOVERNANCE STRUCTURES USED IN NEW ZEALAND

3.7.1 Introduction

Research on University Governance in New Zealand, since 1988, is limited (Crawford, 2016: abstract). After 1988, research on University Governance in New Zealand was performed by the Tertiary Education Commission. The latest research on internal governance in New Zealand was done in 2011, 2014, 2015 and 2016 by the New Zealand Productivity Commission with the Tertiary Education Commission (TEAC, 2011: 1–32; TEAC, 2014: 1–4; TEAC, 2015b: 1–56; Crawford, 2016: 1–21). Although there is some research on the governance of institutions of technology (Rainsbury et al., 2014: 1–29), this study will focus on the literature available for governance of Universities and Wānanga[7] Institutions.

Section 3.7.2 will discuss the different agencies that are involved in the external governance of New Zealand Higher Education. These agencies are the Ministry of Education, the Secretary of Education, the Tertiary Education Commission and the Academic Quality Agency of New Zealand. This discussion on the external governance agencies is followed by a discussion on the internal governance

[7] The term Wānaga is used to describe publicly owned Universities in New Zealand, which provide education in the Māori cultural context as required by section 162 of the Education Act of 1989 (as amended in 2016)

structures. In section 3.7.3.1, the changes to the internal governance structures as recommended by the Tertiary Education Advisory Commission (TEAC) are discussed. These changes are divided into short-, medium- and long-term changes. More information is provided on the short-term changes in section 3.7.3.1 and deals with aspects such as the size of Councils, remuneration of Council members, the performance of Council members and the Academic Board. Section 2.7.3.1 covers the eleven recent changes made to the internal governance of the Wānanga Institutions.

3.7.2 External Governance structures in New Zealand

External University governance in New Zealand is based on the New Zealand Education Act of 1989 (as amended in 2016) (New Zealand, 1989). This Act provides for different tertiary education organisations, namely Universities, Institutes of Technology and Wānanga Institutions (New Zealand, 1989; TEAC, 2015b: 6). There are also several education agencies involved in governing Universities. These bodies include: the Ministry of Education, the Secretary of Education, the Tertiary Education Commission (TEC), The Tertiary Education Advisor Committee (TEAC), the New Zealand Qualifications Agency (NZQA) and the Academic Quality Agency (AQA) for New Zealand Universities (AQA, 2016; New Zealand, n.d.; New Zealand, 1989; TEAC, 2015b: 9; Crawford, 2016: 9; Freeman, 2014: 76).

The Ministry of Education in New Zealand is responsible for developing the broad policy framework for all Higher Education in New Zealand (TEAC, 2015b: 9; New Zealand, n.d.). The Ministry is further responsible for collecting and managing data on Universities, to advise the Minister on developing Higher Education institutions as well as monitoring the success of Higher Education (TEAC, 2015b: 9; New Zealand, n.d.).

The Chief Executive Officer (CEO) of the Ministry is the Secretary of Education, who is in charge of providing consent to Higher Education Institutions to raise funding, borrow funds and issue debentures. The Secretary of Education is also responsible for determining the level of risks for Higher Education Institutions and to publish these risks (TEAC, 2015b: 9; New Zealand, 2016).

The Tertiary Education Commission (see 3.7.1) is responsible for funding post-secondary education (TEAC, 2015b: 9; Crawford, 2016: 9). Since 2012, this Commission has incorporated functions and duties previously performed by the Minister of Education. With its funding duties, the commission now has duties, which include effecting Higher Education strategies; providing advice to the Minister of Education regarding performance; and the implementation of policies by Higher Education Institutions (TEAC, 2015b: 9–10; Crawford, 2016: 8–9).

The New Zealand Qualifications Authority (NZQA) is responsible for the approval of qualifications obtained at secondary and tertiary levels, except for Universities. The New Zealand Qualifications Authority is, therefore, responsible for quality assurance in Institutions of Technology and Wānanga Institutions (TEAC, 2015b: 10; NZQA, n.d.; Freeman, 2014: 76). The Academic Quality Agency (AQA) for New Zealand Universities is responsible for quality assurance at Universities in New Zealand and performs their duty in terms of quality assurance by performing five-yearly academic audits on Universities (TEAC, 2015b: 10; AQA, 2016; NZQA, n.d.). Both the NZQA and the AQA are involved in quality assurance of Tertiary Education, but for different Tertiary Education sectors in New Zealand. The AQA specifically provides this service to Universities only, and the NZQA provides the service to other Tertiary Education Institutions such as Universities of Technology and Wānanga Institutions.

The different agencies and bodies involved in the external governance of Universities in New Zealand make the New Zealand External Governance quite complicated. There are in total six bodies and agencies involved in the external governance of New Zealand Universities, namely: the Minister of Education, the Secretary of Education, the Tertiary Education Commission (TEC), the Tertiary Education Advisor Committee (TEAC), the New Zealand Qualifications Authority and the Academic Quality Agency (AQA). Each of these bodies or agencies has specific goals, which ranges from setting broad policies (Minister of Education) to quality control (AQA and NZQA). Based on the number of bodies and agencies involved in the external governance of New Zealand Universities, the external governance structure seems fragmented and overly complex.

3.7.3 Internal governance structures in New Zealand

In 2011, the Tertiary Education Commission (TEC) in New Zealand undertook a significant change in the governance structures of Institutes of Technology and Polytechnics, to align the governance structures to that of the Universities and legislation of the country (TEAC, 2011: 1; Crawford, 2016: 4–5). The changes provided for smaller Councils; Ministerial appointments; clearer duties of Councils and individuals serving on Councils; the appointment of competent and capable Council members; and the gradual implementation of the changed framework (TEAC, 2015b: 21–22). The short-term impacts of these changes (between 2011 and 2012/2013), included strengthening Council capabilities, clarifying roles and responsibilities of Councils, improved Council engagement, developing and improving systems and processes, improving interaction between Council and management and increased opportunities for sharing information between different University Councils (TEAC, 2011: 2 & 21–25). The short-term impacts, therefore, focused more on the improvement of Council operations and administrative efficiency.

The TEAC envisaged the medium-term impact of the changes (2013/2014 to 2015/2016) as the increased collaboration and cooperation between and across different University Councils (Crawford, 2016: 4–6). The TEAC further envisaged the increased Council engagement in actions that can strengthen their performance; enhanced mechanisms to ensure stakeholder-relevant provision; and a greater level of ownership of roles and responsibilities across Councils (Crawford, 2016: 4–6). The midterm impact, therefore, places increased focus on the Council and the efficient fulfilling of its role within the governance of the institution as envisaged in the 2011 Report issued by the TEAC (TEAC, 2011: 2 & 26; Crawford, 2016: 4–5).

The focus of the long-term impact of the changes to governing these Institutions (2016 and onwards) is the effective and efficient contribution of the Institutions towards the goals of the New Zealand Tertiary Education System (TEAC, 2011: 2). The major changes made in 2015/2016 were the changes to the Wānanga and Institutions of Technology's internal governance structures (TEAC, 2014: 1–4; Crawford, 2016: 9–10) and no changes in terms of University governance.

Information on the short-term changes and the recent changes to the Wānanga Institutions are discussed in section 3.7.3.1 and 3.7.3.2 respectively.

3.7.3.1 Short-term changes to governance

The short-term impact of the changes envisaged by the TEAC was brought about by the large sizes of University Councils with emphasis on representation of different interest parties on the Councils (TEAC, 2011: 3). According to the TEAC, University Councils struggled to maintain the correct balance between representations, professional governance experience and sector knowledge content expertise of its members (TEAC, 2011: 3). University Councils further experienced a *"sense of disconnect"* to the governance processes, and proved to be a further stumbling block for University Councils. These stumbling blocks caused Universities to more likely adopt recommendations of other parties, such as management, subcommittees, and others, than making their own decisions (TEAC, 2011: 3). To address these stumbling blocks, the TEAC recommended changes that were needed. These recommendations include a change to Council size, clarifying Council duties and responsibilities, the competence of Council members, remuneration of Council members and a performance assessment tool, all discussed below (TEAC, 2011: 1–32; TEAC, 2014: 1–4; TEAC, 2015a: 1–4).

The changes made to the legislation about Councils introduced a change in the composition of the Councils. Council sizes were decreased to between twelve and twenty members in 2014 and again to between eight and twelve members in 2015 (see also 3.7.3.2) (New Zealand, 1989: sections 169,171,173 & 179; TEAC, 2014: 2; TEAC, 2015b: 21). This change to smaller-size Councils resembles the optimum size of Boards in terms of good corporate governance principles (see 2.3.3.2) and the smaller University Councils of Australia (see 3.6.3).

The clarification of the duties and responsibilities of the Council members represents a further aspect that was included in the recommendations made by the TEAC (see above). Clarifying duties and responsibilities were compelled by the increased uncertainty under Council members about their responsibilities and accountabilities. This confusion further increased the difficulties in recruiting and maintaining suitable, skilled Council members (TEAC, 2011: 11; TEAC, 2015b: 22). The changes to the

New Zealand Education Act of 1989 (as amended in 2016) addressed the above-mentioned difficulties in changing from a representative model to a competency model. The representative model required University Councils to appoint individuals to represent different constituents such as the academic and support staff, students, the Minister of Education and other members appointed by the Council (The New Zealand Education Act of 1989 as Amended in 2014). The competency model allows for the appointment of Council members with the necessary experience and competence (see also 3.7.3.2). Of the eight Council members (according to the 2015 council size discussed above), four each should be appointed by of the Minister for Tertiary Education and the University Council (New Zealand, 1989: section 171). To assist the Council in recruiting Council members, cross-council collaboration and arrangements became a requirement. The appointment of these Council members, therefore, ensured independence on the University Councils (TEAC, 2011: 11; TEAC, 2015b: 21–22).

Additional changes to the legislation included revising remuneration and fees received by Council members (TEAC, 2011: 12; TEAC, 2015b: 27). The changes in the fees were to reflect the workload of the Council members and were to enhance the attraction of high-calibre candidates (New Zealand, 1989: section 179). Induction courses were introduced for Council members and Council chairs to enable them to familiarise themselves with their respective duties, responsibilities and accountability as well as the educational and financial performance expectation from the State (TEAC, 2011: 12; TEAC, 2015a: 27).

To monitor the institution's performance, the Minister for Tertiary Education introduced a Governance Assessment Tool, which the institutions could use to test their own performance in terms of governance, which became part of the institution's overall Reporting Responsibility at the end of each financial year (TEAC, 2011: 12; TEAC, 2015b: 30–32). Part of this monitoring tool is the compulsory Annual Report that should be issued at the end of each financial year. In terms of sections 151 to 155 of the Crown Entities Act of 2004 (as amended in 2016), all Universities in New Zealand should issue an Annual Report, which contains: the Annual Financial Statements; an Audit Report; a statement on responsibility of the Council for the preparation of Financial Statements; and the *"judgements"* contained in the Financial

Statements a statement that a system of internal controls were established and maintained, which is designed to provide reasonable assurance as to the integrity and reliability of financial information; and that the Financial Statements fairly represent the financial position and operations of the University (TEAC, 2015b: 30; New Zealand, 2004: sections 151 to 154). Section 220 of the Education Act and section 154 of the Crowns Act further require the Financial Statements to comply with generally accepted accounting practices; include all other information and explanation needed to fairly represent the financial operations and position of the University; and include previous forecast of Financial Statements for comparison with actual figures (TEAC, 2015b: 30; New Zealand, 2004: section 154; New Zealand, 2016: section 220).

To assist the Council of the University in ensuring the quality of the courses offered, every University needs to establish an Academic Board (New Zealand, 2016: section 182). This Board needs to comprise of the Chief Executive of the University, staff and student representatives (TEAC, 2015b: 33). The Academic Board is further *"involved"* in the internal audit of academic quality and the evaluation of academic quality of programmes based on a framework for academic quality management (TEAC, 2015b: 33). The TEAC document does not expand on the level of involvement of the Academic Board in the internal audit, which makes it impossible to determine the Boards' level of involvement.

3.7.3.2 Recent changes to University and Wānanga governance

Several changes to the governance of New Zealand Universities were made and implemented in the 2015 financial year. These changes include the size of Councils, requirements for the appointment of Ministerial Representatives; responsibilities of Council members; removal of Council members for under-performance; the appointment of Maori Council members; service on more than one University Council; maximum terms for service as Council members; Council vacancies; eligibility of Council members; the Appointment of the Chancellor; and personal interest of Council members (TEAC, 2014: 2; TEAC, 2015b: 24). Each of these changes is discussed briefly below.

The first change implemented in the governance of Universities dealt with a reduction in the size of the University Councils. Council sizes were reduced from between twelve to twenty in 2014, to a size of between eight and twelve members in 2015 (see also 3.7.3.1) (TEAC, 2014: 2; TEAC, 2015b: 24). These changes closely resemble the principle of smaller boards in corporate governance (see 2.3.3.2).

The second change relates to the membership requirement for Council membership that changed from the representative model to Ministerial Appointment based on experience. Before the changes in 2015, the Councils of Universities was to include representation of the Minister, students, staff, the unions and a Chief Executive. The resulting changes required three members of a Council of eight to nine members, to be appointed by the Minister of Tertiary Education and the Council to appoint the remainder of the members, based on their skills and experience and not representation (see also 3.7.3.1) (TEAC, 2014: 2; TEAC, 2015b: 24).

The third change helped Council members in clarifying their responsibilities as Council members. Before the 2015 changes, the Tertiary Institutions did not contain any indication of an individual's responsibility as Council member. Only the duties of the Council, in general, were provided. The 2015 changes, however, include specific requirements in terms of Council members to act honestly, with integrity and in good faith. Reasonable care, diligence, and skills are further requirements from Council members. Disclosure of interests is a further requirement in the changes of 2015 (see also 3.7.3.1). These changes stem from the corporate principle of fiduciary duties of management. In the case of University Councils, this requires from Council members to act in the best interest of the institution regardless of the interest group that is represented on the Council (TEAC, 2014: 2; TEAC, 2015b: 25).

The removal of Council members because of non-performance was the fourth change in the governance of Universities. No guidance was provided on the removal of a Council member in the case of non-performance of his/her duties before 2015. The changes now allow for the Minister of Education to hold a Council member accountable in case of non-performance of any duty by removing the member from Council. The changes further allowed for the Council to bring any action against a

Council member who does not perform his/her duties (TEAC, 2014: 2; TEAC, 2015b: 25).

The fifth requirement specifically addressed the inclusion of native New Zealanders (the Maori) in the election, and appointment, of Council members. When making decisions on the appointment of Council members under the new requirements, the Minister, as well as the Council, should keep in mind that at least one Council member should be Maori (TEAC, 2014: 2).

The sixth change dealt with Council members being allowed to serve on multiple University Councils. After the 2015 changes, Council members were allowed to serve on more than one University Council (TEAC, 2014: 2). The Education Act of 1989 (as amended in 2016) does not contain any limitation on the number of Councils an individual can serve on (New Zealand, 1989: section 171E). This omission concerning the maximum Councils that one individual can serve on can create situations where certain individuals serve on too many Councils and in the process lose their independence and objectivity.

The seventh change deals with the term of office that a Council member is allowed to serve. Under the old representative model (see 3.7.3.1), the terms of office of each Council member differed based on the group they represented. Student representatives were allowed to serve for one year only; other members, including co-opted members, were allowed to serve for a maximum of four years. The changed requirements also include the maximum of four years, but this term is applicable to all Council members, with the exception that Council can decide on the terms of office of Council-appointed representatives, and the Minister of Tertiary Education being able to decide on the term of office of Ministerial Appointed Council members (TEAC, 2014: 2).

The existence of a casual vacancy is addressed in the eighth change. In the event of a casual vacancy, under the old requirements, another individual could fill the position, but the terms of office of the individual filling the vacancy would only be until the end of their predecessors' term. Under the new requirements, the individual filling the casual vacancy can be appointed up to the maximum of four years, as with any other Council member (TEAC, 2014: 2).

New rules were established for the eligibility of Council members under the ninth change. Before 2015, no rules about the eligibility of Council members to serve on University Councils were provided. After 2015, any person, who was removed from a University Council for any reason, is ineligible for appointment on another University Council in New Zealand (TEAC, 2014: 2).

The change in the frequency of the appointment of the University Chancellor is covered in the tenth change to the internal governance of New Zealand Universities. Before 2015, it was required that the Chancellor of a University be appointed annually. From 2015 the appointment of the Chancellor is based on the discretion of the Council, with the added requirement that the appointment cannot be longer than the original term the individual was appointed to the Council (TEAC, 2014: 2). This means the total term of service of a person still remains a maximum of four years' despite being appointed as Chancellor during the Council member's term.

The final change to internal governance in New Zealand Universities addresses independence requirements in terms of the financial interest of Council members. Council members used to be ineligible to serve on a Council if they held an interest of more than \$25 000 in the form of issued capital, in the institution. This requirement was removed in the 2015 requirements, and Council members are now allowed to serve on the Council until they hold a financial interest of more than 10% of the issued capital of the University (TEAC, 2014: 2).

Although these changes are fundamental and far-reaching, they conform to the corporate governance principles about independence and accountability. Reducing Council sizes (see also 3.7.3.1), with the requirement of the majority independence members, is evidence of the commitment of New Zealand Universities to the principle of independence in terms of good corporate governance principles (see also 2.3.2.1, 2.3.3.3 and 2.3.4.2).

3.7.4 Conclusion on internal and external governance structures used in New Zealand

The governance model used in the New Zealand Universities was based on the representative model for several decades (see 3.6.3.1). In an attempt to modernise the governance of the Universities, and to address the shortages in this governance model, New Zealand's Tertiary Education Advisory Commission (TEAC) issued several documents proposing the short-, medium- and long-term envisioned changes for modernising governance in New Zealand Universities (see 3.7.3). The changes are based on corporate governance principles of independence, and knowledgeable Council members should always perform their fiduciary duties, and act in the best interest of the University, regardless of the interested party they represent. The application of corporate governance principles in New Zealand Universities confirms the Country and Universities' commitment to the principles of good corporate governance. The Annual Report requirements, contained in the Crown Entities Act of 2004 (as amended in 2016) of New Zealand (see 3.6.3.1), is a further indication that New Zealand Universities are committed to the corporate governance principles of transparency and accountability (see 2.3.4.2).

3.8 INTERNAL AND EXTERNAL GOVERNANCE STRUCTURES USED IN SOUTH AFRICAN HIGHER EDUCATION

3.8.1. Introduction

Governance in South African Universities is based on the state supervision model, which includes the cooperative governance philosophy (see 3.2.4.3). The external governance of South African Universities is laid down by the Higher Education Act 101 of 1997 (as amended in 2012) (RSA, 1997b; Van Pletzen, 2015: 61), which also provides guidance for institutional governance in the form of a standard statute which Universities can adjust to suit their needs (RSA, 2003b; Van Pletzen, 2015: 61). The Higher Education Act 101 of 1997 (as amended in 2012) further allows for the existence of the Council for Higher Education (CHE) as a permanent advisory Committee to the Minister of Higher Education and Training (Van Pletzen, 2015: 61;

CHE, n.d.; RSA, 1997b: Chapter 2). The CHE is assisted, with matters about quality assurance, by a permanent standing Committee, called the Higher Education Quality Committee (HEQC) (CHE, n.d.: para. 3).

Section 3.8.2 of this chapter includes a discussion on the advisory duties and responsibilities of the Council for Higher Education and Training (CHE) to the Minister of Higher Education and Training. It concludes with a brief overview of the cooperation between the CHE, the South African Qualifications Agency (SAQA) and the Higher Education Quality Committee (HEQC). Section 3.8.3 deals with an analysis of the internal governance structures in the South African Universities. This analysis is performed to provide context to the internal governance structures used in South African Universities. The analysis is based on the Standard Institutional Statutes and the Individual Statutes of the Universities. The discussion is divided into three headings, namely the Council and Standing Committees (see 3.8.3.), and the Senate (see 3.8.3.2) and the Institutional Forum see 3.8.3.3. The discussion on these internal governance structures further serves as background to the analysis of the disclosures of these structures in terms of the framework in Chapter 4 (see 4.3).

3.8.2 External governance structures in South Africa

As was pointed out in the previous section, external governance in South African Universities is grounded in the Higher Education Act 101 of 1997 (as amended in 2012). The Act provides powers to the Minister of Higher Education and Training to, among others, intervene in the governance of a University in the case of poor governance (see 3.2.4.3). Helping the Minister of Higher Education and Training is the Council of Higher Education (CHE). Section 5 of the Higher Education Act 101 of 1997 (as amended in 2012) sets forth the functions of the CHE. In its advisory capacity, the CHE provides the Minister with advice on all aspects of Higher Education, as requested by the Minister of Higher Education and Training, and arranging and coordinating conferences (RSA, 1997b: section 5; CHE, n.d.: para. 2). The CHE is further responsible for promoting quality assurance in Higher Education; auditing the quality assurance mechanism of Higher Education Institutions; and accrediting programmes of Higher Education through the Higher Education Quality Committee (HEQC) (RSA, 1997b: section 5; CHE, n.d.: para. 2). Promoting access to students, publicising information on the state of Higher

Education and any other duties required by the National Qualifications Framework Act (NQF), are further duties of the CHE (RSA, 1997b: section 5; CHE, n.d.: para. 2). The CHE should further provide advice on issues such as (RSA, 1997b: section 5; CHE, n.d.: para. 2):

- Qualifications, quality promotion, and quality assurance;
- Research;
- Structure of Higher Education systems;
- Planning of Higher Education systems;
- Mechanisms for allocation of public funds;
- Student financial aid;
- Student support services;
- Governance of Universities; and
- Language policies.

These advisory functions provide the CHE, with the HEQC, executive powers over quality assurance and promoting quality assurance in terms of South African Universities. A further body involved in the governance of Universities in South Africa is the South African Qualification Agency (SAQA). SAQA's functions and powers are contained in the National Qualification Framework Act 67 of 2008 (RSA, 2008b). Section 5 of this Act requires SAQA, with the HEQC, to develop, foster and maintain a transparent and integrated national framework for: recognising learning achievements; ensuring South African qualifications meet appropriate criteria as set out by the Minister of Higher Education and Training; and ensuring that South African qualifications are of an acceptable quality. These functions are designed to address the past *"unfair discrimination in education, training and employment opportunities"* (RSA, 2008b: section 5; SAQA, 2014: para. 2).

3.8.3 Internal governance structures in South Africa

Internal governance structures in South African Universities are managed by Institutional Statutes. The South African Department of Higher Education and Training issued a Standard Institutional Standard for guidance to be used by Universities (RSA, 1997b: section 33(3); RSA, 2003b: 3). This statute includes guidance on: the composition of the University Council, the Senate, the Student

Representative Council, the Institutional Forum and the minimum number of Council Committees that should be present at every University (RSA, 2003b). If a University does not file their own statute at the Department of Higher Education and Training, with changes, that specific University will be deemed to have adopted the Standard Institutional Statute. No Institutional Statute could be located on the Government Gazette search engine for the two youngest Universities in South Africa, namely the Sol Plaatje University and the University of Mpumalanga. The assumption is therefore made that they have adopted the Standard Institutional Statute.

3.8.3.1 Council and Standing Committees

Every University should have a Council (RSA, 1997b: section 27), which should not be larger than thirty members (section 27(4)), and should be constituted in terms of the Institutional Statute along with the requirements of section 27 of the Higher Education Act 101 of 1997 (as amended in 2012).

Table 3.2 contains a summary of the compilation of the Councils of the twenty-three South African Universities, excluding Sol Plaatje and Mpumalanga. The composition of the Council in terms of the Standard Institutional Statute require the following members (RSA, 2003b; RSA, 2003b):

- The Principal or Rector;
- No more than two Vice-Principals of Vice-Rectors;
- Two members, elected by Senate;
- Two academic employees, elected by the academic employees;
- Two students, elected by the Student Representative Council;
- Two staff members, elected by the non-academic employees of the University;
- Five members, elected by the Minister of Higher Education and Training;

- Three members, elected by the Convocation[8] of the University;
- Ten members, elected by the Council, from a broad spectrum that has the necessary skills and experience in terms of education, business, finance, law, marketing, information technology, human resource management or any other field the Council considers relevant.

A further requirement for the composition of the Council is that at least 60% of the members should not be employees of the University and therefore should be independent. Based on the information in the Institutional Statutes, five of the twenty-three Universities (see Table 3.2.) do not comply with the 60% independence requirement. At the Universities of the Witwatersrand (WITS), Stellenbosch (US) and North-West (NWU) 56% of the Council are external members. At the University of KwaZulu-Natal (UKZN) 57% of the members are independent, and at the Cape Peninsula University of Technology (CPUT) only 47% of the Council members are independent. The Statute of CPUT does, however, stipulate that the Council should add extra members to those mentioned in the statute to ensure that 60% of the Council should be independent (RSA, 2010a). With eleven executive members, and ten independent members specifically mentioned in CPUT statute, that leaves seven members that should be appointed in terms of the requirements for members with broad skills and experience as required by the Higher Education Act 101 of 1997 (as amended in 2012) and the Standard Statutes. The Institutional Statute of UKZN also mentions that members may be co-opted by the Council, but the number of these members are not included in the statute and were therefore not included in the calculation (RSA, 2012g).

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[8] The convocation of a University represents the Alumni of the University and is elected according to the Institutional Statute of the University.

Table 3.2 Composition of South African University Councils according to Institutional Statutes and Council Committees

Composition of Council	Standard Statute[9]	CPUT	CUT	DUT	MUT	NMMU	NWU	Rhodes	TUT	UCT	UFH	UFS	UJ	UKZN	UL	UNISA	UNIVEN	UP	US	UWC	VUT	WITS	WSU	ZULU
INSTITUTIONAL MEMBERS																								
• Principal or rector	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
• Not more than x[10] vice-principals	2	2	3	2	3	3	1	2	1	1	1	1	2	2	1	1	1	1	3	1	1	1	1	2
• Senior vice-rector												1												
• Person appointed by principal for specified period holding office of deputy Vice-Chancellor or executive Directors																						1		
• Members of Senate elected by Senate	2	2	2	2	2	2	4	4	2	3	2	2	2	2	2	2	2	3	3	2	3	3	2	3
• Head of site of delivery (campus) of the University with the highest student numbers OTHER than the seat of the University (main campus)																					1			
• Non-professor/Senate/dean member																						1		
• Representative member - deans of faculties or heads of academic programs																						1		
• Academic employees elected by academic staff	2	2	1	1	2	1	2	1	1	1	1	1	2	2	1	2	1	1	2	1	1	1	1	1
• Students, elected by SRC	2	2	1	2	2	2	4	2	2	2	2	2	2	2	2	2	2	2	3	2	2	2	2	2
• Non-academic employees elected by non-academic employees	2	2	1	1	2	1	2	2	1	1	1	1	2	2	1		2	1	2	1	1	1	1	1
• Deputy Vice-Chancellor/s, executive Directors NOT APPOINTED to Council is in attendance																						1	1	
• SRC representative who was NOT ELECTED to Council, but is in attendance[11]																						1		
• Chairperson of the Board of the																1								

[9] See 3.8.1

[10] Number of vice-principals on Council is to be determined by the Institutional Statute

[11] This SRC representative is allowed to attend the council Meeting as an observer only

Composition of Council	Standard Statute[9]	CPUT	CUT	DUT	MUT	NMMU	NWU	Rhodes	TUT	UCT	UFH	UFS	UJ	UKZN	UL	UNISA	UNIVEN	UP	US	UWC	VUT	WITS	WSU	ZULU
Graduate School of Business Leadership																								
• Registrar											1		1											
INDEPENDENT/ OUTSIDE MEMBERS																								
• Members co-opted by Council								4			2		1	1									2	
• Persons appointed by Minister	5		5	5	5	5	4	5	5	3	5	3	5	5	5	5	5	5	3	5	5	3	5	5
• Person/s appointed by the premier of the province		5								1		1					1		1	1		1		
• Person/s appointed by the Local Government		1		1				2		1	4	1				1	1	1	1	1	1	1		2
• Member/s of donor group		1					4		2	2		1					2	2	3	2	2	2	2	2
• Members of the convocation	3	1	1	3	2		4		2	6	1	1	3	3	2	2	2	4	6	2	2	2	2	2
• Alumni		2				2						3												
• Member of Institutional forum				1		1					2	1					1		1					1
• Membership representation of business and labour organisations																						2		
• Trustee from University's foundation/ Board of governors								1			1					1								
• Members of broad spectrum of competencies in ○ education ○ business ○ finance ○ law ○ marketing ○ information technology ○ human resource management ○ tourism	10	Not specified – should balance 60%	10	10	12	12	6	6	3	5	5	9	10	11	10	10	9	6	3	12	10[12]	7	4	4

12 Four persons who are not employees with the relevant knowledge and experience, one of which should be nominated by the Chairman of the Board of the South African Institute of Chartered Accountants (SAICA) and one which should be nominated by the Chairperson of the Law Society of the Northern Provinces; four persons appointed from other professional bodies, one person designated by NEDLAC and one representative of the Institute of Directors.

Composition of Council	Standard Statute[13]	CPUT	CUT	DUT	MUT	NMMU	NWU	Rhodes	TUT	UCT	UFH	UFS	UJ	UKZN	UL	UNISA	UNIVEN	UP	US	UWC	VUT	WITS	WSU	ZULU
GENERAL																								
• 60% members not employees or students and should be representative of race and gender (% independence indicated)	18 (60%)	10 (47%)	16 (64%)	20 (69%)	19 (61%)	20 (67%)	18 (56%)	18 640%)	12 (60%)	18 (67%)	20 (69%)	20 (69%)	18 (60%)	19 (57%)	17 (68%)	19 (68%)	21 (70%)	18 (67%)	18 (56%)	23 (74%)	20 (67%)	18 (56%)	15 (65%)	16 (62%)
TOTAL MEMBERS	**29**	**21**	**25**	**29**	**31**	**30**	**32**	**28**	**20**	**27**	**29**	**29**	**30**	**30**	**25**	**28**	**30**	**27**	**32**	**31**	**30**	**32**	**23**	**26**
COUNCIL COMMITTEES																								
• Committee of Council																								
○ Executive Committee	Y	Y	Y	Y	Y	Y			Y		Y	Y	Y		Y	Y	Y	Y	Y	Y	Y		Y	Y
○ Audit Committee	Y	Y	Y	Y	Y	Y			Y		Y	Y	Y		Y	Y		Y			Y		Y	Y
○ Risk Committee		Y			Y	Y			Y			Y	Y					Y			Y		Y	Y
○ Finance Committee	Y	Y	Y	Y	Y	Y			Y		Y	Y	Y		Y	Y					Y		Y	Y
○ Employee conditions Committee	Y								Y			Y											Y	
○ Remuneration Committee		Y	Y		Y	Y			Y			Y				Y					Y		Y	Y
○ Planning and resource Committee	Y		Y		Y				Y			Y	Y		Y								Y	Y
○ Council membership Committee	Y					Y																		
○ Governance and council membership Committee									Y														Y	
○ Human resource and development Committee		Y	Y	Y	Y	Y					Y	Y	Y		Y	Y		Y						Y
○ Governance Committee						Y																		
○ Faculties Committee						Y																		
○ Higher Education Committee						Y												Y						
○ Investment Committee																								

Y = Yes

SOURCES: (RSA, 2003b; RSA, 2004a; RSA, 2002b; RSA, 2014b; RSA, 2015b; RSA, 2013b; RSA, 2014a; RSA, 2012b; RSA, 2012f; RSA, 2012h; RSA, 2002b; RSA, 2012a; RSA, 2005c; RSA, 2005a; RSA, 2010c; RSA, 2012e; RSA, 2011b; RSA, 2012g; RSA, 2011a; RSA, 2010d; RSA, 2010b; RSA, 2010a; RSA, 2010e; RSA, 2012c; RSA, 2006; RSA, 2003a; RSA, 2002a; RSA, 2012d; RSA, 2005b; RSA, 2003c; RSA, 2004b)

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[13] See 3.8.1

It follows from the preceding table that 22% of the University Councils are larger than the maximum required by the Higher Education Act 101 of 1997 (as amended in 2012). Wits University has thirty-two members, NWU has thirty-two members, Mangosuthu University has thirty-one members, the University of the Western Cape (UWC) has thirty-one members and Stellenbosch University has thirty-two members. The size of the Councils of the rest of the Universities ranges between twenty and thirty members.

Four Universities (17%) have more than the allowed two Vice-principals on the Council. The Mangosuthu University of Technology (MUT), the Nelson Mandela Metropolitan University (NMMU), Stellenbosch (US) and the Central University of Technology (CUT) specifically call for three Vice-principals to sit on the Council. Of the remaining Universities thirteen (57%) has only one Vice-principal serving on the Council and six (26%) has two Vice-principals.

Senate representation on the Council also differs from University to University. The NWU and Rhodes University have four members elected by Council, six (26%) of the Universities have three members representing Senate and the remaining fifteen (65%) Universities have the required two members from Senate.

Student representation on the Council reveals less of a difference between the Universities. The majority (20) of the Universities (87%) have the required two student representation on the Council. The NWU has four student representatives on the Council; the US has three and the University of Cape Town (UCT) has only one student representative.

Requirements for independent members also differ from University to University. Seven of the Universities (30%) have specific requirements for representation on the Council by the Premier of the Province. Fifteen of the Universities (65%) provide for representation by the local government; thirteen (56%) of the Universities require representation from donor groups; two (9%) allows for Alumni representation; seven (30%) ask for members of the Institutional Forum to be part of the Council; and only one University, WITS, allows organised labour unions to be voting members of Council.

Assisting the Councils of the Universities in performing their duties, the Council should establish certain minimum standing committees. These committees are the Executive Committee, the Audit Committee, the Finance Committee, the Employee Conditions Committee, Planning, and Resource Committee and the Council Membership Committee (RSA, 2003c). The Institutional Statutes of seven (30%) of the Universities, NWU, UWC, RHODES, UNIVEN, UKZN, US and UCT do not make specific mention of the number and type of committees that should assist the Council. These seven Universities only mention that standing committees are constituted in terms of the rules of the institutions (RSA, 2005b; RSA, 2005c; RSA, 2005a; RSA, 2011b; RSA, 2012g; RSA, 2011a; RSA, 2002a; RSA, 2004b; RSA, 2012c).

Additional to the standing committees, ten (43%) of the Universities added a Risk Committee to their list of standing committees. Some of the Institutions have a separate committee, and some incorporated the Risk Committee into the Audit Committee (RSA, 2014b; RSA, 2015b; RSA, 2013b; RSA, 2014a; RSA, 2012f; RSA, 2012h; RSA, 2014c; RSA, 2002b; RSA, 2012a; RSA, 2010a; RSA, 2010e). Only three Universities (17%), WSU, TUT and the UFS, have the required Employee Conditions Committee, but twelve (52%) of the Universities have Human Resource and Development Committee. A Remuneration Committee was added to the standing committees by ten Universities (43%), and only eight (34%) Universities have a Planning and Resource Committee.

The functions of the University Council are set out in the Institutional Statute of the individual Universities. The main functions of the Councils are to provide the strategic direction of the Universities and to monitor the implementation of policies, procedures, rules and strategic plans of the University. The Council is further responsible for monitoring risks of the individual institution (RSA, 2003b; RSA, 2003b; RSA, 2004a; RSA, 2002b; RSA, 2014b; RSA, 2015b; RSA, 2013b; RSA, 2014a; RSA, 2012b; RSA, 2012f; RSA, 2012h; RSA, 2002b; RSA, 2012a; RSA, 2005c; RSA, 2005a; RSA, 2010c; RSA, 2012e; RSA, 2011b; RSA, 2012g; RSA, 2011a; RSA, 2010d; RSA, 2010b; RSA, 2010a; RSA, 2010e; RSA, 2012c; RSA, 2006; RSA, 2003a; RSA, 2002a; RSA, 2012d).

3.8.3.2 The Senate

In terms of section 28 of the Higher Education Act 101 of 1997 (as amended in 2012) (RSA, 1997b: section 28), every University should have a Senate. In terms of section 28(1), the Senate is accountable towards the Council of the University for academic and research activities and should perform any duties assigned to them by the Council (RSA, 1997b: section 28(1); Hall et al., 2004: 38).

The Higher Education Act 101 of 1997 (as amended in 2012) and the standard statutes provide the following guidance about the composition of the Senate (RSA, 1997b: section 28(2); RSA, 2003b; RSA, 2003b):

- The Principal or Rector of the University;
- The Vice-Principal or Vice-Rector/s of the University;
- Academic employees;
- Non-academic employees;
- Members of Council;
- Members of the Student Representative Council; and
- Any extra members as required by Institutional Statute.

The final requirement is that most of the Senate should consist of academic employees of the University. Table 3.3 contains a summary of the requirements of the institutional statues of the twenty-three Universities, excluding Mpumalanga and Sol Plaatje (see 3.8.3), about the composition of the Senates of the Universities.

All Universities except MUT and UKZN specifically includes the Vice-principal/s or Vice-rector/s in the Senate. Five of the Universities (22%, VUT, DUT, UNIVEN, UP and UCT), do not specifically include the Registrar as a member of the Senate. WITS, NMMU, NWU, ZULULAND, UP and UKZN include an individual called the Head of Academic Administration in the Senate. WITS and UL include the Director of ITa in the Senate and VUT, NWU and UP include the Head of Technology, Transfer, and Innovation in the Senate.

Table 3.3 Composition of South African University Senates according to Institutional Statutes

Composition of Senate	CPUT	CUT	DUT	MUT	NMMU	NWU	Rhodes	TUT	UCT	UFH	UFS	UJ	UKZN	UL	UNISA	UNIVEN	UP	US	UWC	VUT	WITS	WSU	ZULU
• Principal or rector	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
• Pro Vice-Chancellor															Y								
• Senior vice-rector											Y												
• Vice-principal/s	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
• Registrar/s	Y	Y		Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y			Y	Y		Y	Y	Y
• Deputy registrar															Y								
• Director of IT														Y							Y		
• Campus heads and Directors	Y	Y			Y	Y				Y				Y		Y	Y		Y			Y	Y
○ Colleges															Y								
○ Institute of Curriculum and Learning Development															Y								
○ Graduate School of Business Leadership															Y								
○ Director responsible for short learning programs															Y								
○ All executive Directors															Y								
• Deans	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y
• Deputy deans			Y									Y			Y	Y	Y						Y
• Head of academic departments	Y		Y	Y	Y		Y	2[$]	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y	Y		Y
○ Max four heads of departments per faculty																						Y	
• Professors	Y	Y		Y	Y		Y	2[$]	Y	Y	Y	Y		Y	Y			Y	Y	Y	Y		Y
○ Max four professors per faculty																						Y	
○ 50% professors																Y							
○ Associate professors																		Y					
• Senior academic staff			Y																				
○ All staff indicated in rules			Y																				
○ 30% of senior lecturers																Y							
○ 10% or lecturers																Y							
• Director of the library	Y			Y	Y	Y	Y	Y		Y				Y		Y	Y		Y	Y	Y	Y	Y
• Director of research				Y	Y	Y		Y				Y	Y	Y			Y			Y		Y	Y
• Director community engagement																	Y						
• Head of Higher Education development and support/ academic development					Y			Y						Y						Y		Y	

Composition of Senate	CPUT	CUT	DUT	MUT	NMMU	NWU	Rhodes	TUT	UCT	UFH	UFS	UJ	UKZN	UL	UNISA	UNIVEN	UP	US	UWC	VUT	WITS	WSU	ZULU
• Head of institutional research and planning																	Y						
• Head of strategic management support								Y															
• Head of academic administration					Y	Y							Y				Y				Y		Y
• Head of research capacity building					Y																		
• Head of the office for international education					Y																		
• Head of quality promotion				Y				Y					Y	Y								Y	Y
• Head of student affairs				Y		Y							Y	Y	Y		Y			Y			Y
• Head of operations				Y																			
• Head of human resources and development				Y		Y																	
• Head of Centre for Academic excellence														Y									
• Head of finance				Y																			
• Head of institutional planning and research				Y	Y									Y									
• Head of technology, transfer and innovation						Y											Y			Y			
• Director of cooperative education																				Y			
• Head of central timetable Committee					Y																		
• Chairperson of the Council						Y											1						1
• Deputy Chairperson of the Council																	1						
• Head of transformation					Y																		
• Chairperson of institutional forum	1												1										1
• Two SRC members elected by the SRC	2	2	3	2	4	4		2	6	6	2	2	6	1	2	$1^{\#}$	4	3	5	3	10	2	2
• Non-academic employee from each faculty elected by non-academic employees	2	1		1^{+}	1^{+}	2	2	2	4	1^{+}				1^{+}	$1^{\#}$	1	2	4	8	1	12	2	
○ Non-academic employee from each campus					1																		
• Academic employee from each faculty elected by academic employees	2	1		1^{+}	1^{+}	33	6	$2^{\$}$	12	6	1		$2^{\#}$	1^{+}	$1^{\#}$		2	2	8		Y		1^{+}
○ Max two academic employees per faculty																						2	
○ Academic employee from each campus					1																		
○ Black academic employee from each faculty					1																		
○ Fellow of University who is a permanent academic staff member													1										
• Academic employees can elect following % of Senate																					10		
• Members of Council designated by Council	2	2	2	2	2	8	2	1	2	2	1	2	1	2	7	2		2	10	2	2	1	2

Composition of Senate	CPUT	CUT	DUT	MUT	NMMU	NWU	Rhodes	TUT	UCT	UFH	UFS	UJ	UKZN	UL	UNISA	UNIVEN	UP	US	UWC	VUT	WITS	WSU	ZULU
• Member of convocation													1							1			
• Heads of associated institutes							Y																
• Other members without voting rights					Y			Y														Y	
• Campus managers without voting rights																						Y	
• Majority of Senate must be academic employees (>50%)		Y		Y	Y																	Y	
• Representative of trade union			1[^]																				
• Representation of the Academic Affairs Council																		1					
• Members co-opted by Senate									10														

Y = Yes
[+]per faculty
[#]per college or school
[$]per faculty
[^] per trade union

SOURCES: (RSA, 2003b; RSA, 2004a; RSA, 2002b; RSA, 2014b; RSA, 2015b; RSA, 2013b; RSA, 2014a; RSA, 2012b; RSA, 2012f; RSA, 2012h; RSA, 2002b; RSA, 2012a; RSA, 2005c; RSA, 2005a; RSA, 2010c; RSA, 2012e; RSA, 2011b; RSA, 2012g; RSA, 2011a; RSA, 2010d; RSA, 2010b; RSA, 2010a; RSA, 2010e; RSA, 2012c; RSA, 2006; RSA, 2003a; RSA, 2002a; RSA, 2012d; RSA, 2005b; RSA, 2003c; RSA, 2004b)

It follows from the table above that twelve (52%) Universities with, multiple campuses, include the directors or campus heads in the Senate. All Universities except RHODES and US specifically include the deans of faculties in their Senate. The heads of academic units or departments are also included in the Senate at nineteen (83%) of the Universities, excluding NWU, US, CUT and the UFS.

Requirements about the professors on Senates are also included in the statues of the Universities. Only DUT and UKZN do not specifically mention the position of professors in their statutes as part of their Senate. The WSU caps the number of professors per faculty to four professors; UNIVEN caps their professors to a maximum of 50% of their Senate and US cap the associate professors on the Senate to five individuals (RSA, 2014b; RSA, 2011b; RSA, 2011a). The only Universities to include other senior academic staff, except professors and associate professors, are DUT and UNIVEN (RSA, 2012e; RSA, 2011b). At DUT, the academic staff eligible for inclusion in the Senate is set out in the institutional rules, and at UNIVEN 30% of the Senate should consist of senior lecturers and 10% of lecturers. In the remainder of the Universities, the membership of academic and non-academic staff is not as explicit as at UNIVEN and require specific representation per faculty, campus or college, in the case of UNISA.

The head of library services is included in fifteen (65%) of the Senates, the Director of Research and Research development are included in eleven (48%) of the Senates, and five Senates (22%) include the head of Higher Education Development and Support or Academic Development on the Senate. Six Universities (26%) have an individual on the Senate who is responsible for promoting quality and eight (35%) Universities include an individual responsible for student affairs. All Universities except RHODES require student representation on the Council (RSA, 2005a). Student representation ranges from one member at UL to ten members at WITS. The NWU, ZULULAND and UP specifically require the Chairperson of the Council to be a member of the Senate (RSA, 2005b; RSA, 2012h; RSA, 2014c). All Universities except RHODES and NWU allow between one and ten extra members from Council on the Senate.

WSU, MUT, NMMU, and CUT are the only four Universities who specifically mention in their statutes that more than 50% of the members of the Senate should be academic employees (RSA, 2014b; RSA, 2015b; RSA, 2014a; RSA, 2010b). All Universities include other members, like a representative of the trade union at DUT (RSA, 2012e), a representative of the Academic Affairs Council at US (RSA, 2011a), the head of Human Resource Development at MUT and NMMU (RSA, 2015b; RSA, 2014a) and the head of the Central Timetable Commission at NMMU (RSA, 2014a) on their Senate.

The functions and duties of the Senate are set out in the Institutional Statutes of the Universities. These functions require the Senate to: determine entrance requirements; curriculum and changes to the curriculum for qualifications offered by the University; determine the level of proficiency needed to obtain a qualification, and have insight into the mode of assessment offered by the University programmes. The Senate should further provide the Council with advice on disciplinary measure and codes to be implemented regarding students, the criteria used for and awarding of academic prizes and the faculty structures within the University. The Senate also has the duty and powers to constitute Senate Committees, to assist in performing their duties and is allowed to delegate some powers to the committees as needed (RSA, 2003b; RSA, 2003b; RSA, 2004a; RSA, 2002b; RSA, 2014b; RSA, 2015b; RSA, 2013b; RSA, 2014a; RSA, 2012b; RSA, 2012f; RSA, 2012h; RSA, 2002b; RSA, 2012a; RSA, 2005c; RSA, 2005a; RSA, 2010c; RSA, 2012e; RSA, 2011b; RSA, 2012g; RSA, 2011a; RSA, 2010d; RSA, 2010b; RSA, 2010a; RSA, 2010e; RSA, 2012c; RSA, 2006; RSA, 2003a; RSA, 2002a; RSA, 2012d).

3.8.3.3 The Institutional Forum (IF)

The third governance structure at Universities in South Africa is the Institutional Forum (see Table 3.4). The Institutional Forum (IF) is responsible for providing guidance to the University Council about implementing the Higher Education Act 101 of 1997 (as amended in 2012), policies on race, gender and equity, selecting candidates for senior management, developing codes of conduct, mediation and dispute resolution and fostering a culture of tolerance for human dignity and a positive teaching, research and learning environment (DoE, 1997: section 3.38; Hall et al., 2004: 37).

The standard statues of Higher Education in South Africa provide for a minimum of thirteen members of the Institutional Forum. These members are two members from Council, who are not employees of the institution, two members from management, two members from Senate, two representatives of academic staff, two non-academic staff members, two representatives elected by the Student Representative Council and one member co-opted by the Institutional Forum (RSA, 2003b). RHODES merely mentions that a number of six individuals from governance structures should form part of the IF (RSA, 2005a). The UCT merely mentions in its statute that a total number of ten members from governance structure are allowed on the Institutional Forum (RSA, 2002a; RSA, 2004b; RSA, 2012c). NWU, UNISA, and CUT allow only one member from Council to form part of the Institutional Forum (RSA, 2005b; RSA, 2012b; RSA, 2010b).

Although the standard statute requires two representatives of the Council on the Institutional Forum, NWU, UNISA and CUT only have one representative from Council; the UWC and UCT have three representatives each and UNIVEN does not specify the number of Council members. Representation of management on the Institutional Forum of Universities is mostly in line with the standard statues with two representatives of management. Exceptions are found at NWU and US, which require only one member of management; UWC who require three members; UNIVEN who does not specify a number; UCT who requires four members; and WITS who requires a total of six management members.

Representation from Senates is also fairly close to the standard statute requirements. Exceptions to the two members from Senate are found at WITS with four members from Senate; NWU, UWC, and UCT with three members from Senate; UNIVEN only mentioning Senate representation without any number, and CUT only requiring one member from Senate.

Table 3.4 Composition of South African University Institutional Forums according to Institutional Statutes

Composition of the Institutional Forum	Standard Statute 14	CPUT	CUT	DUT	MUT	NMMU	NWU	Rhodes	TUT	UCT	UFH	UFS	UJ	UKZN	UL	UNISA	UNIVEN	UP	US	UWC	VUT	WITS	WSU	ZULU
• Members from governance structures								6		10														
• Two members of Council who are not employees or students	2	2	1	2	2	2	1		2		2	2	2	2	2	1	1	2	2	3	2	2	2	2
• Two members from management	2	2	2	2	2	2	1		2		2	2	1	2	2	2	1	2	1	3		4	2	2
○ Principal/ Vice-Chancellor																					1	1		
○ Vice-principal																					1	1		
○ Deputy Vice-Chancellor													1											
• Two members from Senate	2	2	1	2	2	2	3		2		2	2	2	2	2	2	1	2	2	3	2	4	2	2
• Dean of students/ person responsible for student affairs													1			1								
• Deans of faculties																						1		
• Executive Director: tuition and facilitation of learning																1								
• Members representing academic employees	2	2	1	2	1^{+}	2	3		$1^{\#}$		2	2	2	$2^{\#}$	2	2	1		3	3	3	5	1^{*}	2
• Members representation non-academic employees	2	2	1	2	2	2	4		$1^{\#}$		2	4	2	$5^{\#}$	2	2	1		2	3	2	7	1^{*}	2
• Technical support staff																			2					
• Female employees/ gender forum				1																				2
• Staff members								8		10														
• Students designated by SRC	2	1	1	4	2	2	6	8	2	10	5	2	2	2	2	2	1	10	8	3	4	5	1	2
• Staff member/student with disability													1					1						1
• Representative of student service Council		1	1						2														1	
• Other students																						4		
• Members co-opted by the institutional Forum	1		3	1	2		2		2			1		1		1		3		4				
○ Non-voting																							2	
• Members from previously marginalised groups																						3		
• Donor																						1		

14 See 3.8.1

Composition of the Institutional Forum	Standard Statute 14	CPUT	CUT	DUT	MUT	NMMU	NWU	Rhodes	TUT	UCT	UFH	UFS	UJ	UKZN	UL	UNISA	UNIVEN	UP	US	UWC	VUT	WITS	WSU	ZULU
• Executive member of convocation		1	1	2	2		2		2		1			2	1		1		2		1	1	1	
• Person nominated be educational organisation																						1		
• Representatives of organised labour associations or employers' associations		2	1	$2^{@}$	2	2	4		2			2	2^{+}	2	$1^{@}$	2		5	1		$1^{@}$	4	1	2
• Member nominated by principal whose role it is to address transformation/ employment equity matters			1			1			1				1						1		1	1	1	3
• Employee nominated by sites of delivery																					1			
• Executive Director of human resources																					1			
• Member representing Alumni						1							1					1						
• External members recommended by executive management and approved by Council																2								
• Members from community members								2											6					
• Senior Director: Community interaction																			1					

Y = Yes
$^{+}$per faculty
$^{@}$ per registered union
$^{\#}$ per school/ college or learning site

SOURCES: (RSA, 2003b; RSA, 2004a; RSA, 2002b; RSA, 2014b; RSA, 2015b; RSA, 2013b; RSA, 2014a; RSA, 2012b; RSA, 2012f; RSA, 2012h; RSA, 2002b; RSA, 2012a; RSA, 2005c; RSA, 2005a; RSA, 2010c; RSA, 2012e; RSA, 2011b; RSA, 2012g; RSA, 2011a; RSA, 2010d; RSA, 2010b; RSA, 2010a; RSA, 2010e; RSA, 2012c; RSA, 2006; RSA, 2003a; RSA, 2002a; RSA, 2012d; RSA, 2005b; RSA, 2003c; RSA, 2004b)

Academic employee representation also ranges between one employee, one employee per college or campus, to five employees in total. The UP, RHODES, and UCT do not make any mention of academic representation on the Institutional Forum. The same is applicable to non-academic staff representation on the Institutional Forum. The UP, RHODES, and UCT do not make any mention of non-academic representation on the IF. The rest of the Universities require between one non-academic staff member, one non-academic staff member per campus or school, to five non-academic staff members per campus or school.

The biggest difference in terms of group representation on the Institutional Forum is the level of student representation. As with the other groups represented on the IF, UNIVEN merely mentions that students should be represented on the Institutional Forum, but no number of student representation is provided. The minimum number of students at three of the Universities are one student representative; ten Universities have two student representatives; and one has three student representatives; two Universities each with four or five representatives respectively; one University with six student representative; one with eight student representatives; and two Universities with ten students in the Institutional Forum.

Only ZULULAND, UP and UJ require a staff member or student with a disability to serve on the Institutional Forum (RSA, 2012h; RSA, 2012d; RSA, 2002b; RSA, 2012a). WITS require three members on the Institutional Forum from previously marginalised groups (RSA, 2004a; RSA, 2002b); fourteen (61%) of the Universities require either one or two representatives of the convocation and eighteen (78%) of the Universities require representation from either an organised labour association or organised employer association. Finally, nine (39%) of the Universities require a member who is responsible for addressing transformation or employment equity matters at the University.

3.8.4 Conclusion on the Internal and External Governance Structures Used in South Africa

External governance structures in South Africa are founded in different forms of legislation, namely the Higher Education Act 101 of 1997 (as amended in 2012) and the National Qualifications Framework Act 67 of 2008. These Acts describe the power of the Minister of Higher Education and establish the Council for Higher Education (CHE), The Higher Education Quality Committee (HEQC) and the South African Qualifications Framework (SAQA). Where the Minister of Higher Education and Training still has the ultimate responsibility for the governance of Universities, he/she is assisted by the CHE, which provides him/her with advice on educational matters and the HEQC and SAQA, which are specifically responsible for quality assurance of qualifications.

Internal governance structures at South African Universities include the Council of the Universities, which is responsible for the governance of the University based on the Institutional Statute. The size of Council at South African Universities ranges from twenty to thirty-two members and is compiled according to the Institutional Statutes. The members of the Councils closely resemble the requirements in the Standard Institutional Statute, and only four Universities do not comply with the 60% majority independent Council members. The University Councils are mainly responsible for the strategic direction of the University and play a monitoring role in terms of compliance and risk management within the University.

Academic governance of the Universities is the responsibility of the Senates. The composition of the Senates is also contained in the Institutional Statutes of the Universities. Most of the Senates at South African Universities include a majority of academic employees with the representation of non-academic staff. The biggest difference between the Senates in South African is the size of student representation on the Senate. The minimum student representation is one student, and the maximum is ten. The duties of the Senate, who is accountable towards the Council, include quality assurance, dealing with examinations, advising Council and determining standards for proficiency and the mode of assessment to be applied in the University.

Guidance and advice on applying and interpreting the Higher Educational Policies and Procedures are the responsibilities of the Institutional Forum. To achieve their guidance and advisory responsibilities, the Institutional Forum has representatives of the Council, the Senate, the Convocation, academic and non-academic staff and students, among others. All the Universities in South Africa have established an

Institutional Forum in their Institutional Statutes, and only UNIVEN does not provide detail on the number of members, but only mention the groups that should be represented on the Council.

The internal governance structure in South African Universities therefore closely resembles the legal requirements. The composition may differ, but the required internal governance structures exist and are in place.

3.9 CHAPTER CONCLUSION

Several models exist for the external governance of Universities. These models rest on the level of state involvement in University governance. State involvement in University governance exists mainly at two levels; namely state control at the one level and state supervision at the other (see Figure 3.1 under 3.3.3.2). With state control, the state has the authority to award qualifications to individuals and to control finances of an Institution, whereas the state supervision model allows Universities to award degrees without state involvement (see 3.3.3.2). In times of crisis such as student unrest, the state can, however, change their level of involvement in governing Universities. This change in the level of the involvement is considered state interference and is not seen as a model on its own, but rather a tool for crisis management (see 3.3.3.2). The involvement of the state in South African Universities is based on the state supervision model, which includes the cooperative governance philosophy (see 3.3.3.3).

The level of state involvement in Universities in Europe, Australia, New Zealand and South African may differ in terms of the number of agencies and bodies involved, but the external governance structures are similar. The external governance in these four areas rests on the direct involvement of a Ministry, with a Minister responsible for Higher Education (see 3.4.2, 3.6.2, 3.7.2 and 3.8.2). The USA’s external governance structures are different and are not comparable to Europe, Australia, New Zealand and South Africa. The external governance of Universities in the USA resides in one or a combination of state supervisory bodies and differ from state to state (see 3.5.2).

Internal governance of Universities is based on the shared governance model (see 3.3.3), which determines that the governance of a University is shared between the Council, the Senate and other parties - such as faculties and committees. This principle of shared governance is found in most of the internal governance structures of Universities (see 3.4.3, 3.5.3, 3.6.3, 3.7.3 and 3.8.3). Internationally, the internal governance structure of Universities consists of a governing body, called a Council or Board with an academic Governing Board, called a Senate as well as standing committees of the Council. The composition, and size, of these bodies, differ from country to country and even within a country, such as South Africa (see 3.4.3 3.5.3, 3.6.3, 3.7.3 and 3.8.3.1). Australia and New Zealand's Ministries, however, believe the smaller Council sizes are more efficient and effective for decision-making and management (see 3.6.3 and 3.7.3)

The second internal governance body that is found in Universities is the Senate, also called the Academic Body, Academic Senate or Academic Council. The Senates have the responsibility for academic quality in most countries. The size of the Senates also differs between countries (see 3.5.3., 3.6.3, 3.7.3 and 3.8.3.2).

The existence of standing Council Committees is also found in international internal governance structures. Audit and Risk Committees are found at South African Universities, MIT, and Australian Universities (see 3.8.3.1, 3.5.3.4 and 3.6.3). Several other committees dealing with Compliance and Risk management are also found at other Universities (see 3.5.3.2, 3.5.3.3). Nominations Committees also exist and assist the Council in identifying individuals with skills and knowledge to appoint as Council members (3.5.3.4, 3.6.3 and 3.8.3). Other committees such as Capital Renewal Committees, Information Technology Committees, and Finance Committees are also found throughout the world (see 3.5.3.3, 3.6.3 and 3.8.3.1).

The disclosure of internal governance practices in the United States leaves much to be desired. Because of the absence of a single document that regulates disclosure in European Countries (see 3.4.3), the USA (see 3.5.3 and 3.5.4) and Australia (3.6.3), the commitment of these Countries to the disclosure of corporate governance principles of transparency, accountability, and responsibility in their Annual Reports may be questioned. Information gathered regarding the governance structures of USA Universities proved to be especially difficult (see 3.5.4). The

Annual Reports of Harvard University, Stanford University, MIT and the University of California Berkeley, therefore make a limited contribution towards establishing international best practices in terms of the disclosure of application of corporate governance principles. The strong involvement of the Alumni in the governance of Harvard University and MIT may explain why these institutions remain so successful despite limited application of other corporate governance principles. The disclosures about the internal governance structures of Harvard University (3.5.3.1), Stanford University (3.5.3.2), the California University Berkeley (3.5.3.3) and MIT (3.5.3.4) were all used in developing the framework (see Chapter 4).

CHAPTER 4 – THE DEVELOPMENT OF A FRAMEWORK AND THE EMPIRICAL RESULTS

4.1 INTRODUCTION

Chapters 2 and 3, respectively, provided a literature background on the development of corporate governance and the internal and external governance structures found at Universities in different parts of the world. These two Chapters allowed for developing the framework used for determining the South African Universities' disclosure application of corporate governance principles. Chapter 4 contains a discussion on the limitations experienced with collecting and analysing data (see 4.2). It provides further information on the development (see 4.3) and the adjustment of the framework for corporate governance disclosure recommendations found in the King IV Report (see 4.3.2) and international best practices (see 4.3.3). General information from the Annual Reports, such as state subsidies, class fees and student debt, (see 4.4) are briefly discussed as background to provide further context on South African Universities. The results of the analysis of the Annual Reports of the Universities' against the framework are discussed in the penultimate section (see 4.5).

4.2 LIMITATIONS AND PRACTICAL PROBLEMS REGARDING THE EMPIRICAL STUDY

In considering international best practices, regarding corporate governance disclosures by Universities in the United States of America under the top ten international Universities (see Table 1.1 under 1.5.6.2), the Annual Reports of Stanford University, Harvard University, the Massachusetts Institute of Technology (MIT), the University of Chicago, the University of Berkeley, Princeton University, the University of California Berkeley and Yale, contain only audited Financial Statements. Detail on the composition of governing bodies, and how they discharge their functions, could be obtained only from the Universities' websites. The subcommittees and their responsibilities and duties are also not included in the

Annual Reports of the Universities in the United States of America. Websites were scrutinised to obtain the required information, but merely limited information on the activities of some of the subcommittees is available on the individual websites (see also 3.5.3.1 to 3.5.3.4).

The empirical study contained in this chapter rests mainly on the analysis of the Annual Reports of Universities, which the Universities send to the Minister of Higher Education and Training. The Regulations for Reporting by Public Higher Education Institutions of 2014 (hereafter called the Reporting Regulations), require these Annual Reports to be submitted to the Department of Higher Education and Training (DHET) by the 30th of June every year (RSA, 2014c). As the information contained in the Annual Reports are considered to be public information, the expectation existed that the Annual Reports for the five years 2011 to 2015 should either be available on the individual websites of the Universities, or easily accessible through inquiries to the Universities (see also 1.7), which did not prove to be successful. Assistance was obtained from a prominent Auditor in Bloemfontein, who also struggled to receive the Annual Reports from the Universities.

Several obstacles were experienced in collecting the Annual Reports from South African Universities, as described below:

1. Given that 36% of the Universities' Annual Reports could not be found on their websites, additional avenues had to be followed to obtain the required information.
2. Upon telephonic inquiries to obtain the Annual Reports, some of the Universities' staff members did not understand what was required when copies of the Annual Report was requested. It came to light that Universities have different names for Annual Reports. Some Universities call the Report the Annual Financial Statements (WSU), the Annual Report (UL, CUT and UWC), the Consolidated Financial Statements (US) and others call the Annual Report the Annual Report of the Vice-Chancellor (UCT) or even an Integrated Report (UFS). This difference in terminology made it difficult to acquire the information, although the Reporting Regulations explain what the Annual Report is and what the content of the Annual Report should be (RSA, 2014c).

3. Several written and telephonic requests for access to the Annual Report were made to Universities. Initial contact was made with the offices of the Chief Financial Officers (CFO) to request the Annual Reports. Some of the CFO offices indicated that they are not responsible for compiling the Annual Reports, and the office of the Registrar should be contacted. Upon contacting the Registrars' Offices, a similar response was received, and feedback regarding the responsible person or persons were promised. Few responses were received even upon follow-up conversations and written requests.
4. After contacting the offices of the Registrars, the Department of Higher Education and Training (DHET) was contacted to request information that could not be obtained from some of the Universities. During the conversation with the staff of the DHET in September 2016, it was found that several Annual Reports were still outstanding, despite the requirements to submit the Annual Reports by 30 June. The DHET further indicated that they were not allowed to share the Annual Reports of the Universities and that the information should be available on the Universities' websites (refer to point 1 above).
5. Finally, the offices of the Vice-Chancellors were contacted to request the Annual Reports that were still outstanding. Most of the Vice-Chancellors' offices indicated that written requests, by the student, were needed to obtain the information. Written requests were sent, but the feedback on the requests was slow, sporadic and inconsistent.
6. The Institutional Research Committee of the University of Pretoria turned the request for the information down, on the grounds that the Annual Reports of the University was not *"available to individuals"*.
7. The following Annual Reports could not be acquired:
    a. Mangosuthu University of Technology 2014;
    b. University of Fort Hare 2013;
    c. University of Limpopo 2015;
    d. University of Pretoria 2015;
    e. University of Venda 2012; and
    f. University of Zululand 2011;

Because of the absence of the six Annual Reports above, only 113 Annual Reports were used during the empirical analysis in section 4.5. The averages calculated for the discussion in section 4.5 were thus not the complete population of 119 Annual Reports but on the available 113 Annual Reports.

8. Some of the Annual Reports received, provided additional limitations towards the analysis of the Annual Reports in terms of the framework. These limitations were as follows:
   a. Walter Sisulu University was placed under administration in 2011. Because of the administration, the Council was disbanded, and the Annual Reports of 2011, 2012 and 2013 included reports from the Administrator and not the detail as required by the Reporting Regulations (RSA, 2014c). The 2013 report of Walter Sisulu University contained only the Financial Statements of the University and no other information that must be included in terms of the regulations.
   b. The 2013 Annual Report of the University of Zululand is incomplete as it was *"restructured for relevance"* (ZULULAND, 2013: 1). What this restructuring entails is unclear as no further comments are made in the Annual Report on this issue.
   c. The Annual Reports of the University of Limpopo for the years 2011 to 2014 include only the Statement of Financial Position, Statement on Comprehensive Income and Cash Flow Statements. The detail notes on the Financial Statements are not disclosed in the Annual Reports. Information on student debts, provisions for bad debts and the disclosures of remuneration could not be determined for this University.
   d. The Annual Report for 2014 of the Nelson Mandela Metropolitan University makes reference to two Appendices that contain information on the composition, and attendance, of the Council members. The two Appendices referred to was not included in the Annual Reports of 2014 and the composition, and attendance, of the Council members, could not be determined.
   e. The Central University of Technology publishes its Annual Report on their website. The Annual Reports for this University do not include the Audited Financial Statements. The Audited Financial Statements, are,

however, published separately on the website. The 2011 Financial Statements for this University were incomplete and the financial information for that financial year, such as remuneration disclosures and student debts, could not be determined.

f. The Annual Report of the Tshwane University of Technology for 2011 did not contain the complete Audited Financial Statements. Information such as remuneration disclosures and student debts could not be determined.
g. The Annual Report of the University of Fort Hare for 2011 did not contain the complete Audited Financial Statements. Information such as remuneration disclosures and student debts could not be determined.
h. The University of Venda issued two different Annual Reports in 2011. The content of these reports differed. Both reports were used to analyse the University's compliance with the framework. The 2013 Annual Report of this University did not contain notes to the Financial Statements. Information such as remuneration disclosures and student debts could not be determined.
i. The Annual Report of the University of the Witwatersrand, for the 2012 financial year, included only the total remuneration of senior and top management, and not per individual, as required by the Reporting Regulations (RSA, 2014c).
j. The University of Pretoria issued Annual Review documents for the 2011 to 2013 financial years, which is available to the public (see number 6 above). These Annual Review documents included messages from the Chancellor and Vice-Chancellor, the Vice-Chancellor's Report, reports on Teaching and Learning, Postgraduate Education, International Collaborations and Campus Developments. Overviews of faculty achievement and student life are provided along with an abbreviated version of the Financial Statements. Information such as remuneration disclosures and student debts could not be determined (refer to point 6 above).

The limitations mentioned above influence the individual Universities' average scores. It further has an influence on the national averages and should be kept in mind during the interpretation of the results.

4.3 FRAMEWORK FOR CORPORATE GOVERNANCE COMPLIANCE OF SOUTH AFRICAN UNIVERSITIES

4.3.1 Introduction

The framework for analysing the disclosure of application of corporate governance principles of South African Universities was developed based on the Reporting Regulations (refer to Appendix A), the King III Report of Governance (refer to 2.3.4.3), the King IV Report on Governance (refer to 2.3.4.4), international literature and the Financial Statements of the top ten international Universities (see Table 1.1 under 1.5.6.2). To develop the framework, the 2014 Reporting Regulations were used as a basis (RSA, 2014c). The Reporting Regulations were summarised in a list format (see Appendix A). This list was then compared to the recommendations of the King III Report on Governance (see Appendix A) to ensure the list complies with the principles as set out in the King III Report (see 2.3.4.3). No additions were made to the list as the list was found to be complete in terms of the King III Report, which formed the basis of the framework under the heading SA (see page 218).

Subsequently, the King IV Report (see 2.3.4.4) was used to update the above-mentioned list under the heading KING IV (see page 2017 and 4.3.2) (RSA, 2014c). The principles in the King IV Report were compared to the list consisting of the Reporting Regulations (which include disclosures in terms of King III) (see Appendix A) and updated. Finally, the Financial Statements of the top ten international Universities (see Table 1.1 under 1.5.6.2) were compared to the list mentioned above, and any governance disclosures included therein were added under the heading INTERNATIONAL (see page 218 and 4.3.3).

This list was divided into the same categories for reporting as contained in the Reporting Regulations (RSA, 2014c). The twenty-four categories used in the framework, as well as the analysis of the Annual Reports, are:

1. Minimum content that Universities should include in the Annual Reports (see Appendix A, 4.3.2.1, 4.3.3.2 and 4.5.2);
2. Performance Assessment (see Appendix A, 4.3.3.2 and 4.5.3);
3. Report of the Chairperson of the Council (see Appendix A, 4.3.2.3, 4.3.3.3 and 4.5.4);
4. Statement of governance (see Appendix A, 4.3.3.4 and 4.5.5);
5. General disclosure aspects in terms of Council (see Appendix A, 4.3.2.4 and 4.5.6);
6. Composition and functions of the Council (see Appendix A, 4.3.2.5, 4.3.3.5 and 4.5.7);
7. Remuneration Committee composition and functions (see Appendix A, 4.3.2.6, 4.3.3.6 and 4.5.8);
8. Finance Committee composition and functions (see Appendix A, 4.3.2.7, 4.3.3.6 and 4.5.9);
9. Planning and Resource Committee composition and functions (see Appendix A, 4.3.2.8, 4.3.3.8 and 4.5.10);
10. Council Membership Committee composition and functions (see Appendix A, 4.3.2.9, 4.3.3.9 and 4.5.11);
11. Audit Committee composition and functions (see Appendix A, 4.3.2.10, 4.3.3.10 and 4.5.12);
12. Risk Committee composition and functions (see Appendix A, 4.3.3.11 and 4.5.13);
13. Governance of Information Technology (ITa – see list of abbreviations) (see Appendix A, 4.3.2.11 and 4.5.14);
14. Conflict Management (see Appendix A and 4.5.15);
15. Stakeholder Relationships (worker and student participation) (see Appendix A, 4.3.2.12 and 4.5.16);
16. Code of Ethics (see Appendix A and 4.5.17);
17. Council statement on sustainability (see Appendix A and 4.5.18);
18. Report of the Senate to Council (see Appendix A, 4.3.3.14 and 4.5.19);
19. Report of the Institutional Forum (see Appendix A and 4.5.20);
20. Vice-Chancellor Report on administration and management (see Appendix A and 4.5.21);

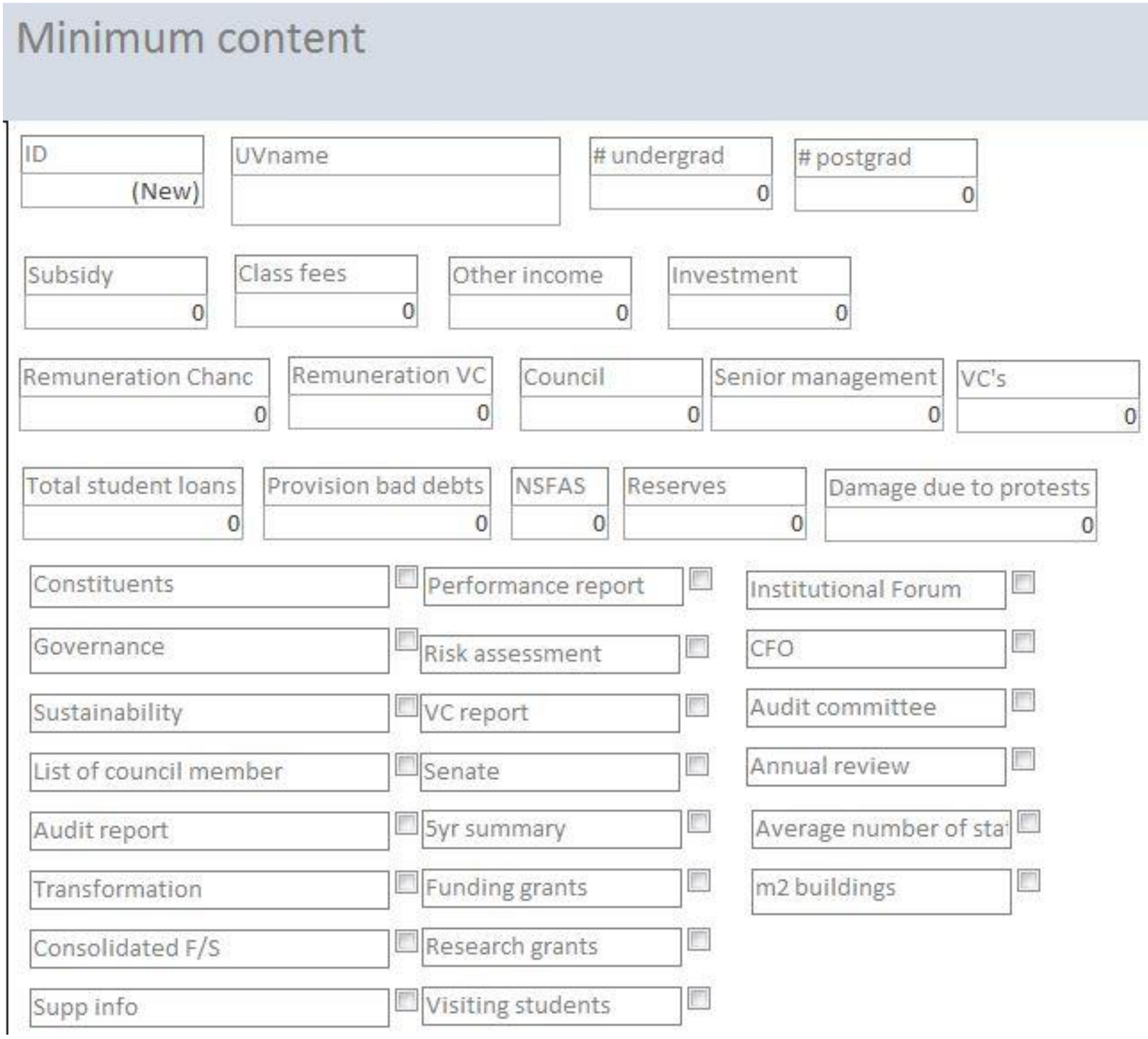
21. Report on internal administrational structures and controls (System of Internal control) (see Appendix A and 4.5.22);
22. Report on the assessment of the exposure to risk and the management thereof (see Appendix A, 4.3.2.13, 4.3.3.15 and 4.5.23);
23. The statement of the Chief Financial Officer (CFO) and the Chairperson of the Finance Committee of the Council on the Annual Financial Review (see Appendix A and 4.5.24); and
24. Report on Transformation (see Appendix A and 4.5.25).

Each of the disclosure aspects on the final list of the framework was then awarded one point. Three totals were calculated for each of the twenty-four categories identified above as follows:

- Total 1: Aspects from the Reporting Regulations (including the disclosures and aspects from the King III Report) from 2014 only (referred to as SA);
- Total 2: Aspects added to the Reporting Regulations in terms of the final King IV Report (referred to as KING IV). As the implementation date of the King IV is only 1 April 2017, the scores for this section of the framework were calculated based only on the additional King IV recommendations. This score, therefore, serves as a *"bonus"* for Universities who have been proactive in the disclosure of their corporate governance compliance in terms of King IV (see 2.3.4.4);
- Total 3: Aspects from the Reporting Regulations from 2014 and international best practices additions (referred to as INT).

Each of these totals was then converted to a score out of 10.00 to make the comparison and discussion between different Universities easier. To make capturing the information contained in the Annual Report of the Universities easier, the disclosure list as described above was incorporated into a Microsoft Access Database, which allowed for the design of forms to further assist in capturing the data. The forms were designed with one of two fields. Either a numbers field, where numerical information such as number of students, total of subsidies, etc. was added or a *"Yes/No"* field, which was used to indicate whether an aspect was disclosed or not. The *"Yes/No"* field was indicated on the form as a tick box. Once the box was ticked, the database captured the word *"TRUE*". If a box was left unchecked, the database captured the word *"FALSE".* Refer to Figure 4.1 below for an example of the form used to capture information on the minimum content required to be included in the Annual Reports of Universities and which include all three categories namely SA, KING IV and INTERNATIONAL.

FIGURE 4.1 Example of form used to capture minimum content to be included in Annual Reports



Minimum content

ID (New)
UVname
undergrad 0
postgrad 0

Subsidy 0
Class fees 0
Other income 0
Investment 0

Remuneration Chanc 0
Remuneration VC 0
Council 0
Senior management 0
VC's 0

Total student loans 0
Provision bad debts 0
NSFAS 0
Reserves 0
Damage due to protests 0

Constituents
Performance report
Institutional Forum
Governance
Risk assessment
CFO
Sustainability
VC report
Audit committee
List of council member
Senate
Annual review
Audit report
5yr summary
Average number of sta
Transformation
Funding grants
m2 buildings
Consolidated F/S
Research grants
Supp info
Visiting students

EXPLANATION OF ITEMS IN FIGURE 4.1

Data Field	Explanation	Data Field	Explanation
ID	This field is automatically completed by the Microsoft Access Database as each new Annual Report is analysed.	***UVname***	This field contains the abbreviated name and year of the specific University's Annual Report being analysed for example CPUT2011.
# *undergrad*	Number of undergraduate students disclosed in the Annual Report.	**# *postgrad***	Number of postgraduate students disclosed in the Annual Report.
Subsidy	Rand amount of State Subsidies received as disclosed in the Statement of Comprehensive Income in the Annual Report.	***Class fees***	Rand amount of class fees received as disclosed in the Statement of Comprehensive Income in the Annual Report.
Other income	Rand amount of other income received as disclosed in the Statement of Comprehensive Income in Annual Report.	***Investment***	Rand amount of Investment income received as disclosed in the Statement of Comprehensive Income in Annual Report.
Remuneration Chanc	Rand amount of remuneration paid to the Chancellor as disclosed in the Annual Report.	***Remuneration VC***	Rand amount of remuneration paid to the Vice-Chancellor as disclosed in the Annual Report.
Council	Total Rand amount of remuneration paid to the Council member (if any) as disclosed in the Annual Report.	***Senior Management***	Average Rand amount of remuneration paid to the Senior Management as disclosed in the Annual Report. To make this amount comparable between the Universities, the average remuneration was calculated. This was necessary as the number of senior management positions differs between Universities and the total amounts would not be comparable.
VC's	Average Rand amount of remuneration paid to the Deputy Vice-Chancellors as disclosed in the Annual Report. To make this amount comparable between the Universities, the average remuneration was calculated. This was necessary as the number of Deputy Vice-Chancellor positions differs between Universities and the total amounts would not be comparable.	***Total student loans***	Rand amount of total student loans as disclosed in the Annual Reports.
Provision for bad debts	Rand amount of the provision for bad debts (allowance for credit losses), in terms of student debts, as disclosed in the Annual Report..	***NSFAS***	Rand amount of NSFAS funds received as disclosed in the Annual Report.

Data Field	Explanation	***Data Field***	Explanation
Reserves	Rand amount of Reserves as disclosed in the Statement of Changes in Funds as disclosed in the Annual Report.	***Damage due to Protests***	Rand amount for damages in terms of student and other protests for the current year, as disclosed in the Annual Report.
Constituents	Council membership disclosures include a description of the constituents that each Council member represent in terms of the Reporting Regulations (see Appendix A) (RSA, 2014c).	***Performance report***	The Required Performance Report is included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).
Institutional Forum	The Institutional Forum Report is included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).	***Governance***	The Council Statement on governance is included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).
Risk assessment	The report on the assessment of and exposure to risk and the management thereof is included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).	***CFO***	The statement of the Chief Financial Officer and the Chairperson of the Finance Committee of the Council is included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).
Sustainability	The Council statement on sustainability is included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).	***VC Report***	The Vice-Chancellor's report on administration and management is included in the report in terms of the Reporting Regulations (see 2.3.4.5).
Audit Committee	Audit committee and related disclosures are included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).	***List of council members***	The list of Council members is included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).
Senate	The report from Senate to the Council is included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).	***Annual Review***	An annual review in terms of international best practices is included in the Annual Report (see 4.3.3.2).
Audit Report	The Audit Report is included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).	***5yr summary***	A five-year summary on the financial information is included in terms of international best practices (see 4.3.3.2).
Average number of sta[15]	The average number of staff employed by the University is included in terms of international best practices (see 4.3.3.2).	***Transformation***	The Council statement on Transformation is included in the Annual Report in terms of the Reporting Regulations (see 2.3.4.5).
Funding grants	All funding grants received from different sources is disclosed in the Annual Report	***m2 building***	The total square meters of building the University owns is disclosed in terms of

[15] Please note, the field on the form was too small to include the complete last word. The field therefore refers to Average number of staff.

	in terms of international best practices.		international best practices (see 2.3.4.5).
Consolidated F/S	The Consolidated Financial Statements is included in the Annual Report see in terms of the Reporting Regulations (2.3.4.5).	***Research grants***	Research grants are disclosed separately in terms of international best practices (see 2.3.4.5).
Supp info	Supplementary information is included in the Annual Report see in terms of the Reporting Regulations (2.3.4.5).	***Visiting students***	Total number of visiting students is disclosed in the Annual Report in terms of the international best practices (see 2.3.4.5).

As the Reporting Regulations are open to interpretation, care was taken to award points, even if the Universities did not provide the information in the category as required by the Reporting Regulations (RSA, 2014c). An example of this is where the duties, and functions, of the Audit Committee, are not disclosed in the Annual Reports, under the heading *"Audit Committee",* but is included in either the Report from the Chairperson of the Council or the Council Statement of governance. Although the disclosures, in this case, did not fall under the correct heading, the disclosures were made, and the points were awarded under the Audit Committee portion of the framework.

To ensure the quality and completeness of the created forms, the forms were printed and compared to an electronic copy of the final list of the framework (as described above). Care was taken that all items on the final list were included in one of the created forms. To test the accuracy of the forms, a set of five Annual Reports were analysed by using both the forms and the electronic list, in order to ensure that the same results were yielded. The framework further contains control totals, under each category and subsection, to ensure that the total scores achieved by each University for the five years under review do not exceed the maximum number of points available for each subsection. The results of the framework were also double-checked. This was done by comparing the points awarded to each University in each year (see below) to the related Annual Reports after all 113 Annual Reports were analysed.

After capturing the information, the Microsoft Access Database was exported to a Microsoft Excel Spreadsheet, where all the fields containing the word *"TRUE",* were converted to display the number 1, and all the fields containing the word *"FALSE",* were converted to display the number zero (0). This converted data were then used to calculate the scores, under the twenty-four categories as described above (see page 216). The results of this analysis can be found in section 4.5 below.

Section 4.3.2 discusses the additions made to the framework in terms of the King IV Report. Section 4.3.3 discusses the additions that were made to the framework based on the analysis of the top ten international Universities (see Table 1.1 under 1.5.6.2).

Not all the categories in the framework contain additions from both the King IV and international best practices. Some categories only have additions from either the King IV or international best practices, and some categories have no additions from either the King IV or international best practices.

4.3.2 King IV additions to disclosure framework

As described in 4.3.1 above, the Reporting Regulations (which include the disclosures in terms of the King III Report – see page 216) (see Appendix A) (RSA, 2014c), were also adjusted for principles and disclosure recommendations from the King IV Report (RSA, 2014a; IOD, 2016b; IOD, 2016a). Although the King IV Report is based on principles, there is no clear guidance concerning the application of the principles in the Higher Education Sector. The general principles were therefore used to expand the framework for the Higher Education Sector in South Africa. Whenever the terms *"entity" or "organisation"* are used in the discussion below, it can be assumed that, in the case of a University, the term refers to the University itself. Where the general term *"governing body*" is used, it can be assumed that it relates to the Council of a University. As mentioned under section 1.5.6.2, when the term *"should"* is used in King IV, the developed framework and the discussion of the empirical result is defined as *"an aspiration or ideal state"* that indicates a recommended course of action *"without mentioning or excluding other possibilities"* (IOD, 2016a: 17).

The analysis and reconciliation of the King IV Report principles to King III and the Reporting Regulations (see Appendix B), warranted changes to the following categories of the framework (RSA, 2014c; IOD, 2016b; IOD, 2016a):

1. Minimum content that Universities should include in the Annual Reports (see 4.3.2.1);
2. Performance Assessment (see 4.3.2.2);
3. Report of the Chairperson of the Council (see 4.3.2.3);
4. General disclosure aspects in terms of Council (see 4.3.2.4);
5. Composition and functions of the Council (see 4.3.2.5);
6. Remuneration Committee composition and functions (see 4.3.2.6);
7. Finance Committee composition and functions (see 4.3.2.7);
8. Planning and Resource Committee composition and functions (see 4.3.2.8);
9. Council Membership Committee composition and functions (see 4.3.2.9);
10. Audit Committee composition and functions (see 4.3.2.10);
11. Governance of Information Technology (ITa) (see 4.3.2.11);
12. Stakeholder Relationships (worker and student participation) (see 4.3.2.12); and
13. Report on the assessment of the exposure to risk and the management thereof (see 4.3.2.13).

The additions to the framework, based on the King IV Report, are briefly discussed below.

4.3.2.1 Minimum content that Universities should include in the Annual Reports

The King IV principle 5 contains specific recommendations about an organisation's responsibility in making certain information is easily accessible to users and stakeholders. This principle recommends that the Integrated Report of an organisation be available on the organisation's website (IOD, 2016a: 48). Further, explanations regarding application of the King IV principles that are not included in the Integrated Report should be disclosed separately on the website (see 2.3.4.4). Additional to the Annual Financial Statements being available on the website, any other external reports should be on the organisation's website as well, to make the information easily accessible to stakeholders (IOD, 2016a: 48). Although the availability of the Integrated Reports, Annual Financial Statements, and other external reports, technically cannot be seen as minimum content, to be included in the Annual Reports of Universities, the publication recommendations were added to the Minimum Content category of the framework.

4.3.2.2 Performance Assessment

Principle 3 of the King IV Report recommends that the governing body, as part of their duties, takes responsibility for managing the performance of the organisation in terms of Corporate Citizenship, any law, leading standards and the entity's own codes and policies (IOD, 2016a: 45–46). Principle 3 further recommends specific disclosures on Corporate Citizenship. The management structures and the entity's performance in terms of Corporate Citizenship should be disclosed in the Integrated Report (IOD, 2016a: 45–46). The processes of managing Corporate Citizenship, along with the structures used for the management of the Corporate Citizenship, should also be disclosed (see also 4.3.2.4 below). As the Reporting Regulations (see Appendix A) (RSA, 2014c) specifically require the disclosure of performance, and the assessment of the University's performance (not individual staff performance), these aspects were included under the category Performance Assessment.

4.3.2.3 Report of the Chairperson of the Council

The report of the Chairperson of the Council is the category in the Annual Report where the Council acknowledges its duties and responsibilities through its Chairperson (see Appendix A) (RSA, 2014c). The duties and responsibilities of the governing body that are found in the King IV Report and are not in the Reporting Regulations were added to this category in the framework.

Principle 5 of the King IV Report contains specific disclosure recommendations about value creation and strategy of an entity (IOD, 2016a: 48). Although most of the disclosure recommendations contained in this principle are already included in the Reporting Regulations, there are some aspects not addressed in the Reporting Regulations (RSA, 2014c). As the governing body of an entity is responsible for ensuring that these disclosures are included in the Integrated Report, these aspects were included under the Report of the Chairperson of the Council.

The disclosure of strategic objectives of an entity, with both the positive and the negative outcomes of the entity's activities and strategies, need to be disclosed.

Critical dependencies, challenges, and opportunities that materially affect the entity's achievement of its core business and strategic objectives represent another disclosure recommendation in principle 5 of King IV. The connection and interdependency between the critical dependencies, challenges, and opportunities also need to be disclosed.

Principle 13 further recommends that the governing body disclose the structures and processes used by the governing body for managing compliance with laws, non-binding rules, codes and standards. Included in these disclosures should be the key focus areas of compliance management and mechanisms used for the following (IOD, 2016a: 63–64):

- Monitoring the adequacy of compliance with laws, non-binding rules, codes, and standards;
- Monitoring the effectiveness of compliance with laws, non-binding rules, codes, and standards;
- Assessing the adequacy of compliance with laws, non-binding rules, codes and standards; and
- Assessing the effectiveness of compliance with laws, non-binding rules, codes and standards.

One further disclosure recommendation in principle 4.3, is the disclosure of any material, or regular, penalties paid, sanctions implemented or fines received for contraventions of laws, non-binding rules, codes and standards (IOD, 2016: principle 4.3). These fines, penalties, and sanctions could have been imposed on either the entity itself or on any member of the governing body.

4.3.2.4 General disclosure aspects in terms of Council

Principle 1 of the King IV Report recommends that the members of the governing body demonstrate ethical characteristics in performing their duties (IOD, 2016a: 43–44). These ethical characteristics include inclusivity, competence, diligence, the duty to be informed and to act with courage (IOD, 2016a: 43–44). The governing body should further disclose, in the Integrated Report, their commitment to these characteristics and the mechanisms they use to hold themselves accountable. The disclosure of Council members of Universities' commitment to these characteristics was included in the framework under the general disclosures of the Council of the University where the framework deals with the Universities' commitment to the other characteristics of governance, namely: discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

4.3.2.5 Composition and functions of the Council

Significant additions were made to this category of the framework. Throughout the King IV Report, specific disclosure recommendations are found, which relate to the composition, functions, and responsibilities of the governing body of an entity. A brief discussion of all the aspects added is found below.

Principle 2 of the King IV Report deals specifically with the governing body's responsibility about Ethics management (IOD, 2016a: 44–45). The responsibility for managing Ethics resides in the governing body, and this body should, therefore, have an Ethics Policy in place. This Ethics Policy should deal with the entity's relationship with internal and external stakeholders, who includes the supply chain of the entity and should be linked to specific ethical risks in the risk profile of the entity (IOD, 2016a: 44–45). The governing body is responsible for ensuring that the necessary structures and processes are in place to manage the Ethics and corresponding risks of the entity (IOD, 2016a: 44–45).

Ethics management further includes the responsibility of the governing body to ensure that a Code of Ethics exists (IOD, 2016a: 44–45). This Code of Ethics should include the responsibility of the governing body to ensure that employees, business associates, contractors, and suppliers apply the code. The code should further oversee norms about recruitment, performance evaluations, and promotions. Following the disclosure of the duties and functions of the Council of a University (see Appendix A) (RSA, 2014c), the above-mentioned responsibility for Ethics management and the existence of the Code of Ethics, should be acknowledged by the Council in the Annual Report (IOD, 2016a: 44–45). Principle 2 further recommends specific disclosure of the key areas of focus in terms of Ethics management of an entity, and the mechanisms for assessing and monitoring the adequacy and effectiveness of the Ethics Management System of an entity (IOD, 2016a: 44–45).

Principle 3 of the King IV Report deals with the responsibility of the governing body about managing the entity's Corporate Citizenship (see 4.3.2.2 above). The governing body of the entity should disclose the structures and processes they have put in place to manage Corporate Citizenship (IOD, 2016a: 45–46). With the structures and processes, the governing body should disclose the key focus areas of Corporate Citizenship for the entity (IOD, 2016a: 45–46). The disclosure should further include the mechanisms for monitoring and assessing the effectiveness and adequacy of Corporate Citizenship processes and structures (IOD, 2016a: 45–46). The entity's performance in terms of Corporate Citizenship should also be disclosed (see 4.3.2.2).

Principle 7 of the King IV Report recommends that when a governing body member is removed from office or resigns, the reasons for the removal or resignation be disclosed in the Integrated Report (IOD, 2016a: 50–53). Additionally, the principle recommends that arrangements about succession planning of governing body members also be disclosed in the Integrated Report. This principle further recommends that the qualifications, skills, and experience of the governing body members and top management be disclosed in the Integrated Report. In the case of a University, this principle will be applicable to the members of the Council and the top management of the University, which includes the Registrar.

Principle 8 of the King IV Report contains recommendations about the committees of the governing body of an entity and recommends specific disclosures about these committees (IOD, 2016a: 54–57). The disclosure in terms of principle 8, recommends that the Council disclose the skills and qualifications needed in the members of the different committees (IOD, 2016a: 54–57). It further recommends the disclosure of the mix of skills Council needs in members of the Council and committees to achieve its strategic objectives (IOD, 2016a: 54–57). These aspects were included in the category of the composition and functions of Councils of Universities as the skills and qualifications of Council and Committee members are contained under this category in the framework.

4.3.2.6 Remuneration Committee composition and functions

Remuneration governance and the disclosure thereof in the King IV Report is contained in principle 14 (IOD, 2016a: 64–67). As remuneration of governing body members should be based on performance in terms of principle 14, governing body members' performance should be disclosed. The Remuneration Committee should, therefore, ensure the remuneration of governing body members are based on their performance assessment (IOD, 2016a: 64–67).

To ensure accountability and transparency, the performance evaluations of executive management should also be disclosed. The disclosure should include the period under review; the individual or body that was responsible for the performance evaluations of executive management; an overview of the results; remedial actions taken; and comments on the effectiveness of the assessment process. Additionally, the basis for determining the remuneration of non-executive management should also be included in the Integrated Report (IOD, 2016a: 64–67). With the disclosure of the performance evolutions, the Remuneration Committee should disclose examples of how the remuneration policy can be applied under different performance scenarios (IOD, 2016a: 64–67). To be able to include this example of the different performance scenarios, the Remuneration Committee should also disclose important elements on the design of the remuneration policy. Further disclosure recommendations contained in principle 14 are the disclosure of the fair value of each executive manager's basic salary benefits, short-term incentives, payment for loss of office and any other allowances (IOD, 2016a: 64–67).

Principle 14 contains new recommendations about the disclosure of remuneration governance in the form of a Remuneration Report (IOD, 2016a: 64–67). The Remuneration Report recommends that the governing body discloses remuneration practices and information in three parts: (i) a background statement, (ii) an overview of the main provisions of the entity-wide policy on remuneration, and (iii) an Implementation Report (IOD, 2016a: 64–67). Some of the content recommended in these three reports are already included in the Reporting Regulations, and only those not contained in the Reporting Regulations are discussed below (RSA, 2014c; IOD, 2016a: 64–67).

The background statement to the Remuneration Report should include context and considerations on both internal and external factors, which may influence the remuneration of the entity (IOD, 2016a: 64–67). Details on what these internal and external factors may be were not included in the King IV Report (IOD, 2016a: 64–67). In a Higher Education context, it may include, for example, the financial impact of the #FeesMustFall campaigns of 2015 and 2016 (see 1.1) that may affect the remuneration policies and practices of the University. Context and consideration about significant changes to the remuneration policy over the past financial year should also be included in the background statement (IOD, 2016a: 64–67).

The level at which the remuneration policy achieved its objectives, as well as the influence of future consideration on the policy, concludes the information that should be included in the background statement of the Remuneration Report (IOD, 2016a: 64–67). The overview of the main provisions of the remuneration policy about the remuneration of executive management as well as the *"high-level"* principles used to indicate how remuneration is determined for employees, other than executive management (IOD, 2016a: 64–67), needs to be disclosed. The high level overview of the remuneration policy should include the elements and design principles used to determine remuneration (IOD, 2016a: 64–67). A statement should be made on how fairness and responsibility, in the context of overall employee remuneration, was considered in determining the remuneration of the executive managers and members of the governing body (IOD, 2016a: 64–67). If benchmarks are used in the remuneration policy, the justification for these benchmarks should be provided. Finally, a link should be provided to the entity's website, where the complete remuneration policy can be accessed (IOD, 2016a: 64–67).

Any awards that were realised and paid to the executive managers and members of the governing body, as well as the link between performance and remuneration, should be clearly disclosed. If the entity made use of remuneration consultants, the fact should also be disclosed in the Integrated Report (IOD, 2016a: 64–67).

All the aspects mentioned in this section were added to the framework under the heading KING IV.

4.3.2.7 Finance Committee composition and functions

Principle 8 of the King IV Report specifically recommends the composition of all the committees of the governing body be disclosed. The Reporting Regulations does not specifically recommend the composition of the Finance Committee to be disclosed (IOD, 2016a: 54–57). Principle 8 further recommends that the Committee discloses the use of external advisors (see also 4.3.2.8, 4.3.2.9 and 4.3.3.10) (IOD, 2016a: 54–57). All the aspects mentioned in this section were added to the framework under the heading KING IV.

4.3.2.8 Planning and Resource Committee composition and functions

Principle 8 of the King IV Report specifically recommends the composition of all the committees of the governing body to be disclosed (IOD, 2016a: 54–57). Principle 8 further recommends that the Committee discloses the use of external advisors (see also 4.3.2.7, 4.3.2.9 and 4.2.3.10) (IOD, 2016a: 54–57). All the aspects mentioned in this section were added to the framework under the heading KING IV.

4.3.2.9 Council Membership Committee composition and functions

Principle 8 of the King IV Report specifically recommends the composition of all the committees of the governing body be disclosed. Principle 8 further recommends that the Committee discloses the use of external advisors (see also 4.3.2.7 to 4.3.2.9 and 4.3.2.10) (IOD, 2016a: 54–57). All the aspects mentioned in this section were added to the framework under the heading KING IV.

4.3.2.10 Audit Committee composition and functions

Principle 8, paragraphs 51 to 59, of the King IV Report, contains specific guidance on the composition, duties, functions and recommended disclosures of Audit Committees (IOD, 2016a: 54–57). Audit partner rotation was identified as an additional disclosure recommendation that was not included in the Reporting Regulations (IOD, 2016a: 54–57). Further disclosure recommendations in this principle are the disclosure of any additional assurance reports, other than the assurance on the Financial Statements, which the Audit Committee has requested. The information on the work that was performed by assurance providers, on the additional assurance reports, as well as the assurance conclusions reached by these assurance providers, need to be disclosed by the Audit Committee (IOD, 2016a: 54–57). All the aspects mentioned in this section were added to the framework under the heading KING IV.

4.3.2.11 Governance of Information Technology (ITa)

The Reporting Regulations do not require a University to have an ITa Committee, but to disclose the University's governance in terms of ITa. The King IV, however, recommends the existence of an ITa Committee. Principle 8 of the King IV Report further recommends that the composition of all the committees of the governing body be disclosed. Principle 8 further recommends that this Committee discloses the use of external advisers (IOD, 2016a: 54–57). Principle 12 of the King IV Report further recommends that the ITa Committee disclose key focus areas in terms of ITa management of the entity (see also 4.3.2.7 to 4.3.2.9). All the aspects mentioned in this section were added to the framework under the heading KING IV.

4.3.2.12 Stakeholder relationships (worker and student participation)

Worker and student participation were linked to principles 16 and 17 in the King IV Report, which deals with stakeholders and stakeholder relationships (IOD, 2016a: 71–73). These principles recommend that communication channels, both digital and other platforms, should be disclosed in the Integrated Report (IOD, 2016a: 71–73). The standards and processes the entity use to develop communication content should also be disclosed in the Integrated Report (IOD, 2016a: 71–73). The systematic gathering and assessment of information about reputational risks should be assessed, and the development of the appropriate response to reputational risk should be disclosed to stakeholders (IOD, 2016a: 71–73). The entity's plan for addressing communication to stakeholders in crisis situations needs to be disclosed (IOD, 2016a: 71–73). Key focus areas about stakeholder relationships with the structures and the processes used in stakeholder relationships should be included in the Integrated Report of an entity. Finally, the mechanisms to monitor, and assess, the quality of stakeholder relationships should be included in the Integrated Report disclosures (IOD, 2016a: 71–73). All the aspects mentioned in this section were added to the framework under the heading KING IV.

4.3.2.13 Report on the assessment of and the exposure to risk and the management thereof

The Reporting Regulations cover risk management quite extensively. The King IV Report, however, includes some principles and disclosures that are not included in the Reporting Regulations. King IV specifically recommends entities to not only address and disclose risk management in their Integrated Reports but to address and disclose opportunity management of the entity as well (IOD, 2016: principles 5.1 and 5.2). The nature and extent of the opportunities facing the entity should receive similar attention as the risks facing the entity. The entity's risk appetite should also be specifically disclosed with how the risk and opportunity appetite is communicated and embedded in the daily decision-making, activities, and culture of the entity in both the medium- and long term. Key focus areas of risk and opportunity management should also be included in the Integrated Report. All the aspects mentioned in this section were added to the framework under the heading KING IV.

4.3.2.14 Conclusion on King IV Additions to Disclosure Framework

Although the Reporting Regulations of South Africa, which include the principles of King III, are fairly comprehensive in terms of corporate governance principles, the King IV Report does contain additional corporate governance principles concerning what needs to be disclosed. The additional items that need to be disclosed are discussed above (see 4.3.2.1 to 4.3.2.14) and resulted in the addition of 140 items to the framework (see 4.5).

4.3.3 International additions to disclosure framework

4.3.3.1 Introduction

The framework for disclosures of corporate governance principles, as developed in 4.3.1 and 4.3.2, was used as a basis for the adjustment in terms of international best practices. The Financial Statements of the top ten international Universities (see Table 1.1 in 1.5.6.2) were analysed to identify disclosures on corporate governance, which do not form part of the disclosures in terms of South African Reporting Regulations (see Appendix A) (RSA, 2014c) and the King IV Report (IOD, 2016a). These additional corporate governance disclosures are discussed below and were included in the framework on which the results in section 4.5 are based.

The Universities based in the United States of America included only the Audited Financial Statements, the Audit Report and the five-year summary in their Annual Reports (see 4.3.3.2). No additional corporate governance disclosures were identified in the Annual Reports of these Universities. The majority of the information added about the international best practices was found in the Annual Reports of Oxford and Cambridge Universities in the United Kingdom. Based on the analysis of the top ten Universities' Annual Reports, the following categories of the framework were adjusted to reflect the international best practices:

1. Minimum content that Universities should include in the Annual Reports;
2. Report of the Chairperson of the Council;
3. Statement on governance;
4. Composition and functions of the Council;
5. Remuneration Committee composition and functions;
6. Finance Committee composition and functions;
7. Planning and Resource Committee composition and functions;
8. Council Membership Committee composition and functions;
9. Audit Committee composition and functions;
10. Risk Committee composition and functions;
11. Governance of Information Technology;
12. Council statement on sustainability;
13. Report of the Senate to Council; and
14. The Report on the assessment of and the exposure to risk and the management thereof.

4.3.3.2 Minimum content that Universities should include in the Annual Reports

The Financial Statements of Harvard University, Stanford University, the University of California Berkeley, Princeton University, the University of Chicago and Oxford University, all include a five-year financial summary in the audited Financial Statements (The University of Chicago, 2012; The University of Chicago, 2013; The University of Chicago, 2014; University of California Berkeley, 2013; University of California Berkeley, 2014b; University of California Berkeley, 2012; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012; Harvard

University, 2012; Harvard University, 2013; Harvard University, 2014; Harvard University, 2015; Harvard University, 2016e; Princeton University, 2013). This five-year summary includes information on the sources of income, commentary on the assets and cash flow of the University and the number of students registered for both undergraduate and postgraduate studies. Visiting students, average staff and the square meters of buildings owned by the Universities are also included in these summaries. Visiting students are defined as students who are taking one or more University modules or courses, but who are not registered for a degree at the University. This will typically be an exchange student who attends courses for one semester only. Although the majority of the aspects covered in the five-year summary are also included in the Annual Reports of the South African Universities in terms of the Reporting Regulations, the five-year summary is not. South African Universities are required to disclose only the current and previous financial year's information in their Financial Statements. All the aspects discussed above are not included in the South African Reporting Regulations and were added to the framework under the heading INTERNATIONAL.

4.3.3.3 Report of the Chairperson of the Council

Commentary from the Chairperson of the Council at Oxford and Cambridge Universities includes the name of the Chancellor. With identifying the Chancellor, Oxford and Cambridge Universities include a description of the number of times the Chancellor visited the University, medals the Chancellor awarded during the year and other activities related to the University where the Chancellor was involved. If a new Chancellor was appointed during the financial year at Oxford or Cambridge Universities, a description of the process followed for his or her appointment was included in the Annual Reports. (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). The name of the Vice-Chancellor is also included in the Annual Reports by Oxford and Cambridge Universities, as is the case in South Africa. With the appointment of a new Vice-Chancellor, the process for the appointment is described in the Annual Reports of the Universities (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012).

The creation of new senior positions at Oxford and Cambridge Universities are included in the Annual Reports (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). Finally, both Oxford and Cambridge Universities include the model used for determining the costs of undergraduate education, with the process followed to regularly review these costs, in their Annual Reports (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). Not all the aspects discussed above are included in the South African Reporting Regulations and were added to the framework under the heading INTERNATIONAL.

4.3.3.4 Statement on governance

The Universities of Oxford and Cambridge included reference to the general composition and responsibilities of their Senates (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). Differences between the governance structures used by Oxford and Cambridge Universities and the governance structures required by legislation are disclosed in the Annual Reports of these two Universities (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). Not all the aspects discussed above are included in the South African Reporting Regulations and were added to the framework under the heading INTERNATIONAL.

4.3.3.5 Composition and functions of the Council

Additional to the disclosure of the process followed to appoint a new Chancellor or Vice-Chancellor (see 4.3.3.3), Cambridge and Oxford Universities include references to the statutes used for the appointment of the Chairperson and Deputy-Chairperson of the Council (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). The disclosure of the statutes used for the appointment of the Chairperson and Deputy-Chairperson are included under the functions of the Councils. The Annual Reports of Oxford and Cambridge Universities further disclose that the Council receives regular reports from their subcommittees. These regular reports are received from committees such as the Remuneration Committee, Finance Committee, Risk Committee, Council Membership Committee, Audit Committee and regular reports from the Internal Audit Department (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). Both Cambridge and Oxford Universities have an additional subcommittee of the Council, called the Investment Committee. This Committee is responsible for managing investments of the University to ensure sustainability (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012).

Finally, the Annual Reports of Cambridge and Oxford Universities require that the University and its Council members disclose any political engagement in terms of association with specific political parties, to ensure independence and transparency of the Council (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). Not all the aspects discussed above are included in the South African Reporting Regulations and were added to the framework under the heading INTERNATIONAL.

4.3.3.6 Remuneration Committee composition and functions

In comparison to the South African Reporting Regulations (see Appendix A) (RSA, 2014c) and the King IV Report (see 2.3.4.4) disclosures in the Annual Reports about the duties of the Remuneration Committee do not contain significant additions. The only aspect concerning the Remuneration Committee that could be identified in the Annual Reports of Oxford and Cambridge Universities are the disclosure of the name of the Chairperson of the Remuneration Committee (see also 4.3.3.7 to 4.3.3.12) (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). This aspect is not included in the South African Reporting Regulations and was added to the framework under the heading INTERNATIONAL.

4.3.3.7 Finance Committee composition and functions

In comparison to the South African Reporting Regulations (see Appendix A) (RSA, 2014c) and the King IV Report (see 2.3.4.4) about the duties of the Finance Committee, the disclosures in the Annual Reports do not contain significant additions. The only aspect concerning the Finance Committee that could be identified in the Annual Reports of Oxford and Cambridge Universities are the inclusion of the name of the Chairperson of the Finance Committee (see also 4.3.3.6 and 4.3.3.8 to 4.3.3.12) (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). This aspect is not included in the South African Reporting Regulations and was added to the framework under the heading INTERNATIONAL.

4.3.3.8 Planning and Resource Committee composition and functions

Similarly to the Remuneration and Finance Committees (see 4.3.3.6 and 4.3.3.7), the only aspect that could be identified to add to the Planning and Resource Committee in terms of international disclosures is the addition of the name of the Chairperson of the Planning and Resource Committee (see also 4.3.3.6, 4.3.3.7 and 4.3.3.9 to 4.3.3.12) (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). This aspect is not included in the South African Reporting Regulations and was added to the framework under the heading INTERNATIONAL.

4.3.3.9 Council Membership Committee composition and functions

Similarly to the Remuneration, Finance and Planning and Resource Committees (see 4.3.3.6, 4.3.3.7 and 4.3.3.8), the only aspect that could be identified to add to the Council Membership Committee in terms of international disclosures is the addition of the name of the Chairperson of the Council Membership Committee (see also 4.3.3.6 to 4.3.3.8 and 4.3.3.10 to 4.3.3.12) (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). This aspect is not included in the South African Reporting Regulations and was added to the framework under the heading INTERNATIONAL.

4.3.3.10 Audit Committee composition and functions

Oxford and Cambridge Universities' Annual Reports include additional disclosures on the duties of the Audit Committees not found in the South African Reporting Regulations and the King IV Report. These additional disclosures recommend that the Audit Committee gain broader insight into the risks and risk management of the University from senior staff members and risk specialists (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012).

Oxford and Cambridge Universities further disclose the Audit Committee's responsibility to improve the communication and cooperation between the Internal Audit Department and Schools, Faculties and Departments, to assist the Schools, Faculties and Departments in self-assessment in term of compliance, quality and internal controls (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012).

The Audit Committees of Cambridge and Oxford Universities are further responsible for policies and procedures for the oversight of fraud, corruption, irregularities and bribery. The Audit Committee also need to disclose the actions taken about fraud, irregularities, corruption and bribery and identify possible risks relating to these aspects for inclusion in risk management (see also 4.5.23) (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). Just like in the case of the other committees (see 4.3.3.6 – 4.3.3.9, 4.3.3.11 and 4.3.3.12) the name of the Chairperson of the Audit Committee was also disclosed in the Annual Report of Oxford and Cambridge Universities (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012).

The final additional recommendation for the Audit Committees is the receipt of regular reports from the Internal Audit Department (see also 4.3.3.3), which should be disclosed in the Annual Reports (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). Not all the aspects discussed above are included in the South African Reporting Regulations and were added to the framework under the heading INTERNATIONAL.

4.3.3.11 Risk Committee composition and functions

The disclosures concerning the Risk Committee, according to the South African Reporting Regulations and the King IV Report, are comprehensive in nature. The only additional disclosure recommendation that could be identified from the Annual Reports of Oxford and Cambridge Universities is the disclosure of the name of the Chairperson of the Risk Committee (see 4.3.3.6 to 4.3.3.10 and 4.3.3.12) (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). This aspect is not included in the South African Reporting Regulations and was added to the framework under the heading INTERNATIONAL.

4.3.3.12 Governance of Information Technology (ITa)

The only additional disclosure recommendation that could be identified from the Annual Reports of Oxford and Cambridge Universities about the governance of ITa, is the disclosure of the name of the Chairperson of the Information Technology Committee (see 4.3.3.6 to 4.3.3.11) (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). This aspect is not included in the South African Reporting Regulations and was added to the framework under the heading INTERNATIONAL.

4.3.3.13 Council statement on sustainability

The disclosure recommendations about sustainability for Universities are comprehensive in nature when the South African Reporting Regulations and the King IV Report recommendations are used. The only additional disclosures identified in terms of international best practices were the disclosures of the sustainability metrics used in the consideration of the University's sustainability (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). Details on these metrics were not investigated further as it falls beyond the scope of this study. The use of sustainability metrics was included in the framework, but details on the metrics were excluded.

4.3.3.14 Report of the Senate to Council

The Report of the Senate to the Council in South Africa is fairly comprehensive. Only two additional disclosure aspects could be identified from the Annual Reports of Oxford and Cambridge Universities. The first aspect is the disclosure of the use of any external consultants in the decision-making and discussion process of the Senate. The second aspect is the disclosure of international engagement between the University and international bodies or Universities (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). All the aspects discussed above were included in the framework under the heading INTERNATIONAL.

4.3.3.15 Report on the assessment of and the exposure to risk and the management thereof

The South African and King IV recommendations, concerning the disclosure of exposure to risks, are comprehensive in nature. International best practices brought only one aspect to light, which is not specifically addressed in the Risk Exposure Report in South Africa. The international best practices recommend that the Risk Committee make a specific statement on the University's risk-based approach to the evaluation of internal controls (University of Cambridge, 2012; University of Cambridge, 2013; University of Cambridge, 2014; University of Oxford, 2014; University of Oxford, 2013; University of Oxford, 2012). This aspect is not included in the South African Reporting Regulations and was added to the framework under the heading INTERNATIONAL.

4.3.3.16 Conclusion on International Additions to Disclosure Framework

The framework developed in 4.3.1 and 4.3.2 is comprehensive in nature, and very little could be added to the framework in terms of international best practices. A total of sixty items were added to the framework under the heading INTERNATIONAL.

4.3.4 Conclusion on the development of the framework

The framework was developed by using, as a basis, the South African Reporting Regulations, which include the principles as set out in the King III Report, and listing the recommendations (see Appendix A), which is found under the heading SA in the framework. This list was compared to the principles, as set out in the King IV Report, even though the King IV report is applicable only as from 1 April 2017, to test the pro-active application of King IV principles by Universities (see 4.3.2) and is found under the heading KING IV in the framework. Subsequently, the list was also updated for the disclosures found in the Financial Statements of the top ten international Universities (see Table 1.1 under 1.5.6.2 and 4.3.3), which is found under the heading INTERNATIONAL, in the framework. The South African section of the framework contains 536 items, the KING IV section 140 items and the INTERNATIONAL portion sixty items. The items were divided into twenty-four categories (see page 2016) as set out in the South African Reporting Regulations (see page xxx).

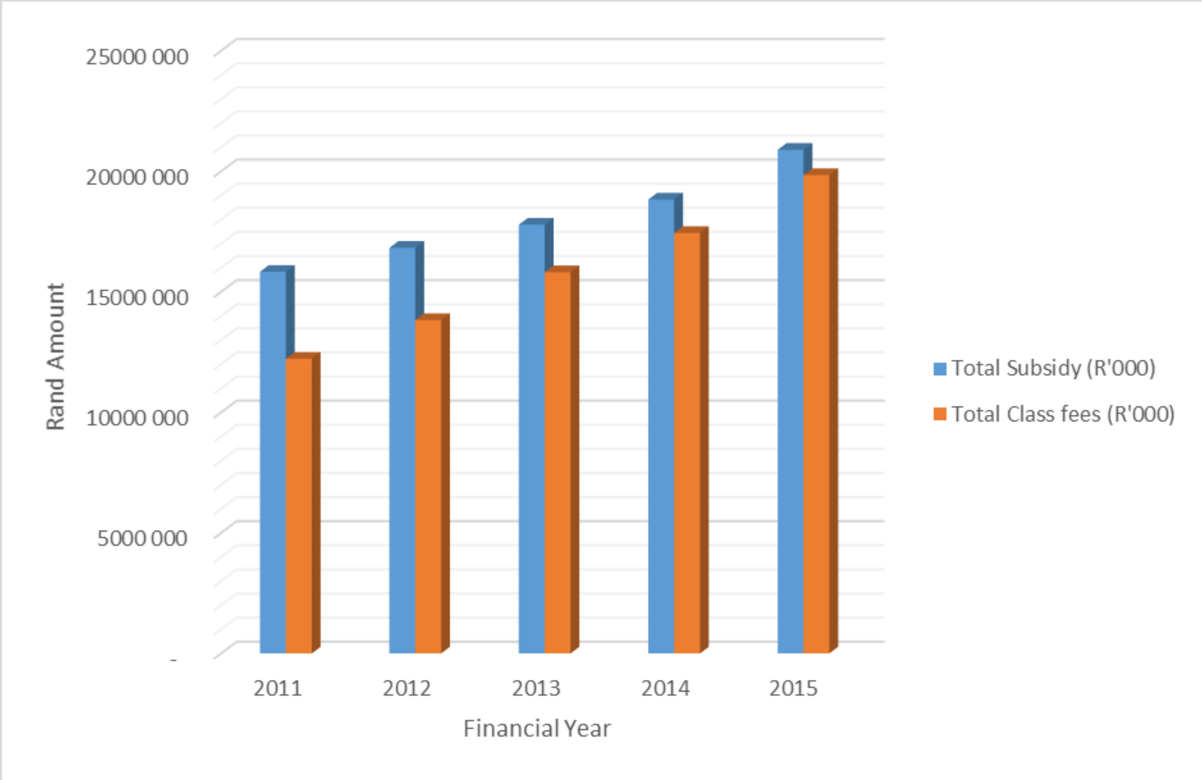
4.4 BACKGROUND ON STATE SUBSIDIES, CLASS FEES, STUDENT NUMBERS, STUDENT DEBTS AND UNVERSITY RESERVES OF SOUTH AFRICAN PUBLIC UNIVERSITIES

Universities in South Africa have been struggling financially because of, among other reasons, the limited availability of state funding (see 1.1). The #FeesMustFall campaigns of 2015 and 2016 placed further pressure on South African Universities in terms of the financial resources. Estimated losses because of the vandalism during the 2015 and 2016 student protests were estimated to be over R600 million by September 2016 (Staff Reporter, 2016f). Section 4.4 provides a brief overview of the general finances of South African Universities relating to aspects such as income from state subsidies, income from class fees, student numbers, student debts, NSFAS funds and University reserves. This overview serves as background to explain the financial strain that Universities are experiencing because of the imbalance between the increase in students and the related increase in state subsidies.

The information used in terms of state subsidies in Figure 4.2 were obtained from the Department of Higher Education and Training (DHET) website under *"University State Budgets"*. The DHET total budget for state subsidies is used in Figure 4.2, after the information for the University of Limpopo (UL), for the five years, was removed. The information for UL was removed as this is the only University whose financial information about the class fees is not available for all five years under investigation. Although the Annual Reports of the University of Mpumalanga (UMP) 2014, the University of Fort Hare (UFH) 2013, the University of Venda (UNIVEN) 2012 and the University of Zululand (ZULULAND) 2011 and could not be obtained (see 4.2), as comparative figures, the financial information about the class fees were obtained from the Annual Reports in subsequent years (see page 241). Further, although the Annual Report for the University of Pretoria (UP) for 2015 could not be obtained, the Financial Statements for 2015 were available, and the financial information for 2015 was therefore used. The class fees per year were derived from adding the class fees, as disclosed in the Statement of Comprehensive Income in the Annual Report of the South African Universities, excluding the University of Limpopo.

Evident from Figure 4.2 the marginal increase in class fees between 2011 and 2015 was proportionally higher than the increase in state subsidies. It is evident from this trend that Universities have become more reliant on the increase in class fees to fund their activities rather than on the increase in state subsidies. This phenomenon makes the financial sustainability of Universities very difficult (see 4.5.18).

Figure 4.2 Income from class fees and state subsidies

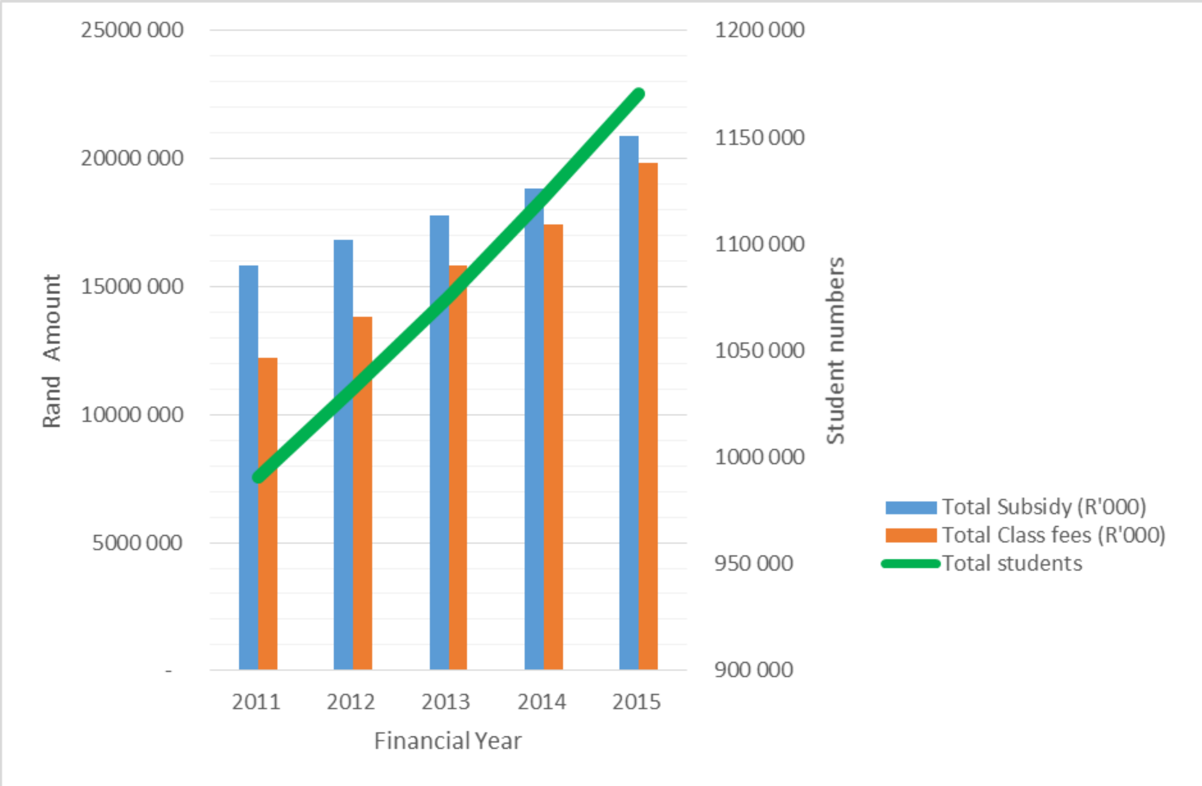


Sources for Figure 4.2 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a; DHET, 2016).

When the student numbers are compared to the state subsidy and fee income, a clear picture is formed (see Figure 4.3 *State subsidies, fee income and student numbers*). The information used for state subsidies and student fees in Figure 4.3 were obtained from the Department of Higher Education and Training (DHET) website under *"University State Budgets"*. The state subsidy represents the budgeted subsidy per University per year as determined by the DHET and the student numbers represent the number of students the subsidy calculation in the budget was based on (DHET, 2016) after the information for UL for the five years was removed. The information for UL was removed as this is only University whose financial information about the class fees is not available for all five years under investigation. Although the Annual Reports UMP 2014, UFH 2013, UNIVEN 2012 and ZULULAND 2011 could not be obtained (see 4.2), the financial information about the class fees for these Universities was obtained, as comparative figures, from the Annual Reports in subsequent years (see page 239). Further, although the complete Annual Report for the University of Pretoria (UP) for 2015 could not be obtained, the Financial Statements for 2015, which contained the financial information for 2015 was available and was therefore used. The budget document used contains the subsidy budgets, number of students per University, budgeted NSFAS assistance in total, and research grants of each University since 2004 (DHET, 2016). The fee income per year is calculated by taking the declared fee income in the Annual Reports of the Universities for the years 2011 to 2015. It is evident that as from 2014 there was a turning point as the increase in the DHET's budgeted subsidies did not increase in the same proportion as the budgeted increase in student numbers.

It is clear from Figure 4.3 that the proportional growth in student numbers over the five years does not correspond to the growth in state subsidies over the same period. The disparity between the growth in student numbers and state subsidies places additional pressure on the sustainability of Universities.

Figure 4.3 State subsidies, fee income and student numbers



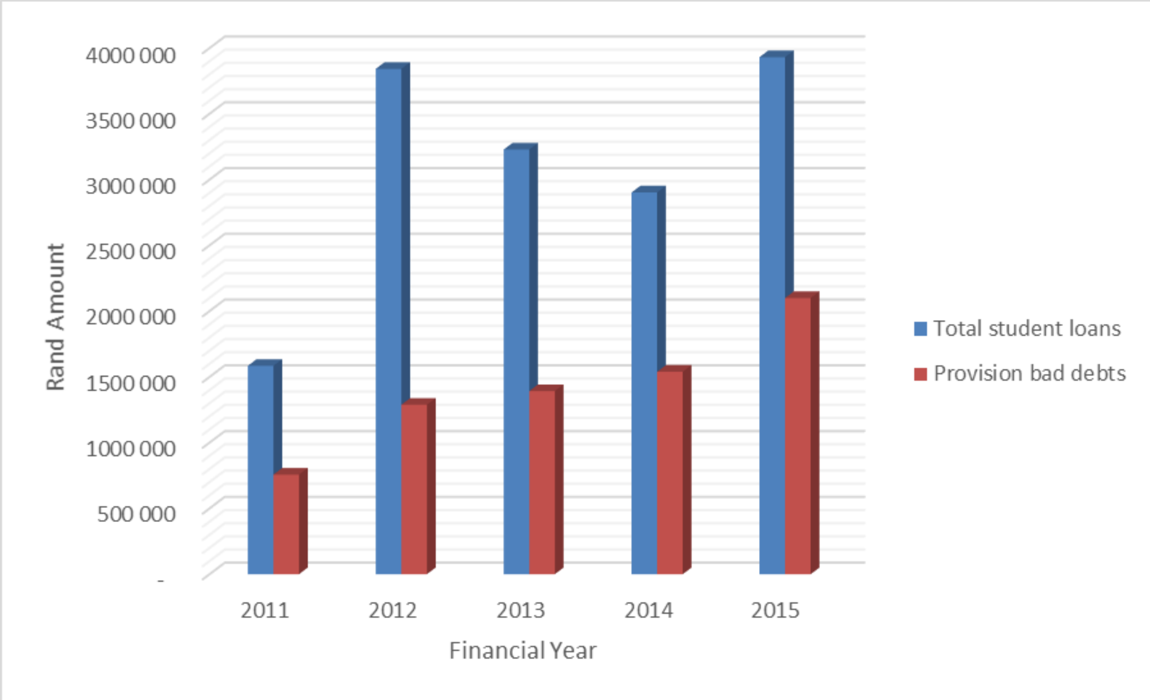
Sources for Figure 4.3 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015; DHET, 2016).

With the increase in the student numbers, the total student debt also increased (see Figure 4.4 *Student debts and provision for bad debt*). There was a sharp increase of student debts from 2011 to 2012. The decrease in student debts between 2012 and 2014 may be explained by the increase in NSFAS funding provided to students (see

Figure 4.6). The phenomenon was, however, not investigated for the purpose of this study. The provision for bad debts did, however, not correspond to the debt increase. The provision for bad debts over the five years remained relatively consistent. The relative conservative provision for bad debts raises concerns about the completeness of provisions. The low provision for bad debts further creates difficulties in terms of the financial sustainability of Universities. The total student debts and provision for bad debts were derived by adding the total student debts and provision for bad debts as disclosed in the Notes to the Financial Statements in the Universities' Annual Reports.

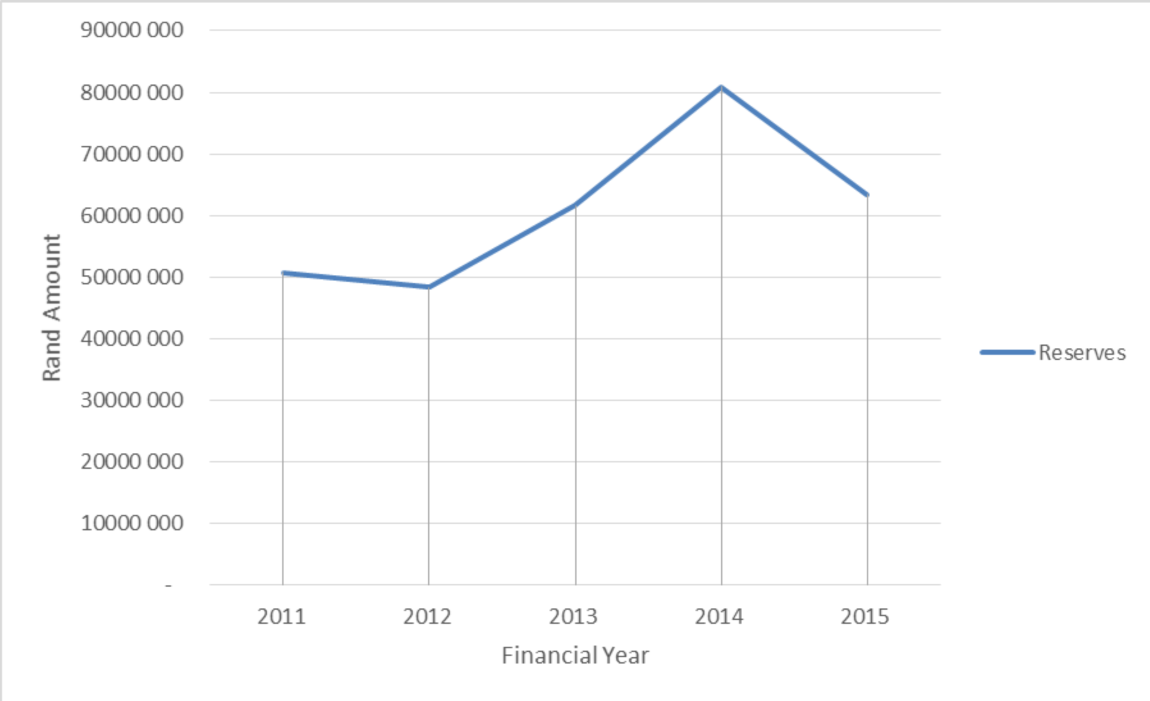
The sharp increase in the student numbers (see Figure 4.3) between 2014 and 2015 coupled with the lessor increase of the state subsidies causes concerns about the possible increase in student debts. The insufficient increase in class fee income creates further concern as to where the funding for the Universities originated. The first instinct will be to consider that Universities started to use their reserves to fund their activities. Evident from Figure 4.5 *University Reserves*, that was not the case, as there was a steady increase in the reserves of Universities over the five years. The decrease in Reserves between 2014 and 2015 may be attributed to the funding of the increased student numbers coupled with the disproportionate increase in state subsidies. The decrease may also be explained by the downturn in the global economy. The detail behind the phenomenon was not investigated for the purpose of this study.

Figure 4.4 Student debt and provision for bad debts



Sources for Figure 4.4 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a)

Figure 4.5 University Reserves



Sources for Figure 4.5 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015)

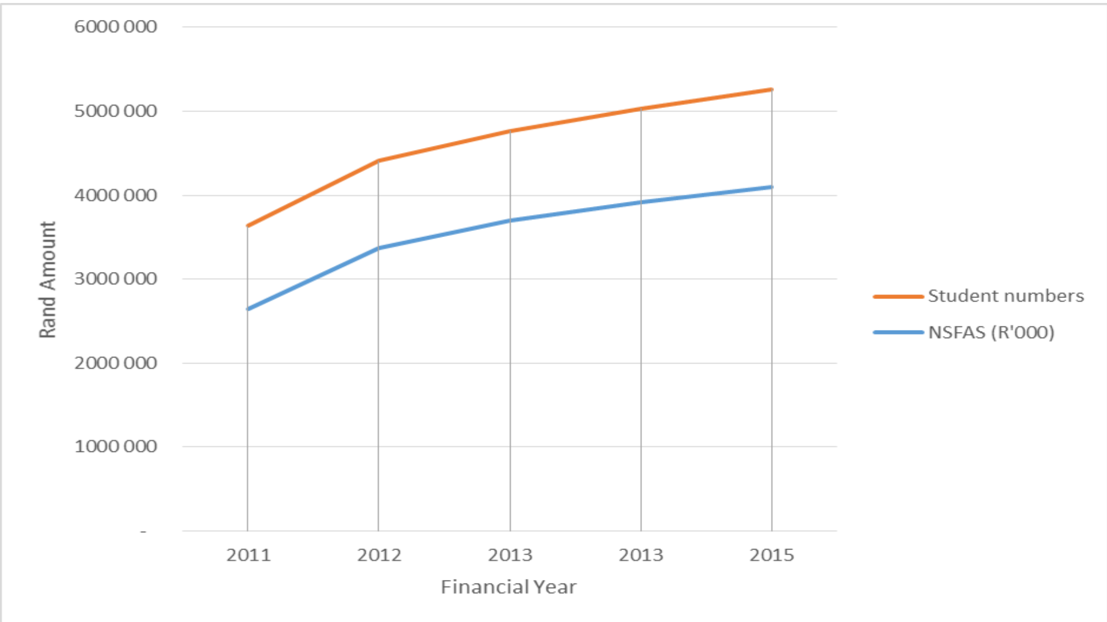
The information used to determine the NSFAS budget allocation to Universities was obtained from the DHET website under the document dealing with University State Budgets (DHET, 2016). To allow for a possible difference in the disclosure of NSFAS funds in the individual Annual Reports of Universities, the budgeted amount for NSFAS was used to demonstrate the increase in the NSFAS budget by the

DHET. The NSFAS funds included in this exercise exclude the following (DHET, 2016):

- NSFAS funds allocated to teacher training bursaries, which can be found in the budget of the Department of Basic Education;
- State funds allocated by other government departments towards NSFAS;
- Any savings relating to NSFAS from state budgets carried over from the previous year - in other words, unallocated NSFAS funds from previous years;
- Funds recovered from previous beneficiaries of the NSFAS fund; and
- Funds for the administration of the NSFAS scheme.

The student numbers represent the number of students the subsidy calculation in the DHET budget was based on (DHET, 2016). From 2011 to 2012 there was a 28% increase in the NSFAS funds budgeted for Universities. The increase in the provision of NSFAS funds from 2011 to 2012 may explain how the Universities could increase their reserves and still be sustainable with the limited increase in state subsidies (see Figure 4.6 *NSFAS budget allocation to Universities vs. student numbers*).

Figure 4.6 NSFAS budget allocation to Universities vs. student numbers



Source for Figure 4.6 (DHET, 2016)

The increase in budgeted NSFAS funds at first glance appears to follow the same trend as the budgeted increase in student numbers, but it is evident the student numbers are growing faster than the NSFAS allocation. This may be an indication that the increase in students may be funded by the NSFAS scheme, but the combined increase in subsidies and NSFAS allocation to Universities are not sufficient to fund the increase in student numbers.

Application of corporate governance, given the problems experienced with state funding and student loans, becomes more and more important. With limited financial resources, it is crucial for University Councils to ensure the corporate governance practices are in place to protect the interest of all stakeholders and to ensure the sustainability of the Universities. The only way that stakeholders can be assured the corporate governance principles are complied with is to assess the disclosure of the corporate governance principles in the Annual Reports published by the Universities. The results of the Universities' application of corporate governance principles, both local and international, are discussed in the next section.

4.5 RESULTS OF SOUTH AFRICAN UNIVERSITIES' COMPLIANCE WITH THE PROPOSED FRAMEWORK

4.5.1 Introduction

The results of the South African Universities' application of corporate governance principles in terms of the South African Reporting Regulations, the King IV Report and international best practices, are discussed in this section. Refer to Section 4.3 for the discussion on the development of the framework. Applying the framework to the Annual Reports of South African Public Universities delivered these results. The results are presented under the twenty-four categories as contained in the South African Reporting Regulations (see Appendix A, 2.3.4.5. and 4.3.1) and include an analysis of the items under the SA, KING IV and INTERNATIONAL sections of the framework (see pages 2016 to 218). The discussion, under each category, will start with a brief overview of the number of items included in the analysis of the Annual Reports for the category, followed by a brief discussion on the top and under-performers, based on the average scores contained in each table. This overview is followed by a discussion on the main national trends identified in the items. The main trends were identified by calculating the average disclosure for each item over the five-year period i.e. the average disclosures over the 113 Annual Reports analysed. Where a decrease in scores was identified between two years, for example, between 2011 and 2012, the national trends causing this decrease are discussed. If no national trends could be identified for the decrease in scores, the causes for the decrease in the scores are discussed for each individual University.

The framework (see 4.3) consists of a total of 736 items that were tested. The South African Regulations contains 536 items (see Appendix A) in total under the twenty-four categories (see pages 216 to 218), the international best practices contain sixty items (see 4.3.3) and the King IV portion contains 140 items (see 4.3.2). See page 218 for the quality control measures used in developing and testing the framework.

The average scores presented in each table are all out of a possible score of 10.00. At the top of each table is the national average score for each year based on the scores for the Annual Reports that are available for that particular year. All blocks in the tables that are highlighted in **RED** are Annual Reports that could not be obtained (see 4.2). The blocks with a zero (**-**) score under the SA and INT columns indicate the specific Annual Report does not contain the recommended disclosures. A score of zero (**-**) under the King IV column indicates that the specific Annual Report did not contain the proposed disclosures contained in the King IV Report.

To make the discussion of the empirical results easier, the full names of each University is used in the tables. In the discussion, the following abbreviations are used (see also the List of Acronyms and Abbreviations on page xxiv):

Cape Peninsula University of Technology	CPUT
Central University of Technology	CUT
Durban University of Technology	DUT
University of Mpumalanga	UMP
Mangosuthu University of Technology	MUT
Nelson Mandela Metropolitan University	NMMU
North-West University	NWU

Rhodes University	RHODES
Sol Plaatje University	SPU
Tshwane University of Technology	TUT
University of Cape Town	UCT
University of Fort Hare	UFH
University of the Free State	UFS
University of Johannesburg	UJ
University of KwaZulu-Natal	UKZN
University of Limpopo	UL
University of South Africa	UNISA
University of Venda	UNIVEN
University of Pretoria	UP
University of Stellenbosch	US
University of the Western Cape	UWC
Vaal University of Technology	VUT
University of Witwatersrand	WITS
Walter Sisulu University	WSU
University of Zululand	ZULULAND

This section will conclude with a discussion on the total national averages per University, in terms of corporate governance disclosures. This conclusion is followed by the discussion on the results of the framework, per subsection, and the following order will be used:

1. Minimum content that Universities should include in the Annual Reports (see 4.5.2);
2. Performance Assessment (see 4.5.3);
3. Report of the Chairperson of the Council (see 4.5.4);
4. Statement of governance (see 4.5.5);
5. General disclosure aspects in terms of Council (see 4.5.6);
6. Composition and functions of the Council (see and 4.5.7);
7. Remuneration Committee composition and functions (see 4.5.8);
8. Finance Committee composition and functions (see 4.5.9);
9. Planning and Resource Committee composition and functions (see 4.5.10);
10. Council Membership Committee composition and functions (see 4.5.11);

11. Audit Committee composition and functions (see 4.5.12);
12. Risk Committee composition and functions (see 4.5.13);
13. Governance of Information Technology (ITa – see list of abbreviations) (see 4.5.14);
14. Conflict Management (see 4.5.15);
15. Stakeholder Relationships (worker and student participation) (4.5.16);
16. Code of Ethics (see 4.5.17);
17. Council statement on sustainability (see 4.5.18);
18. Report of the Senate to Council (see 4.5.19);
19. Report of the Institutional Forum (see 4.5.20);
20. Vice-Chancellor Report on administration and management (see 4.5.21);
21. Report on internal administrational structures and controls (System of Internal control) (see 4.5.22);
22. Report on the assessment of the exposure to risk and the management thereof (see 4.5.23);
23. The statement of the Chief Financial Officer (CFO) and the Chairperson of the Finance Committee of the Council on the Annual Financial Review (see 4.5.24); and
24. Report on Transformation (see 4.5.25).

The scores in Table 4.1 *Total national averages on governance compliance* were determined by calculating an average score over all twenty-four categories, per University per year. The scores in Table 4.1, therefore, represent an indicator of the overall performance of each University in terms of corporate governance disclosure in the Annual Report based on South African Reporting Regulations, international best practices, and the King IV Report.

Table 4.1 Total national averages on governance compliance

	2011			2012			2013			2014			2015		
	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT
National Average	**3.57**	**1.13**	**3.59**	**3.49**	**0.98**	**3.40**	**3.29**	**1.01**	**3.30**	**4.62**	**1.46**	**4.26**	**5.09**	**1.52**	**4.49**
Cape Peninsula University Technology	3.63	1.31	4.27	4.57	2.29	5.71	4.70	2.34	5.25	5.86	2.60	5.73	6.28	2.70	5.85
Central University of Technology	2.33	0.23	3.53	2.15	0.19	3.05	2.79	0.23	3.38	3.12	0.45	3.22	4.58	0.95	4.05
Durban University of Technology	4.67	2.15	4.37	2.89	1.13	3.09	2.94	1.13	3.27	5.20	0.65	4.92	5.35	0.65	5.21
University of Mpumalanga	First Annual Report issued in 2015												5.58	1.28	5.02
Mangosuthu University of Technology	3.14	0.14	2.65	3.00	0.04	2.51	3.32	0.53	2.99				4.42	1.33	3.35
Nelson Mandela Metropolitan University	3.98	1.33	4.27	4.17	2.76	4.37	3.63	1.83	4.52	4.37	2.57	5.17	4.66	2.64	5.23
North-West University	4.31	1.41	3.94	4.57	1.60	3.98	4.27	1.40	3.53	5.45	1.42	4.27	6.28	2.01	4.75
Rhodes University	3.77	1.39	3.40	4.37	1.89	3.71	4.44	2.01	3.81	4.51	2.01	3.80	4.61	1.10	3.50
Sol Plaatje University	First Annual Report issued in 2013						1.37	1.01	1.17	3.77	1.69	3.14	4.11	1.69	3.55
Tshwane University of Technology	3.76	1.00	2.98	1.65	0.17	1.34	3.38	1.23	3.37	4.96	1.32	4.03	5.02	1.32	4.61
University of Cape Town	4.25	2.51	4.40	4.25	2.51	4.42	4.39	2.46	4.44	4.58	2.55	4.80	5.24	2.77	5.00
University of Fort Hare	3.40	0.49	3.12	3.62	0.18	3.11				3.77	0.31	2.99	3.88	0.33	2.97
University of the Free State	4.16	0.25	3.76	4.54	0.32	4.08	4.56	0.32	4.22	5.00	0.83	4.49	3.48	0.79	2.53
University of Johannesburg	2.68	0.45	2.10	3.24	1.22	2.61	2.57	0.47	2.55	5.10	1.78	4.21	4.93	1.63	4.18
University of KwaZulu-Natal	4.78	1.30	4.97	5.26	1.37	5.09	5.31	1.37	5.39	4.35	0.98	5.10	5.99	2.24	5.61
University of Limpopo	1.04	1.20	1.68	1.14	0.10	1.81	0.95	0.28	0.86	1.77	0.41	1.81			
University of South Africa	4.57	1.59	4.78	5.19	1.69	4.91	5.18	1.79	5.53	7.93	2.76	8.06	7.93	3.14	8.07
University of Venda	2.94	0.18	3.00				2.94	0.67	3.02	4.27	0.78	3.77	4.07	0.46	3.43
University of Pretoria	1.28	0.05	2.16	1.33	0.17	1.76	0.89	-	1.15	5.12	1.77	3.38			
University of Stellenbosch	3.20	0.25	2.81	3.23	0.25	2.71	3.47	0.75	3.13	3.96	1.46	3.26	4.51	0.65	3.88
University of the Western Cape	4.60	2.40	4.07	4.12	0.93	3.29	3.73	0.86	3.45	5.52	1.83	4.32	5.79	1.98	4.54
Vaal University of Technology	3.03	1.24	3.12	3.69	1.24	3.28	4.47	1.45	3.87	5.47	1.53	4.66	5.12	1.57	4.71
University of Witwatersrand	5.40	1.00	5.51	5.33	0.98	5.43	5.49	0.98	5.32	5.74	0.96	5.35	5.63	0.98	5.26
Walter Sisulu University	3.69	3.02	4.04	0.93	0.12	1.48	0.34	-	0.76	3.13	0.93	3.28	3.66	0.93	2.97
University of Zululand				3.49	0.45	2.97	0.63	0.10	0.94	3.36	1.95	4.11	5.90	1.84	4.94

Sources for Table 4.1 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015)

Evident from the averages, per University per year, contained in Table 4.1 the disclosure of application of corporate governance principles is disappointing. With UNISA achieving the highest average of 7.93 for South African disclosures and 8.07 in terms of international disclosures in 2014 and 2015, there are still many non-compliance problems that need to be addressed by 48% of the Universities before they can obtain a score of above 5.00.

The lowest scores achieved concerning South African requirements were WSU in 2012 (0.93) and 2013 (0.34). These low scores are attributed to the University being placed under administration and the Annual Report consisting only of disclosures made by the administrator (see also limitations set out in section 4.2). With only ten (41%) Universities achieving an average score of more than 5.00 in 2014, and twelve (48%) in 2015, it is clear the Universities in South Africa needs to address their disclosure in terms of compliance with the Regulations for Reporting urgently. Five Universities' average score decreased from 2014 to 2015 (UFS, UJ, UNIVEN, VUT and WITS). The decrease in the average scores of these Universities is because of the omission of information in the 2015 Annual Reports that was included in the 2014 Annual Reports. These omissions are not discussed in this section but is contained in the analysis in the rest of the chapter.

The rest of this section of the chapter will address the trends in non-disclosures in the Annual Reports for the period 2011 to 2015. With the total national averages for the compliance with South African disclosure requirements over the years ranging between 3.29 (2013) and 5.09 (2015) (see Table 4.1) it is clear that South African Universities' application of corporate governance principles is lacking.

4.5.2 Minimum content that Universities should include in the Annual Report

This section discusses the results of the application of the framework in terms of the inclusion of the minimum content that Universities should include in the Annual Report. This content includes, among others, the Statement of the Chairperson of the Council, the Statement of the Senate to the Council, and the statements dealing with sustainability and transformation. (see Appendix A) (RSA, 2014c). The averages contained in Table 4.2 *National Average of Minimum Content to be included in the Annual Report,* were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23).

The number of items included in the analysis of the minimum content to be included in the Annual Report under the three headings SA, KING IV and INT is as follows:

- South Africa 16 items (see Appendix A)
- King IV 3 items (see 4.3.2.1)
- International 15 items (see 4.3.3.2)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 6.45; 2012 – 6.25; 2013 – 6.25; 2014 – 7.96; 2015 - 8.34: Average for KING IV – 2011 – 4.55; 2012 – 4.09; 2013: - 4.64; 2014 – 4.93; 2015 – 4.06: Average for INT – 2011 – 6,72; 2012 – 6.73; 2013 – 6.73; 2014 – 7.81; 2015 – 7.36).

Table 4.2 National averages on Minimum Content to be included in the Annual Report

	2011			2012			2013			2014			2015		
	SA	INT	King IV	SA	INT	King IV	SA	INT	King IV	SA	INT	King IV	SA	INT	King IV
National Average	**6.45**	**6.72**	**4.55**	**6.25**	**6.73**	**4.09**	**6.25**	**6.73**	**4.64**	**7.96**	**7.81**	**4.93**	**8.34**	**7.36**	**4.06**
Cape Peninsula University Technology	6.88	6.77	-	6.88	7.10	-	7.50	7.74	-	9.38	9.03	6.67	9.38	9.03	6.67
Central University of Technology	3.75	5.81	6.67	2.50	2.90	3.33	3.75	6.13	6.67	6.25	7.10	6.67	4.38	2.26	-
Durban University of Technology	6.25	7.10	6.67	6.25	7.10	6.67	6.25	6.77	6.67	8.75	8.71	6.67	9.38	8.71	6.67
University of Mpumalanga	First Annual Report issued in 2015												9.38	8.06	-
Mangosuthu University of Technology	6.25	6.77	-	6.25	6.77	-	5.00	6.13	-				6.88	3.87	-
Nelson Mandela Metropolitan University	8.13	8.06	6.67	8.13	8.06	6.67	8.13	8.06	6.67	9.38	8.71	6.67	9.38	8.71	6.67
North-West University	7.50	7.74	6.67	6.88	7.42	6.67	6.88	7.42	6.67	7.50	7.42	6.67	7.50	6.77	6.67
Rhodes University	6.88	7.10	6.67	6.88	7.10	6.67	7.50	7.42	6.67	8.13	7.74	6.67	8.13	7.74	6.67
Sol Plaatje University	First Annual Report issued in 2013						4.38	4.52	-	8.75	8.06	-	8.75	8.06	-
Tshwane University of Technology	5.00	4.19	-	1.25	3.23	-	6.88	7.42	-	9.38	8.71	-	9.38	8.71	-
University of Cape Town	5.63	6.77	6.67	5.63	7.10	6.67	5.63	7.10	6.67	6.25	6.77	6.67	7.50	8.06	6.67
University of Fort Hare	7.50	7.42	-	8.13	8.06	-				8.13	7.42	-	8.13	7.42	-
University of the Free State	7.50	7.74	6.67	8.13	8.06	6.67	8.13	8.06	6.67	8.13	8.06	6.67	8.75	7.42	6.67
University of Johannesburg	8.75	8.39	6.67	9.38	8.71	6.67	9.38	9.03	6.67	9.38	8.71	6.67	9.38	8.71	6.67
University of KwaZulu-Natal	6.25	6.45	6.67	6.88	7.10	6.67	6.88	7.10	6.67	6.88	7.42	6.67	7.50	7.42	6.67
University of Limpopo	2.50	1.94	6.67	3.75	5.48	6.67	3.13	5.16	6.67	2.50	4.19	6.67			
University of South Africa	6.25	6.77	6.67	7.50	7.42	6.67	8.13	7.74	6.67	8.75	8.06	6.67	8.75	8.06	6.67
University of Venda	6.88	6.77	6.67				5.63	4.52	6.67	9.38	8.71	6.67	8.13	4.84	-
University of Pretoria	5.00	5.81	-	5.00	6.13	-	5.00	6.45	-	9.38	8.71	-			
University of Stellenbosch	6.88	7.42	6.67	6.88	7.10	6.67	6.88	7.10	6.67	6.88	7.10	6.67	8.75	8.39	6.67
University of the Western Cape	7.50	7.74	6.67	7.50	7.74	6.67	8.13	8.06	6.67	9.38	8.71	6.67	9.38	8.71	6.67
Vaal University of Technology	6.25	6.77	-	6.88	7.10	-	6.25	6.77	-	9.38	8.39	-	9.38	8.39	-
University of Witwatersrand	8.13	8.06	6.67	8.13	7.74	6.67	8.13	7.74	6.67	8.75	8.06	6.67	8.13	7.42	6.67
Walter Sisulu University	6.25	6.13	-	3.13	3.87	-	1.88	3.23	-	5.00	6.13	-	6.25	3.87	-
University of Zululand				5.63	6.77	-	4.38	5.16	6.67	7.50	7.74	6.67	9.38	8.71	6.67

Sources for Table 4.2 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Where a University achieved a score in the INT column that is higher than the score in the South African column, it is an indication the Annual Report for that specific year includes disclosures in terms of the international best practices. The trends in the international disclosures are discussed on page 257. These Universities are:

- 2011 – CUT, DUT, MUT, NWU, RHODES, UCT, UKZN, UFS, UNISA, UP, US, UWC, and VUT;
- 2012 – CPUT, CUT, DUT, MUT, NWU, RHODES, TUT, UCT, UKZN, UL, UP, US, UWC, VUT, WSU, and ZULULAND;
- 2013 – CPUT, CUT, DUT, MUT, NWU, SPU, TUT, UCT, UKZN, UL, UP, US, VUT, WSU, and ZULULAND;
- 2014 – CUT, UCT, UKZN, UL, US, WSU and ZULULAND; and
- 2015 - UCT.

The national averages (under the SA column) of the inclusion of the recommended minimum content (see Table 4.2) per University, range from 1.25 (TUT) to 9.38 (CPUT, DUT, UMP, NMMU, TUT, UJ, UNIVEN, UP, UWC, VUT and ZULULAND). This average indicates these eleven Universities were the best performers (with an average score of 9.38) in terms of including the recommended minimum content in the Annual Reports. The worst performers were UL in 2011 and 2014 (2.50), TUT in 2012 (1.25) and CUT in 2012 (2.50). The discussion on non-compliance in terms of the inclusion of the minimum content in the Annual Reports is found below. All the Universities (92%) but two (CUT and WITS) either maintained or improved their scores from 2014 to 2015. The CUT left out their Audit Report, and Consolidated Financial Statements from the 2015 Annual Report and WITS omitted their Performance Report and total undergraduate student numbers from their 2015 Annual Report.

The minimum content that should be included in the Annual Report to the Minister of Higher Education and Training is specifically stipulated in the Requirement for Reporting by Public Higher Education Institutions of 2014. As these Reporting Regulations are applicable only to the financial statements for the year ending on 31 December 2014, it is to be expected that the 2011 to 2013 Annual Reports will not include all the content. This expectation was proven incorrect with the national averages per University for the 2011 to 2013 financial years, which range between 1.25 and 9.38 for South African requirements (refer to Table 4.2 *National averages for Minimum Content to be included in the Annual Report*). Evident from the University averages, most of the Universities have included the minimum content since 2011. As many as 96% of the Universities included in the information in 2011; 78% in 2012; and 75% in 2013 as evidenced by the scores above 5.00 in Table 4.2.

The Annual Reports for the years 2011 to 2013 excluded the Performance Assessment Reports (see 4.5.3), the Council's statement on sustainability (see 4.5.18), the Report on Transformation (see 4.5.25) and disclosures in terms of the activities and functions of the Audit Committee (see 4.5.12). In terms of international content (see 4.3.3.2), disclosures in terms of the total visiting students (see 4.3.3.2) and the total square meters of buildings owned by the Universities, were excluded in most (95%) of the Annual Reports between 2011 and 2015.

In 2014 and 2015, a high 83% of Universities included a statement that they have an Audit Committee or a joint Audit and Risk Committee. The general duties of the Committee are disclosed in the Council's Statement of Governance (see 4.5.5). Notably absent from 67% of the Annual Reports is a specific report, compiled and signed by the Chairperson of the Audit Committee, which includes disclosures on the activities and a description of how the Audit Committee performed its duties (see 4.5.12). Only 42% of the 113 Annual Reports analysed included specific statements in terms of the University's sustainability (see 4.5.18).

The King IV Report recommends that the Integrated Report and Annual Financial Statements of an entity be disclosed on the entity's website (IOD, 2016a). Almost two thirds (64%) of the South African Universities already comply with this recommendation and are thus proactive in the application of the King IV Report (all Universities with a score of 6.67 under the KING IV column).

Application of international disclosures seems to be fair, as evidenced by the University averages in Table 4.2. As many as 92% of the Annual Reports analysed achieved an average score of above 5.00 and only eleven Annual Reports achieved scores lower than 5.00 (TUT (2011 and 2012), UL (2011), CUT (2012 and 2015), WSU (2012, 2013 and 2015), SPU (2013), UNIVEN (2013) and MUT (2015)). Although these scores above 5.00 are encouraging, it needs to be kept in mind that the South African Universities still need to address disclosures in terms of international best practices.

Although 72% of the Annual Reports does include the minimum content, the disclosures in the Annual Reports do not guarantee the quality of the content. The following sections of this chapter (4.5.3 to 4.5.25) contain the discussions of the quality of the disclosures in the different parts of the Annual Reports.

4.5.3 Performance Assessment

In this section, the results of the application of the framework in terms of the disclosures of the Performance Assessment of the University that should be included, in the Annual Report are discussed. This content includes the disclosures of Key Performance Indicators (KPI's), the level of achievement of the KPI's, reasons for the underachievement of the KPI's, etc. (see Appendix A) (RSA, 2014c). The averages contained in Table 4.3 *National Average on Performance Assessment to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015

– 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the two headings SA and KING IV is as follows:

- South Africa 8 items (see Appendix A)
- King IV 2 items (see 4.3.2.2)

The total points achieved above were converted to a score out of 10.00 and was included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 3.07; 2012 – 3.13; 2013 – 3.53; 2014 – 6.25; 2015 – 6.68; Average for KING IV – 2011 – 0.00; 2012 – 0.68; 2013: - 0.22; 2014 – 1.96; 2015 – 1.09). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained. All the items with a zero (-) on the table are Annual Reports that did not include the recommended information in terms of performance management as required by the Reporting Regulations (see Appendix A) (RSA, 2014c).

As mentioned in 4.5.2 above, the inclusion of performance information was only required from the 2014 and onwards. The low scores for the performance information in the 2011 (National Average of 3.07), 2012 (National Average of 3.13) and 2013 (National Average 3.53) years support this. The zero (-) scores achieved by the Universities for the years 2011 to 2013 are attributed to the fact that the performance evaluations were not introduced before 2014.

The National Average in terms of Performance Assessments (see Table 4.3) ranges from zero (-) to 10.00. These averages indicate that UJ (2014), ZULULAND (2015) and UP (2014) were the best performers with a score of 10.00. In 2011, almost a third (32%) of the Universities received a score of zero (-); 41% in 2012; 39% in 2013; and 9% in 2014 and 2015 for not including information in terms of the Performance Assessment of the Universities. The discussion on non-compliance in terms of Performance Assessment is found below. All Universities, except for three (DUT, UFS, and US) improved their scores for compliance with Performance Assessments from 2014 to 2015.

Table 4.3 National averages on Performance Assessment to be included in the Annual Report

	2011		2012		2013		2014		2015	
	SA	KING IV	SA	KING IV	SA	KING IV	SA	KING IV	SA	KING IV
National Average	**3.07**	**-**	**3.13**	**0.68**	**3.53**	**0.22**	**6.25**	**1.96**	**6.68**	**1.09**
Cape Peninsula University Technology	-	-	-	-	-	-	6.25	-	8.75	-
Central University of Technology	2.50	-	2.50	-	5.00	-	3.75	-	8.75	-
Durban University of Technology	-	-	-	-	-	-	6.25	-	5.00	-
University of Mpumalanga	First Annual Report issued in 2015								7.50	-
Mangosuthu University of Technology	5.00	-	5.00	-	6.25	-			7.50	-
Nelson Mandela Metropolitan University	-	-	-	-	-	-	-	-	-	-
North-West University	5.00	-	5.00	-	5.00	-	5.00	10.00	5.00	10.00
Rhodes University	-	-	7.50	5.00	7.50	5.00	7.50	5.00	7.50	-
Sol Plaatje University	First Annual Report issued in 2013				-	-	6.25	-	7.50	-
Tshwane University of Technology	3.75	-	-	-	-	-	7.50	-	7.50	-
University of Cape Town	7.50	-	7.50	-	8.75	-	6.25	-	6.25	-
University of Fort Hare	6.25	-	8.75	-			8.75	-	8.75	-
University of the Free State	3.75	-	3.75	-	3.75	-	8.75	-	6.25	-
University of Johannesburg	3.75	-	3.75	10.00	3.75	-	10.00	10.00	10.00	10.00
University of KwaZulu-Natal	2.50	-	5.00	-	5.00	-	6.25	-	7.50	-
University of Limpopo	-	-	-	-	-	-	-	-		
University of South Africa	5.00	-	6.25	-	6.25	-	7.50	-	7.50	5.00
University of Venda	3.75	-			7.50	-	7.50	-	7.50	-
University of Pretoria	-	-	-	-	-	-	10.00	10.00		
University of Stellenbosch	5.00	-	3.75	-	5.00	-	5.00	10.00	-	-
University of the Western Cape	5.00	-	5.00	-	5.00	-	8.75	-	8.75	-
Vaal University of Technology	-	-	-	-	7.50	-	7.50	-	7.50	-
University of Witwatersrand	5.00	-	5.00	-	5.00	-	6.25	-	6.25	-
Walter Sisulu University	3.75	-	-	-	-	-	2.50	-	2.50	-
University of Zululand			-	-	-	-	6.25	-	10.00	-

Sources for Table 4.3 (CPUT. 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

The UFS omitted comments on how they are planning to address shortcomings in achieving the KPI's of the University as well as the signature of the Vice-Chancellor as required by the Reporting Regulations (see Appendix A) (RSA, 2014c). DUT omitted the KPI's of the University and US omitted all references of the Performance Assessment of the University in their 2015 Annual Report.

The poor performance of CUT in 2014 (3.75) is attributed to the limited disclosures on the reasons for under-achievement of performance indicators. The Annual Report of CUT further lacks disclosures on the intent of the Council to address the shortcomings in the performance of the University and the impact the under-achievement of performance has on stakeholders of the University.

In 2014 and 2015 the majority of the Universities in South Africa (83% and 87% respectively) achieved a score above 5.00 for Performance Assessment disclosures. Although all the Universities included performance information, it lacked in detail. The majority of the Universities disclosed the KPI's (65%) and the extent to which they were met (52%) but failed to discuss the impact of the under-achievement of the KPI's on stakeholders (17%) and the Council's intent to address the shortcomings (30%). The reports on the performance of the Universities further excluded the signature of either the Chairperson of the Council (68%) or the Vice-Chancellor of the University (54%) as required by the Reporting Regulations (see Appendix A) (RSA, 2014c).

In terms of King IV recommendations, the disclosure of KPI's relating to Corporate Citizenship is already present in eleven (9%) of the 113 Annual Reports. The NWU (2014 and 2015), RHODES (2013, 2014 and 2015), UJ (2012, 2014 and 2015), UNISA (2015), UP (2015) and US (2014) specifically addressed Corporate Citizenship in their Annual Reports, and therefore are proactive in terms of the application of principles contained in the King IV Report (see 4.3.2.4). Corporate Citizenship in terms of the King IV Report had an impact, not only on disclosure of the Key performance indicators but also on the Council's acknowledgement of their responsibility in terms of Corporate Citizenship (see 4.5.7). The Performance Assessment information of UJ can be seen as the model disclosures for South African Universities as the University obtained a perfect score of 10.00 for both the South African as well as King IV recommendations.

The inconsistent and incomplete disclosures of Universities, in terms of the impact of the under-achievement of KPI's (17%) on stakeholders, lead to concerns about the Universities' commitment to good stakeholder relationships in terms of corporate governance principles (see 4.5.16). Additional concerns are raised in terms of the Universities' commitment to transparency, as there are very limited disclosures on the intent of Councils to address shortcomings in performance achievements (30%) (see also 4.5.6). This apparent lack of evidence of commitment is a clear weakness in the disclosure of governance practices of University Councils.

4.5.4 Report of the Chairperson of the Council

This section discusses the results of the application of the framework in terms of the disclosures that should be contained in the Report of the Chairperson of the Council of a University, which should be included in the Annual Report. The content includes, among others, the disclosures of Council's responsibility in terms of the Integrated Report, sustainability and going concern of the University, risk management, strategic objectives, etc. (see Appendix A) (RSA, 2014c). The averages contained in Table 4.4 *National Average on the Report of the Chairperson of the Council to be include in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23).

Table 4.4 National averages on the Report of the Chairperson of the Council to be included in the Annual Report

	2011			2012			2013			2014			2015		
	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT
National Average	**3.80**	**1.12**	**3.62**	**3.82**	**1.55**	**3.64**	**3.61**	**1.65**	**3.43**	**4.48**	**2.64**	**4.28**	**5.07**	**2.49**	**4.79**
Cape Peninsula University Technology	3.10	-	2.88	5.56	-	5.24	5.37	0.67	5.00	5.37	4.00	5.00	6.11	4.00	5.81
Central University of Technology	3.52	2.67	3.55	2.41	2.67	2.46	3.15	2.67	3.23	1.93	2.00	2.12	3.15	4.00	3.11
Durban University of Technology	3.97	0.67	4.15	2.93	0.67	3.03	2.93	0.67	2.92	3.62	0.67	3.33	4.26	0.67	4.26
University of Mpumalanga	First Annual Report issued in 2015												4.81	4.00	4.35
Mangosuthu University of Technology	3.52	1.33	3.23	2.41	-	2.26	3.15	0.67	2.90				6.21	2.67	5.61
Nelson Mandela Metropolitan University	3.89	2.67	3.81	4.07	2.67	3.93	4.21	2.00	3.75	4.55	2.00	4.29	5.37	1.33	4.75
North-West University	4.83	-	4.85	5.00	2.00	5.00	5.25	1.33	5.22	7.24	4.00	6.87	8.52	6.00	8.03
Rhodes University	3.52	0.67	3.11	4.21	3.33	4.06	3.93	3.33	3.91	4.10	3.33	4.06	4.63	-	4.52
Sol Plaatje University	First Annual Report issued in 2013						1.85	-	1.72	2.96	2.00	2.62	3.52	2.00	3.11
Tshwane University of Technology	2.22	-	2.26	1.67	0.67	1.48	2.22	-	1.97	3.33	0.67	2.95	4.44	0.67	3.93
University of Cape Town	5.09	5.33	4.53	4.74	5.33	4.22	5.61	4.67	5.08	4.04	6.00	3.69	4.21	6.00	3.75
University of Fort Hare	2.78	-	2.74	3.33	0.67	3.33				4.52	-	4.33	4.59	-	4.39
University of the Free State	4.63	0.67	4.19	4.63	1.33	4.35	4.63	1.33	4.35	5.19	1.33	5.00	2.59	0.67	2.30
University of Johannesburg	3.52	0.67	3.11	3.33	0.67	2.95	3.89	1.33	3.39	5.37	4.00	4.84	4.81	4.00	4.35
University of KwaZulu-Natal	4.07	-	3.61	4.81	0.67	4.35	4.35	0.67	4.41	5.65	0.67	5.59	6.89	3.33	6.52
University of Limpopo	2.24	2.67	2.12	2.59	0.67	2.62	1.85	-	1.64	1.80	-	1.69			
University of South Africa	5.00	0.67	4.68	5.93	4.67	5.48	5.48	4.67	5.37	4.94	6.67	5.48	4.94	6.67	5.54
University of Venda	2.41	-	2.15				2.59	3.33	2.31	3.91	3.33	3.70	4.26	1.33	3.77
University of Pretoria	2.46	0.67	2.50	1.40	0.67	1.56	2.22	-	1.97	5.19	4.67	4.68			
University of Stellenbosch	3.15	1.33	3.11	3.52	1.33	3.55	3.52	5.33	3.44	3.79	5.33	3.94	3.93	1.33	4.43
University of the Western Cape	4.31	2.67	4.63	3.16	1.33	3.48	3.89	2.00	4.29	6.14	-	6.06	6.48	0.67	6.41
Vaal University of Technology	4.07	0.67	3.71	4.07	0.67	3.71	4.63	0.67	4.10	5.56	0.67	4.92	5.56	2.00	4.92
University of Witwatersrand	6.85	1.33	6.45	6.85	1.33	6.35	7.02	1.33	6.21	6.84	1.33	6.15	6.67	1.33	6.00
Walter Sisulu University	4.38	-	4.20	1.94	-	1.82	0.81	-	0.76	3.55	4.00	3.68	3.71	4.00	3.79
University of Zululand				5.37	2.67	4.75	0.56	1.33	0.97	3.52	4.00	3.49	6.90	0.67	6.52

Sources for Table 4.4 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

The number of items included in the analysis of the minimum content to be included in the Annual Report under the three headings SA, KING IV and INT is as follows:

- South Africa — 54 items (see Appendix A)
- King IV — 15 items (see 4.3.2.3)
- International — 7 items (see 4.3.3.3)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 3.80; 2012 – 3.82; 2013 – 3.61; 2014 – 4.48; 2015 – 5.07; Average for KING IV – 2011 – 1.12, 2012 – 1.55, 2013 – 1.65, 2014 – 2.64, 2015 – 2.49; Average for INT – 2011 3.62, 2012 – 3.64, 2013 – 3.43, 2014 – 4.28, 2015 – 4.79). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Where a University achieved a score in the INT column that is higher than the score in the South African column, it is an indication that the Annual Report for that specific year includes disclosures in terms of the international best practices. The trends in the international disclosures are discussed on page 267. These Universities are:

- 2011 – CUT, DUT, NWU, TUT, UP and UWC;
- 2012 – CUT, DUT, UL, UP, US, and UWC;

- 2013 – CUT, UKZN, UWC, and ZULULAND;
- 2014 – CUT, UNISA, US and WSU; and
- 2015 – UNISA, US, and WSU.

The national average per University (in terms of the SA column) of the Report of the Chairperson of the Council (see Table 4.4) ranges from 0.56 (ZULULAND 2013) to 8.52 (NWU 2015). This SA average indicates that NWU was the best performer, on average in terms of disclosures in the Report of the Chairperson of the Council. The worst performer was ZULULAND in 2013.

Two Universities showed a decrease in the average score between 2014 and 2015, namely UFS and UJ. The UFS omitted information on the going concern of the University, campus developments, major capital works on campus, events and student services - to name but a few. The UJ excluded comments on the how the University manages contracts and service level agreements with outsourced companies.

With only 14% of the Universities achieving a score above 5.00 in 2011; 23% in 2012; 22% in 2013; 39% in 2014; and 39% in 2015, it is clear the Chairpersons of the Councils in South Africa are either not aware of the duties and responsibilities of the Council or the individuals who are responsible for assisting the Chairperson in compiling the report are not aware of the detail that needs to be included in the Report from the Chairperson of the Council. This is further a cause of concern as 77% of the Chairpersons signed the reports as required by the Reporting Regulations (see Appendix A) (RSA, 2014c) despite the reports being incomplete.

The majority of the Chairpersons' Reports (73%) read as a reflection and summary of the content of the rest of the Annual Report and not a discussion on the performance and discharge of the Council's responsibilities. Either way, the poor scores reflected in Table 4.4 may be an indicator of the reasons why some of the South African Higher Education Institutions are not performing well.

The reports of the Chairperson of the University Councils in South should include comments on the sufficient information contained in the Integrated Report, information on the sustainability of the University and information on the Financial

Reporting of the University Regulations (see Appendix A) (RSA, 2014c). Over the five years, information on the operations and financial reporting of the Universities are included in 91% of the Chairpersons Reports, but only 34% commented on the sustainability of the University (see also 4.5.18). Only 24% of the Chairpersons' Reports addressed the financial health of the University. Although 62% of the reports included comments on going concern of the University and funding sources other than state subsidies, the challenges faced in terms of funding was addressed in only 46% of the reports.

With the #FeesMustFall campaigns of 2015 and 2016 (see 1.1), Councils' statement on the social demands in terms of free education, equal access, promotion of the previously disadvantaged and quality education are crucially important. Only 11% of the Chairperson' reports from 2011 to 2015 analysed, included comments relating to these matters. The omission of these aspects in the five years under investigation may not promote trust between the Universities and stakeholders and the Council's commitment to transparency may also be questioned.

Although the reports from the Chairperson of 87% of the Annual Reports over the five years acknowledged the Council's responsibility in terms of internal controls (see 4.5.1 and 4.5.22), only 29% of the reports acknowledged the existence of internal control deficiencies being reported to Council. The remaining 71% of the Chairpersons' reports did not include a specific statement that no internal control deficiencies were reported. This leads to concern as there may be internal control deficiencies the Council is unaware of, as it was not reported to them. It may further be an indication that the Council is aware of internal control deficiencies and did not disclose them in the Annual Report or that Council does not want to disclose internal control deficiencies to stakeholders.

The disclosure of Council's responsibility in term of risk management of the Universities over the five years investigated are lacking in detail. On average, only 21% of the reports of Chairpersons for the years 2011 to 2015 contain some reference in terms of the Councils' responsibilities. A quarter (25%) of the Chairpersons' reports include a statement of Councils' acknowledgement of their responsibility for the overall risk management process. Only 34% of the reports include a statement of the Councils' opinion on the effectiveness of the risk management process. Merely 29% of the Chairpersons' reports include a statement by Council that there is a system in place to support their opinion on the effectiveness of risk management. A mere 21% of the Chairpersons' reports include a statement that there are independent and objective reviews of risk and only 13% of the Annual Reports disclosed that there was assurance of effective risk management. A solitary 24% of the Chairpersons' reports state that effective management of key risks are performed, and a lone 2% of the reports state the Councils is not aware of any key risks facing the University. The poor disclosure of Councils' awareness and discharge of risk management duties cast great doubt on the effective risk management practices of the Universities. It may be that Councils is indeed aware of their risk management responsibilities, but that this responsibility was not disclosed in the Annual Report, either by choice or by the oversight of the preparers of the Annual Report. See 4.5.23 for further discussion on the risk management of Universities.

The Council of a University is required to comment on the reasons for receiving a qualified audit report as well as the reason for receiving an emphasis of matter paragraph in their audit report (refer to Appendix A). Five Annual Reports contained qualified audit opinions and eleven Annual Reports contained an emphasis of matter paragraphs. For none of the Universities that received qualified reports or emphasis of matter paragraphs, the Chairpersons' reports included a statement that the Council is aware of the qualifications or emphasis of matter paragraphs. Only UNISA's (2014 and 2015) Chairperson report includes statements on the steps the Council is taking to correct the issues identified in the qualified reports and emphasis of matter paragraphs. This leads to questions concerning the Councils' commitment to be informed and to act responsibly (see 4.5.6).

Further exclusions from the majority of the Chairpersons' reports over the five years are comments on how contracts and service level agreements are managed (89%) and how the University is monitoring the workplace Ethics of suppliers (99%) (see Appendix A) (RSA, 2014c). The Reporting Regulations specifically require that every University include a statement in the Chairperson's report which explains instances where information was requested from the University, by individuals and organisations in terms of Promotion of Public Information Act of 2000, and where the University refused to supply the requested information (see Appendix A) (RSA, 2014c). Only 4% of Annual Reports contained disclosures in terms of the denial of information requested. The exclusion of the three aspects mentioned above casts doubt on the Councils' commitment to transparency (see 4.5.6).

Regarding additional disclosure recommendations in terms of the King IV (see 4.3.2.3), 68% of Chairpersons' reports between 2011 and 2015 did include mention of the strategic objectives of the Universities. The interdependence between the objectives, changes to the objectives and opportunities connected to the strategic objectives of the Universities were disclosed by 1% of the Chairpersons' reports. The King IV Report further recommends increased focus on compliance management in organisations. Of the Chairpersons' reports analysed between 2011 and 2015, 22% of the Council Chairpersons' reports already included mention of the Councils' commitment to compliance management. In some cases, the responsibility for compliance management was delegated to the Audit Committee of the Universities (see 4.5.12). This inclusion of King IV recommendations is an indication that some of the Universities in South Africa are being proactive in the compilation of their Annual Reports by the inclusion of King IV recommendations, before its implementation date in 2017 (see 2.3.4.4).

In relation to international best practices (see 4.3.3.3), Councils are recommended to disclose the name of the Chancellor. The Chancellors' number of visits to the University, University activities that the Chancellor was involved in and medals awarded by the Chancellor should also be disclosed. Although 34% of the Annual Reports over the five years mention the name of the Chancellor, only 8% of the Chairpersons' reports disclosed one or a combination of the rest of the above-mentioned recommendations. International best practice further recommends University Councils to disclose the models used for determining the structures of undergraduate costs and the regular review of these cost structures and models. None (0%) of the Chairpersons' reports disclosed the models used and reviews of cost models of undergraduate programs. The omission of the disclosure in terms of the involvement of the Chancellor in activities at the Universities raises concerns in terms of transparency. The Chancellors may have been involved in several activities and visited the Universities on several occasions. The fact that these activities and visits were not included may indicate that individuals responsible for the compilation of the Annual Reports may have omitted the information on these visits and activities because of lack of knowledge of the level of details recommended for disclosure. The omission of the model used to determine the costs of undergraduate studies, and its regular review once again leaves doubts in terms of the Council's commitment to transparency. Although every University may have a model, they use to determine costs for undergraduate study, the non-disclosure of this model further increases doubts on transparency.

4.5.5 Statement of Governance

The Statement of Governance requires the Council of a University to declare that the University complies with the governance recommendations in terms of the Reporting Regulations (see Appendix A) (RSA, 2014c). Included in the governance statement should be examples where the Council decides not to apply specific principles. The declaration should include the date on which the Council made the declaration at a full Council meeting; the meeting was quorate, and the documentation in relating to the declaration was distributed well in advance (see Appendix A) (RSA, 2014). In terms of international best practices, the Council should also provide a brief overview of the composition of the Senate as well as the general responsibilities of the Senate (see 4.3.3.4). If there is a difference between the governance structures of the University and the structures required by regulation, the differences also need to be disclosed.

The averages contained in Table 4.5 *National Average on the Council Statement of Governance to be include in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the two headings SA and INT is as follows:

- South Africa 6 items (see Appendix A)
- International 3 items (see 4.3.3.4)

Table 4.5 National averages on the Council Statement in terms of Governance to be included in the Annual Report

	2011		2012		2013		2014		2015	
	SA	INT	SA	INT	SA	INT	SA	INT	SA	INT
National Average	**0.68**	**0.45**	**0.45**	**0.30**	**0.36**	**0.24**	**0.94**	**0.63**	**1.81**	**1.21**
Cape Peninsula University Technology	-	-	-	-	-	-	-	-	-	-
Central University of Technology	-	-	-	-	-	-	-	-	-	-
Durban University of Technology	-	-	-	-	-	-	3.33	2.22	3.33	2.22
University of Mpumalanga	First Annual Report issued in 2015								-	-
Mangosuthu University of Technology	-	-	-	-	-	-			-	-
Nelson Mandela Metropolitan University	-	-	-	-	-	-	-	-	-	-
North-West University	-	-	-	-	-	-	-	-	3.33	2.22
Rhodes University	-	-	-	-	-	-	-	-	-	-
Sol Plaatje University	First Annual Report issuues in 2013				-	-	5.00	3.33	5.00	3.33
Tshwane University of Technology	-	-	-	-	-	-	-	-	-	-
University of Cape Town	-	-	-	-	-	-	-	-	-	-
University of Fort Hare	1.67	1.11	1.67	1.11			-	-	-	-
University of the Free State	-	-	-	-	-	-	-	-	-	-
University of Johannesburg	-	-	-	-	-	-	-	-	-	-
University of KwaZulu-Natal	3.33	2.22	3.33	2.22	3.33	2.22	-	-	3.33	2.22
University of Limpopo	-	-	-	-	-	-	-	-		
University of South Africa	1.67	1.11	-	-	-	-	10.00	6.67	10.00	6.67
University of Venda	-	-			-	-	-	-	-	-
University of Pretoria	-	-	-	-	-	-	-	-		
University of Stellenbosch	-	-	-	-	-	-	-	-	3.33	2.22
University of the Western Cape	-	-	-	-	1.67	1.11	-	-	3.33	2.22
Vaal University of Technology	-	-	-	-	-	-	-	-	-	-
University of Witwatersrand	3.33	2.22	3.33	2.22	3.33	2.22	3.33	2.22	3.33	2.22
Walter Sisulu University	5.00	3.33	-	-	-	-	-	-	-	-
University of Zululand			1.67	1.11	-	-	-	-	6.67	4.44

Sources for Table 4.5 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 0.68; 2012 – 0.45; 2013 – 0.36; 2014 – 0.94; 2015 – 1.81: Average for INT – 2011 – 0.45; 2012 – 0.30; 2013 – 0.24; 2014 – 0.63; 2015 – 1.21). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Where a University achieved a score in the INT column that is higher than the score in the South African column, it is an indication the Annual Report for that specific year includes disclosures in terms of the international best practices. None of the Universities' international scores were higher than the SA scores.

The national average per University of the Statement of Governance (in terms of the SA column) (see Table 4. 5) ranges from zero (-) to 10.00. This University average indicates that only UNISA (2015) included the full declaration in terms of the approval of the Statement of Governance as required by the Reporting Regulations (see Appendix A) (RSA, 2014c). Only six Annual Reports (WSU 2011, ZULULAND 2015, SPU 2014 and 2015; and UNISA 2014 and 2015) achieved a score of more than 5.00 for the disclosure of the Council Approval of the Statement of Governance; moreover 78% of the 113 Annual Reports did not include any of the recommended information in terms of the Council's approval of the Statement of Governance.

UNISA was further the only University in South Africa that made a specific statement on application of governance principles, which include a specific date of approval and the fact that documentation was distributed with due notice. The UFH, UKZN, and WITS, did state that the Council is satisfied with the application of governance principles, but no statement is made as to the fact the documentation was distributed with due notice, and the meeting was quorate; neither was the date on which the statements were approved, disclosed.

The exclusion of this specific statement on application of governance principles brings into question whether or not the Council members of the Universities in South Africa are fully aware of what the governance principles they are responsible for applying, contain. It raises further questions as to the awareness of the Council members of the contents of the Annual Reports, where these principles are disclosed as well as the disclosure practices of the Universities. In terms of international best practices, none of the Councils of South African Universities disclosed the general composition and responsibilities of their Senates, although 74% of Annual Reports contained the composition of the Senate under the Senate Report (see 4.5.19). The omission of information in the Council's Statement on Governance in the Annual Reports in terms of the composition and duties of the Senate may indicate that the Councils are not aware they should also make disclosures, or the individuals who are responsible for drafting the declaration of the Council in terms of Governance are not aware these aspects should be disclosed.

4.5.6 General disclosure aspects in terms of the Council

This section presents a discussion of the results of the framework in terms of the acknowledgement of University Councils regarding their commitment to corporate governance principles of discipline, transparency, independence, accountability, responsibility, fairness and social responsibility (see Appendix A and 2.3.4.2) (RSA, 2014c). The Reporting Regulations further require that the Council acknowledge their commitment to the Code of Ethics of the University and that there is an independent external audit review of the Council's commitment to the Code of Ethics (see Appendix A) (RSA, 2014c). The King IV Report adds to the above-mentioned principles and recommends to Councils commit to integrity, inclusivity, competence, diligence and for members to be informed and have the courage to act (see 4.3.2.4).

The King IV Report further recommends that Councils disclose the mechanisms by which the Council holds itself accountable to these principles.

The averages contained in Table 4.6 *National Average on General Disclosure in terms of the Council to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the two headings SA and KING IV is as follows:

- South Africa 14 items (see appendix A)
- King IV 7 items (see 4.3.2.3)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 2.47; 2012 – 2.73; 2013 – 3.20; 2014 – 4.01; 2015 – 5.22: Average for KING IV – 2011 – 0.65; 2012 – 0.65; 2013: - 0.81; 2014 – 1.12; 2015 – 1.68). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

The national average per University of the general disclosures (in terms of the SA column) (see Table 4. 6) ranges from zero (-) to 10.00. Evident from the number of zero (-) scores in Table 4.6, there are a number of Annual Reports over the years that did not include a specific statement in terms of the Council's commitment to corporate governance principles. The average scores indicate that UWC (2012) was the best performer on average in terms of the general disclosure requirements of the Council with an average of 10.00. The decrease in the average of UWC from 2012 to 2013 was the omission of a statement made that the Audit Committee is responsible for monitoring the Code of Ethics of the University and that there was external audit review of the Council's commitment to the Code of Ethics.

Table 4.6 National averages on General Disclosure in terms of the Council to be included in the Annual Report

	2011		2012		2013		2014		2015	
	SA	KING IV	SA	KING IV	SA	KING IV	SA	KING IV	SA	KING IV
National Average	**2.47**	**0.65**	**2.73**	**0.65**	**3.20**	**0.81**	**4.01**	**1.12**	**5.22**	**1.68**
Cape Peninsula University Technology	1.43	-	5.00	1.43	5.00	1.43	5.00	1.43	7.14	2.86
Central University of Technology	0.71	-	-	-	0.71	-	1.43	-	2.86	-
Durban University of Technology	-	-	-	-	-	-	-	-	-	-
University of Mpumalanga	First Annual Report issued in 2015								7.14	2.86
Mangosuthu University of Technology	-	-	-	-	-	-			7.14	2.86
Nelson Mandela Metropolitan University	4.29	1.43	4.29	1.43	2.86	-	2.86	-	4.29	1.43
North-West University	7.86	2.86	7.86	2.86	7.86	2.86	8.57	2.86	8.57	2.86
Rhodes University	7.86	2.86	7.86	2.86	7.86	2.86	7.86	2.86	7.86	2.86
Sol Plaatje University	First Annual Report issuues in 2013				8.57	2.86	8.57	2.86	8.57	2.86
Tshwane University of Technology	5.71	1.43	-	-	2.14	-	2.14	-	2.14	-
University of Cape Town	2.14	-	2.14	-	2.14	-	2.14	-	2.86	-
University of Fort Hare	-	-	-	-			1.43	-	1.43	-
University of the Free State	2.14	-	2.14	-	2.14	-	2.14	-	1.43	1.43
University of Johannesburg	2.14	-	2.14	-	2.14	-	3.57	-	3.57	-
University of KwaZulu-Natal	7.14	2.86	9.29	2.86	9.29	2.86	-	-	9.29	2.86
University of Limpopo	-	-	-	-	-	-	2.86	-		
University of South Africa	0.71	-	1.43	-	1.43	-	7.14	2.86	7.14	2.86
University of Venda	3.57	-			2.14	-	2.14	-	3.57	-
University of Pretoria	-	-	2.86	-	2.86	-	8.57	2.86		
University of Stellenbosch	0.71	-	0.71	-	1.43	-	1.43	-	2.14	-
University of the Western Cape	7.14	2.86	10.00	2.86	7.86	2.86	9.29	2.86	9.29	2.86
Vaal University of Technology	-	-	-	-	6.43	2.86	7.86	2.86	7.86	2.86
University of Witwatersrand	0.71	-	0.71	-	0.71	-	0.71	-	0.71	-
Walter Sisulu University	-	-	-	-	-	-	6.43	4.29	6.43	4.29
University of Zululand			3.57	-	-	-	-	-	8.57	2.86

Sources for Table 4.6 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

A total of seven Universities showed a decrease in terms of the disclosures from year to year. They were CUT and TUT from 2011 to 2012, NMMU, UWC and ZULULAND from 2012 to 2013, UKZN from 2013 to 2014 and UFS from 2014 to 2015. The decrease in the scores of CUT, TUT, ZULULAND and UKZN were because of these Universities omitting all reference to the Council's Responsibility in terms of the Statement of corporate governance and the Universities' Code of Ethics. The NMMU (2013) omitted a specific statement that the Council is committed to application of the governance principles; the principles of the Council include fairness; and that an external audit review was performed on the Council's commitment to governance principles, all of which was included in the 2012 Annual Report. The UFS' Council Statement on governance in 2015 omitted a statement that the Council endorses the principles of the King III Report, which was included in the 2014 Annual Report.

In both the 2011 and 2012 financial years, 23% of the Universities achieved a score above 5.00. In 2012, this increased to 30% of the Universities; 39% in 2014 and 52% in 2015. The above-mentioned Annual Reports either included a specific statement by the Universities' Councils in terms of their commitment to the principles of corporate governance or the corporate governance principles were included in the values of the University as declared in their Annual Reports. Absent from 87% of the Annual Reports between 2011 and 2015 were the monitoring of application of these principles by the Audit Committee and the oversight of the external auditors over the Universities' Code of Ethics (82%) (see 4.5.17).

The poor performance of 69% of the Universities (all Annual Reports with a score lower than 5.00) is because of the exclusion of any type of declaration in terms of the application of the governance principles. The recommendation of Councils to be independent is covered so some extent in the Code of Ethics (see 4.5.17), but the lack of a specific statement on independence in 69% of the Annual Reports over the five years is worrisome. With this lack of a statement as to the Universities' commitment to governance principles, concerns are raised in terms of the knowledge of University Councils on governance principles and their corresponding responsibility to comply with these principles. Further concerns are raised as to the awareness and knowledge of the Councils regarding their responsibilities in terms of application of governance principles and the corresponding disclosures in the Annual Report. The omission of the statement of commitment to theapplication of corporate governance principles may also be a simple oversight on the part of the preparers of the Annual Report.

The King IV Report recommends disclosure of the commitment of the Council to inclusivity, competence, diligence, the duty to be informed and Council members having the courage to act (see 4.3.2.4). Almost a third (32%) of the Annual Reports already include the commitment of the Councils to inclusivity, and 31% included an acknowledgement that the Council has the courage to act. None of the Annual Reports, however, included reference to competence, diligence and the duty to be informed. The inclusion of the principles of inclusivity and the courage to act is an indication that some Universities are proactive in the application of the King IV principles. All the Annual Reports in Table 4.6 with a score of more than zero (-) have already implemented some of the principles contained in the King IV Report.

4.5.7 Composition and functions of the Council

The Council, as the governing body of a University, is responsible for "*steering their organisations in a sustainable manner, making more but with less to meet the need of a growing population and the reality of the reality of dwindling natural sources"* while staying *"primarily accountable for the governance and performance of the* *organization"* (IOD, 2016a: 4 & 12). The disclosures of the performance and governance functions of the Council are therefore crucial.

This section addresses the results of the framework in terms of the disclosure of the composition and functions of the Council. The section includes disclosure recommendations in terms of the composition of the Council, the minimum committees that should assist the Council in the performance of their duties, risk management and the disclosure of skills and competence of Council members, committee members and executive management (see Appendix A, 4.3.2.4 and 4.3.3.5) (RSA, 2014c).

The averages contained in Table 4.7 *National averages in terms of the composition and functions of the Council to be included in the Annual Report*, were calculated after capturing data from the113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the three headings SA, KING IV and INT is as follows:

- South Africa 30 items (see Appendix A)
- King IV 36 items (see 4.3.2.5)
- International 13 items (see 4.3.3.5)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 5.64; 2012 – 4.97; 2013 – 5.35; 2014 – 6.80; 2015 – 6.67: Average for KING IV – 2011 – 0.70; 2012 – 0.63; 2013: - 0.62; 2014 – 1.00; 2015 – 1.11: Average for INT – 2011 – 4.10; 2012 – 3.62; 2013 – 3.88; 2014 – 5.10; 2015 – 5.01). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Table 4.7 Annual averages in terms of composition and functions of the Council to be included in the Annual Report

	2011			2012			2013			2014			2015		
	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT
National Average	**5.64**	**0.70**	**4.10**	**4.97**	**0.63**	**3.62**	**5.35**	**0.62**	**3.88**	**6.80**	**1.00**	**5.10**	**6.67**	**1.11**	**5.01**
Cape Peninsula University Technology	7.67	1.11	5.35	7.67	1.11	6.05	7.67	1.11	6.05	7.67	1.11	6.05	7.67	1.11	6.28
Central University of Technology	2.00	-	1.86	2.00	-	1.86	2.00	0.28	1.86	4.00	-	3.02	6.33	-	4.88
Durban University of Technology	7.67	0.56	5.81	6.67	0.56	5.12	6.67	0.56	5.12	8.00	0.56	6.05	7.67	0.56	5.81
University of Mpumalanga	First Annual Report issued in 2015												4.67	1.11	3.26
Mangosuthu University of Technology	2.67	0.28	1.86	3.00	0.28	2.09	3.67	0.28	2.56				3.33	0.28	2.79
Nelson Mandela Metropolitan University	4.33	0.83	3.02	5.00	0.83	3.49	6.33	1.67	4.42	7.33	1.67	5.12	8.00	1.94	5.58
North-West University	5.33	1.11	4.19	5.33	1.11	4.19	5.67	1.39	4.42	8.67	1.39	7.67	9.00	1.67	7.91
Rhodes University	5.59	1.00	4.04	6.00	0.56	4.19	6.00	0.56	4.19	6.00	0.56	4.19	6.67	0.28	4.65
Sol Plaatje University	First Annual Report issued in 2013						5.00	-	3.49	7.33	-	5.12	7.33	-	5.12
Tshwane University of Technology	6.67	0.28	5.12	0.33	-	0.23	6.67	0.28	4.65	6.67	0.28	4.65	6.67	0.28	5.12
University of Cape Town	7.67	0.56	5.35	8.00	0.56	5.58	8.33	0.56	5.81	8.33	0.56	6.28	8.33	0.56	6.28
University of Fort Hare	5.88	0.25	4.26	5.88	0.25	4.26				6.33	0.28	4.42	6.33	0.56	4.42
University of the Free State	5.00	-	3.72	6.00	0.28	4.42	6.00	0.28	4.65	6.33	1.67	4.65	0.67	0.28	0.47
University of Johannesburg	7.00	2.78	4.88	5.33	3.61	3.72	3.67	0.28	2.56	6.67	5.00	6.28	6.67	5.00	6.28
University of KwaZulu-Natal	8.00	0.56	5.58	8.33	0.56	5.81	8.67	0.56	6.05	8.00	1.11	5.58	8.00	1.94	5.58
University of Limpopo	2.67	1.11	1.86	1.47	-	1.06	1.67	-	1.16	3.33	-	2.33			
University of South Africa	7.00	1.11	4.88	8.67	1.39	6.51	8.67	2.50	6.51	9.33	3.89	7.67	9.33	4.17	7.67
University of Venda	5.00	0.25	4.26				4.33	1.94	3.02	6.00	2.22	4.19	4.67	0.28	3.26
University of Pretoria	0.67	-	0.47	0.67	-	0.47	3.33	-	2.33	6.33	0.28	4.88			
University of Stellenbosch	6.67	0.56	5.12	6.67	0.56	5.12	6.67	0.56	5.12	6.67	0.56	5.12	6.00	3.06	4.65
University of the Western Cape	8.00	1.39	5.58	7.67	0.56	5.35	7.67	0.56	5.35	7.67	0.28	5.35	8.00	1.11	5.58
Vaal University of Technology	6.00	0.56	4.19	6.33	0.56	4.42	7.00	0.56	4.88	7.67	0.56	5.35	7.67	0.56	5.35
University of Witwatersrand	7.67	0.56	5.35	7.00	0.28	4.88	7.33	0.28	5.12	7.33	0.28	5.12	8.00	0.28	5.58
Walter Sisulu University	5.00	0.56	3.49	-	-	-	-	-	-	4.67	0.28	3.26	4.67	0.28	3.26
University of Zululand				1.33	0.83	0.93	-	-	-	6.18	0.50	4.89	7.65	0.25	5.53

Sources for Table 4.7 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

The national average per University of the disclosures regarding the composition and functions of the Councils (in terms of the SA column) (see Table 4. 7) ranges from 0.33 to 9.33. This average indicates that UNISA was the best performer in 2014 and 2015. The worst performer was TUT with an average of 0.63 in 2012.

In 2011, 77% of the 113 Annual Reports analysed achieved a score of more than 5.00. In 2012, 68% achieved a score of more than 5.00; 65% in 2013; 87% in 2014 and 78% in 2015. Eight Universities (36%) showed a decrease in their average score between 2011 and 2012; three Universities (14%) between 2012 and 2013 and four (17%) between 2014 and 2015 (see Table 4.7). The decrease in scores between 2011 and 2012 was because of the omission of the disclosure of the composition of the Council (2011 - 91%; 2012 – 73%), the omission of a statement that 60% of the Councils were independent (2011 – 64%; 2012 – 54%), the omission of the disclosure of the division between internal and external members (2011 – 86%; 2012 – 64%) and the omission of the disclosure of the Councils and the disclosures of the number of meetings of the Council (2011 – 68%; 2012 – 59%). The disclosures that should be contained in a table format in the Annual Report (that is, the length of service of Council members, the age of Council members, the number of Council and Committee meetings attended and significant directorships held) decreased from 43% to 36% between 2011 and 2012.

The decrease in scores between 2012 and 2013 was because of the omission of the disclosures of the duty of the Council in terms of the approval of major capital developments at some Universities (2012 – 73%; 2013 – 61%) and the omission of a statement that the Council receives regular reports from management (2012 – 46%; 2013 – 30%). The disclosures that should be contained in a table format in the Annual Report (that is, the length of service of Council members, the age of Council members, the number of council and committee meetings attended and significant directorships held) decreased from 36% to 32% between 2012 and 2013.

The DUT, UFS, and UNIVEN showed a decrease in their scores from 2014 to 2015. The slight decrease at DUT was because of the omission of a specific statement of the existence of a Council Membership Committee in the 2015 Annual Report, which was included in the 2014 Annual Report. The decrease in UNIVEN's score was because of the omission of the Council's approval of major capital development of the University and the absence of a specific statement as to the existence of a Remuneration and Risk Committee, all of which was included in the 2014 Annual Report. The significant decrease in the score of UFS was because of the exclusion of the composition of the Council, the approval of major capital development by the Council and the absence of a specific statement as to the existence of a Remuneration, Finance, Audit and Risk Committees. Further information on the non-disclosure in terms of the composition and functions of the Council is found below.

Despite the relatively high national average scores (2011 – 5.64; 2013 – 5.35, 2014 – 6.80; 2015 – 6.67) in Table 4.7, there are several South African disclosure requirements that are absent from the Annual Reports analysed. Only 41% of the Annual Reports over the five years include an arithmetic summary of the composition of the Council. A mere 34% of the Annual Reports specifically state that the role of the Chairperson of the Council and the Chief Executive Officer of the University are split, and only 54% of the Annual Reports include the proposed length of service of the Chairperson of the Council between 2011 and 2015.

Councils of Universities in South Africa should disclose that they have instituted the minimum number of committees as required by the Reporting Regulations. These committees are the Remuneration Committee (see 4.5.8), the Finance Committee (see 4.5.9), the Risk Committee (see 4.5.13), the Council Membership Committee (see 4.5.11) and the Audit Committee (see 4.5.12). The disclosures should include a statement that the Council formally constituted the committees according to terms of reference.

The existence of the minimum number of committees that were disclosed in the Annual Reports between 2011 and 2015 is contained in Table 4.8. *Disclosure of Minimum Committees*. As revealed in Table 4.8, there was an overall increase in the disclosure in the existence of committees over the years, but the disclosures in the 2015 Annual Reports seem to regress, and fewer Universities disclosed the existence of the committees. These committees possibly do exist as their existence was disclosed in 2014, but the omission of the disclosure of the existence of some of the committees in 2015 may be an indication of the poor disclosure practices at Universities.

Table 4.8 Disclosure of Minimum Committees

Committee	2011	2012	2013	2014	2015
Remuneration Committee	55%	50%	61%	74%	70%
Finance Committee	91%	91%	83%	91%	87%
Risk Committee	55%	55%	78%	87%	87%
Council Membership Committee	36%	41%	48%	44%	52%
Audit Committee	77%	77%	87%	100%	96%

Sources for Table 4.8 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013;

WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015)

In the five years under investigation, only 57% of the Annual Reports disclose that the Universities' committees are constituted by the Council by using terms of reference for the committees (see Appendix A) (RSA, 2014c). The disclosures in terms of the composition of the Council and its committees, as well as information pertaining to the qualifications, experience and skills of the committee members are lacking in 58% of the Annual Reports. Although the composition of the Councils is presented in 78% of the Annual Reports, further information, as discussed next, are omitted. Only 6% of the Annual Reports includes information on the age of Council members and a mere 47% of the Annual Reports over the five years disclose the committees that each of the Council members serves on. Only 10% of the Annual Reports include information on significant directorships held by Council members.

In terms of the additional disclosure recommendations found in the King IV Report (see 4.3.2.4) 9% disclose the skills needed to serve on committees and 6% disclose the qualifications needed from Council members to serve on committees. The absence of this information from the majority (92%) of the Annual Reports makes it difficult for readers of the Annual Reports to determine the independence, knowledge, and skills of Council members. The disclosures do, however, indicate that some of the Universities are proactive in their disclosure and the use of the principles contained in the King IV Report.

A further concern is the poor disclosures of the number of Council and Committee meetings attended by each Council member (see Appendix A) (RSA, 2014c). Only 55% of the Annual Reports contain sufficient information to determine the attendance of Council meetings and only 37% of Annual Reports contain sufficient information in terms of the attendance of committee meetings.

Table 4.9 *Constituency Groups – Absenteeism from more than 50% of Council and Committee Meetings* contains an analysis of the Council and Committee members who were absent from more than 50% of Council and Committee meetings in a specific year. Where a specific representative group has more than one member on the Council; for example, there may be five Ministerial Appointees, the absent members will be indicated as a fraction of the total group (i.e. 2/5 when two of the five Ministerial Appointments who were absent from more than 50% of meetings). Not all Universities were included in Table 4.9. Only those Universities whose Annual Reports disclose sufficient information to determine attendance of individual Council and Committee meetings are included in this table. Where there are open spaces on the table, it means that none of the representatives under that group (i.e. Ministerial Appointments) were absent for more than 50% of the Council and Committee meetings.

The absence of the representatives of the Minister of Higher Education and Training, Local Government, Office of the Premier, Donors, and members appointed or co-opted by Council, makes it very difficult for Councils to make independent decisions. This difficulty arises, as the above-mentioned groups of members, other than the student as staff representatives, are supposed to be independent and should form part of the 60% of the members of a Council that should be independent (see 2.3.4.5, Appendix A and 3.8.3.1). The absent Council and Committee members' commitment to the corporate governance principles and to the performance of their fiduciary duties (see 4.5.6 and 4.5.4) are a concern. It may be that these absent Council and Committee members had valid explanations of why Council and Committee meetings were not attended, but the fact that they were absent for more than 50% of Council and Committee meetings it may be an indication that they should not have accepted the appointment on the Councils and Committee because of time constraints. With the limited remuneration of Council and Committee members (see 4.5.8) the Chairpersons' of the Councils may find it difficult to hold the Council and Committee members accountable and responsible for their absence from Council and Committee meetings (see 3.2).

Table 4.9 Constituency Groups – Absenteeism from more than 50% of Council and Committee meetings

	Ministerial Appointments				Representative of Local Government					Represen-tative of the Convocation		Representative of the Office of the Premier			Members appointed by Council for their expertise					Donor Representatives					Student Representatives					Staff and union Representative				
University	2011	2012	2014	2015	2011	2012	2013	2014	2015	2014	2015	2011	2014	2015	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
CPUT	2/5	4/5		2/5	1/1										5/13		1/12	1/17	1/10				1/1		1/2		2/4		2/4	1/2			1/4	
CUT				3/4																														1/1
DUT																																		
NWU				1/4																														
RHODES		2/3	3/5	2/5		2/2	2/2	1/2	1/2							1/6																2/3		
SPU																			3/10															
TUT	2/5									1/2							1/4		1/4	1/1												1/2		
UCT				1/3					1/1	1/6	1/3							2/5	2/5				1/2											
UFH								1/1	3/3				2/2	1/2																				
UKZN									1/3										2/14								2/2							1/6
UMP				1/6																														
UNISA			1/3			1/1		1/1							1/10	4/10			1/10												1/2		1/2	
UNIVEN																		2/6																
UWC	2/5											1/1		1/2	2/5		4/5		1/4	1/2	2/2	1/2	1/2	1/2		1/2								
VUT	2/3	3/3		1/3	1/1				1/3						3/4	1/4	3/8		1/8	2/2							1/1			1/14	1/14			
WSU				2/5						1/2	2/2								1/4				1/2	1/2				1/2	2/2					4/4
ZULULAND				1/5					1/1										1/6															

Sources for Table 4.9 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

Additional disclosure recommendations in terms of the Council can be found in the King IV Report as well (see 4.3.2.4). The disclosure of the skills, qualifications, and experience of top management and the registrar is important for readers and stakeholders. So far 3% of the Annual Reports between the years 2011 and 2015 already included disclosures about the qualifications, skills, and experience of top management and the registrar. The King IV Report further has additional recommendations in terms of the management of the Ethics of Universities (see 4.3.2.4).

Although the South African Reporting Regulations already require an ethical statement in the Annual Report (see 4.5.17), the King IV Report recommends much more detail than just an ethical declaration by Council. The incorporation of Ethics into risk management and the structures used to manage Ethics should be disclosed.

The Code of Ethics should further include guidance on the ethical manner in which staff is recruited and promoted, and the existence of ethical performance evaluations should be disclosed. Only 9% of the Annual Reports between 2011 and 2015 include information on the inclusion of Ethics into risk management, while 2% of the Annual Reports include statements on the ethical recruitment, promotion and performance evaluations of staff and 8% include the mechanisms used to ensure effective and adequate Ethics management.

Disclosures about the mechanisms used by Councils to ensure effective and adequate management and assessment of Corporate Citizenship represent another disclosure recommendation in terms of the King IV Report. The Council should accept the responsibility of implementing mechanisms to monitor and assess the effectiveness and adequacy of the University's Corporate Citizenship. Merely 8% of the Annual Reports over the five years include the Council's responsibility for these mechanisms (see also 4.5.3). Although a small number of Annual Reports include aspects in terms of the King IV Report, the fact that these aspects were included in some Annual Reports is an indication that some of the Universities in South Africa are proactive in the application of King IV principles.

International best practices recommend that Councils include statements relating to the political engagement of the University and its Council members, in the form of involvement with political parties (see 4.3.3.5). It further recommends disclosure of the existence of an Investment Committee and the statutes which govern the appointment of the Chairperson and Deputy-Chairpersons of the Council. The Council is further expected to have two Council meetings during the year, which is earmarked for strategic planning and management only (see 4.3.3.5). Although 23% of the Annual Reports over the five years include disclosure of the existence of an Investment Committee, none (0) of the Universities disclosed political engagements and only 3% of Annual Reports include reference to the statutes in terms of the appointment of the Chairperson and deputy Chairperson of the Council (see 4.3.3.5). As the party responsible for the overall governance and strategic management of the University, it arouses concerns that only 3% of the Annual Reports include disclosure of the minimum two Council meetings for strategic matters.

To discharge their duties, it is imperative for the Council to receive regular Reports from their subcommittees and Internal Audit. According to the Annual Reports for the years 2011 to 2015, only 14% of Councils received regular reports from the Risk Committee, and 16% of Councils received regular reports from the Audit Committee (see 4.3.3.5) (see Appendix A) (RSA, 2014c). Only 6% of Councils received regular reports from the Remuneration and Finance Committees; 3% received reports from the Council Membership Committee, and a mere 9% received regular reports from

Internal Audit. This lack of regular feedback from committees and Internal Audit makes it impossible for the Council to discharge their duties relating to the strategic and risk management of the University. Without regular, and high quality management information (see also 4.5.21), the Council cannot provide the correct strategic direction, nor can they identify possible key risks (see 4.5.23) that need to be addressed in order for the University to remain sustainable (4.5.18).

Although the national averages for the disclosure of the composition and functions of the Councils are above 5.00 since 2013 (see Table 4.7), the disclosure practices of the South African Universities are not up to standard. The composition of the Councils may perhaps conform to the statutes of each University (see 3.8.3.1), but the non-disclosure of the composition of the Councils leaves the readers of the Annual Report wondering whether or not the Councils conforms to the principles of independence (see 2.3.4.2 and 2.3.4.3). The non-disclosure of the functions of the Council and the existence of the minimum committees further lead to questions surrounding the transparency of the Annual Reports and the poor disclosure practices of the Universities. As the Councils of Universities is ultimately responsible for the sustainability and value creation of Universities, they are pivotal in the application of corporate governance principles and should set the tone, even in terms of the disclosure of the performance of their duties. The poor disclosures in terms of the performance of the Councils' duties lead to questions in terms of transparency and accountability of Councils.

4.5.8 Remuneration Committee composition and functions

This section deals with the results of the framework relating to the disclosure practices in terms of the Remuneration Committee's composition and functions. The Reporting Regulations contain specific aspects that should be disclosed, such as the duties and responsibilities of the Remuneration Committee in terms of staff policies and the approval of executive remuneration, the disclosure of remuneration policies and notes in the Annual Financial Statements in terms of remuneration paid to the executive management of the University and the results of performance evaluations of committees, executive management and the Council (see Appendix A) (RSA, 2014c).

The section further deals with the recommendations in terms of the three sections of the remuneration report that should be included in the Integrated Report according to King IV (see 4.3.2.6). The averages contained in Table 4.10 *National averages in terms of the Remuneration Committee duties and functions to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23).

The number of items included in the analysis of the minimum content to be included in the Annual Report under the three headings SA, KING IV and INT is as follows:

- South Africa 33 items (see Appendix A)
- King IV 30 items (see 4.3.2.6)
- International 4 items (see 4.3.3.6)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 3.35; 2012 – 3.42; 2013 – 3.29; 2014 – 3.65; 2015- 3.35 Average for KING IV – 2011 – 1.35; 2012 – 1.48; 2013: - 1.39; 2014 – 1.41; 2015 – 1.35: Average for INT – 2011 – 3.26; 2012 – 3.26; 2013 – 3.09; 2014 – 3.15; 2015 – 3.30). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Where a University achieved a score in the INT column that is higher than the score in the South African column, it is an indication that the Annual Report for that specific year includes disclosures in terms of the international best practices.

Table 4.10 National averages in terms of the Remuneration Committee composition and functions to be included in the Annual Report

	2011			2012			2013			2014			2015		
	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT
National Average	**3.35**	**1.35**	**3.26**	**3.42**	**1.48**	**3.26**	**3.29**	**1.39**	**3.09**	**3.65**	**1.41**	**3.15**	**3.35**	**1.35**	**3.30**
Cape Peninsula University Technology	3.33	1.67	0.29	5.15	2.00	10.00	5.45	2.00	3.53	6.06	2.33	5.29	6.06	2.33	5.59
Central University of Technology	0.61	-	5.88	0.61	-	5.88	3.03	0.33	0.88	3.03	0.67	0.88	3.03	0.67	3.24
Durban University of Technology	5.76	1.33	3.24	4.24	1.67	2.94	4.24	1.67	5.59	3.33	1.67	4.12	3.33	1.67	4.12
University of Mpumalanga	First Annual Report issued in 2015												2.42	-	2.65
Mangosuthu University of Technology	3.33	0.33	-	3.03	0.33	2.35	3.03	1.67	3.24				2.12	0.33	2.94
Nelson Mandela Metropolitan University	4.55	2.33	3.24	4.85	2.33	2.35	3.33	1.33	4.41	2.73	1.67	5.00	2.73	1.67	3.53
North-West University	4.24	1.67	2.94	4.24	1.67	2.94	5.45	1.67	4.41	4.24	1.67	4.12	4.24	1.67	5.29
Rhodes University	5.15	2.00	4.12	4.55	0.33	4.12	4.55	2.00	5.00	3.64	2.00	4.41	4.85	1.67	4.41
Sol Plaatje University	First Annual Report issued in 2013						3.33	1.33	-	3.33	1.33	-	3.33	1.33	3.24
Tshwane University of Technology	0.30	-	3.24	2.73	1.67	3.24	3.94	2.00	0.59	4.85	2.00	2.94	4.85	2.00	4.12
University of Cape Town	3.94	1.67	4.71	3.94	1.67	4.71	3.94	1.67	3.82	3.94	1.67	3.82	5.15	1.67	3.82
University of Ford Hare	2.12	1.67	3.82	2.73	1.67	5.00				2.42	2.00	2.65	2.42	2.00	2.35
University of the Free State	3.64	0.33	2.35	4.24	0.33	2.35	4.24	0.33	3.53	4.24	0.33	4.12	2.42	1.67	4.12
University of Johannesburg	0.30	1.33	4.12	-	1.33	2.35	-	-	0.29	0.30	-	-	-	-	-
University of KwaZulu-Natal	2.73	1.67	0.59	3.03	2.00	0.29	3.03	2.00	2.94	3.64	1.33	3.24	3.64	2.67	3.24
University of Limpopo	1.21	-	3.53	0.61	-	3.53	3.64	1.67	1.18	3.64	1.67	0.59			
University of South Africa	6.06	3.00	3.53	5.76	4.67	0.29	5.76	5.00	6.18	4.24	0.33	5.88	4.24	0.33	5.88
University of Venda	3.33	1.67	4.12				1.21	-	3.24	4.55	1.33	-	0.61	-	1.18
University of Pretoria	0.61	-	4.41	3.33	1.67	0.59	0.91	-	0.59	2.73	-	3.53			
University of Stellenbosch	3.94	1.67	2.65	3.94	1.67	-	4.55	1.67	3.82	4.85	1.67	3.82	4.85	1.67	4.41
University of the Western Cape	5.45	1.67	4.71	4.24	1.67	4.71	2.73	1.67	5.29	0.91	1.00	4.12	1.21	1.00	2.65
Vaal University of Technology	4.85	1.67	0.88	5.76	1.67	1.18	5.76	1.67	4.71	5.76	1.67	5.59	5.76	2.00	5.59
University of Witwatersrand	3.64	2.33	5.59	3.64	2.33	5.59	3.64	2.33	3.53	3.64	2.00	3.53	3.64	2.33	3.53
Walter Sisulu University	4.55	1.67	3.82	2.12	1.67	3.53	-	-	4.41	3.94	2.00	2.06	3.94	2.00	-

Sources for Table 4.10 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

The trends in the international disclosures are discussed on page 295. These Universities are:

- 2011 – CUT, TUT, UCT, UFH, UJ, UL, UNIVEN, UP and WITS;
- 2012 - CPUT, CUT, TUT, UCT, UFH, UJ, UL, UWC, WITS, WSU, and ZULULAND;
- 2013 – DUT, MUT, NMMU, RHODES, UNISA, UNIVEN, UWC, and ZULULAND;
- 2014 – DUT, NMMU, RHODES, UFH, UNISA, UP and UWC; and
- 2015 – CUT, DUT, UMP, MUT, NMMU, NWU, UFH, UFS, UNISA, UNIVEN and UWC.

The national average, per University, of the disclosure in terms of the Remuneration Committee composition and functions (in terms of the SA column) (see Table 4.10) ranges from 0.30 to 6.06. This average indicates that CPUT (2014 and 2015) and UNISA (2011) were the best performers with an average of 6.06. The worst performers were TUT (2011) and UJ (2011 and 2014) with a score of 0.30. For the 2011 and 2012 financial years, eight (36%) Universities showed a decrease in their average score for the disclosure in terms of the Remuneration Committee. Five (22%) Universities showed a decrease between 2012 and 2013, six (27%) between 2013 and 2014 and four (17%) between 2014 and 2015.

The decrease between 2011 and 2012 can be attributed to a decrease in the disclosure of the responsibility of the Remuneration Committee, for the general staff remuneration policy of the University (2011 – 59%; 2012 – 41%) and the disclosure of the Remuneration Committee's responsibility to determine the remuneration of Council members (2011 – 46%; 2012 – 32%). The exclusion of the disclosure of the performance parameters used for the performance evaluations of the Council and Council Committees (2011 – 9%; 2012 – 5%) and the disclosure of the remuneration paid to Council members (2011 – 59%; 2012 – 55%) are the additional reasons for the decrease of the scores from 2011 to 2012.

The decrease in the scores from 2012 to 2013 can be attributed to a decrease in the disclosure of the responsibility of the Remuneration Committee for the general staff remuneration policy of the University (2012 – 41%; 2013 – 40%), the exclusion of a statement that the Remuneration Committee is responsible for reporting on remuneration in general (2012 – 46%; 2013 – 44%) and the disclosure of the Remuneration Committee's responsibility to determine the bonuses paid to executive management (2012 – 32%; 2013 – 30%). The exclusion of information in the notes to the financial statements in terms of retirement funds (2012 – 77%; 2013 – 70%), post-retirement medical aid (2012 – 86%; 2013 – 74%), gross remuneration (2012 – 77%; 2013 – 70%) and all costs paid to executive management in terms of the Income Tax Act (2012 – 68%; 2013 – 65%) were further reasons for the decrease in the averages from 2012 to 2013. The decrease in the averages from 2013 to 2014 can be attributed to the non-disclosure of the Remuneration Committee's responsibility for the determination of the executive remuneration (2013 – 57%; 2014 – 48%).

The four Universities that showed a decrease in their scores in 2015 are UFS, UJ, UNIVEN and ZULULAND. The UJ omitted all disclosures in terms of the duties and responsibilities of the Remuneration Committee in 2015. The UFS disclosed only the total remuneration of executive management without disclosing the information per person, such as bonuses paid and the payments made to individuals in terms of the remuneration for other services rendered to the University. The disclosures of the payment to Council Members for the attendance of Council and Committee meetings were also excluded from this University's 2015 Annual Report (see

Appendix A) (RSA, 2014c). The UNIVEN omitted all disclosures in terms of the duties of the Remuneration Committee except for the duty of this committee to determine executive remuneration in 2015. ZULULAND omitted all disclosures in terms of the duties of the Remuneration Committee in 2015. The Annual Report of this University further omitted information concerning the remuneration paid to the individual executive managers and disclosed only the total amount of remuneration paid to the executive management (see Appendix A) (RSA, 2014c). The discussion on the non-disclosure in terms of the duties of the Remuneration Committee is found below.

The low scores received by the Universities relating to the disclosure of the composition, duties, and functions of the Remuneration Committee (see Table 4.10 *National averages in terms of the Remuneration Committee composition and disclosures to be included in the Annual Report*), raise some serious questions concerning the commitment of Universities to transparency. With only two Universities, namely CPUT (2014 and 2015) and UNISA (2011), achieving scores higher than 6.00 concerns are raised in terms of compliance with disclosure recommendations and corporate governance principles.

None (0%) of the Annual Reports for the five years under review include a Remuneration Report where the University explains the remuneration philosophy and policies and how they are connected to the strategic objectives of the University. None of the Annual Reports included an explanation on either the base pay policy or special justification to pay above the median. The King IV Report specifically recommends the inclusion of a Background Statement, a Remuneration Overview Report and a Remuneration Implementation Report (see 4.3.2.6). None of the Annual Reports (0%) over the five years include a Background Statement. Relating to the Remuneration Overview Report, only 2% of the Annual Reports include a high level description of remuneration policies. Regarding the Remuneration Implementation Report, 2% of the Annual Reports over the five years include information on awards realized, and a mere 9% of the Annual Reports disclose the use of remuneration experts. It is, therefore, not possible to compare the remuneration policies of the different Universities or to conclude on the fairness of remuneration practices.

Over the five years under investigation, only 31% of the Annual Reports include disclosures in terms of the Remuneration Committee's responsibility for general staff policies on remuneration, the prerequisites for bonuses, executive remuneration, Council remuneration, and remuneration in terms of service contracts. The disclosures in terms of retirement funds and post-retirement medical aid can be found in the notes of 74% of the Annual Reports, but no disclosure was made in the Annual Reports in terms of the Remuneration Committee's responsibilities for these aspects.

The Annual Reports and Financial Statements do include disclosures in terms of remuneration of top and senior management (see Appendix A) (RSA, 2014c) but only 49% include comparative figures, while 76% disclose gross remuneration of top and senior management and 63% disclose cash payments made to top and senior management in the form of bonuses. Further, only 46% of the Annual Reports include information of material ex-gratia payments made with the justification of these payments, while 45% of the Annual Reports mention that methods are used for performance evaluations at the University, but only 11% of the Annual Reports include mention of performance parameters being used to determine bonuses.

In terms of the King IV recommendations, 11% of the Annual Reports include comments on who was responsible for performance evaluations of Council and Council Committees, and the results of these performance evaluations and 3% of the Annual Reports include commentary on remedial actions taken to counter poor performance of the Council and Council Committees. None of the Annual Reports include examples on how the remuneration policy of the University can be applied under different performance outcomes. Three quarters (75%) of the Annual Reports included the basic salary of executive management; 65% include benefits received by executive management; 61% include short-term incentives paid to management, and 65% include payments to executive management in terms of loss of office. The inclusion of some of the King IV Report aspects in the Annual Reports of Universities (as can be seen in Table 4.10 under the King IV column), is an indication that some of the Universities are proactive in die application of the King IV Report.

The remuneration of independent Council members for the attendance of Council and Committee meetings is disclosed in only 49% of the 113 Annual Reports. The Remuneration of independent Council members for the attendance of Council and Council Committees consist of the reimbursement of travelling expenses and a fixed fee for the attendance of Council and Committee meetings. Table 4.11 *Payments to independent Council members for travelling and attendance of meetings*, contains the total amounts that were paid to Council and Council Committee Members over the five years and include both traveling costs and the fixed attendance fee. Where there are no amounts included in the table, the University either did not pay independent Council Members for travelling costs and attendance of meetings, or the payments to Council and Committee members were not disclosed in the Annual Reports. It is clear from the differences in the amounts contained in Table 4.11 there is no common trend in the payment of Council and Committee members. The UNIVEN has the highest expense in terms of payments to Council and Committee members, followed by the University of Mpumalanga in 2014.

The disclosures in terms of the payments made to independent Council members indicate that (see Figure 4.7) there was a sharp decrease in Council remuneration from 2011 to 2012, which may be explained to some extent by some Universities being placed under administration and Councils being disbanded. An increase in payments to independent Council was again found between 2012 and 2014. The decrease in the disclosure of payments to independent Council members for the attendance of Council and Committee Meetings from 2014 to 2015 may be because of two possible factors. The first factor is the fact that independent Council members are still being paid for travelling and attendance of Council and Committee meetings, but the disclosure of the payments was excluded from some of the Annual Reports. The second factor may be that some of the Universities ceased to make payments to independent Council members for their traveling and attendance of Council and Committee meetings, but that seems to be an unlikely occurrence. Either way, the exclusion of any comment in the Annual Report relating to the payment practices of the Universities makes it impossible to determine the reason for the fluctuation in the disclosure of payments to independent Council members.

Table 4.11 Payments to independent Council members for travelling and attendance of meetings

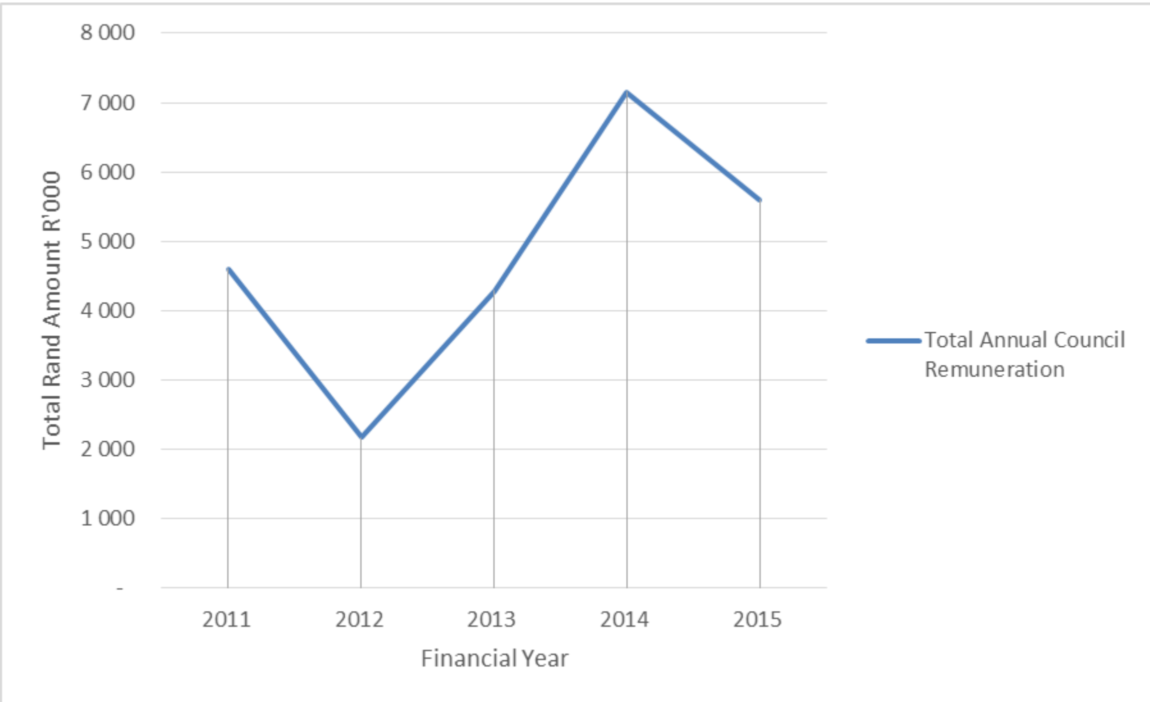
	2011 R'000	2012 R'000	2013 R'000	2014 R'000	2015 R'000
Cape Peninsula University Technology	503	412	379	468	455
Central University of Technology	-	148	124	194	-
Durban University of Technology	158	146	182	-	350
University of Mpumalanga	-	-	147	1 139	280
Mangosuthu University of Technology	216	102	277		577
Nelson Mandela Metropolitan University	176	229	271	350	74
North-West University	417	467	458	679	-
Rhodes University	-	-	-	-	-
Sol Plaatje University	-	-	468	391	178
Tshwane University of Technology	-	-	655	655	931
University of Cape Town	-	-	-	-	-
University of Fort Hare	-	-		-	-
University of the Free State	91	169	140	239	119
University of Johannesburg	495	-	687	823	881
University of KwaZulu-Natal	-	-	-	-	705
University of Limpopo	-	-	40	201	
University of South Africa	681	335	537	277	863
University of Venda	1 011		-	1 229	-
University of Pretoria	394	-	443	-	
University of Stellenbosch	214	160	165	14	193
University of the Western Cape	-	-	-	-	-
Vaal University of Technology	246	-	-	729	419
University of Witwatersrand	-	-	-	-	-
Walter Sisulu University	494	-	-	91	182
University of Zululand		-	-	-	272

Sources for Table 4.11 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014;

UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015)

The only international disclosure recommendation (see 4.3.3.6) is that the name of the Chairperson of the Remuneration Committee be disclosed. Only 27% of the Annual Reports include the name of the Chairperson of the Remuneration Committee. The lack of detail information in the Annual Reports of the Universities relating to remuneration policies and practices, casts serious doubts on the Universities' commitment to corporate governance principles, specifically transparency and accountability (see 4.5.6).

Figure 4.7 Remuneration of Council Members



Sources for Figure 4.7 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012;

UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

It may very well be that the individual Universities do have Remuneration Committees, and these committees do comply with the duties as set out in the Reporting Regulations (see Appendix A), but that the disclosure of their duties and functions are not up to standard (RSA, 2014c). It is also a further possibility that the Universities do have information in terms of the different remuneration components of executive managers as well as the payment of Council members for attendance of Council and Committee meetings that should be disclosed in term of the Reporting Regulations (see Appendix A) (RSA, 2014c), but once again the disclosure practices of some of the Universities are not up to standard and leads to questions in terms of the commitment of the Universities to transparency and accountability.

4.5.9 Finance Committee composition and functions

This section contains the results of the framework relating to the disclosure of the composition and functions of the Finance Committee. In terms of the Reporting Regulations (see Appendix A), the Finance Committee is Responsible for the annual revenue and capital budget review and monitoring of the operational and capital budgets (RSA, 2014c). The Finance Committee is, further, along with the Audit Committee, co-responsible for ensuring that the University is a going concern; the University has an appropriate accounting information system; and the department of the University that deals with the maintenance of the financial records has sufficient staff that are suitably qualified (see Appendix A) (RSA, 2014c).

The averages contained in Table 4.12 *National averages in terms of the Finance Committee composition and functions to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the three headings SA, KING IV and INT is as follows:

•	South Africa	11 items (see Appendix A)
•	King IV	2 items (see 4.3.2.7)
•	International	1 item (see 4.3.3.7)

In 2012, seven (31%) of the Annual Reports omitted information in terms of the existence and duties of a Finance Committee; also in 2013, seven (32%); seven in 2014 (30%); and seven (30%) in 2015 excluded disclosures in terms of this committee as is evident from the zero (-) scores.

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 4.13; 2012 – 3.22; 2013 – 3.54; 2014 – 4.27; 2015 – 4.19: Average for KING IV – 2011 – 4.09; 2012 – 2.95; 2013: - 3.26; 2014 – 2.39; 2015 – 2.83: Average for INT – 2011 – 4.13; 2012 – 3.26; 2013 – 3.48; 2014 – 4.31; 2015 – 4.31). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Where a University achieved a score in the INT column that is higher than the score in the South African column, it is an indication that the Annual Report for that specific year, includes disclosures in terms of the international best practices. The trends in the international disclosures are discussed on page 300. These Universities are:

- 2011 – NMMU, NWU, TUT, UCT, UNISA, UL, VUT and WSU;
- 2012 – CPUT, DUT, NMMU, NWU, UCT, UNISA, and VUT;
- 2013 – CPUT, CUT, DUT, NMMU, NWU, TUT, UCT, UJ, UNISA, and VUT;
- 2014 – CPUT, NMMU, NWU, SPU, TUT, UCT, UJ, VUT and ZULULAND; and
- 2015 – CPUT, CUT, UMP, NMMU, NWU, SPU, TUT, UCT, UJ, VUT, and ZULULAND.

Table 4.12 National averages in terms of the Finance Committee composition and functions to be included in the Annual Report

	2011			2012			2013			2014			2015		
	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT
National Average	**4.13**	**4.09**	**4.13**	**3.22**	**2.95**	**3.26**	**3.54**	**3.26**	**3.48**	**4.27**	**2.39**	**4.31**	**4.19**	**2.83**	**4.31**
Cape Peninsula University Technology	6.36	5.00	5.83	5.45	5.00	5.83	5.45	5.00	5.83	5.45	5.00	5.83	5.45	5.00	5.83
Central University of Technology	4.55	-	4.17	4.55	-	4.17	4.55	-	5.00	5.45	-	5.00	5.45	5.00	5.83
Durban University of Technology	10.00	10.00	9.17	1.82	10.00	2.50	1.82	10.00	2.50	6.36	-	5.83	6.36	-	5.83
University of Mpumalanga	First Annual Report issued in 2015												4.55	5.00	5.00
Mangosuthu University of Technology	2.73	-	2.50	2.73	-	2.50	-	-	-				-	-	-
Nelson Mandela Metropolitan University	5.45	5.00	5.83	6.36	10.00	6.67	5.45	5.00	5.83	5.45	5.00	5.83	5.45	5.00	5.83
North-West University	2.73	10.00	3.33	2.73	10.00	3.33	2.73	10.00	3.33	5.45	-	5.83	5.45	-	5.83
Rhodes University	7.27	5.00	6.67	6.36	5.00	5.83	6.36	5.00	5.83	6.36	5.00	5.83	7.27	5.00	6.67
Sol Plaatje University	First Annual Report issued in 2013						5.00	5.00	0.83	-	5.00	0.83	-	5.00	0.83
Tshwane University of Technology	4.55	5.00	5.00	-	-	-	4.55	5.00	5.00	4.55	5.00	5.00	4.55	5.00	5.00
University of Cape Town	4.55	5.00	5.00	4.55	5.00	5.00	4.55	5.00	5.00	4.55	5.00	5.00	4.55	5.00	5.00
University of Fort Hare	4.55	5.00	4.17	2.73	-	2.50				-	-	-	-	-	-
University of the Free State	5.45	-	5.00	5.45	-	5.00	5.45	-	5.00	5.45	-	5.00	-	-	-
University of Johannesburg	-	-	-	-	-	-	5.45	5.00	5.83	-	-	0.83	-	-	0.83
University of KwaZulu-Natal	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00
University of Limpopo	-	5.00	0.83	-	-	-	-	-	-	-	-	-			
University of South Africa	6.36	5.00	6.67	6.36	5.00	6.67	6.36	5.00	6.67	10.00	5.00	10.00	10.00	5.00	10.00
University of Venda	5.45	-	5.00				4.55	-	4.17	4.55	-	4.17	4.55	-	4.17
University of Pretoria	-	-	-	-	-	-	-	-	-	-	-	-			
University of Stellenbosch	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
University of the Western Cape	2.73	10.00	2.50	5.45	5.00	5.00	0.91	5.00	0.83	6.36	5.00	5.83	6.36	5.00	5.83
Vaal University of Technology	0.91	5.00	1.67	0.91	5.00	1.67	2.73	5.00	3.33	6.36	5.00	6.67	6.36	5.00	6.67
University of Witwatersrand	5.45	-	5.00	5.45	-	5.00	5.45	-	5.00	5.45	-	5.00	5.45	-	5.00
Walter Sisulu University	1.82	10.00	2.50	-	-	-	-	-	-	-	-	-	-	-	-
University of Zululand				-	-	-	-	-	-	6.36	5.00	6.67	4.55	5.00	5,00

Sources for Table 4.12 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

The national average of the Finance Committee (in terms of the SA column) (see Table 4.12) ranges from zero (-) to 10.00. These averages indicate that UKZN (2011, 2012, 2013, 2014 and 2015) and UNISA (2014 and 2015) were the best performers with an average of 10.00. In 2011, four (18%) of the Universities did not disclose any information in terms of the existence of a Finance Committee in their Annual Reports as is evident from the zero (-) scores.

From 2011 to 2012, six Universities (27%) showed a decrease in the score achieved for the disclosures of the composition and duties of the Finance Committee. From 2012 to 2013, three (7%) Universities showed a decrease in scores and two (9%) between 2013 and 2014 as well as 2014 and 2015. The major reason for the decrease in the scores between 2011 and 2012 was the exclusion of the responsibility of the Finance Committee for the approval and monitoring of the revenue and capital budgets (2011 – 66%; 2012 – 55%). The exclusion of the responsibilities of the Finance Committee for the accounting information system (2011 – 13%; 2012 – 8%) and the disclosure in terms of the composition of the Finance Committee (2011 – 41%; 2012 – 30%) further contributed to the decrease in the scores between 2011 and 2012.

DUT and TUT both showed a dramatic decrease in score from 2011 to 2012. The Annual Report of DUT in 2015 only disclosed the responsibility of the finance committee in terms of ensuring that the University has an appropriate accounting information system, and excluded all other aspects in term of the duties of the committee. The omission of the information caused this University's score to drop from 10.00 in 2011 to 1.82 in 2012. The TUT omitted all disclosures in terms of the Finance Committee from their 2012 Annual Report, causing their score to drop from 4.55 in 2011 to zero (-) in 2012.

The major reason for the decrease in the scores between 2012 and 2013 was the exclusion of the responsibility of the Finance Committee for the approval and monitoring of the revenue and capital budgets (2013 – 55%; 2013 – 54%). The reason for the decrease of the score of UJ from 2013 to 2014 was because of the fact that the Annual Report of this University did not contain any disclosures in terms of the composition and duties of the Finance Committee in the 2014 Annual Report. The discussion on non-compliance in terms of the composition and duties of the Finance Committee is found below.

The existence of a Finance Committee is one of the minimum committees required by the Regulations for Reporting by public Higher Institutions in South Africa of 2014 (see Appendix A) (RSA, 2014c). Although the existence of such a committee is stated in 82% of Annual Reports (see 4.5.11), the disclosures in terms of the committee's performance of their duties and responsibilities are lacking, as revealed by the low scores in Table 4.12.

It gives cause for concern that 68% of the Annual Reports over the five years do not include a specific statement that the Finance Committee is satisfied that the University is a going concern. Only 39% of the Annual Reports include a statement that the Finance Committee, with the Audit Committee (see 4.5.12), is satisfied that the accounting systems are appropriate and the personnel responsible for maintaining the accounting records have the qualifications to do so (see Appendix A) (RSA, 2014c).

In terms of the King IV (see 4.3.2.7) and international best practices (4.3.3.7), 8% the Annual Reports of the Universities includes disclosures in terms of the use of external advisors (see 4.3.2.7), and 45% discloses the name of the Chairperson of the Committee (4.3.3.7). Just over half (51%) of the Annual Reports over the five years also included information on the composition of the Finance Committee as recommended by the King IV Report. The inclusion of the composition, and the use of experts by the Finance Committee in some of the Annual Reports is an indication of the pro-active application of King IV recommendations.

With the Finance Committee being responsible for the monitoring of the revenue and capital budgets of the University, the non-disclosure of this monitoring process leads to question in terms of the knowledge, and performance, of the Committee members of their duties and functions. The non-disclosure may be a further indication the Remuneration Committee do have the knowledge and are aware of their duties, but these duties were not disclosed in the Annual Reports. With the financial crises facing the Universities with the #FeesMustFall campaigns (see 1.1) of 2015 and 2016, the disclosures of the performance of the above-mentioned functions are crucial for the continued existence of Universities.

4.5.10 Planning and Resource Committee composition and functions

The Planning and Resource Committee of a University is responsible for cooperation with the Finance Committee (see 4.5.9). This cooperation should produce input into the annual budgets of the University and should be based on the medium- and long term strategic plans of the University (see Appendix A) (RSA, 2014c). The financial implications of capital developments, and annual operating budgets should be monitored and the implication for allocation of developments, should be referred to the Finance Committee. The performance of these functions should also be disclosed in the Annual Reports (see Appendix A) (RSA, 2014c).

The averages contained in Table 4.13 *National averages in terms of the Planning and Resource Committee composition and functions to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23).

The number of items included in the analysis of the minimum content to be included in the Annual Report under the three headings SA, KING IV and INT is as follows:

- South Africa 7 items (see Appendix A)
- King IV 2 items (see 4.3.2.8)

- International 1 item (see 4.3.3.8)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 2.53; 2012 – 1.95; 2013 – 2.30; 2014 – 2.92; 2015 – 2.98: Average for KING IV – 2011 – 1.82; 2012 – 0.45; 2013: - 0.87; 2014 – 1.30; 2015 – 1.52: Average for INT – 2011 – 2.56; 2012 – 1.82; 2013 – 2.23; 2014 – 2.93; 2015 – 2.99). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Where a University achieved a score in the INT column that is higher than the score in the South African column, it is an indication the Annual Report for that specific year includes disclosures in terms of the international best practices. The trends in the international disclosures are discussed on page 305. These Universities are:

- 2011 – CPUT, TUT, UL, UNISA, VUT, and WSU;
- 2012 – CPUT and VUT;
- 2013 – CPUT, SPU, TUT and VUT;
- 2014 – CPUT, SPU, TUT, UJ, VUT and ZULULAND; and
- 2015 – CPUT, SPU, UCT, UJ, VUT, and ZULULAND.

The national average of the disclosure in terms of the composition and functions of the Planning and Resource Committee (in terms of the SA column) (see Table 4.13) ranges from zero (-) to 10.00. These averages indicate that CUT (2011) and UNISA (2014 and 2015) were the top performers. In 2011 and 2012, nine (41%) of the Annual Reports did not include any information on the duties and composition of the Planning and Resource Committee; eight (35%) in 2013 and 2014; and six (26%) in 2015. Additionally, only five (23%) of Annual Reports in 2011 achieved a score of more than 5.00; one (5%) in 2012; two (9%) in 2013; five (22%) in 2014; and five (22%) in 2015. These statistics are a clear indication that the disclosure of the duties and composition of the Planning and Resource Committees are not on standard at South African Universities.

Table 4.13 National averages in terms of Planning and Resource Committee composition and functions to be included in the Annual Reports

	2011			2012			2013			2014			2015		
	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT
National Average	**2.53**	**1.82**	**2.56**	**1.95**	**0.45**	**1.82**	**2.30**	**0.87**	**2.23**	**2.92**	**1.30**	**2.93**	**2.98**	**1.52**	**2.99**
Cape Peninsula University Technology	1.43	5.00	2.50	4.29	5.00	5.00	4.29	5.00	5.00	5.71	5.00	6.25	5.71	5.00	6.25
Central University of Technology	10.00	-	8.75	8.57	-	7.50	8.57	-	7.50	7.14	-	6.25	7.14	-	6.25
Durban University of Technology	-	-	-	-	-	-	-	-	-	-	-	-	2.86	-	2.50
University of Mpumalanga	First Annual Report issued in 2015												2.86	-	2.50
Mangosuthu University of Technology	5.71	-	5.00	2.86	-	2.50	2.86	-	2.50				2.86	-	2.50
Nelson Mandela Metropolitan University	-	-	-	-	-	-	2.86	-	2.50	2.86	-	2.50	2.86	-	2.50
North-West University	2.86	-	2.50	2.86	-	2.50	2.86	-	2.50	4.29	-	3.75	4.29	-	3.75
Rhodes University	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sol Plaatje University	First Annual Report issued in 2013						-	5.00	1.25	1.43	5.00	2.50	1.43	5.00	2.50
Tshwane University of Technology	8.57	5.00	8.75	1.43	-	1.25	-	5.00	1.25	2.86	5.00	3.75	2.86	5.00	3.75
University of Cape Town	1.43	-	1.25	-	-	-	-	-	-	2.86	-	2.50	2.86	-	2.50
University of Ford Hare	-	-	-	-	-	-				-	-	-	-	-	-
University of the Free State	-	-	-	2.86	-	2.50	2.86	-	2.50	2.86	-	2.50	2.86	-	2.50
University of Johannesburg	-	-	-	2.86	-	2.50	2.86	-	2.50	2.86	-	3.75	2.86	-	3.75
University of KwaZulu-Natal	1.43	-	1.25	1.43	-	1.25	1.43	-	1.25	-	-	-	-	-	-
University of Limpopo	-	5.00	1.25	-	-	-	-	-	-	-	-	-			
University of South Africa	7.14	5.00	7.50	2.86	-	2.50	2.86	-	2.50	10.00	5.00	10.00	10.00	5.00	10.00
University of Venda	-	-	-				5.71	-	5.00	5.71	-	5.00	-	-	-
University of Pretoria	-	-	-	-	-	-	-	-	-	-	-	-			
University of Stellenbosch	2.86	-	2.50	2.86	-	2.50	2.86	-	2.50	2.86	-	2.50	2.86	-	2.50
University of the Western Cape	5.71	5.00	5.00	-	-	-	2.86	-	2.50	-	-	-	-	-	-
Vaal University of Technology	2.86	5.00	3.75	2.86	5.00	3.75	2.86	5.00	3.75	2.86	5.00	3.75	2.86	5.00	3.75
University of Witwatersrand	4.29	-	3.75	4.29	-	3.75	4.29	-	3.75	4.29	-	3.75	4.29	-	3.75
Walter Sisulu University	1.43	10.00	2.50	-	-	-	-	-	-	-	-	-	-	-	-

Sources for Table 4.13 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

The drastic drop in the average score of TUT, UCT, UNISA and UWC between 2011 and 2012, was the result of the omission of disclosures in terms of duties of these committees for monitoring capital developments on the campuses (2011 – 27%; 2012 – 14%). Furthermore, the decrease in scores of these Universities is because of omission of a statement that the financial implication of capital development and strategic activities on campus was communicated to the Finance Committee (2011 – 23%; 2012 – 5%). The discussion on the non-disclosure in terms of the functions and composition of the Planning and Resource Committee is found below.

As the disclosure in terms of the duties of the Planning and Resource Committees was compulsory since the implementation of the Reporting Regulations in 2014 (see Appendix A) (RSA, 2014c), the low scores achieved by the Universities are causes for concern. The low scores contained in Table 4.13 are an indication the Universities either do not have a Planning and Resource Committee, or the Committee does exist, but the disclosure practices in terms of the duties of the Committee are not on standard. This leads to questions as to the transparency of the disclosures of the existence and the performance of the duties of the Planning and Resource Committees.

Some of the Annual Reports between 2011 and 2015 already include disclosure recommendations in terms of the King IV Report (see 4.3.2.8). The Annual Reports that achieved a score of 5.00 under the King IV column included either the composition of the Planning and Resource Committee or they disclosed the Committee's use of external experts. All Annual Reports that includes a score of 10.00 disclosed both the above-mentioned aspects.

The only international recommendation for disclosure is the disclosure of the name of the Chairperson of the Committee. Just over a quarter (26%) of the Annual Reports over the five years included the name of the Chairperson of the Committee as evidenced by the scores in the international column that are higher than the scores in the South African Column.

4.5.11 Council Membership Committee composition and functions

The Council Membership Committee is responsible for assisting the Council in nominating individuals who possess the necessary skills and experience to serve on the Council. Section 4.5.11 includes the results of the framework in terms of the disclosure of the existence, composition, and duties of the Council Membership Committee.

The averages contained in Table 4.14 *National averages on the Council Membership Committee composition and functions to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the three headings SA, KING IV and INT is as follows:

- South Africa 1 item (see Appendix A)
- King IV 2 items (see 4.3.2.9)
- International 1 item (see 4.3.3.9)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 3.64; 2012 – 3.18; 2013 – 3.48; 2014 – 3.91; 2015 – 4.35: Average for KING IV – 2011 – 2.05; 2012 – 1.82; 2013: - 1.74; 2014 – 1.96; 2015 – 2.17: Average for INT – 2011 – 2.95; 2012 – 2.73; 2013 – 3.04; 2014 – 3.48; 2015 – 3.91).

All items indicated in **RED** in the table indicate Annual Reports that could not be obtained. The discussion on the non-disclosure in terms of the existence, composition, and duties of the Council Membership Committee is found below.

There is only one item for disclosure required by the Reporting Regulations (see Appendix A) (RSA, 2014c) namely the acknowledgement of the existence of such a committee. All Universities who achieved a score of 10.00 under the South African Column in Table 4.14 included a statement acknowledging the existence of such a committee. All the Universities with a score of zero (-) omitted a statement as to the existence of a Council Membership Committee. This omission may be an indication the Council Membership Committee does not exist at all, or the existence of the Council Membership Committee was omitted upon the compilation of the Annual Reports.

Only 35% of the 113 Annual Reports analysed, disclosed the composition of the Committee in terms of the King IV Report (see 4.3.2.9). Merely 2% of the 113 Annual Reports disclosed the use of external advisors and 26% of Universities disclosed the name of the Chairperson of the Committee as recommended by King IV (see 4.3.3.9). All Universities with a score of more than 5.00 under the King IV column in Table 4.13 have included the composition of the Committee and all Universities with a score of 10.00 under this column included both the composition of the Committee and the use of external experts. The pro-active inclusion of the composition and the use of experts show that the Universities might be increasing transparency in their disclosures in terms of the King IV Report. Universities, who maintained their score of 10.00 in the international column of Table 4.13, disclosed the name of the Chairperson of the Council Membership Committee. All those whose score decreased to 5.00 did not.

Table 4.14 National Average on Council Membership Committee composition and functions to be included in Annual Report

	2011			2012			2013			2014			2015		
	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT
National Average	**3.64**	**2.05**	**2.95**	**3.18**	**1.82**	**2.73**	**3.48**	**1.74**	**3.04**	**3.91**	**1.96**	**3.48**	**4.35**	**2.17**	**3.91**
Cape Peninsula University Technology	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00
Central University of Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Durban University of Technology	10.00	5.00	5.00	-	-	-	-	-	-	10.00	5.00	5.00	10.00	5.00	5.00
University of Mpumalanga	First Annual Report issued in 2015												10.00	5.00	10.00
Mangosuthu University of Technology	-	-	-	-	-	-	-	-	-				-	-	-
Nelson Mandela Metropolitan University	10.00	5.00	10.00	10.00	10.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00
North-West University	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rhodes University	10.00	5.00	5.00	10.00	5.00	5.00	10.00	5.00	5.00	10.00	5.00	5.00	10.00	5.00	5.00
Sol Plaatje University	First Annual Report issued in 2013						-	-	-	-	-	-	-	-	-
Tshwane University of Technology	-	-	-	-	-	-	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00
University of Cape Town	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00
University of Fort Hare	-	-	-	-	-	-				-	-	-	-	-	-
University of the Free State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
University of Johannesburg	-	-	-	-	-	-	-	-	-	-	-	5.00	-	-	5.00
University of KwaZulu-Natal	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00
University of Limpopo	-	-	-	-	-	-	-	-	-	-	-	-			
University of South Africa	-	-	-	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00	10.00	5.00	10.00
University of Venda	-	-	-				-	-	-	-	-	-	-	-	-
University of Pretoria	-	-	-	-	-	-	-	-	-	-	-	-			
University of Stellenbosch	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
University of the Western Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vaal University of Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
University of Witwatersrand	10.00	5.00	5.00	10.00	5.00	5.00	10.00	5.00	5.00	10.00	5.00	5.00	10.00	5.00	5.00
Walter Sisulu University	10.00	10.00	10.00	-	-	-	-	-	-	-	-	-	-	-	-
University of Zululand				-	-	-	-	-	-	-	-	-	-	-	-

Sources for Table 4.14 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014a; UFS, 2014b; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014; ZULULAND, 2015).

As one of the minimum committees that should exist at a University, it is a concern that so few Universities have this committee, or discloses the existence and composition of such a committee. With the change in Council members (see 4.5.7), the replacement of Council members with qualified individuals is crucial, yet some of the Universities in South Africa do not have the Committee to support them in sourcing these individuals. This leads to questions about the Councils' commitment to the principle of responsibility and accountability in terms of King II (see 4.5.6).

4.5.12 Audit Committee composition and functions

This section includes the results of the disclosures in the Annual Reports in terms of the composition and functions of the Audit Committee. These functions include the Audit Committee's general duties in terms of internal audit and external audit and related matters, as well as the internal controls of the University. It further deals with the Audit Committee's involvement in risk management; the disclosure of the composition of the Audit Committee; and the disclosure by the Chairperson of the Audit Committee on how the Audit Committee performed their functions for the year (see Appendix A) (RSA, 2014c).

The averages contained in Table 4.15 *National averages on the Audit Committee composition and functions to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013

– 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the three headings SA, KING IV and INT is as follows:

- South Africa 80 item (see Appendix A)
- King IV 4 items (see 4.3.2.10)
- International 13 items (see 4.3.3.10)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 3.02; 2012 – 2.69; 2013 – 2.59; 2014 – 4.15; 2015- 4.81: Average for KING IV – 2011 – 0.14; 2012 – 0.14; 2013: - 0.13; 2014 – 0.30; 2015 – 0.22: Average for INT – 2011 – 2.97; 2012 – 2.68; 2013 – 2.57; 2014 – 3.99; 2015 – 4.54). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Where a University achieved a score in the INT column that is higher than the score in the South African column, it is an indication the Annual Report for that specific year, includes disclosures in terms of the international best practices. The trends in the international disclosures are discussed on page 316. These Universities are:

- 2011 – CUT, UFH, UKZN, UL, UNISA, UP, US, and UWC;
- 2012 – CUT, RHODES, UFH, UJ, UKZN, UL, UP, US and VUT;
- 2013 – CUT, RHODES, UJ, UKZN, UL, UP and the US;
- 2014 – RHODES, UCT, UFH, UKZN, UL, UP and the US; and
- 2015 – CUT, RHODES, UCT, UFH, UJ and UKZN.

Table 4.15 National averages on Audit Committee composition and functions to be included in the Annual Report

	2011			2012			2013			2014			2015		
	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT
National Average	**3.02**	**0.14**	**2.97**	**2.69**	**0.14**	**2.68**	**2.59**	**0.13**	**2.57**	**4.15**	**0.30**	**3.99**	**4.81**	**0.22**	**4.54**
Cape Peninsula University Technology	5.13	-	5.05	4.13	-	3.66	5.25	-	4.62	5.75	-	5.59	5.75	-	5.59
Central University of Technology	2.00	-	2.58	2.00	-	2.58	2.00	-	2.58	4.75	-	4.30	5.25	-	5.27
Durban University of Technology	4.38	-	4.09	4.13	-	3.87	3.88	-	3.66	5.38	-	4.62	5.38	-	4.62
University of Mpumalanga	First Annual Report issued in 2015												2.63	-	2.37
Mangosuthu University of Technology	0.50	-	0.43	0.38	-	0.32	0.50	-	0.43				3.50	-	3.33
Nelson Mandela Metropolitan University	2.75	-	2.37	3.25	-	2.90	2.13	-	1.94	5.50	-	4.73	6.25	-	5.38
North-West University	3.88	-	3.87	4.50	-	4.41	2.50	-	2.15	2.50	-	2.23	3.50	-	3.33
Rhodes University	1.75	-	1.51	1.25	-	1.70	1.25	-	1.70	1.25	-	1.70	1.00	-	1.40
Sol Plaatje University	First Annual Report issued in 2013						1.23	-	1.06	1.50	-	1.29	1.75	-	1.51
Tshwane University of Technology	2.00	-	1.83	-	-	-	2.00	-	1.83	2.13	-	1.94	6.50	-	5.70
University of Cape Town	3.50	1.00	3.12	3.50	1.00	3.12	3.50	1.00	3.12	3.50	1.00	3.55	4.25	1.00	4.30
University of Fort Hare	2.88	-	3.12	2.00	-	2.26				6.38	2.00	6.45	6.38	2.00	6.45
University of the Free State	6.88	-	6.77	6.75	-	6.67	6.88	-	6.77	6.75	-	6.67	2.25	-	1.94
University of Johannesburg	0.63	-	0.54	0.88	-	1.08	-	-	0.32	3.75	2.00	3.66	3.70	-	3.72
University of KwaZulu-Natal	4.00	-	4.30	4.00	-	4.30	3.75	-	4.09	5.25	-	5.48	6.00	-	6.13
University of Limpopo	0.13	-	0.43	-	-	0.11	-	-	0.32	0.50	-	0.75			
University of South Africa	4.75	-	4.89	6.38	-	6.28	6.63	-	6.45	7.50	-	6.67	7.50	-	6.67
University of Venda	4.25	-	3.66				3.25	-	3.23	5.00	-	4.73	7.75	-	6.88
University of Pretoria	2.38	-	2.90	2.38	-	2.90	0.63	-	1.29	2.50	-	2.90			
University of Stellenbosch	1.75	-	1.83	1.75	-	1.83	1.75	-	1.83	1.75	-	1.83	2.75	-	2.69
University of the Western Cape	2.38	-	2.47	3.25	-	2.80	1.13	-	1.08	4.13	-	4.09	5.38	-	5.16
Vaal University of Technology	2.13	2.00	1.83	2.13	2.00	2.15	3.00	2.00	2.90	5.50	2.00	5.05	6.13	2.00	5.59
University of Witwatersrand	5.50	-	5.27	5.50	-	5.27	6.38	-	6.02	6.38	-	6.02	6.38	-	6.02
Walter Sisulu University	3.00	-	2.58	-	-	-	-	-	-	4.25	-	4.19	4.50	-	4.41
University of Zululand				1.00	-	0.86	2.00	-	1.72	3.63	-	3.33	6.13	-	5.96

Sources for Table 4.15 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

The national average of the disclosures in terms of the functions and composition of the Audit Committee (in terms of the SA column) (see Table 4.15) ranges from zero (-) to 7.75. These averages indicate that UNIVEN (2015) was the best performer. The TUT (2012), UL (2012 and 2013) and WSU (2012 and 2013) omitted all disclosures in terms of the existence, composition, and functions of the Audit Committee. In 2011 and 2012, three (14%) of the Universities achieved a score above 5.00; four (17%) in 2013; ten (43%); and thirteen (59%) in 2015. From 2011 to 2012 nine (41%) of the Universities showed a decrease in scores; five (22%) between 2012 and 2013; one (4%) between 2013 and 2014; and three (13%) between 2014 and 2015.

The decrease in the scores between 2011 and 2012 were because of the omission of a declaration by the Audit Committees that the internal and external auditors have unrestricted access to the Audit Committee, and that the Audit Committee is responsible for ensuring the independence of the external auditor (2011 – 50%; 2012 – 39%). The decrease is further explained by the omission of the responsibility of the Audit Committee to come to a conclusion as to the effectiveness of the internal controls of the University and to report this conclusion to the stakeholders (2011 – 73%; 2012 – 55%), and a statement that the Audit Committee accepts responsibility to monitor reporting and disclosure (2011 – 46%; 2012 – 36%). The disclosure of the Audit Committee’s responsibilities in terms of the internal and external audit functions (fees, the scope of activities, review of audit plans, etc.) decreased by 6% from 2011 to 2015 (2011 – 37%; 2012 – 31%).

The decrease in score between 2012 and 2013 is because of the omission of the attendance of the internal and external auditors as well as executive management members of the Audit Committee meetings (2012 – 58%; 2013 – 47%). Further omission from the 2013 Annual Reports includes the disclosure that the Audit Committee is satisfied that the finance function of the University has the required skills, expertise, resources and experience in terms of financial accounting practices (2012 – 16%; 2013 – 13%) (see 4.5.9). In 2014, the UFS omitted a statement that the Audit Committee is responsible for assisting the Council in their oversight role, which caused the small reduction in this University's score from 2013 to 2014.

In the 2015 Annual Report, the UFS omitted the names of the Audit Committee members, the statement that the Audit Committee is independent, and the attendance of the internal and external auditors as well as the executive management of the Audit Committee meetings. The 2015 Annual Report of this University did not contain a statement that the Audit Committee is satisfied that the internal and external auditors are independent. RHODES omitted the disclosure in terms of the minimum number of Audit Committee members that is required to serve on the Audit Committee from their 2015 Annual Report. Further discussion on the non-disclosure in terms of the composition and functions of the Audit Committee is found below.

Disclosure of the composition and qualifications of the Audit Committee members are crucially important for stakeholders to assess the independence and skills of the Audit Committee members. It is further important to empower the readers of the Annual Reports to assess the Audit Committee's compliance with their terms of reference and corporate governance principles. A mere 42% of the Annual Report analysed over the five years, stated that Audit Committee members might be either Council or Non-council members or specialists. Only 46% of the Annual Reports include a statement that Audit Committee members are independent and only 34% of the Annual Reports include a statement that the members of the Audit Committee should have combined qualification and experience in business, as required by the Reporting Regulations (see Appendix A) (RSA, 2014c).

Between 2011 and 2015, a mere 1% of the Annual Reports disclosed the academic qualifications of the Audit Committee members and none (0) of the Reports indicated the length of service of Audit Committee membership and the split between internal and external members. The absence of the information in terms of the composition and qualifications of Audit Committee members leads to questions in terms of the capabilities of the Audit Committees to discharge their duties as no conclusion can be reached by readers of the Annual Reports in terms of the committees' qualifications. The effectiveness and efficiency of the Audit Committee are also questioned because of the absence of disclosures. It may be that the Committee members have the required skills, knowledge and experience, but the disclosure of the information was omitted upon the compilation of the Annual Report.

Only 65% of the Annual Reports over the five years disclosed that the Audit Committee meet at least twice a year, 56% disclosed the attendance of the internal and external auditors as well as the senior management at committee meetings. Only 69% of the Annual Reports indicate the Audit Committee has terms of reference guiding their activities.

Statements are made in some of the Annual Reports that the Audit Committees are responsible for all aspects in terms of internal and external audits (for example DUT, MUT, and UKZN). Examples of what these responsibilities entail are lacking as can be seen from the following. Only 61% of the Audit Committee disclosures admit their responsibility in terms of providing assistance to the Council relating to the application of and compliance with applicable legislation (see Appendix A and 4.3.2.10). In a mere 34% of the 113 Annual Reports analysed, the Audit Committees acknowledge their responsibility in terms of sustainable integrated reporting (see also 4.5.18), and only 24% acknowledge their responsibility relating to the implementation and monitoring of a combined assurance model. Acknowledgement of the Audit Committees' responsibilities in relation to the reporting of internal control effectiveness (see also 4.5.22) was only found in 63% of the 113 Annual Reports over the five years. The Audit Committees' responsibility in term of accounting policies and reporting and disclosures, was omitted by 61% and 51% of the 113 Annual Reports respectively.

Concerning the disclosures on the Audit Committees' responsibility for internal and external audit, the picture seems just as dire over the five years. A mere 25% (of the 113 Annual Reports analysed) of the Audit Committees declared that they are satisfied that both the internal and the external auditors are independent (see 2.3.4.3 and Appendix A). A meagre 49% are satisfied that the internal and external auditors have unrestricted access to the Audit Committee. In only 41% of the 113 Annual Reports analysed, the Audit Committees disclosed that they are responsible for the following functions for Internal Audit:

- Review the risk assessment of Internal Audit (29%);
- Approve the Internal Audit plan to ensure the risks identified in the internal risk assessment are mitigated (32%);
- Approval of Internal Audit policies (36%);
- The committees' responsibility to provide assistance to Council in terms of activities of Internal Audit (46%);
- The committees' responsibility to provide assistance to Council in terms of the scope of the work of Internal Audit (44%);
- The committee's responsibility to provide assistance to Council in terms of adequacy of the work performed by Internal Audit (48%);
- Comments on the effectiveness of Internal Audit functions (44%); and
- Comments on the effectiveness of Internal Audit plans (46%).

Beyond the acknowledgement of the Audit Committee's responsibilities relating to Internal Audit, the Reporting Regulations also require the Audit Committee to report on how they discharged their duties (see Appendix A) (RSA, 2014c). This requirement was only met by 30% of the Audit Committee Reports analysed between 2011 and 2015. Only 22% of the Audit Committees included a description on how they performed their duties in terms of Internal Audit.

Regarding disclosures about the external audit, the Audit Committee Reports are just as lacking as with the Internal Audit disclosure requirements (see Appendix A) (RSA, 2014c). Only 50% of the Audit Committees between 2011 and 2015 acknowledged their responsibility in terms of the review and approval of external audit plans. Only 35% claimed responsibility for the review and approval of external audit findings. Further, only 29% of Audit Committees acknowledged that they are responsible for the review and approval of the annual management letter and only 21% disclosed their duties in terms of the review and approval of problems experienced during the external audit process over the five years. A mere 37% of Audit Committees conceded their duty concerning the review and approval of audit reports, audits and the external audit fees. For the five-year period, only 24% of Audit Committees followed up items of the management letter, and only 18% took further actions on these items. Yet 27% of Audit Committee omitted their responsibility to ensure that items on previous Management Reports were resolved and 92% of Audit Committee omitted to declare that items on previous management letters have not reoccurred.

The Audit Committee, like the Chairperson of the Council (see 4.5.4), should disclose that they are aware of any qualified audit opinions as well as the emphasis of matter paragraphs contained in the audit reports. None (0) of the five Universities' Audit Committees received qualified audit reports, disclosed their awareness of the qualification. Neither did the 11 Audit Committees of the Universities who received emphasis of matter paragraphs. The Audit Committees also did not disclose the reasons for the qualifications or emphasis of matters and the actions the Committee have taken to address the issues.

Merely 65% of Audit Committees declared their responsibility in terms of all areas of financial risks, and only 62% accepted responsibility for managing risks over the five years (see also 4.5.23). Between 2011 and 2015, 23% of Audit Committees omitted their responsibilities for the review of changes in accounting policies and 71% of the committees omitted their responsibilities for the approval of financial policies. Only 22% of the Audit Committee disclosed that they deliberated on the content of the Annual Financial Statements and that they recommend the approval of the Annual Financial Statements to the Finance Committee. Remarkably, merely 17% of the Audit Committees took responsibility for the policies and procedures to protect assets against theft and unauthorised use of assets, and only 3% reported losses on assets to the Department of Higher Education and Training (see Appendix A) (RSA, 2014c).

Just 16% of the Audit Committees reported that they are satisfied that the finance function has the necessary expertise, resources, and experience, whereas the remaining 84% were silent on this aspect over the five years. A meagre 39% of the Audit Committees disclosed that they recommended the Integrated Report to the Council for approval.

These disclosures of the above-mentioned minimum aspects concerning Audit Committees in the Annual Reports between 2011 and 2015 raises serious concerns, not only in terms of the composition of the Audit Committee but the competence, qualifications, and skills of the Audit Committee members as well. The concerns regarding Audit Committee effectiveness and efficiency are further evident from the relatively low scores in Table 4.15 above. The poor scores may be attributable to poor disclosure practices of the Universities. It may thus be that the Audit Committees do have the skills, competence, and qualification to perform their duties, but the information needed for readers to come to this conclusion was omitted from the Annual Report.

The King IV recommends that Audit Committees also address audit partner rotation (see 4.3.2.9). So far 4% of the Annual Reports already include the rotation of audit partners or audit firms, while 7% of the Audit Committees also already described other assurance services provided by assurance providers. Although the external auditors provided these additional assurance services and these services were disclosed in the individual audit reports, 93% of the Audit Committees did not address them in their report. The application of the King IV principles of auditor rotation and the disclosure of other assurance services received during the year is a positive indication that some of the Universities are already embracing the King IV Report although the implementation date is only in 2017 (see 2.3.4.4). The disclosure of these aspects is evident from the scores on Table 4.15 under the Column King IV.

In terms of international disclosures (see 4.3.3.10), only 3% of Audit Committees made comments in terms of a stronger relationship that need to be formed between the different Departments, School and Faculties at Universities and the Internal Audit Department and for the different Departments to disclose their activities. At least 34% of the Annual Reports did, however, include the disclosure of different Departments, Schools, and Faculties, although the link between these Departments, Schools and Faculties with the Internal Audit Department were omitted. International disclosers in terms of Audit Committees also recommend that the Audit Committee disclose their duties concerning the oversight of policies of fraud, bribery, irregularities and corruption. Only 34% of the Audit Committees acknowledged this responsibility. A mere 13% of the Audit Committees indicated that they had taken action in terms of fraud, bribery, irregularities and corruption. This begs the question as to the awareness and responsibility of the Audit Committees towards fraud and corruption within the Universities. Further questions that arise from these aspects are whether or not the Audit Committees are even aware of the risk of fraud and corruption within the Universities, without the policies and procedures in place to fight fraud and corruption. It may be that the policies in terms of fraud, bribery, and corruption are in place, but that the poor disclosure of these policies causes readers of the Annual Reports to question their existence. Finally, only 37% of the Audit Committee reports include the name of the Chairperson of the Audit Committee, and 63% include a mere statement that the Chairperson is an independent member.

With some Audit Committees not disclosing their responsibility in terms of internal controls (37% of the 113 Annual Reports), the management of internal and external audit (63% of the 113 Annual Reports), the duty to review policies and procedures (44% of the 113 Annual Reports), the review of the Annual Financial Statements (78% of the 113 Annual Reports) and the Integrated Report (61% of the 113 Annual Reports), it is difficult to determine whether or not the Council can perform their oversight role. The lack of disclosure in terms of the composition, skills, and qualifications of Audit Committee members may very well be an early indicator the Audit Committees of Universities are not equal to their task, and the poor level of disclosures in the Annual Reports is to be expected. It may also be an indicator that the individuals who are responsible for the compilation of the Annual Reports, are unaware of the information that should be included in the disclosures, and that the Audit Committees are not at fault.

4.5.13 Risk Committee composition and functions

This section includes the discussion on the results of the disclosure of the composition and functions of the Risk Committee. The functions of the Risk Committee include the consideration of risks and the exposure to risks, how the Council and the Risk Committee maintain risk reporting systems and the Risk Committees' responsibility to gain assurance that the risk management of the University is effective (see Appendix A) (RSA, 2014c).

The averages contained in Table 4.16 *National averages in terms of the Risk Committee composition and functions to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23).

The number of items included in the analysis of the minimum content to be included in the Annual Report under the two headings SA and KING IV:

- South Africa 7 items (see Appendix A)
- King IV 1 item (see 4.3.3.11)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 1.82; 2012 – 1.69; 2013 – 1.55; 2014 – 2.48; 2015 – 3.66: Average for KING IV – 2011 – 5.00; 2012 – 3.64; 2013 - 3.33; 2014 – 5.22; 2015 – 6.52). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Table 4.16 National averages in terms of Risk Committee composition and functions to be included in the Annual Report

	2011		2012		2013		2014		2015	
	SA	KING IV	SA	KING IV	SA	KING IV	SA	KING IV	SA	KING IV
	1.82	**5.00**	**1.69**	**3.64**	**1.55**	**3.33**	**2.48**	**5.22**	**3.66**	**6.52**
Cape Peninsula University Technology	-	10.00	4.29	10.00	4.29	10.00	4.29	10.00	4.29	10.00
Central University of Technology	1.43	-	1.43	-	1.43	-	10.00	-	10.00	10.00
Durban University of Technology	4.29	10.00	2.86	-	2.86	-	2.86	-	2.86	-
University of Mpumalanga	First Annual Report issued in 2015								-	10.00
Mangosuthu University of Technology	-	-	-	-	1.43	-			2.86	10.00
Nelson Mandela Metropolitan University	-	-	1.43	10.00	1.43	10.00	-	10.00	1.43	10.00
North West University	2.86	10.00	2.86	10.00	1.43	-	-	-	2.86	10.00
Rhodes University	2.86	-	-	-	1.43	-	1.43	-	2.86	-
Sol Plaatje University	First Annual Report issuues in 2013				1.43	-	4.29	-	4.29	-
Tshwane University of Technology	1.43	10.00	1.43	-	1.43	10.00	1.43	10.00	1.43	10.00
University of Cape Town	2.86	10.00	2.86	10.00	2.86	10.00	2.86	10.00	4.29	10.00
University of Ford Hare	-	-	-	-	-	-	-	-	-	-
University of the Free State	1.43	10.00	1.43	10.00	1.43	10.00	1.43	10.00	1.43	-
University of Johannesburg	1.43	-	2.86	-	-	-	10.00	10.00	10.00	10.00
University of KwaZulu-Natal	2.86	10.00	2.86	10.00	2.86	10.00	1.43	10.00	8.57	10.00
University of Limpopo	-	-	-	-	-	-	-	-		
University of South Africa	2.86	10.00	2.86	10.00	2.86	10.00	2.86	10.00	2.86	10.00
University of Venda	-	-			-	-	-	-	1.43	-
University of Pretoria	1.43	-	1.43	-	-	-	1.43	-		
University of Stellenbosch	1.43	-	1.43	-	1.43	-	1.43	-	8.57	-
University of the Western Cape	5.71	10.00	4.29	-	5.71	-	4.29	10.00	4.29	10.00
Vaal University of Technology	-	-	-	-	-	-	2.86	-	2.86	-
University of Witwatersrand	2.86	10.00	2.86	10.00	2.86	10.00	2.86	10.00	2.86	10.00
Walter Sisulu University	4.29	10.00	-	-	-	-	1.43	10.00	1.43	10.00

Sources for Table 4.16 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

The national average of the disclosure of the composition and functions of the Risk Committee (in terms of the SA column) (see Table 4.16) ranges from zero (-) to 10.00. These averages indicate that CUT (2014 and 2015) and UJ (2014 and 2015) were the best performers. In 2011 and 2012 there were seven Universities (32%); seven (30%) in 2013; six (26%) in 2014; and two (9%) in 2015 who did not disclosure any information in terms of the existence and functions of a Risk Committee. The discussion on the non-disclosure in terms of the existence and functions of the Risk Committee is found below.

At the majority of Universities in South Africa (91% of the 113 Annual Reports), there is a combined Audit and Risk Committee. This Committee is responsible for both the duties and functions of the Audit as well as the Risk Committee. In Annual Reports where this is stated, the disclosures contained in the Audit and Risk Committee Reports were carefully analysed to ensure that the disclosures for both the Audit Committee and the Risk Committee, as contained in the Reporting Regulations (see Appendix A), were included in the framework.

Table 4.16 demonstrates the poor disclosure in the Annual Reports relating to the existence and duties of the Risk Committees. Between 2011 and 2015 only six (5%) of the 113 Annual Reports achieved a score of more than 5.00. More than half (55%) of the Annual Reports disclosed that their Risk Committee should consider the exposure to both financial and non-financial risks. Only 44% of the 113 Annual

Reports stated that the Council is the responsible party in terms of risk management (see also 4.5.7). A meagre 10% of the Annual Reports for the five years under review recognised the responsibility of the Risk Committee to monitor changes to risks and to obtain assurance that risks are managed effectively. With the absence of these declarations, it is impossible to determine whether or not the Risk Committees are knowledgeable in terms of their duties. Without the guidance on their duties and responsibilities, the Risk Committee cannot disclose the information relating to their activities for the year in term of the assessment and management of risks (see 4.5.23). The lacking information may also be an indicator that the individuals, who are responsible for the compilation of the Annual Reports, are unaware of the details that should be included in the disclosures, and the Risk Committees are not at fault.

The only recommendation added to the framework in terms of the King IV Report is the disclosure of the name of the Chairperson of the Risk Committee. All the Universities that achieved a score of 10.00 under the King IV column did disclose the name of the Chairperson of the Risk Committee. The Annual Reports of CPUT (2011), NMMU (2014) and UMP (2015) all acknowledged the existence of a Risk Committee and disclosed the name of the Chairperson, but did not include disclosures in terms of the functions and duties of the Risk Committee. This resulted in a zero (-) score in the South African column and a 10.00 score in the King IV column.

4.5.14 Governance of Information Technology (ITa)[16]

This section includes the results of the framework that deals with the disclosure that the governance of Information Technology (ITa). The Reporting Regulations (see Appendix A) require the Council of a University to acknowledge their responsibility in terms of the management of Information Technology (ITa) within the University (RSA, 2014c). The Reporting Regulations further require that the Council disclose how they evaluate and monitor "*significant*" investments in ITa and how the management of ITa forms part of the risk management practices in the University.

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[16] See the list of acronyms and abbreviations. There are 2 instances in the study that uses the abbreviation IT. 1 term refer to the abbreviation for Information Technology (ITa) and the other refer to the Country Italy (ITb) (see Table 3.1).

The averages contained in Table 4.17 *National averages on the governance of Information Technology (ITa) to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the three headings SA, KING IV and INT is as follows:

- South Africa 10 items (see Appendix A)
- King IV 4 items (see 4.3.2.11)
- International 1 item (see 4.3.3.12)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 1.64; 2012 – 1.45; 2013 – 1.17; 2014 – 3.13; 2015 – 3.96: Average for KING IV – 2011 – 1.25; 2012 – 1.02; 2013: - 0.98; 2014 – 1.74; 2015 – 1.74: Average for INT – 2011 – 1.61; 2012 – 1.40; 2013 – 1.15; 2014 – 3.00; 2015 – 3.75). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Where a University achieved a score in the INT column that is higher than the score in the South African column, it is an indication the Annual Report for that specific year includes disclosures in terms of the international best practices. The trends in the international disclosures are discussed on page 325. These Universities are:

- 2011 - UCT, UFS, and UNISA;
- 2012 – UCT and UFS;
- 2013 - UCT and UFS;
- 2014 – SPU, UCT and UFS; and
- 2015 – SPU, UCT, and UNIZULU.

The national average of the disclosure the governance of ITa (in terms of the SA column) (see Table 4.17) ranges from zero (-) to 10.00. These averages indicate that UNISA (2014 and 2015) and WSU (2014 and 2015) were the best performers.

Table 4.17 National averages on the Governance of Information Technology (ITa) to be included in the Annual Report

	2011			2012			2013			2014			2015		
	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT
National Average	**1.64**	**1.25**	**1.61**	**1.45**	**1.02**	**1.40**	**1.17**	**0.98**	**1.15**	**3.13**	**1.74**	**3.00**	**3.96**	**1.74**	**3.75**
Cape Peninsula University Technology	-	-	-	1.00	2.50	0.91	1.00	2.50	0.91	1.00	2.50	0.91	1.00	2.50	0.91
Central University of Technology	1.00	-	0.91	1.00	-	0.91	2.00	-	1.82	1.00	-	0.91	6.00	-	5.45
Durban University of Technology	2.00	2.50	1.82	-	-	-	-	-	-	6.00	-	5.45	6.00	-	5.45
University of Mpumalanga	First Annual Report issued in 2015												9.00	-	8.18
Mangosuthu University of Technology	-	-	-	-	-	-	7.00	2.50	6.36				7.00	2.50	6.36
Nelson Mandela Metropolitan University	2.00	-	1.82	2.00	-	1.82	-	-	-	2.00	-	1.82	2.00	-	1.82
North-West University	5.00	2.50	4.55	5.00	2.50	4.55	-	-	-	-	-	-	-	-	-
Rhodes University	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sol Plaatje University	First Annual Report issued in 2013						-	-	-	7.00	7.50	7.27	7.00	7.50	7.27
Tshwane University of Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
University of Cape Town	1.00	5.00	1.82	1.00	5.00	1.82	1.00	5.00	1.82	1.00	5.00	1.82	1.00	7.50	1.82
University of Fort Hare	2.00	-	1.82	-	-	-				-	-	-	-	-	-
University of the Free State	2.00	2.50	2.73	2.00	2.50	2.73	2.00	2.50	2.73	4.00	2.50	4.55	1.00	-	0.91
University of Johannesburg	1.00	-	0.91	1.00	-	0.91	-	-	-	4.00	2.50	3.64	4.00	2.50	3.64
University of KwaZulu-Natal	2.00	2.50	1.82	2.00	2.50	1.82	2.00	2.50	1.82	-	-	-	2.00	-	1.82
University of Limpopo	-	-	-	-	-	-	-	-	-	3.00	2.50	2.73			
University of South Africa	5.00	7.50	5.45	-	-	-	-	-	-	10.00	2.50	10.00	10.00	2.50	10.00
University of Venda	-	-	-				2.00	2.50	1.82	3.00	2.50	2.73	6.00	2.50	5.45
University of Pretoria	2.00	-	1.82	2.00	-	1.82	-	-	-	4.00	-	3.64			
University of Stellenbosch	-	-	-	1.00	-	0.91	2.00	-	1.82	3.00	-	2.73	5.00	-	4.55
University of the Western Cape	3.00	-	2.73	-	-	-	-	-	-	5.00	5.00	4.55	5.00	5.00	4.55
Vaal University of Technology	3.00	2.50	2.73	3.00	2.50	2.73	3.00	2.50	2.73	3.00	2.50	2.73	3.00	2.50	2.73
University of Witwatersrand	5.00	2.50	4.55	5.00	2.50	4.55	5.00	2.50	4.55	5.00	2.50	4.55	5.00	2.50	4.55
Walter Sisulu University	-	-	-	-	-	-	-	-	-	10.00	2.50	9.09	10.00	2.50	9.09
University of Zululand				6.00	2.50	5.45	-	-	-	-	-	-	1.00	-	1.82

Sources for Table 4.17 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

In 2011, eight of the twenty-two Universities (36%) did not include any statement from the Council in terms of their responsibilities relating to the governance and management of ITa. The same can be said for nine of the twenty-two (41%) Universities in 2012; thirteen of the twenty-four (57%) Universities in 2013; six of the twenty-four (26%) Universities in 2014; and four of the twenty-five (17%) Universities in 2015. This is evident from all the zero (-) scores in the South African column in Table 4.17. The discussion on the non-disclosure in terms of the Council's responsibility for the governance of ITa is found below.

As can be seen from the low scores in Table 4.17 *National averages on the governance of Information Technology (ITa),* for the years 2011 to 2015, are lacking in the disclosure of information in terms of ITa management. Only 38% of the 113 Council Reports included a statement that the Council recognises their responsibilities in terms of ITa management. Merely 24% of the Annual Reports during this period under review include comments on how management is responsible for implementation of ITa and how ITa is aligned with the performance and strategic objectives of the Universities. A lone 14% of the Annual Reports for the five years between 2011 and 2015 indicate how ITa forms an integral part of risk management and how the Audit Committee assists the Council with their responsibility in terms of ITa management. A third (33%) of the 113 Annual Reports analysed included key focus areas in terms of ITa management in the format of a discussion in the Annual Report on the ITa projects under way at the Universities with the focus on the positive results of the projects. The integration of the strategic objectives of the Universities was however omitted by 71% of the Annual Reports over the five years.

In relation to the King IV (see 4.3.2.11) and international best practices (see 4.3.3.12) merely 3% of the Annual Reports contained the number of meetings of an ITa Committee. So far 12% of the Annual Reports included information on the composition of an ITa Committee responsible for the ITa management and 3% contained information on the use of external advisors used by the Committee. The application of the King IV principles is a positive indication that some of the Universities are already embracing the King IV Report principles although the implementation date is only in 2017 (see 2.3.4.4). The existence of ITa committee in 12% of the Annual Reports is a further indication of the pro-active application of the King IV Report and that the existence of an ITa Committee may assist the Council in the performance of their duties in terms of ITa management.

Only 13% of the Annual Reports analysed during the five years under review contained the name of the Chairperson of the ITa Committee. It is clear from the low scores in Table 4.17 above that South African University Councils' are either not aware of their duties relating to the management of Information Technology, or the individual or group responsible for the compilation of the Annual Report omitted the disclosure. It is further clear that the disclosure of the integration of Information Technology in the risk and opportunity management of Universities is not done (see 4.5.23). This integration between ITa and risk and opportunity management may be a priority at Universities, but the omission of disclosure to this effect leaves the readers of the Annual Reports in the dark.

4.5.15 Conflict management

This section contains the results of the framework in terms of the disclosures of Universities about conflict management practices. With the possible influence of student and staff unrest on the operations of a University (see 1.1), conflict management and the disclosure of the processes followed to resolve conflict, are crucially important to Universities (see Appendix A) (RSA, 2014c). Each University should, therefore, include a declaration on who is responsible for conflict resolution within the University. In the event of student, staff or outsourced staff unrest, the Council should include a statement of the fact that there was unrest, the extent and effect of the unrest on the number of academic days lost (see Appendix A) (RSA, 2014c). Additionally, the Council should report on how the unrest was dealt with, any additional cost incurred to resolve the unrest and costs in terms of property damage. If there was no need to use conflict resolution measures, or there was no student unrest, a specific statement should be made by Council to this effect (see Appendix A) (RSA, 2014c).

The averages contained in Table 4.18 *National averages on Conflict Management to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the heading is as follows:

- South Africa 6 items (see Appendix A)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year and included at the top of the table (2011 – 1.49; 2012 – 2.05; 2013 – 1.43; 2014 – 3.55; 2015 – 4.11). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

The National Average of the disclosure of conflict management practices (see Table 4.18) ranges from zero (-) to 10.00. These averages indicate that ZULULAND (2012), Mpumalanga University (2015), NWU (2014 and 2015) and UNISA (2014 and 2015) were the best performers. With only twenty (28%) of the 113 Annual Report analysed, achieving a score of more than 5.00, and forty-six (41%) of the 113 Annual Reports not containing any disclosures in terms of conflict management, it is a major concern that the Universities do not disclose their conflict management practices, specifically given the #FeesMustFall protests in 2015 and 2016 (see 1.1). The discussion on the non-disclosure in terms of conflict management is found below.

Table 4.18 National averages on Conflict Management to be included in the Annual Report

	2011 SA	2012 SA	2013 SA	2014 SA	2015 SA
National average	**1.49**	**2.05**	**1.43**	**3.55**	**4.11**
Cape Peninsula University Technology	-	4.29	3.33	6.00	8.57
Central University of Technology	-	-	-	2.86	6.67
Durban University of Technology	4.29	-	3.00	-	-
University of Mpumalanga	First Annual Report issued in 2015				10.00
Mangosuthu University of Technology	-	-	-	-	-
Nelson Mandela Metropolitan University	-	-	-	-	-
North-West University	3.33	3.33	3.33	10.00	10.00
Rhodes University	1.43	1.43	1.43	1.43	0.67
Sol Plaatje University	First Annual Report issued in 2013		-	-	2.86
Tshwane University of Technology	-	-	-	7.14	1.67
University of Cape Town	3.33	3.33	3.33	3.33	3.33
University of Fort Hare	-	-		-	-
University of the Free State	-	-	-	-	-
University of Johannesburg	-	2.86	-	3.33	-
University of KwaZulu-Natal	3.33	3.33	3.33	3.33	5.00
University of Limpopo	-	-	-	-	
University of South Africa	1.67	3.57	-	10.00	10.00
University of Venda	3.33		1.67	1.67	
University of Pretoria	-	-	-	8.33	
University of Stellenbosch	1.67	1.67	1.67	1.67	4.29
University of the Western Cape	-	2.86	-	5.71	5.71
Vaal University of Technology	-	-	-	-	-
University of Witwatersrand	8.33	8.33	8.33	8.33	8.33
Walter Sisulu University	2.14	-	3.57	8.33	8.33
University of Zululand		10.00	-	3.64	5.00

Sources for Table 4.18 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012;

UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

The Councils of CPUT (2012, 2014 and 2015), CUT (2014), DUT (2011 and 2013), UMP (2015), SPU (2015), TUT (2014), UJ (2012), US (2015), UWC (2014 and 2015), WSU (2011, 2013, 2014 and 2015) and ZULULAND (2012, 2014 and 2015) disclosed that they experienced some student unrest. They constitute only 18% of the Annual Reports that disclosed student unrest and the effect of the unrest on the Universities. This cause great concern about the commitment to transparency as the remainder of the Annual Reports (82%) makes no reference of student unrests despite the increased student unrest specifically in 2015.

The Councils of DUT (2014), UMP (2015), UNISA (2012), and ZULULAND (2011 and 2013), were the only Universities that disclosed that they experienced staff unrest and the number of academic days lost because of the unrest. They constitute only 4% of the Annual Reports analysed. Only DUT disclosed that they had experienced staff unrest in 2013. The disclosures of students, staff and outsourced staff protests are evidently not up to standard, which may cause concerns in terms of the transparency of disclosures in the Annual Report.

The disclosure in terms of the individual or the group of individuals responsible for conflict management at Universities were done in only 30% of the Annual Reports, and only 18% of the Annual Reports contained a statement that there was no need for conflict resolution during the year. With only 18% disclosing student unrest and only another 18% disclosing no need for conflict resolution, 64% of the Annual Reports were silent on the matter.

With the student unrest experienced on campuses in the 2015 and 2016 financial years (see 1.1), the lack of disclosure of the unrests, the processes used to address the conflict related to these unrests and the damage caused by the unrest, is worrisome. This lack of disclosure brings into question the Council's duty to act responsibly (see 4.5.6) and with diligence and the seriousness of Councils to manage the Universities to the best interest of all stakeholders involved (see also 4.5.16).

4.5.16 Stakeholder Relationships (worker and student participation)

This section includes the results if the framework that deals with the disclosures in the Annual Report relating to worker, students, and stakeholder relationships. The Reporting Regulations require Universities to disclose the participating structures available to students and staff members of a University (see Appendix A) (RSA, 2014c). The Councils must further disclose how these structures embrace productivity, career security, legitimacy and identification with the University.

The averages contained in Table 4.19 *National averages on Stakeholder Relationships to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the heading SA and KING IV are as follows:

- South Africa 14 items (see Appendix A)
- King IV 13 items (see 4.3.2.12)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 1.72; 2012 – 1.23; 2013 – 1.09; 2014 – 2.76; 2015 – 2.64: Average for KING IV – 2011 – 0.59; 2012 – 0.77; 2013: - 0.90; 2014 – 1.20; 2015 – 0.84). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Table 4.19 National averages on Stakeholder Relationships to be included in the Annual Report

	2011		2012		2013		2014		2015	
	SA	KING IV	SA	KING IV	SA	KING IV	SA	KING IV	SA	KING IV
National Average	**1.72**	**0.59**	**1.23**	**0.77**	**1.09**	**0.90**	**2.76**	**1.20**	**2.64**	**0.84**
Cape Peninsula University Technology	-	-	-	-	-	-	-	-	-	-
Central University of Technology	-	-	-	-	-	-	2.14	3.08	2.14	3.08
Durban University of Technology	2.14	-	2.14	-	2.14	-	2.14	-	2.14	-
University of Mpumalanga	First Annual Report issued in 2015								4.29	-
Mangosuthu University of Technology	-	-	-	-	-	2.31			-	-
Nelson Mandela Metropolitan University	2.14	0.77	2.14	0.77	-	-	-	-	-	-
North-West University	2.14	1.54	2.14	2.31	3.57	2.31	10.00	-	10.00	-
Rhodes University	1.43	2.31	2.14	3.85	2.14	3.85	2.14	3.85	2.14	-
Sol Plaatje University	First Annual Report issued in 2013				-	-	-	-	-	-
Tshwane University of Technology	7.14	-	-	-	1.43	-	2.14	-	3.57	-
University of Cape Town	-	1.54	-	1.54	-	1.54	-	1.54	-	1.54
University of Fort Hare	3.57	-	2.14	-			2.14	-	2.14	-
University of the Free State	2.14	-	2.86	-	2.86	-	3.57	4.62	2.86	-
University of Johannesburg	1.43	1.54	1.43	1.54	0.71	-	2.86	0.77	2.86	0.77
University of KwaZulu-Natal	-	-	-	-	-	-	-	-	-	-
University of Limpopo	-	3.08	0.71	0.77	2.14	2.31	2.14	1.54		
University of South Africa	5.71	-	0.71	2.31	0.71	2.31	10.00	3.85	10.00	3.85
University of Venda	2.14	-			2.14	1.54	2.14	1.54	2.14	2.31
University of Pretoria	-	-	-	-	-	-	3.57	-		
University of Stellenbosch	2.86	-	2.86	-	2.86	2.31	2.86	2.31	1.43	3.08
University of the Western Cape	1.43	-	0.71	1.54	0.71	-	7.14	1.54	7.14	1.54
Vaal University of Technology	2.14	-	2.14	-	2.14	-	2.14	-	2.14	-
University of Witwatersrand	1.43	2.31	1.43	2.31	1.43	2.31	4.29	2.31	4.29	2.31
Walter Sisulu University	-	-	1.43	-	-	-	-	-	-	-
University of Zululand			2.14	-	-	-	2.14	0.77	1.43	0.77

Sources for Table 4.19 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

The National Average of the disclosures of stakeholder relationships (in terms of the SA column) (see Table 4.19) ranges from zero (-) to 10.00. These averages indicate that NWU (2014 and 2015) and UNISA (2014 and 2015) were the best performers. Only eight (7%) of the 113 Annual Reports analysed achieved a score of more than 5.00 for the disclosure of their stakeholder relationships. A total of 34% of the 113 Annual Reports did not contain any disclosures of the management of stakeholder relationships. The remainder of the Annual Reports achieved very low scores as is evident from Table 4.19. The discussion on the non-disclosure in terms of stakeholder relationships is found below.

As is evident from the low scores in Table 4.19 *National averages on Stakeholder Relationships*, few of the Universities have sufficient disclosures in terms of stakeholder relationships. Only half (50%) of the Annual Reports mention that the Universities are based on the cooperative governance philosophy (see 3.2.4.3) and that participatory structures exist which allow staff and students to share in the governance of the University. Information on how these structures contribute towards productivity, career security and a feeling of identification with the University, are excluded from 93% of the 113 Annual Reports. In 2011 and 2012, only 9% of Universities specifically disclosed that they have a signed agreement with staff structures such as labour unions. In 2013, 13% Universities made this disclosure; in 2014, 30%; and 2015 only 22% of Universities included the existence of an agreement with staff structures. The date on which the agreement with the staff structures was signed by the management and the staff structures are excluded from all but 7% of the 113 Annual Reports analysed.

Between 2011 and 2012, eight (36%) of Universities showed a decrease in their scores in terms of stakeholder relationships. This decrease can be attributed to the omission of a statement that the participatory structures are designed to improve the employer/employee relationship (2011 – 59%; 2012 – 46%). A further exclusion that contributes toward this decrease in scores is the exclusion of the use of a consultative process to identify conflict (2011 – 11%; 2012 – 2%). The decrease in the scores of four (17%) Universities between 2012 and 2013 is attributable to the omission of the statement of the existence of participatory structures (2012 – 59%; 2013 – 44%) and a decrease in the statements that these structures are designed to assist in the employer/employee relationship (2012 – 46%; 2013 – 44%) and to promote good student relationship (2012 – 56%; 2013 – 44%). The disclosures in terms of the stakeholder relationships improved slightly from 2013 to 2014 as is evident from the increase in the national average score of 1.09 in 2013 and 2.76 in 2014. Three (13%) Universities, however, showed a decrease in their scores between 2014 and 2015. Two (6%) of the Universities, namely UFS and ZULULAND, omitted a statement in their 2015 Annual Reports regarding the existence of a participatory structure. The US omitted the statement that the participatory structures are designed to assist in the good employer/employee relationship.

The King IV recommendations for disclosures in terms stakeholder relationships (see 4.3.2.12) recommend detail descriptions on the processes followed to develop and assess stakeholder relationships in order to identify specific reputational risks. On average 12% of the Annual Reports during the five years under review contained information on reputational risks and the processes used to identify these risks. The King IV Report further recommend that, with the identification of reputational risks, Universities should disclose their plans for addressing key reputational risks and to communicate to stakeholders in times of crises to protect their reputation (see 4.3.2.12). The platforms used to communicate in these times of crisis should also be disclosed. Only 19% of the Annual Reports over the five years contain disclosures in terms of communication with stakeholders and the platforms used, and 1% of the Annual Reports included any information on the key aspects to be communicated to stakeholders. The application of the King IV principles is a positive indication that some of the Universities are already embracing the King IV Report although the implementation date is only in 2017 (see 2.3.4.4).

The poor performance of the Universities in terms of conflict management (see 4.5.15) is an indication that University Councils in South Africa either does not understand the importance of stakeholder relationships or are unaware of the importance of stakeholder relationships in terms of corporate governance principles. It can also be an indication that, although the Councils is aware of the importance of stakeholder relationships, the preparers of the Annual Report did not include the information on stakeholder relationships in the Annual Reports. In light of the #FeesMustFall and #FreeEducationMovement (see 1.1.), the management and disclosure of the stakeholder relationships are even more crucial for the survival of Universities. The absence of the disclosure of how Universities manage these stakeholder relationships are cause for concern.

4.5.17 Code of Ethics

This section contains the results of the framework in terms of the disclosures relating to the existence of a Code of Ethics at a University (see Appendix A) (RSA, 2014c). According to the Reporting Regulations (see Appendix A) (RSA, 2014c), the Code of Ethics of a University, represents the standards used to commit the institution to the highest level of integrity and behaviour. The Council of the University is ultimately responsible for ensuring that there is a Code of Ethics that is applicable to all stakeholders of the University. To demonstrate their commitment to Ethics, the Council of the University should disclose that they have reviewed the Code of Ethics of the University, the date of the meeting where this code was reviewed and approved and that the meetings were quorate (see Appendix A) (RSA, 2014c). The Code of Ethics should further include mention of all the stakeholders who should comply with the Code of Ethics (see Appendix A) (RSA, 2014c).

The averages contained in Table 4.20 *National averages on the Code of Ethics to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015

– 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the heading SA is as follows:

- South Africa 18 items (see Appendix A)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year and included at the top of the table (2011 – 2.90; 2012 – 2.65; 2013 – 2.32; 2014 – 3.38; 2015 – 3.38). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

The national averages of the disclosure of the Code of Ethics (see Table 4.20 *National averages on the Code of Ethics to be included in the Annual Report*) ranges from zero (-) to 7.78. These averages indicate that UWC (2014) was the best performer. What raises concerns is that a total of twenty-five (21%) of the 113 Annual Reports completely omitted any reference to a Code of Ethics, as is evident from the zero (-) scores in Table 4.20. The discussion on the non-disclosures in terms of the Code of Ethics is found below.

As is evident from the national averages in the Code of Ethics of Universities (see Table 4.20 *National averages on the Code of Ethics to be included in the Annual Report*) the disclosure of the Councils of Universities' commitment to a Code of Ethics is lacking. Just more than half (59%) of the 113 Annual Reports of the Universities for the years 2011 to 2015, merely mention that there is a Code of Ethics that is applicable to Council members. This Code of Ethics the Annual Reports refer to only requires Council members to avoid Conflict of Interest. Less than 60% of the Annual Reports analysed for the periods under review even mention a Code of Ethics for Management (52%), Employees (60%), Students (55%), Competitors (12%), Donors (27%) and Society at large (34%). A further concern is that only 31% of the Annual Reports between 2011 and 2015 that were analysed, state that the University and its Council is committed to standards of Integrity.

Table 4.20 National averages on the Code of Ethics to be included in the Annual Report

	2011 SA	2012 SA	2013 SA	2014 SA	2015 SA
National Average	**2.90**	**2.65**	**2.32**	**3.38**	**3.38**
Cape Peninsula University Technology	2.78	4.44	4.44	4.44	4.44
Central University of Technology	-	-	-	1.11	1.11
Durban University of Technology	3.33	2.22	2.22	1.11	1.11
University of Mpumalanga	First Annual Report issued in 2015				3.89
Mangosuthu University of Technology	3.89	3.89	3.89		1.11
Nelson Mandela Metropolitan University	3.89	3.89	-	-	0.56
North-West University	4.44	7.22	7.22	4.44	4.44
Rhodes University	1.11	1.67	1.67	1.67	2.22
Sol Plaatje University	First Annual Report issued in 2013		-	-	-
Tshwane University of Technology	6.67	-	2.78	3.89	3.89
University of Cape Town	2.78	2.78	2.78	2.78	3.89
University of Fort Hare	5.56	5.56		4.44	4.44
University of the Free State	2.22	2.22	2.22	6.11	3.33
University of Johannesburg	3.89	3.89	3.89	3.33	3.33
University of KwaZulu-Natal	6.11	6.11	6.11	6.11	6.11
University of Limpopo	-	-	-	-	
University of South Africa	5.56	2.22	2.22	5.56	5.56
University of Venda	-		2.78	3.33	2.22
University of Pretoria	-	-	-	5.00	
University of Stellenbosch	1.11	1.11	3.89	6.11	5.56
University of the Western Cape	2.78	2.22	1.11	7.78	7.22
Vaal University of Technology	5.00	6.11	6.11	6.11	6.11
University of Witwatersrand	1.11	-	-	-	-
Walter Sisulu University	1.67	-	-	1.11	1.11
University of Zululand		-	-	3.33	6,11

Sources for Table 4.20 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT,

2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a)

In only 21% of the Annual Reports analysed, did the Councils acknowledge that they have reviewed the Code of Ethics, and only 21% of the Council disclosed the date at which the Code of Ethics of the University was reviewed, as required by the Reporting Regulations (see Appendix A) (RSA, 2014c). Where Universities received an average score of more than 6.00 out of 10.00 for the Code of Ethics, the Annual Reports did address the Code of Ethics for different groups, including staff and students, but did not include declaration of the date at which the Council reviewed and approved the Code of Ethics.

None (0) of the Annual Reports over the five years contained any declaration that the Code of Ethics was distributed before a Council Meeting, with due notice, or where the Code of Ethics were reviewed by the Council. This lack of Councils' disclosure of their commitment in terms of the management of Ethics, and raises grave concerns in term of the knowledge and commitment of Councils in terms of the management of Ethics. It may also be the Councils are committed to the management of ethics, and that they have the necessary skills and competence, but that the individuals responsible for the compilation of the Annual Reports, did not include this responsibility in the disclosure contained in the Annual Reports. The apparent lack of disclosure of a Code of Ethics applicable to students raises questions on the existence of possible double standards of ethical behaviour being applied at Universities. The idea of double standards is created by the disclosure of a Code of Ethics that is applicable to staff, but no disclosure made mention of a Code of Ethics being applicable to students. In light of the #FeesMustFall and #FreeEducationMovement campaigns in 2015 and 2016, which have caused the shutdown of academic activities at some South African Universities, as well as some property damage, the existence, and management of a Code of Ethics are crucially important to Universities. The existence and management of a Code of Ethics that is specifically applicable to students and their behaviour during protest actions, need to be addressed by Universities.

4.5.18 Council statement on sustainability

The Reporting Regulations require that the Council of a University include a statement on the sustainability of the University in the Annual Report (see Appendix A) (RSA, 2014c). This statement should have sufficient information to determine the positive, as well as the negative, impact the University has on the economic life of the University. Both the positive and negative impact should include comments on the environmental aspects, social aspects, and governance aspects. Councils are further required to include the links between the University's governance, risks, and opportunities and sustainable development while dealing with matters such as innovation, collaboration, social transformation and throughput rates of students (see Appendix A) (RSA, 2014c). The Council's statement on the sustainability of the University should therefore not contain only comments on the financial sustainability. The results of the disclosures contained in the Council's statement of sustainability are discussed in this section.

The averages contained in Table 4.21 *National averages on the Council Statement on Sustainability to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the two headings SA and KING IV is as follows:

- South Africa 21 items (see Appendix A)
- International 1 item (see 4.3.3.13)

Table 4.21 National averages on the Council Statement on Sustainability to be included in the Annual Report

	2011		2012		2013		2014		2015	
	SA	INT	SA	INT	SA	INT	SA	INT	SA	INT
National Average	**2.27**	**2.17**	**2.79**	**2.69**	**2.22**	**2.11**	**3.48**	**3.34**	**4.02**	**3.85**
Cape Peninsula University Technology	2.38	2.27	2.38	2.27	2.38	2.27	3.33	3.18	3.33	3.18
Central University of Technology	3.81	3.64	3.81	3.64	4.29	4.09	3.33	3.18	3.33	3.18
Durban University of Technology	2.38	2.27	2.38	2.27	1.43	1.36	2.86	2.73	2.86	2.73
University of Mpumalanga	First Annual Report issued in 2015								3.81	3.64
Mangosuthu University of Technology	1.90	1.82	1.90	1.82	3.33	3.18			3.81	3.64
Nelson Mandela Metropolitan University	2.86	2.73	2.86	3.18	2.86	2.73	3.81	4.09	4.76	5.00
North-West University	4.76	4.55	6.67	6.36	6.19	5.91	6.19	5.91	6.19	5.91
Rhodes University	1.90	1.82	1.90	1.82	1.43	1.36	3.33	3.18	4.76	4.55
Sol Plaatje University	First Annual Report issuues in 2013				-	-	2.38	2.27	3.81	3.64
Tshwane University of Technology	-	-	-	-	-	-	4.76	4.55	4.76	4.55
University of Cape Town	1.90	1.82	1.90	1.82	2.86	2.73	2.86	2.73	4.29	4.09
University of Fort Hare	2.38	2.27	1.90	1.82			-	-	0.48	0.45
University of the Free State	2.86	2.73	3.81	3.64	3.81	3.64	4.29	4.09	1.90	1.82
University of Johannesburg	5.71	5.45	5.71	5.45	1.43	1.36	7.14	6.82	7.14	6.82
University of KwaZulu-Natal	0.48	0.45	-	-	-	-	-	-	3.81	3.64
University of Limpopo	1.90	1.82	1.90	1.82	1.90	1.82	1.90	1.82		
University of South Africa	2.38	2.27	6.67	6.36	5.24	5.00	7.62	7.27	7.62	7.27
University of Venda	1.90	1.82			0.95	0.91	0.95	0.91	3.33	3.18
University of Pretoria	-	-	-	-	-	-	6.19	5.91		
University of Stellenbosch	2.86	2.73	2.86	2.73	0.95	0.91	3.33	3.18	2.86	2.73
University of the Western Cape	0.95	0.91	3.33	3.18	4.29	4.09	3.33	3.18	3.33	3.18
Vaal University of Technology	1.43	1.36	3.33	3.18	3.81	3.64	6.19	5.91	6.19	5.91
University of Witwatersrand	3.81	3.64	3.81	3.64	3.81	3.64	3.33	3.18	3.33	3.18
Walter Sisulu University	1.43	1.36	1.90	1.82	-	-	-	-	-	-
University of Zululand			2.38	2.27	-	-	2.86	2.73	6.67	6.36

Sources for Table 4.21 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 2.27; 2012 – 2.79; 2013 – 2.22; 2014 – 3.48; 2015 – 4.02: Average for INT – 2011 – 2.17; 2012 – 2.69; 2013 – 2.11; 2014 – 3.34; 2015 – 3.85). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

The national averages of the disclosures contained in the Council's statement on sustainability (in terms of the SA column) (see Table 4.21) ranges from zero (-) to 7.62. These averages indicate that UNISA (2014 and 2015) was the best performer. A total of fifteen (13%), of the 113 Annual Reports, did not include any information in terms of the sustainability of the Universities, as is evident from the zero (-) scores under the South African columns in Table 4.21. The discussion on the non-compliance in terms of the Council statement on sustainability is found below.

The disclosure in the Annual Reports of the Councils' statement on sustainability leaves much to be desired. With the exception of the Annual Reports of UJ (2011, 2012, 2014 and 2015), UNISA (2012 to 2015) and ZULULAND (2015), most Annual Reports contain only a statement from the Councils on their belief that the University will remain financially sustainable (see Table 4.21). On average, 53% of the total Annual Reports analysed include some statement on environmental sustainability in the form of recycling. Further, only 32% of the Annual Reports analysed mention sustainability in terms of social and governance aspects.

Additional to the exclusion of social and governance aspects in the Annual Reports, of the reports that do contain statements on sustainability, only 39% contains comments on how the Universities impacts positively on sustainability. The negative impact of the Universities on environmental, social and governance aspects are disclosed by only 15% of the Annual Reports analysed.

The Annual Reports for the years 2011 to 2015 further lacks disclosures in terms of the essential links between governance, risk and opportunity management, KPI's and sustainable development, as only 15% of the Annual Reports analysed provides these essential links. Only 15% of the Annual Reports address each of the aspects separately in the Annual Report. The NWU's Annual Report (2015) provides the best example of how these aspects should be linked throughout the Annual Report although they did not receive the highest disclosure score. Every statement made in the Annual Report of NWU also include an indication as to the environmental, social and governance aspect associated with the statement.

Typical matters dealt with in Annual Reports in terms of sustainability includes student numbers (61%), throughput rates (76%) and throughput rates of pipeline students (69%). These aspects were typically included in the Senate Report to Council (see 4.5.19) or KPI's (see 4.5.3) and not as part of the sustainability discussion of the Universities. Only 39% of the Annual Reports specifically address the generation of additional funding. An average of only 13% of the Annual Reports included matters such as inclusivity of stakeholders (also see 4.5.16), innovation, fairness, collaboration and social transformation in terms of sustainability of the University.

The apparent lack of discussion of sustainability in the broader sense of the word, not financial or environmental sustainability only, is a concern. This may that indicate the Councils and management of the Universities in South Africa do not understand the concept of sustainability, or if they do, the disclosure on how the University addresses sustainability is very weak. It may also be that the individuals who compiled the Annual Reports do not understand the Universities' responsibility to serve as an example of how these aspects should be addressed and omitted the sustainability disclosures. The omission of these aspects in the Annual Reports increase the concerns in terms of University Councils' commitment to the basic principles of corporate governance, namely discipline, transparency, independence, accountability, responsibility, fairness and social responsibility (see 4.5.6).

Only NMMU (2012, 2014 and 2015) included a comment that the University uses sustainability metrics to determine sustainability. The details of what these metrics involve are not provided in the Annual Report. This University is, therefore, the only University who is proactive in the inclusion of disclosure aspects as contained in the international best practices (see 4.3.3.12). With the increased pressure on the finances of South African Universities because of the #FeesMustFall and #FreeEducationMovements of 2015 and 2016, the sustainability of Universities may be in jeopardy. The disclosure of the sustainability and management of sustainability should, therefore, be non-negotiable for Universities.

4.5.19 Report of the Senate to Council

The report of the Senate to the Council is where the Senate of a University provides feedback to the Council on the performance of their duties during the financial year. These duties include managing changes in academic structures, significant developments in terms of the delivery of modules, research and the composition and size of the student body (see Appendix A) (RSA, 2014c). The Senate should further disclose information in terms of awards and achievement of students and staff, as well as the outputs produced in terms of graduating students and accredited research outputs (see Appendix A) (RSA, 2014c). This section includes the results of the application of the framework to the disclosures contained in the reports from Senate to Council.

The averages contained in Table 4.22 *National averages on the Report of Senate to Council to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23).

The number of items included in the analysis of the minimum content to be included in the Annual Report under the two headings SA and INT is as follows:

- South Africa 15 items (see Appendix A)
- International 2 items (see 4.3.3.14)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 7.70; 2012 – 8.55; 2013 – 6.96; 2014 – 8.90; 2015 – 8.93: Average for INT – 2011 – 7.09; 2012 – 7.89; 2013 – 6.45; 2014 – 8.08; 2015 – 8.13). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

The national averages of the disclosure in the report of the Senate to Council (in terms of the SA column) (see Table 4. 22) ranges from zero (-) to 10.00. Fifty (44%) of the 113 Annual Report achieved a perfect score of 10.00 for the disclosures by their Senates. Almost all (92%) of the 113 Annual Reports achieved scores of more than 5.00.

Five (4%) of the 113 Annual Reports did not include any disclosures by Senates. These five reports are from SPU (2013), UL (2013), UP (2013), WSU and ZULULAND (2013). SPU's omission of a report from Senate is because of the fact the University was only founded in 2013 and did not have a Senate yet. The UP did not issue a complete Annual Report, but only an abbreviated Annual Review and the report of the Senate to the Council was not included in the Review. The other three Universities, UL, WSU, and ZULULAND, were all under administration in 2013 and the Annual Reports were compiled based on the activities of the administrator and the disclosures from the Senates were omitted. The discussion on the non-disclosure in terms of the report of Senate to the Council is found below.

Table 4.22 National averages on the Report of the Senate to Council to be included in the Annual Report

	2011		2012		2013		2014		2015	
	SA	INT	SA	INT	SA	INT	SA	INT	SA	INT
National Average	**7.70**	**7.09**	**8.55**	**7.89**	**6.96**	**6.45**	**8.90**	**8.08**	**8.93**	**8.13**
Cape Peninsula University Technology	9.33	8.24	10.00	8.82	10.00	8.82	10.00	8.82	10.00	8.82
Central University of Technology	5.33	5.29	5.33	5.29	8.67	8.24	6.00	5.88	8.67	8.24
Durban University of Technology	8.67	7.65	10.00	9.41	10.00	9.41	10.00	8.82	10.00	8.82
University of Mpumalanga	First Annual Report issued in 2015								10.00	8.82
Mangosuthu University of Technology	10.00	9.41	10.00	8.82	9.33	8.82			10.00	9.41
Nelson Mandela Metropolitan University	10.00	8.82	10.00	8.82	10.00	8.82	10.00	8.82	10.00	9.41
North-West University	10.00	9.41	10.00	9.41	10.00	9.41	10.00	8.82	10.00	8.82
Rhodes University	6.67	5.88	10.00	8.82	10.00	8.82	10.00	8.82	4.67	4.12
Sol Plaatje University	First Annual Report issued in 2013				-	-	3.33	3.53	4.00	4.12
Tshwane University of Technology	2.67	2.35	6.00	5.29	4.67	4.12	4.67	4.12	4.67	4.12
University of Cape Town	6.00	5.88	7.33	7.06	7.33	7.06	10.00	9.41	10.00	9.41
University of Ford Hare	6.00	5.88	8.00	7.65			8.67	7.65	8.67	7.65
University of the Free State	9.33	8.82	9.33	8.82	9.33	8.82	9.33	8.82	9.33	8.24
University of Johannesburg	1.33	1.18	6.67	6.47	4.67	4.12	10.00	9.41	10.00	9.41
University of KwaZulu-Natal	10.00	8.82	10.00	8.82	10.00	9.41	10.00	8.82	10.00	8.82
University of Limpopo	7.33	6.47	8.00	7.06	-	-	8.67	7.65		
University of South Africa	8.00	7.06	10.00	8.82	10.00	9.41	9.33	8.24	9.33	8.24
University of Venda	7.33	7.06			6.00	5.88	8.67	8.24	8.67	8.24
University of Pretoria	6.00	5.88	6.00	5.88	-	-	10.00	8.82		
University of Stellenbosch	9.33	8.24	10.00	8.82	10.00	8.82	10.00	8.82	10.00	8.82
University of the Western Cape	10.00	9.41	7.33	7.06	10.00	9.41	9.33	8.82	9.33	8.82
Vaal University of Technology	9.33	8.82	10.00	9.41	10.00	9.41	9.33	8.82	9.33	8.82
University of Witwatersrand	10.00	9.41	10.00	9.41	10.00	9.41	10.00	9.41	9.33	8.82
Walter Sisulu University	6.67	5.88	7.33	7.06	-	-	8.67	7.65	9.33	8.24

Sources for Table 4.22 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

In some cases, the Annual Reports did not only contain a Report from the Senate but reports from the offices of Deputy Vice-Chancellors responsible for teaching, learning and research as well as reports from different Faculties, Schools and Departments at the Universities. The content of these reports all related to the requirements in the Reporting Regulations in terms of the Report of the Senate (see Appendix A) (RSA, 2014c). The information contained in these different reports were therefore seen as being part of the report of the Senate and included in the analysis of the Senate Reports.

Aspects that should receive more attention in the Senate Reports are the changes in academic structures. Although 71% of the Senate Reports did address changes in the academic structures of the Universities, the remaining 29% of the Senate Reports are silent on the matter, and a specific statement that there were no changes to the academic structures of the Universities were omitted.

In terms of international best practice, 74% of the Senate Reports included a general description of the composition of the Senate (see also 4.5.5). In the cases where a perfect score of 10.00 was not achieved in terms of the South African requirements, the reports were either not signed by the Chairperson of the Senate, or information in terms of teaching, learning and research achievements and outputs were not provided. The decrease in scores in the international column (see 4.3.3.14) was because of the non-disclosure of external consultants (2%) used by Senates and specific information on international engagements as only 45% of the Annual Reports over the five years disclosed information on these aspects. The high national average scores of the disclosures in the Senate report to the Councils (see Table 4.22) indicates that the majority of the Senates are aware of their disclosure duties, yet there is still room for improvement.

4.5.20 Report of the Institutional Forum

The inclusion of the report from the Chairperson of the Institutional Forum is a requirement of the Reporting Regulations since 2014 (see Appendix A) (RSA, 2014c). The disclosures contained in the report were not analysed as these fall outside the scope of this study. The inclusion of the Report in the Annual Reports, and the required signature of the Chairperson of the Institutional Forum was confirmed for the purpose of the study. The CUT (2011 to 2014), DUT (2012 and 2013), SPU (2013), UL (2011 to 2014), UP (2011 to 2013), WSU (2011 to 2014) and ZULULAND (2013 and 2014) did not include a report from the Institutional Forum in their Annual Reports. The exclusion of the report from the Institutional Forum from the 2013 Annual Report of SPU is expected as 2013 was the first year of operations for this University, and the Institutional Forum did not exist yet. The exclusion in the WSU Annual Reports was mainly because of the fact the University was under administration for the 2011 to 2013 financial years, and the administrator compiled the report based on his activities. The UFH did include the report of the Institutional Forum in their 2011 Annual Report, but the Chairperson of the Forum did not sign the report, which resulted in a score of 5.00.

Table 4.23 National averages on the Report from the Institutional Forum to be included in the Annual Report

	2011 SA	2012 SA	2013 SA	2014 SA	2015 SA
National Average	**8.33**	**7.73**	**6.96**	**8.26**	**10.00**
Cape Peninsula University Technology	10.00	10.00	10.00	10.00	10.00
Central University of Technology	-	-	-	-	10.00
Durban University of Technology	10.00	-	-	10.00	10.00
University of Mpumalanga	First Annual Report issued in 2015				10.00
Mangosuthu University of Technology	10.00	10.00	10.00		10.00
Nelson Mandela Metropolitan University	10.00	10.00	10.00	10.00	10.00
North-West University	10.00	10.00	10.00	10.00	10.00
Rhodes University	10.00	10.00	10.00	10.00	10.00
Sol Plaatje University	First Annual Report issued in 2013		-	10.00	10.00
Tshwane University of Technology	10.00	10.00	10.00	10.00	10.00
University of Cape Town	10.00	10.00	10.00	10.00	10.00
University of Fort Hare	5.00	10.00		10.00	10.00
University of the Free State	10.00	10.00	10.00	10.00	10.00
University of Johannesburg	10.00	10.00	10.00	10.00	10.00
University of KwaZulu-Natal	10.00	10.00	10.00	10.00	10.00
University of Limpopo	-	-	-	-	
University of South Africa	10.00	10.00	10.00	10.00	10.00
University of Venda	10.00		10.00	10.00	10.00
University of Pretoria	-	-	-	10.00	
University of Stellenbosch	10.00	10.00	10.00	10.00	10.00
University of the Western Cape	10.00	10.00	10.00	10.00	10.00
Vaal University of Technology	10.00	10.00	10.00	10.00	10.00
University of Witwatersrand	10.00	10.00	10.00	10.00	10.00
Walter Sisulu University		-	-	-	10.00
University of Zululand		10.00	-	-	10.00

Sources for Table 4.23 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012;

UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

4.5.21 Vice-Chancellor Report on administration and management

The Vice-Chancellor's report should include comments on the management and administration of the University in terms of the Reporting Regulations (see Appendix A) (RSA, 2014c). It should cover aspects such as the adequacy of staffing levels, the progress of employment equity and the quality of information available to management. The results of the application of the framework to the Annual Reports in terms of the report of the Vice-Chancellor on administration and management are discussed in this section.

The averages contained in Table 4.24 *National averages on the Vice-Chancellors' Report to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the heading SA is as follows:

- South Africa 15 items

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year and included at the top of the table (2011 – 6.27; 2012 – 6.45; 2013 – 5.83; 2014 – 6.99; 2015 – 7.22). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Table 4.24 National averages on the Vice-Chancellors' Report to be included in the Annual Report

	2011 SA	2012 SA	2013 SA	2014 SA	2015 SA
National Average	**6.27**	**6.45`**	**5.83**	**6.99**	**7.22**
Cape Peninsula University Technology	1.33	3.33	4.00	4.67	6.67
Central University of Technology	5.33	5.33	6.67	4.00	6.67
Durban University of Technology	6.00	4.67	4.00	10.00	10.00
University of Mpumalanga	First Annual Report issued in 2015				9.33
Mangosuthu University of Technology	7.33	8.00	8.00		9.33
Nelson Mandela Metropolitan University	6.67	7.33	8.00	8.00	8.00
North-West University	8.00	9.33	9.33	6.67	6.67
Rhodes University	7.33	8.00	9.33	9.33	6.67
Sol Plaatje University	First Annual Report issued in 2013		4.67	6.00	6.67
Tshwane University of Technology	8.00	8.00	9.33	9.33	9.33
University of Cape Town	6.00	6.00	6.00	6.67	6.67
University of Fort Hare	8.67	7.33		8.67	9.33
University of the Free State	8.00	10.00	10.00	8.00	8.00
University of Johannesburg	6.67	6.67	4.67	7.33	7.33
University of KwaZulu-Natal	8.67	8.67	8.67	8.00	8.67
University of Limpopo	2.67	4.67	2.67	2.67	
University of South Africa	6.00	9.33	9.33	7.33	7.33
University of Venda	4.67		2.00	9.33	5.33
University of Pretoria	1.33	1.33	-	10.00	
University of Stellenbosch	4.67	4.67	4.67	7.33	6.00
University of the Western Cape	8.00	6.00	-	3.33	5.33
Vaal University of Technology	6.67	8.67	8.67	8.67	3.33
University of Witwatersrand	8.00	8.00	8.67	8.67	8.67
Walter Sisulu University	8.00	-	-	6.00	6.00
University of Zululand		6.67	5.33	0.67	4.67

Sources for Table 4.24 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014;

UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

The national averages of the disclosure in the report of the Vice-Chancellor on management and administration (see Table 44.24) range from zero (-) to 10.00. These averages indicate that DUT (2014 and 2015), UFS (2012 and 2013) and UP (2014) were the best performers. The UP (2013), UWC (2013) and WSU of Technology (2012 and 2013) all omitted the report from the Vice-Chancellor in their Annual Reports. The exclusion in the WSU Annual Reports was mainly because of the fact the University was under administration for the 2011 to 2013 financial years, and the administrator compiled the report based on his activities. The UP did not issue a complete Annual Report, but only an abbreviated Annual Review and the report of the Vice-Chancellor was not included in the Review.

Between 2011 and 2012, four (18%) Universities showed a decrease in score; five (23%) between 2012 and 2013; four (17%) between 2013 and 2014; and finally four (17%) between 2014 and 2015. The decrease in the scores between 2011 and 2012 are attributed to the omission of achievements of staff (2011 – 91%; 2012 – 86%) and the omission of a statement on the adequacy of staff in critical areas of the University (2011 – 82%; 2012 – 73%). The decrease in the scores between 2012 and 2013 is attributed to the absence of the signature of the Vice-Chancellor at the end of the report that was either not included at all, or a space was provided for the signature and date on which the report was signed, but the signature and date were omitted (2012 – 96%; 2013 – 78%). The omission of the achievement of staff (2012 – 86%; 2013 – 70%), systems (2012 – 77%; 2013 – 65%) and the assessment of these achievements against realistic expectations (2012 – 68%; 2013 – 52%) further contributed to the decrease in scores between 2012 and 2013.

No common cause could be identified for the decrease in the scores between 2013 and 2014. The UFS omitted information on the appointment of new senior executive and administration appointments. The CUT omitted disclosures in terms of the achievement of systems; NWU neglected to disclose the extent to which equity targets were reached, the quality of information available to management and the changing patterns in the provision of academic courses. The UKZN omitted general comments in terms of management and administration; UNISA neglected information in terms of the appointment of new senior executive and administration personnel and the academic and service relationship between the University and the community. The discussion on the non-disclosures in the Vice-Chancellor's report on management and administration is found below.

Comments by the Vice-Chancellor on the appointment of new senior and administrative executives were only included in 46% of the Vice-Chancellors' reports in the five years. Further information and statements omitted from the Vice-Chancellors' reports were statements on the quality of information available to management (33%), the availability of administrative information (50%), changing patterns in the provision of academic courses (42%) (see also 4.5.19) and the self-assessment of the Vice-Chancellor (53%). The importance of the availability of quality information to management and Councils for the successful governance of Universities and application of corporate governance principles are crucial. The exclusion of any statements and comments on this section in the Vice-Chancellor's report may signify that the importance of quality information is not a high priority at Universities. It may be a further indication the individuals who are responsible for the compilation of the Annual Reports omitted the information as they are not aware of these requirements (see Appendix A) (RSA, 2014c). The non-disclosure of new senior and administrative executives leads to questions in terms of the accountability and transparency of University governance as well the standards used to ensure quality disclosures in the Annual Reports (see 4.5.6).

4.5.22 Report on internal administrational structures and controls (System of Internal Controls)

The report on internal administrational structures and controls centres around eleven main themes. These themes are (see Appendix A) (RSA, 2014c):

1. The maintenance of internal control systems in terms of established policies and procedures;
2. The documentation of the organisational structures, which includes a Code of Ethics in terms of internal controls;
3. The use of modern information technology system;

4. Privacy and passwords;
5. Monthly reviews of internal controls;
6. Integration of internal control systems;
7. Competence of staff;
8. Management of fraud risk;
9. Inherent limitations of internal controls;
10. A statement on the effectiveness of internal control systems; and
11. The involvement of Internal Audit and the Audit Committee in internal controls.

The results of the application of the framework in terms of the disclosures relating to internal administration structures and controls are discussed in this section. The averages contained in Table 4.25 *National averages on the Report on internal administrational structures and controls to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the heading SA is as follows:

- South Africa 84 items (see Appendix A)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year and included at the top of the table (2011 – 3.28; 2012 – 3.18; 2013 – 2.90; 2014 – 3.97; 2015 – 4.58). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

The National Average of internal administrational structures and controls (see Table 44. 25) ranges from zero (-) to 9.88. These averages indicate that NWU (2015) was the best performer. Only 29% of the 113 Annual Reports achieved a score above 5.00, and 13% had a zero (-) score. The discussion on the non-compliance in terms of the disclosure regarding the internal administrational structures and controls is found below.

Table 4.25 National Average on the Report on internal administrational structures and controls to be included in the Annual Report

	2011 SA	2012 SA	2013 SA	2014 SA	2015 SA
National Average	**3.28**	**3.18**	**2.90**	**3.97**	**4.58**
Cape Peninsula University Technology	4.05	3.45	3.69	9.29	9.29
Central University of Technology	2.38	2.38	2.38	1.19	1.31
Durban University of Technology	6.67	7.50	7.50	7.62	7.62
University of Mpumalanga	First Annual Report issued in 2015				4.76
Mangosuthu University of Technology	2.74	2.74	2.74		5.71
Nelson Mandela Metropolitan University	3.21	1.43	2.98	-	2.98
North-West University	-	-	-	9.05	9.88
Rhodes University	4.05	4.52	4.17	4.17	3.69
Sol Plaatje University	First Annual Report issued in 2013		1.19	1.19	1.19
Tshwane University of Technology	4.05	1.55	2.26	2.62	2.62
University of Cape Town	5.00	5.00	5.00	5.00	6.07
University of Fort Hare	4.40	4.64		5.12	5.00
University of the Free State	8.33	8.33	8.33	8.33	9.05
University of Johannesburg	0.71	0.71	-	1.19	1.31
University of KwaZulu-Natal	6.19	6.19	6.19	5.00	5.00
University of Limpopo	-	-	-	-	
University of South Africa	3.33	6.19	6.19	6.31	6.31
University of Venda	4.64		1.43	2.38	2.26
University of Pretoria	2.74	2.62	3.93	3.93	
University of Stellenbosch	1.31	1.31	1.31	1.31	0.95
University of the Western Cape	4.40	4.88	5.00	4.40	4.40
Vaal University of Technology	-	-	-	1.90	1.90
University of Witwatersrand	2.38	2.38	2.38	2.38	2.38
Walter Sisulu University	1.55	-	-	3.10	3.33
University of Zululand		4.17	-	1.79	8.21

Sources for Table 4.25 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013;

WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

A total of 61% of the Annual Reports analysed over the five years includes a statement that the Universities maintained a system of internal controls, which is designed to safeguard the assets of the institution against unauthorised use (see Appendix A) (RSA, 2014c). This statement typically also includes a statement that the system of internal controls promotes the preparation and communication of reliable Financial Statements. A statement that documentation in terms of the organisational structure exists to ensure the division of responsibilities has only been made in 43% of the Annual Reports analysed. The existence of a Code of Ethics that forms part of the system of internal controls, which fosters a strong ethical climate for the selection, training, and development of people, was declared in only 30% of the Annual Reports. The use of a modern information technology system was stated in only 41% of the Annual Reports for the period 2011 to 2015.

The use of passwords and standards, to ensure the security of information, only featured in 15% of the Annual Reports between 2011 and 2015. Only 11% of the Universities stated that they had performed regular reviews on their internal controls, to ensure that there were no clashes in access rights and that segregation of duties is satisfactory. Further, 90% of the Annual Reports in the five years under review excluded any statements in terms of the sufficient integration of systems, to minimise duplication and ensure minimum manual intervention. Rather surprisingly 72% of the Annual Reports did not address the existence of competent and trained staff being used to develop, maintain and operate internal control systems.

With the increased use of information technology in the completion of financial transactions, fraud risk is a reality, even for Universities. Only 21% of the Annual Reports of the years 2011 to 2015 include any information on the existence of this risk and the policies and procedures in place to reduce this risk to an acceptable level. Furthermore, 42% of the Annual Reports omit any recognition that internal controls have inherent limitations, and the implementation of internal controls can only provide reasonable assurance relating to the Financial Statements and the safeguarding of assets.

The statement on the effectiveness of internal control systems, and the corresponding dates at which the University has tested the effectiveness are absent from 74% of the Annual Reports over the five years. Accompanying the statement on the effectiveness of the internal control systems, the University should disclose the criteria used to test the effectiveness of internal controls (see Appendix A) (RSA, 2014c). The disclosure of the criteria used to test the effectiveness of internal controls is absent from 69% of the Annual Reports between 2011 and 2015.

In terms of the Reporting Regulations, the Annual Reports should include the involvement of the Internal Auditors and the Audit Committee in internal control systems (see Appendix A) (RSA, 2014c). Internal Audit should monitor the operations of the internal control systems and report findings to the Council and management. Additionally, Internal Audit should monitor the *"corrective actions"* taken on internal control weaknesses identified, to improve the internal control systems (see Appendix A) (RSA, 2014c). The Reporting Regulations do not expand on what these corrective actions may be and leaves this open for interpretation by the Internal Audit function. Only 55% of Annual Reports between 2011 and 2015 include these statements. The remaining 45% of the Annual Reports either omit any statement to this effect or merely reference an auditing firm who is responsible for Internal Audit functions, without providing additional information on their responsibilities (see Appendix A) (RSA, 2014c). The Internal Auditors should further be involved in the revision of the review of the risk assessment documents of the University in order to prepare an Internal Audit program for the assessment of the internal controls and systems (see Appendix A) (RSA, 2014c). Only 10% of the Annual Reports recognise this responsibility of the Internal Auditors.

Additional to the involvement of Internal Audit, the University's Audit Committee should review this report on the operational and administrative aspects of internal controls (see Appendix A) (RSA, 2014c). Only 6% of the reports on the internal administrational structures and controls were reviewed and approved by the Audit Committee.

The poor disclosures of internal administrational structures and controls lead to very low scores on the framework (see Table 4.25). The highest score of 9.88, achieved by the NWU, is an indication that sufficient and complete disclosures in terms of internal control systems are possible. The disclosures contained in the 2015 Annual Reports of NWU can be used as the benchmark disclosure for internal control systems.

Between 2011 and 2012, four (18%) of the Universities showed a decrease in scores. Between 2012 and 2013, two (9%) of Universities achieved lower scores; three (13%) between 2013 and 2014; and four (17%) between 2014 and 2015. The decrease in these scores is attributed to the decrease in the disclosure of the statement that the Universities maintained a system of internal controls which is designed to safeguard the assets of the institution against unauthorised use (2011 – 63%; 2012 – 59%; 2013 – 55%). The omission of the existence of a Code of Ethics (see 4.5.17) that forms part of the system of internal controls, and which fosters a strong ethical climate for the selection, training and development of people, is another common trend causing the decrease in the scores between 2012 and 2013 (2012 – 37%; 2013 – 32%). The exclusion of the use of a modern information technology system (2012 – 36%; 2013 – 30%) and the use of passwords and standards to ensure the security of information (2012 – 25%; 2013 – 18%) further contributed towards the lower scores. The absence of the recognition of the inherent limitations of internal controls (2011 – 60%; 2012 – 56%; 2013 – 50%) as well as the fact that internal controls can only provide reasonable assurance (2011 – 64%; 2012 – 55%; 2013 – 48%) instigated further decreases in the scores.

No common trend could be identified that could explain the decrease in the scores of the four Universities between 2013 and 2014 and the five Universities between 2014 and 2015. The decrease in the scores of CUT from 2013 to 2014 is attributed to the exclusion of the documentation of organisational structures used to safeguard against unauthorised use of assets in the 2013 Annual Report. The NMMU excluded any statement in terms of internal control in their 2014 Annual Reporting causing their score to drop to zero (-). The UKZN excluded a statement in the effectiveness of their internal controls in their 2014 Annual Reports, causing their score to drop to 5.00 in 2014. The UWC omitted disclosures in their 2014 Annual Report relating to the involvement of the internal audit in internal control structures, causing their score to drop to 4.40 in 2014.

The decreases in RHODES and UFH's 2015 scores are attributed to the omission of the use of a modern Information Technology system. The decreases in UNIVEN and the US's 2015 scores are because of the exclusion of a statement of the involvement of Internal Audit in internal controls.

The poor scores achieved by the majority (71%) of Universities over the five years in Table 4.25 above lead to questions on the commitment of Universities to proper internal control systems. Further concerns are raised in terms of application of corporate governance principles of transparency and responsibility (see 4.5.6). The absence of proof in the Annual Report that the Audit Committee approved the report on internal administrational structures and controls, casts doubts on the effectiveness of the Audit Committee (see 4.5.11) as well. As mentioned under the Audit Committee disclosures (see 4.5.12), the Audit Committee may function effectively, but the poor disclosure practices of the Universities do not support the fact and leaves the reader of the Annual Reports wondering about the effectiveness of committees.

4.5.23 Report on the assessment of the exposure to risk and the management thereof

The Reporting Regulations require that every University must include a report on the exposure of the University to risk, and how the University manages the risks, in their Annual Report. This report includes the disclosure of the composition of the Risk Committee, how the Risk Committee interacts with the Audit Committee, a statement on the likelihood of the occurrence of risks, as well as a statement that the risks and opportunities facing the University were "*balanced"*, to name but a few (see Appendix A) (RSA, 2014c). This section contains the results of the framework that deals with the disclosures made in terms of the Universities' exposure to risks and how they managed risks.

The averages contained in Table 4.26 *National averages on the Report on the assessment and exposure of risks to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the three headings SA, KING IV and INT is as follows:

- South Africa 57 items (see Appendix A)
- King IV 18 items (see 4.3.2.13)
- International 1 item (see 4.3.3.15)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year, and included at the top of the table (Average for SA - 2011 – 2.94; 2012 – 2.93; 2013 – 2.75; 2014 – 4.06; 2015 – 4.36: Average for KING IV – 2011 – 0.27; 2012 – 0.24; 2013: - 0.26; 2014 – 0.54; 2015 – 1.23: Average for INT – 2011 – 2.91; 2012 – 2.89; 2013 – 2.72; 2014 – 4.03; 2015 – 4.37). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

Where a University achieved a score in the INT column that is higher than the score in the South African column, it is an indication the Annual Report for that specific year includes disclosures in terms of the international best practices. The trends in the international disclosures are discussed on page 362. These Universities are:

- 2011 – RHODES and UKZN;
- 2012 – RHODES and UKZN;
- 2013 – RHODES, UKZN, and US;
- 2014 – CUT, RHODES, UJ, UNISA and US; and
- 2015 – CUT, NWU, RHODES, UFS, UJ, UNISA, UWC and ZULULAND.

Table 4.26 National averages on the Report on the assessment on the exposure to risk to be included in the Annual Report

	2011			2012			2013			2014			2015		
	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT	SA	KING IV	INT
National Average	**2,94**	**0,27**	**2,91**	**2,93**	**0,24**	**2,89**	**2,75**	**0,26**	**2,72**	**4,06**	**0,54**	**4,03**	**4,36**	**1,23**	**4,37**
Cape Peninsula University Technology	3,86	0,59	3,79	5,61	-	5,52	5,79	-	5,69	5,79	-	5,69	5,79	-	5,69
Central University of Technology	3,86	0,59	3,79	3,86	-	3,79	4,04	-	3,97	4,91	0,59	5,00	5,26	0,59	5,34
Durban University of Technology	6,14	-	6,03	7,02	2,94	6,90	7,02	2,94	6,90	4,39	1,18	4,31	4,39	1,18	4,31
University of Mpumalanga	First Annual Report issued in 2015												2,28	-	2,24
Mangosuthu University of Technology	1,75	-	1,72	1,75	-	1,72	4,04	-	3,97				4,39	-	4,31
Nelson Mandela Metropolitan University	1,58	0,59	1,55	1,58	0,59	1,55	2,28	0,59	2,24	2,63	0,59	2,59	2,63	0,59	2,59
North-West University	-	-	-	-	-	-	-	-	-	5,44	-	5,34	6,49	5,88	6,55
Rhodes University	3,51	0,59	3,62	2,81	0,59	2,93	4,39	0,59	4,48	4,21	0,59	4,31	5,09	0,59	5,34
Sol Plaatje University	First Annual Report issued in 2013						-	-	-	3,86	-	3,79	4,39	-	4,31
Tshwane University of Technology	4,74	2,35	4,66	1,58	-	1,55	2,98	-	2,93	2,98	0,59	2,93	2,98	0,59	2,93
University of Cape Town	3,51	-	3,45	3,51	-	3,45	3,51	-	3,45	3,51	-	3,45	5,44	0,59	5,34
University of Fort Hare	2,11	-	2,07	2,98	-	2,93				3,33	-	3,28	3,68	-	3,62
University of the Free State	3,86	-	3,79	4,39	-	4,31	4,74	-	4,66	4,39	1,18	4,31	3,51	7,06	3,62
University of Johannesburg	2,98	-	2,93	4,74	-	4,66	-	-	-	6,67	0,59	6,90	6,67	0,59	6,90
University of KwaZulu-Natal	4,74	0,59	4,83	4,74	0,59	4,83	4,74	0,59	4,83	3,68	0,59	3,62	4,56	0,59	4,48
University of Limpopo	-	-	-	-	-	-	-	-	-	0,18	-	0,17			
University of South Africa	5,26	-	5,17	6,84	0,59	6,72	6,84	0,59	6,72	8,07	3,53	8,10	8,25	3,53	8,28
University of Venda	1,93	0,59	1,90				0,88	-	0,86	3,33	-	3,28	1,05	-	1,03
University of Pretoria	2,98	-	2,93	2,98	-	2,93	1,23	-	1,21	2,46	1,18	2,41			
University of Stellenbosch	2,46	-	2,41	2,46	-	2,41	3,86	0,59	3,97	4,04	0,59	4,14	3,68	-	3,62
University of the Western Cape	3,16	-	3,10	3,86	-	3,79	2,81	-	2,76	5,96	-	5,86	6,32	0,59	6,38
Vaal University of Technology	-	-	-	-	-	-	1,05	-	1,03	7,72	1,18	7,59	2,81	-	2,76
University of Witwatersrand	2,98	-	2,93	2,98	-	2,93	2,98	-	2,93	2,98	-	2,93	2,98	-	2,93
Walter Sisulu University	3,33	-	3,28	-	-	-	-	-	-	1,75	-	1,72	1,75	-	1,72
University of Zululand				0,70	-	0,69	-	-	-	1,05	-	1,03	5,96	5,88	6,21

Sources for Table 4.26 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

The national averages of the disclosures in terms of the exposure to, and management of, risks (in terms of the SA column) (see Table 4.26) range from zero (-) to 8.25. These averages indicate that UNISA (2015) was the best performer. Between 2011 and 2012, three (14%) Universities achieved lower scores in term of the exposure to, and management of, risk. From 2012 to 2013, four (17%) of the Universities showed a decrease in scores; four (17%) between 2013 and 2014; and again four between 2014 and 2015.

The decrease in scores is attributed to a decrease in the disclosure of the regularity of risk management meetings (2011 – 23%; 2012 – 14%;); a statement explaining the Risk Committee's interaction with internal audit (2011 – 32%; 2012 – 27%; 2013 – 17%); as well as how adverse risk events should be identified and assessed (2011 – 17%; 2012 – 11%). The decrease in the scores between 2012 and 2013 is attributed to the decrease in the disclosure of the Risk Committee's responsibility in terms of the identification, interpretation, and assessment of risks, with the responsibility to implement intervention measures to address risks (2012 – 58%; 2013 – 44%). The decrease of the disclosure that a risk register is maintained (2012 - 59%; 2013 – 52%) and a statement that the Risk Committee must report to the Audit and Finance Committees (see 4.5.9 and 4.5.12) (2012 – 53%; 2013 – 45%) are further reasons for the decrease in the scores between 2012 and 2013. The omission of the statement that the Risk Committee should have unrestricted access to the Audit Committee, the Council and the Vice-Chancellor, was another cause of the decrease in scores between 2012 and 2013 (2012 – 16%; 2013 - 12%).

DUT omitted the declaration in 2014 that their risk management practices aim to balance risks and opportunities; that adverse events may still occur despite the implementation of an organisational plan relating to internal controls and procedures; and the unrestricted access that the Risk Committee should have to the Audit Committee, the Council and the Vice-Chancellor. RHODES also omitted the unrestricted access the Risk Committee should have to the Audit Committee, the Council and the Vice-Chancellor in their 2014 Annual Report. The Chairperson of the Audit and Risk Committee did not sign the UFS's report on the exposure to, and management of, risks, as required by the Reporting Regulations (see Appendix A) (RSA, 2014c). The UKZN did not define the responsibility and accountability of the Risk Committee for the management of risk events, conditions and areas in their 2014 Annual Report. The UKZN further excluded a statement that the risk register is regularly updated and that they have identified the most significant risks the University faces.

The decreases in scores between 2014 and 2015 are ascribed to the non-disclosure of the responsibility and accountability of the Risk Committee for the management of risk events, conditions and areas in their 2014 Annual Report (2014 – 30%; 2015 – 28%); the responsibility of the Risk Committee to identifying, interpreting and assessing risks (2014 – 100%; 2015 – 91%); and the responsibility of the Risk Committee to prepare a risk management report (2014 – 65%; 2015 – 57%). The discussion on the non-disclosure of the exposure to and management of risk is found below.

The poor averages of Universities, in terms of the disclosure of risk exposure (see Table 4.26), is a clear indication that the Councils of South Africa is either not aware of their duties in terms of risk management, that they are not committed to proper risk management, or that the disclosure practices at the Universities are poor and does not include practices to ensure the inclusion of risk and opportunity management in the Annual Reports (see also 4.5.4).

Although 73% of the Annual Reports between 2011 and 2015 include a statement that there is a Committee responsible for the management of risks facing the University; the composition and qualification of Committee members are disclosed in only 25% of the Annual Reports. Only 59% of the Annual Reports include an explanation on how the Risk Committee interacts with the Audit Committee, and in most cases, this explanation reveals the fact that the University has a combined Audit and Risk Committee. The remaining 41% of the Annual Reports are silent on the interaction between the Risk and Audit Committee (see also 4.5.12). Only 25% of the 113 Annual Reports explain that the Risk Committee has input into the risk assessments performed by the Internal Audit Department (see 4.5.21), and a mere 29% of the Annual Reports confirm that the risk assessment by the Risk Committee is communicated to Council (see also 4.5.4).

In 51% of the Annual Reports between 2011 and 2015, possible risk events were identified, but only 18% of the Annual Reports included a description of the likelihood of the risk events occurring. The anticipated impact of risks was discussed in only 24% of Annual Reports, and only 5% of Annual Reports included a statement that the risks and opportunities facing the University were balanced.

Only 19% of Annual Reports recognised that the organisational internal control structures assist in the identification of adverse risk events. Merely 4% of the Annual Reports in the five years under review acknowledged that adverse event might occur and they may have an impact on the University. Disclosures on what these events are and how they may impact the Universities were not included in the Annual Reports over the five years.

Remarkably, 71% of the Annual Reports omitted the declaration that management is both responsible, and accountable, for risk events, risk conditions and risk areas. A high 82% of the Annual Report omitted the intervention methods to be used to address risks events, and only 39% of the Annual Reports mention the existence of a Risk Register.

As established already (see 4.5.4) the acknowledgement of Councils about their responsibility for risk management, is insufficient. This is reiterated in the reports for exposure to risk, given that only 16% of the Annual Reports indicate that the Council reviews the comprehensive risk reports.

The disclosures in the reports about exposure to risks, further do not indicate that the Risk Committee has unrestricted access to the Chairperson of the Audit Committee, the Council and the Vice-Chancellor, in their quest to manage risks of the University. In 16% of the Annual Reports, access to the Audit Committee is disclosed, while 18% of the Annual Reports disclose the access to the Chairperson of the Council and only 8% indicate access to the Vice-Chancellor. With the Council being the ultimate body responsible for risk management, the lack of regular risk reports, and access to the Risk Committee to the Chairperson of the Council, it may prove to be difficult for the Risk Committee to function properly. This may confirm that the Councils of the Universities are either not accepting their responsibility in terms of risk management, which in turn encumbers transparency, diligence, accountability, and responsibility of Councils or the disclosure practices of the Universities do not contain guidance to the University in terms of what should be disclosed in terms of risk management.

Because of the fact that only 44% of the Annual Report of Universities, over the five years, disclose managements' responsibility to identify conditions that may give rise to risks, and only 8% have methods in place to minimise the consequences, Councils cannot be aware of risks, as management is not aware of the risks. This argument may be supported by the fact that only 34% of the Annual Reports mention that management receive regular Risk Reports, and only 38% of Risk Committees prepare an annual Risk and Risk Management Report. Although management may indeed be aware of risks, the non-disclosure of this fact may lead the readers of the Annual Reports to conclude that they are unaware of the risks. The readers of the Annual Reports may further conclude that the non-disclosure of risks means the Council is unaware of risks as well. Poor disclosure practices in terms of risks may be the cause of the omission of the above-mentioned aspects.

The absence of the regular management and Council Reports on risk management is explained by the fact that for the period 2011 to 2015, only 39% of Annual Reports include the assessments of risks and only 8% disclose how the risks are minimised.

The pinnacle of concern in terms of risk management is the fact that only 52% of the Annual Reports include a statement that the risks in the University are identified with a strategic attitude (see 4.3.3.15). In terms of international disclosures, the Risk Committee should disclose that they follow a risk-based approach to monitoring risks in terms of internal controls of the University (see 4.3.3.15). Only four (3%) of the 113 Annual Reports contain a statement to this effect.

The King IV (see 4.3.2.13) (IOD, 2016) has additional recommendations about the management of risks and opportunities. The King IV recommends that, above and beyond risks, opportunities should be identified and disclosed. The disclosure should include the risks and opportunities, the interaction between risks and opportunities in the day-to-day, medium-, and long-term decisions and activities of the University (see 4.3.2.13) (IOD, 2016). Only 10% of the Annual Reports between 2011 and 2015 already includes disclosure in terms of opportunities and their interaction with risks and decisions. Merely 15% of the disclosures mention that the University has identified the risk appetite of the institution.

The report on the exposure to risks should further include a declaration on how the organisational internal control structures (see 4.5.22) and procedures, assist the Risk Committee in identifying adverse risk events, the likelihood of these events occurring and the potential impact these events may have on the University (see 4.3.2.13) (IOD, 2016). The above-mentioned aspects were disclosed in 8% of the 113 Annual Reports over the five years. The disclosure of the King IV Report items is still sporadic and inconsistent as can be seen from the changes in the scores contained under the column KING IV in Table 4.26.

Clearly, the disclosure of risk management at South African Universities does not comply with corporate governance principles. The poor quality, and quantity, of information contained in the Annual Reports, is concerning. The absence of regular risk report to management and in turn to Councils, reiterates the concerns in terms of Council's application of accountability, acting with diligence, duty to be informed, and their duty to act responsibly.

4.5.24 The statement of the Chief Financial Officer (CFO) and the Chairperson of the Finance Committee of the Council on the annual financial review

This section includes the results of the disclosures in the statement of the Chief Financial Officer (CFO) and the Chairperson of the Finance Committee. This statement should include disclosures in terms of the budgeting process of the University, which should be aligned to the strategic goals of the University (see Appendix A) (RSA, 2014c). It should further include a discussion on the salient features in the Financial Statements and concentrate on operational finances, the provision of financial aid, changes in tuition fees and should be signed by both the CFO and the Chairperson of the Finance Committee (see Appendix A) (RSA, 2014c).

The averages contained in Table 4.27 *National averages on the Statement of the Chief Executive Officer and the Chairperson of the Finance Committee to be included in the Annual Report*, were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the heading SA is as follows:

- South Africa 16 items (see Appendix A)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year and included at the top of the table (2011 – 5.20; 2012 – 5.54; 2013 – 5.16; 2014 – 5.84; 2015 – 6.17). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

The national averages of the disclosures contained in the statement by the CFO and the Chairperson of the Finance Committee (see Table 4.27) range from zero (-) to 10.00. These averages indicate that VUT (2015) was the best performer. A total of 73 (65%) of the 113 Annual Reports achieved a score of more than 5.00 and six

(5%) of the 113 Annual Reports achieved a score of zero (-) by excluding the statement from their Annual Reports.

Table 4.27 National averages on the Statement of the Chief Financial Officer and the Chairperson of the Finance Committee to be included in the Annual Report

	2011 SA	2012 SA	2013 SA	2014 SA	2015 SA
National Average	**5.20**	**5.54**	**5.16**	**5.84**	**6.17**
Cape Peninsula University Technology	8.13	8.13	9.38	9.38	9.38
Central University of Technology	3.75	3.75	4.38	0.63	0.63
Durban University of Technology	8.13	7.50	7.50	9.38	9.38
University of Mpumalanga	First Annual Report issued in 2015				4.38
Mangosuthu University of Technology	8.13	8.13	6.88		8.75
Nelson Mandela Metropolitan University	4.38	7.50	5.63	5.63	7.50
North-West University	6.88	6.88	6.88	5.63	9.38
Rhodes University	3.13	6.88	6.25	6.25	7.50
Sol Plaatje University	First Annual Report issued in 2013		1.25	3.75	3.75
Tshwane University of Technology	8.13	5.00	7.50	7.50	7.50
University of Cape Town	5.63	5.63	5.63	5.63	7.50
University of Fort Hare	3.75	3.75		3.75	5.00
University of the Free State	7.50	7.50	7.50	7.50	-
University of Johannesburg	-	-	2.50	5.63	5.63
University of KwaZulu-Natal	3.75	3.75	4.38	2.50	2.50
University of Limpopo	4.38	3.75	3.13	3.75	
University of South Africa	3.13	6.88	6.88	7.50	7.50
University of Venda	-		1.88	4.38	5.00
University of Pretoria	3.13	-	1.25	6.88	
University of Stellenbosch	5.00	5.00	5.00	5.00	8.13
University of the Western Cape	8.13	6.25	8.13	6.25	6.25
Vaal University of Technology	8.13	8.13	8.13	8.75	10.00
University of Witwatersrand	6.88	6.88	6.88	8.75	6.88
Walter Sisulu University	4.38	4.38	1.88	5.00	5.00
University of Zululand		6.25	-	5.00	4,38

Sources for Table 4.27 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b;

UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011; UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

Between 2011 and 2013, four (17%) Universities' scores decreased, six (26%) between 2012 and 2013, five (22%) between 2013 and 2014 and three (13%) between 2014 and 2015. The decreases in the scores between 2011 and 2012 are attributed to the exclusion of comments relating to the inclusion of stakeholders in the budgetary process (2011 – 23%; 2012 – 9%), the omission of comments on the extent to which strategic objectives were achieved (2011 – 41%; 2012 – 32%) and comments on the changes in tuition fees (2011 – 50%; 2012 – 46%).

Between 2012 and 2013 there was a decrease in the disclosures of an overview over the budget process (2012 – 59%; 2013 – 57%), and a statement that the budget process is followed to promote operation sustainability in the foreseeable future of the University (2012 – 73%; 2013 – 65%). A decrease in the disclosure of salient features of the Financial Statements was replaced by a comment that the salient features could be found in the Audited Financial Statement (2012 – 91%; 2013 – 70%). The omission of a comment in terms of the provision of financial aid to students (2012 – 68%; 2013 – 61%) and the signature of the Chairperson of the Finance Committee (2012 – 64%; 2013 – 48%) further contribute towards the decrease in the scores between 2012 and 2013. The decrease in the signature of the Chairperson of the Finance Committee is either because of the fact that there was no space provided for the Chairperson of this Committee to sign the Report, or space was provided for the Chairperson to sign and date the Report, but no signature or date was included.

The decrease in the score between 2013 and 2014 is attributed to the omission of comments on the provision of financial aid to students (2013 – 46%; 2014 - 30%). The decreases in the scores between 2014 and 2015 are ascribed to the omission of comments that the budget process seeks to promote the strategic objectives of the University (2014 – 83%; 2015 – 74%) and to promote a sustainable future (2014 –

78%; 2015 – 65%). The Annual Reports further excluded comments on the participation of stakeholders in the budgeting process (2014 – 13%; 2015 – 9%) and the comments in the statement was based on the analysis of the final Financial Statements of the University (2014 – 87%; 2015 – 74%). The discussion on the non-disclosure in terms of the statement of the CFO and the Chairperson of the Finance Committee is found below.

As is evident from Table 4.27 *National averages on the Statement of the Chief Financial Officer and Chairperson of the Finance Committee to be included in the Annual Report,* the majority (95%) of the Annual Reports analysed between 2011 and 2015 did contain this statement. The information in the statements did, however, not conform to the recommendations in terms of corporate governance principles. On average, 56% of the Annual Reports between 2011 and 2015 did contain an overview of the University budget process. Only 57% of the reports contain a statement explaining the process followed to allocate resources within the University. A total of 82% of the Annual Reports exclude any comment on the inclusion of stakeholders in the budget process (see 4.5.16), and 55% of the Annual Reports omit any statement relating to the effective budgetary control mechanism being in place to maintain financial discipline. In spite of the financial sustainability disclosures contained in the Annual Reports (see 4.5.18), the absence of a statement regarding mechanisms used to maintain financial discipline raises concerns as the accuracy of the statements of financial sustainability made by 45% Universities and Councils.

The majority of the Annual Reports discuss salient features contained in the Annual Reports (75%), but 64% fail to address the achievement of the primary strategic goals in the Chief Financial Officer's Report. Clear statements distinguishing between the financial consequences of the use of assets in terms of restricted and Council-controlled funds are also absent from 76% of the Annual Reports analysed.

The Reporting Regulations require that in addition to the financial information disclosed in the Annual Reports, *"intelligent"* comments should be included in terms of financial aid received from corporate bodies (see Appendix A) (RSA, 2014c). Guidance on what these *"intelligent"* comments should be, is not provided in the Reporting Regulations and the inclusion of comments is thus open to interpretation by Universities, which makes it difficult to assess the *"intelligence"* of the comments that were included in the Annual Reports between 2011 and 2015.

In the majority of the Annual Reports (70%), comments on the financial aid received from corporate bodies are omitted as are comments on the change in state subsidies from year to year. Only 48% of the Annual Reports further include a statement by the management of the University on the changes made to tuition fees from the previous financial year.

Although the average national scores, per year, indicate that the Universities include more than 50% of the recommended disclosures in the statement from the CFO and Chairperson of the Finance Committee (2011 – 5.20; 2012 – 5.54; 2013 – 5.16; 2014 – 5.84; 2015 – 6.17), it is evident that more disclosures are required to allow the Annual Reports to be transparent, and to allow the readers of the Annual Reports to get a brief, but complete, overview of the financial health of the University by reading the statement.

4.5.25 Report on Transformation

The Report on Transformation should include disclosures about the policies that a University use to promote transformation (see Appendix A) (RSA, 2014c). These policies should address transformation in terms of teaching, learning, and research. Further disclosures should be made regarding the monitoring of transformation processes and policies, and the Vice-Chancellor and the Chairperson of the Council should sign the report (see Appendix A) (RSA, 2014c). The results of the disclosures contained in the Reports of Transformation are discussed in this section.

The averages contained in Table 4.28 *National averages on the Report on to be included in the Annual Report,* were calculated after capturing data from the 113 Annual Reports available between the years 2011 and 2015 (The 113 Annual Reports are made up as follows: 2011 – 22; 2012 – 22; 2013 – 23; 2014 – 23; 2015 – 23). The number of items included in the analysis of the minimum content to be included in the Annual Report under the heading SA is as follows:

- South Africa 11 items (see Appendix A)

The total points achieved above were converted to a score out of 10.00 and included in the table. A national average score out of 10.00 was then calculated by using only the available Annual Reports per year and included at the top of the table (2011 – 2.19; 2012 – 2.60; 2013 – 2.45; 2014 – 5.65; 2015 – 7.00). All items indicated in **RED** in the table indicate Annual Reports that could not be obtained.

The national averages of the disclosures in the Transformation Reports (see Table 4.28) range from zero (-) to 9.09. These averages indicate that NMMU (2014 and 2015), TUT (2014 and 2015), UJ (2014 and 2015), UNISA (2014 and 2015), UNIVEN (2015), VUT (2014 and 2015) and ZULULAND (2015) were the best performers. Thirty (27%) of the 113 Annual Reports excluded all mention of transformation, as is evident from the zero (-) scores in Table 4.28. The discussion on the non-disclosure in terms of the Transformation Reports is found below.

The report on Transformation has only been recommended for inclusion in the Annual Reports with the issue of the 2014 Reporting Regulations (see Appendix A) (RSA, 2014c). The Annual Reports for 2011 to 2013, therefore, were not expected to include a Report on Transformation. Some (2011 – 54%; 2012 – 64%; 2013 – 61%) Universities did, however, include information on transformation in the 2011 to 2013 Annual Reports. Most (91%) of the Universities that made disclosure in terms of transformation in 2011 to 2013 included statements that there were policies in place to promote transformation, in terms of teaching, learning and research. Only 28% of the 113 Annual Reports include information on how these policies were monitored for effectiveness, and 21% of 113 Annual Reports included information on the impact of the policies to address transformation.

In 2014 and 2015 Annual Reports, all Universities should have included a report on Transformation. Universities who scored above 7.00 out of the possible 10.00 in terms of the Transformation Report, excluded mention of previously disadvantaged individuals in their statement on transformation, and again how they monitor the effectiveness and impact of their transformation policies.

Table 4.28 National averages on the Report on Transformation to be included in the Annual Report

	2011 SA	2012 SA	2013 SA	2014 SA	2015 SA
National Average	**2.19**	**2.60**	**2.45**	**5.65**	**7.00**
Cape Peninsula University Technology	-	-	-	7.27	7.27
Central University of Technology	0.91	0.91	1.82	-	1.82
Durban University of Technology	-	-	-	6.36	7.27
University of Mpumalanga	First Annual Report issued in 2015				5.45
Mangosuthu University of Technology	-	-	-		6.36
Nelson Mandela Metropolitan University	5.45	5.45	-	9.09	9.09
North-West University	1.82	1.82	1.82	-	8.18
Rhodes University	1.82	0.91	0.91	0.91	5.45
Sol Plaatje University	First Annual Report issued in 2013		-	6.36	6.36
Tshwane University of Technology	-	-	1.82	9.09	9.09
University of Cape Town	5.45	5.45	5.45	7.27	7.27
University of Fort Hare	4.55	5.45		6.36	6.36
University of the Free State	4.55	4.55	4.55	4.55	7.27
University of Johannesburg	4.55	6.36	2.73	9.09	9.09
University of KwaZulu-Natal	-	5.45	6.36	-	5.45
University of Limpopo	-	-	2.73	5.45	
University of South Africa	3.64	0.91	5.45	9.09	9.09
University of Venda	-		1.82	4.55	9.09
University of Pretoria	-	-	-	6.36	
University of Stellenbosch	4.55	4.55	4.55	7.27	7.27
University of the Western Cape	4.55	0.91	-	7.27	6.36
Vaal University of Technology	-	8.18	8.18	9.09	9.09
University of Witwatersrand	6.36	6.36	8.18	8.18	8.18
Walter Sisulu University	-	-	-	0.91	0.91
University of Zululand		-	-	5.45	9.09

Sources for Table 4.28 (CPUT, 2011; CPUT, 2012; CPUT, 2013; CPUT, 2014; CPUT, 2015; CUT, 2011a; CUT, 2011b; CUT, 2012; CUT, 2013a; CUT, 2013b; CUT, 2014b; CUT, 2014a; CUT, 2015; DUT, 2011; DUT, 2012; DUT, 2013; DUT, 2014; DUT, 2015; MUT, 2011; MUT, 2012; MUT, 2013; MUT, 2014; MUT, 2015; NMMU, 2011; NMMU, 2012; NMMU, 2013; NMMU, 2014; NWU, 2014a; NMMU, 2015; NWU, 2011; NWU, 2012a; NWU, 2012b; NWU, 2013a; NWU, 2013b; NWU, 2014b; Rhodes University, 2011; Rhodes University, 2012; Rhodes University, 2013; Rhodes University, 2014; Rhodes University, 2015a; Rhodes University, 2015b; SPU, 2013; SPU, 2014; SPU, 2015; TUT, 2011; TUT, 2012; TUT, 2013; TUT, 2014; TUT, 2015; UCT, 2012; UCT, 2011; UCT, 2013; UCT, 2014; UCT, 2015; UFH, 2011; UFH, 2012; UFH, 2013; UFH, 2014; UFH, 2015; UFS, 2011b; UFS, 2012a; UFS, 2012b; UFS, 2011a; UFS, 2013; UFS, 2014b; UFS, 2014a; UFS, 2015a; UFS, 2015b; UJ, 2011; UJ, 2012b; UJ, 2012a; UJ, 2013b; UJ, 2013a; UJ, 2014b; UJ, 2014a; UJ, 2015; UKZN, 2014b; UKZN, 2012; UKZN, 2011; UKZN, 2013; UKZN, 2014a; UKZN, 2015; UL, 2012a; UL, 2011;

UL, 2012b; UL, 2013b; UL, 2013a; UL, 2014b; UL, 2014a; UMP, 2015; UNISA, 2011; UNISA, 2012; UNISA, 2013; UNISA, 2014; UNISA, 2015; UNIVEN, 2011a; UNIVEN, 2011b; UNIVEN, 2012; UNIVEN, 2014; UNIVEN, 2015; UP, 2012b; UP, 2011; UP, 2012a; UP, 2013b; UP, 2013a; UP, 2014; UP, 2015; US, 2011; US, 2012; US, 2013; US, 2014; US, 2015; UWC, 2012; UWC, 2014; UWC, 2011; UWC, 2013; UWC, 2015; VUT, 2011; VUT, 2012; VUT, 2013; WITS, 2011; VUT, 2015; VUT, 2014; WITS, 2012; WITS, 2013; WITS, 2014; WITS, 2015; WSU, 2011; WSU, 2012; WSU, 2013; WSU, 2014; WSU, 2015; ZULULAND, 2011; ZULULAND, 2012; ZULULAND, 2013; ZULULAND, 2014a; ZULULAND, 2015a).

The Universities that scored between 5.00 and 7.00 out of 10.00 excluded the signature of either the Vice-Chancellor or the Chairperson of the Council on the report, as required in terms of the Reporting Regulations (see Appendix A) (RSA, 2014c). As the signature of the Vice-Chancellor and Chairperson of the Council signify that they are aware of the content of the statements on transformation, the absence of these signatures leaves the readers of the Annual Report wondering as to the awareness, and commitment, of the Vice-Chancellor and Chairperson of the Council of the content of the statement. The absence of the signature may also be an indication that the individuals responsible for the compilation of the Annual Reports are unaware of the recommendation that the Vice-Chancellor and the Chairperson of the Council should sign the statement. The lack of information on the effectiveness and impact of policies may further lead to questions regarding the commitment of University Councils and management to transformation, as well as the quality of the disclosure practices of Universities.

4.5.26 Conclusion on the results of South African Universities' compliance with proposed framework

With twenty (86%) of Universities in South Africa achieving an average score for all three categories of the framework of between zero (-) and 5.00, for all five years under review, it is evident that application of, and reporting of application of corporate governance principles, are not on standard (see Table 4.1). Although certain components of the framework yielded positive results, such as the inclusion of minimum content (see 4.5.2) and the report from the Institutional Forum (see 4.5.20), the majority of the components yielded average scores of below 5.00. Only nine (39%) out of the twenty-three South African Universities achieved average scores above 5.00 in the 2014 and 11 (48%) in 2015 financial years, and only one achieved a score of more than 7.00 out of 10.00 in the same years (UNISA).

The low scores can be attributed to the omission and exclusion of the basic disclosures about the responsibilities, duties, and functions of the different governance structures of the Universities. The Council, its subcommittees, the Vice-Chancellors and the Senates all omitted significant information from their disclosure about how they perform their duties.

With the inclusion of the recommendations in terms of the King IV principles, it is no surprise that few of the Universities achieved a score above 5.00 as the King IV Report is not yet implemented. The proactive implementation of the King IV Report aspects in some of the Annual Reports is evident from the fact that only UP (2013) and Walter Sisulu (2013) have a zero (-) score for the King IV average (see Table 4.1 under section 4.5.1 above). The fact that a mere seven (6%) of the 113 Annual Reports managed to achieve a score of more than 5.00, out of a possible 10.00, under the international disclosures recommendations (see Table 4.1 under section 4.5.1), indicates that the South African Universities' disclosure practices are not geared to include international best practices.

4.6 CHAPTER CONCLUSION

Several strong trends emerged from the application of the framework on the Annual Reports of the South African Universities. Although the limitations, as set out in section 4.2, did hamper some of the empirical analysis; the trends, which emerged in the analysis, are disconcerting. With the limitations on the availability of state subsidies and the protest actions calling for free education, the trends of non-application of corporate governance principles increase concerns about the future of some of the Universities. This is supported by the poor disclosure of 81% of Councils in terms of their views and commitment to free education, equal access, the promotion of the previously disadvantaged and quality education.

The first major emerging trend from the empirical results is the poor disclosure of the Councils of Universities on their composition, as well as the composition of their subcommittees. Additionally, the lack of disclosure regarding the qualifications, skills, experience and independence of the Council and Committee members indicates that the Councils may not be aware of all their responsibilities and duties.

The absence of the independent members of Council from Council meetings, like the Ministerial Appointments, Representatives of the Premier and Local Government and the independent members appointed by Council, makes it difficult to determine whether or not there is independent decision-making by Councils.

The Council of a University serves as the focal point of good corporate governance as they are responsible for the sustainability and performance of the University while staying accountable for their actions. This accountability of Councils should be disclosed in the Annual Reports of the University. The poor disclosure concerning the functions and responsibilities of Councils at South African Universities, over the five years under review, are evident from several sections in the framework. Councils' lack of acknowledgement in terms of risk and opportunity management, internal control systems and the strategic direction of the Universities are troubling. As the body that is responsible for the overall strategic direction of the Universities, the absence of acknowledgement of these duties leaves the impression that the Councils may not be knowledgeable about their duties and responsibilities. It may also be that Councils is aware of their duties, but that the reporting practices at the Universities are poor and the individuals responsible for the disclosures in the Annual Reports are not aware of what they should include in these reports. The lack of regular reports and feedback from subcommittees, management, and Internal Audit, further makes it difficult for the Council to meet their oversight obligation and to manage risks effectively.

Although very few Annual Reports contained qualified audit opinions (5 of the 113 Annual Reports) and emphasis of matter paragraphs (11 of the 113 Annual Reports), the exclusion of comments on how the Councils intend to address the matters that led to the qualifications and emphasis of matter paragraphs, is a further indication that Councils may not be aware of their duties or these duties are not included in the disclosure because of poor disclosure practices. In addition to Councils not addressing the qualified audit reports and emphasis of matter paragraphs, the lack of the Audit Committee addressing these issues is unacceptable. It may also be that committees are aware of their duties, but the reporting practices at the Universities are poor, and the individuals responsible for the disclosures in the Annual Reports are not aware of what they should include in these reports.

The next concerning trend is the poor disclosures by the Audit Committees. Although some of the duties and functions the Audit Committee is responsible for are disclosed, detailed descriptions of the Audit Committees' duties, responsibilities and functions are lacking. The omission of information on how the Audit Committees discharged their duties may lead to Councils not being able to determine whether or not they can rely on the Audit Committees, and the readers of the Annual Reports to question whether or not the Council can rely on the Audit Committee. The lack of disclosure of the Audit Committees' duties concerning the internal audit departments, leads to questions in relation to the effectiveness and efficiency of the internal audits. The poor disclosure about risk management further leads to questions regarding the proper application of a risk-based approach to internal audits (see Appendix A and 2.3.4.2).

Poor disclosures about the Councils' commitment to conflict resolution and a Code of Ethics, which should be applicable to all stakeholders, cast doubts on the Councils' awareness of their duties in terms of these aspects, as well as the disclosure practices followed by Universities. The Council may very well be committed to conflict resolution and the Code of Ethics, but because of the poor disclosure of this commitment, stakeholders and readers may question this commitment. The absence of the disclosure of a regular risk management report, provided to both Council and management, leads to questions about whether these reports exists, and if they do exist, the disclosure practices of the Universities are once again questioned.

In conclusion, the disclosures of application of corporate governance principles by the Councils of Universities and their subcommittees are poor and sub-standard. If these corporate governance principles are not disclosed in the Annual Reports of Universities, the stakeholders have no basis they can use to determine the University, the Councils and managements' commitment to corporate governance principles such as independence, the duty of care, transparency and accountability. (see 2.3.4.2). The absence of the disclosures of application of corporate governance principles further makes it difficult for stakeholders to hold Council accountable for their actions, because of the limited availability of information.

With the #FeesMustFall and #FreeEducationMovement campaigns in 2015 and 2016, the economic pressures on Universities in South Africa remain viable and may increase. These campaigns may provide further unforeseen demands that need to be addressed and managed in a timely manner. The application of good corporate governance principles and practices will become even more imperative if Universities want to remain viable. The King IV Report supports this in stating:

> *"[u]biquitous social media platforms are creating a world characterised by radical transparency. Corporations can no longer conceal their actions or secrets. Technological advances, including the Internet of things, are generating huge amounts of data; more importantly, sophisticated analytics is converting data into deep insight into the behaviour of humans and their organisations"* (IOD, 2016a: 3).

Chapter 5 holds the final conclusion on the study. Recommendations will be made for addressing the corporate governance non-compliance evident from the Annual Reports. This chapter will further make recommendations for the development of a sector-specific guide in terms of King IV and the Regulations for Reporting by Public Higher Education Institutions. Finally, the chapter will include recommendations for future research.

CHAPTER 5 – CONCLUSIONS AND RECOMMENDATIONS OF THE STUDY AND RECOMMENDATIONS FOR FURTHER RESEARCH

5.1 INTRODUCTION

In Chapter 4, the results of the application of the developed framework were presented. Trends in non-disclosure were identified and presented in terms of disclosures required by the South African Reporting Regulations of 2014 (including principles and disclosures of King III), new aspects to be disclosed in terms of the King IV Report on Corporate Governance and international best practices. Chapter 5 contains a summary of the study in terms of the literature regarding the development of corporate governance theories, codes and reports; and the internal and external governance structures used in Higher Education Institutions; and the results of the application of the framework. The significance of the study is considered, and recommendations for further research are made before the final conclusion is presented.

Focus on the Higher Education Sector in South Africa has increased over the past few years. Universities placed under administration since 2011 because of poor governance, leadership and the abuse of powers by Councils was just the beginning of the governance problems at some South African Universities (see 1.1). Other problems include insufficient funding of Universities in the form of state subsidies as well as in terms of support to students in the form of NSFAS funds. Student protests increased and dealt with demands from students about quality education, decreases in student fees, the removal of statues from campuses (Rhodes) and the removal of Afrikaans as teaching medium at Universities (see 1.1). The impact on the financial wellbeing of Universities after the #FeesMustFall and #FreeEducationMovements in the 2015 and 2016 financial years, is yet to be fully determined, but has caused a shortage in state funding of R2.3 billion for the 2016 academic year alone and damage to University property because of violent protests to the estimated amount of R600 million by September 2016 (see 4.4). The disparity in the increase of budgeted state subsidies and budgeted number of students, as well as the possible unforeseen consequences of the #FeesMustFall and #FreeEducationMovements in the 2015 and 2016 financial years, may cause an unexpected increase in student debt (see figure 4.3 on page 246).

The call for quality education heard during the #FeesMustFall, and #FreeEducationMovements in 2015 and 2016 has placed renewed focus on the poor quality schooling system in South Africa. Students who need to be spoonfed at University because of, among others, the poor quality of schooling they have received and failing Outcomes-based Education (OBE) (see 1.1 pages 8-10), increase the difficulties experienced by Universities in terms of the maintenance of quality education and students not being prepared for University. Court cases involving the changes in language policies of Universities such as Stellenbosch and UFS (see 1.1) have raised further red flags about governance practices at Universities, specifically as Senate and the Council of the UFS was accused of not considering all evidence before deciding to remove Afrikaans as instruction medium at this institution.

With all the above-mentioned problems experienced at South African Universities, concerns are raised as to the effective application of corporate governance practices at South African Universities. Because of the fact that South African Universities are funded with public money, it is in the public's best interest that the application of corporate governance practices is disclosed in the Annual Reports of the Universities, as required by the Regulations for Reporting by public Higher Education Institutions of South Africa (Reporting Regulations) (see Appendix A).

The concerns about the application of corporate governance practices at South African Universities necessitated the evaluation of the disclosure of these practices. The Reporting Regulations in South Africa include detail disclosure requirements in terms of governance practices, including principles contained in the King III Report, while the issuance of the King IV Report in 2016 and international best practices emphasised the need for changes to the Reporting Regulations to reflect the changes found in the King IV Report and international best practices. Although the Reporting Regulations contain detail requirements for disclosures of governance practices of Universities, no framework exists to assist in the evaluation of the disclosures of governance principles at Universities. With the absence of a suitable framework that could be used for the evaluation of corporate governance practices at South African Universities, it eventually became clear that such a framework should be developed.

To develop this framework, a qualitative research method was followed (1.5.3.3). The research was divided into two literature review phases and an empirical section. The first phase of the literature review contains the background and historical development of corporate governance principles and theories in general as well as more specifically in the United Kingdom, the United States of America and South Africa (see Chapter 2). This phase also includes literature on the internal and external governance structures used in University governance in some European Countries, the United States of America, Australia, New Zealand and South Africa (see Chapter 3). Phase 2 of the literature review contains the development of the framework for the empirical portion of the study (see Chapter 4), based on the South African Reporting Regulations (see Appendix A), the King III Report on Governance (see Appendix B), the King IV on Corporate Governance Report (see Appendix B and 4.3.2) and international best practices (see 4.3.3).

5.2 THE DEVELOPMENT OF CORPORATE GOVERNANCE THEORIES, CODES AND REPORTS

The occurrence of accounting scandals and failures are found around the world. Scandals such as Enron, WorldCom, Parmalat, African Bank, Nkandla, the South African Airways (SAA) and the South African Broadcasting Corporation (SABC) placed renewed focus on the importance of the application of corporate governance principles and practices in organisations (see 2.2.2.3 and 2.2.2.4). In addressing the corporate governance aspects evident from corporate scandals and failure, corporate governance developed pragmatically and had led to the development of seven corporate governance theories over the years.

The seven theories are Agency Theory (see 2.2.2.5), Stewardship Theory (see 2.2.2.6), Resource Dependency Theory (2.2.2.7), Network Theory (see 2.2.2.8), Class Hegemony Theory (see 2.2.2.9), Stakeholder Theory (see 2.2.2.10) and

Enlightened Shareholder Theory (see 2.2.2.11). Each of these theories obviously has supporters and opponents, but central to all of these theories is the responsibilities of the directors (and Councils in the case of Universities) towards shareholders and other stakeholders. There is, however, no “one-size-fits-all” approach to governance and a combination of the principles contained in each theory may be the best approach to governance.

As with the development of the seven corporate governance theories, the development of corporate governance reports and codes was pragmatic in nature. The development of corporate governance codes in both the United Kingdom and the United States of America was fragmented. The United Kingdom’s corporate governance developments started with the issuance of the Cadbury Report in 1992 and were followed by the Greenbury Report in 1995. Since 1995, several more Reports and codes were issued in the United Kingdom, culminating in the United Kingdom (UK) Corporate Governance and Stewardship Codes (see 2.3.2.13, 2.3.2.14 and 2.3.2.15). The Stewardship Code focused on the increased responsibility of the shareholders of a company to ensure that the board of directors discharge their duties, as well as the increased responsibility of the institutional investors to monitor the performance of the board of directors of a company. The UK Corporate Governance Code was first issued in 1998 and supported the corporate governance principles contained in the earlier Cadbury (see 2.3.2.1), Greenbury (see 2.3.2.2) and Hampel Reports (see 2.3.2.3). Changes to the UK Combined Code were made over the years to include findings and recommendations from other reports such as the Higgs Report (see 2.3.2.5) and the Smith Report (see 2.3.2.6). Since 2009, the Combined UK Code has been updated for international best practices in terms of the skills and experience needed in directors (see 2.3.2.10), guidance on the enhanced interaction between the board of directors and shareholders (see 2.3.2.12), greater accountability of directors (see 2.3.2.12 and 2.3.2.14), greater involvement of institutional investors (see 2.3.2.13), increased duties of the Audit Committee regarding communication to shareholders (see 2.3.2.14) and the reflection of legislative changes about the appointment of Auditors (see 2.3.2.15). The latest changes to the UK Combined Code are applicable to all companies with a financial period starting on or after 17 June 2016.

The development of corporate governance principles in the United States was also fragmented. The involvement of different institutes and bodies, namely the Business Roundtable (see 2.3.3.3), the American Law Institute (ALI) (see 2.3.3.2), the Blue Ribbon Commission (see 2.3.3.5), the New York Stock Exchange (see 2.3.3.7) and the Council of Institutional Investors (see 2.3.3.8), makes the corporate governance environment in the United States fairly complicated. Corporate governance in the United States is, furthermore, a legal requirement since the inception of the Sarbanes-Oxley Act in 2002 (see 2.3.3.6). This Act contained very stringent rules regarding the application of corporate governance principles and was criticised for the high cost of implementation. Complicating corporate governance even more in the United States of America is the existence of different laws in the different states.

The corporate governance aspects that are addressed in the different documents from the United States of America include the independence of the board of directors (see 2.3.3.2, 2.3.3.3, 2.3.3.7 and 2.3.3.8) as well as the existence of an Audit Committee (see 2.3.3.2, 2.3.3.3, 2.3.3.6, 2.3.3.7 and 2.3.3.8). The existence of independent Nomination and Compensation Committees (see 2.3.3.7 and 2.3.3.8) as well as the composition of the board in terms of skills, qualifications and diversity are also advocated in different reports (see 2.3.3.2, 2.3.3.3 and 2.3.3.8). The declaration of conflict of interest by the Board of Directors as well as the existence and importance of a Code of Ethics are further recommendations contained in several documents (see 2.3.3.2, 2.3.3.6 and 2.3.3.7). Although repetitive and fragmented, it is clear that the principles contained in the different documents in the United States of America emulate the global principles of accountability, independence, responsibility, and transparency.

The development of corporate governance in South Africa is found mainly in four documents, namely the King I Report (see 2.3.4.1), the King II Report (see 2.3.4.2), the King III Report (see 2.3.4.3) and the King IV Report (see 2.3.4.4). The King I Report (see 2.3.4.1) is based on the principles as contained in the UK Cadbury Report (see 2.3.2.1) and was issued in 1994. This Report was adjusted in 2002 to include, among other changes, the seven characteristics of corporate governance, namely discipline, transparency, independence, accountability, responsibility, fairness and social responsibility (see 2.3.4.2) and a new Report was issued as the

King II Report. In 2009, the King III Report was issued - mainly because of changes that were necessitated by changes in South African Legislation (see 2.3.4.2). The latest change in the South African corporate governance documentation came with the issuance of the King IV Report in 2016. The changes to the King IV Report are attributed to the application of the Enlightened Shareholder Model (see 2.2.2.11) principles and the inclusion of detail sector guidance to, among others, non-profit entities to make the implementation of corporate governance principles in all entities easier.

The principles contained in the four King Reports in South Africa are stakeholder engagement (see 2.3.4.1, 2.3.4.2, 2.3.4.3 and 2.3.4.4), an integrated approach to corporate governance (see 2.3.4.2, 2.3.4.3 and 2.3.4.4), corporate citizenship (2.3.4.2 and 2.3.4.4), risk and opportunity management (see 2.3.4.2, 2.3.4.3 and 2.3.4.4) as well as the existence of independence committees such as the Audit Committee, the Remuneration Committee, the Risk Committee and the Nominations Committee (see 2.3.4.2, 2.3.4.3 and 2.3.4.4). The importance of corporate governance over Information Technology (ITa), alternative dispute resolution and Business Rescue was included in the King III Report (see 2.3.4.3). Additional to the corporate governance principles in the King III Report, the King IV Report contains additional disclosure recommendations in terms of the management of ethics, remuneration, and duties of committees (see 2.3.4.4). Although the number of principles in the King IV Report (17) is less than those in the King III Report (75), the spirit of the King III and King IV Reports is the same, except for the *"or explain"* versus *"and explain"* stipulations.

The application of the corporate governance principles in Higher Education Institutions of South Africa as contained in the King III Report was implemented only in 2014, five years after the implementation of the King III Report (see 2.3.4.5). The implementation of the corporate governance principles is enclosed in the Reporting Regulations of 2014 (see Appendix A and 2.3.4.5). The Reporting Regulations, like most public management documents, are very comprehensive in the prescriptions of disclosures of corporate governance practices that should be made by Universities in South Africa (see 2.3.4.5). These Reporting Regulations provide detail as to the minimum content that should be included in the Annual Reports of Universities with a note as to the King III principle that is covered by the disclosure recommendations (see Appendix A). The Reporting Regulations were used as the basis of the development of the framework that was used in Chapter 4 (see 4.3 and 5.4 below).

5.3 INTERNAL AND EXTERNAL GOVERNANCE STRUCTURES IN HIGHER EDUCATION INSTITUTIONS

5.3.1 Introduction

In Chapter 3, internal and external governance structures are discussed, firstly by a brief overview of the general theories that underpin internal and external governance (see 3.3.2 and 3.3.3) and then the internal and external governance structures found in some European countries (see 3.4), the United States of America (see 3.5) (with particular focus on Harvard University (see 3.5.3.1), Stanford University (see 3.5.3.2), the University of California Berkeley (see 3.5.3.3) and the Massachusetts Institute of Technology (MIT) (see 3.5.3.4)), Australia (see 3.6), New Zealand (see 3.7) and South Africa (see 3.8) are discussed. The external and internal governance structures are briefly summarised below.

5.3.2 External Governance Structures

External governance structures can be divided into two main models, namely the state control model and the state supervision model (see 3.3.3.2). With the state control model, the state controls the financial as well as the academic operations of a University. The control of the academic activities means that degrees are awarded by the state and not by the individual Universities. The state supervision model recognises the existence of a Minister of Higher Education who serves as the central authority that uses funding and planning to shape a University system (see 3.3.3.2). Somewhere between these two models is the state interference principle, which is used in times of crisis. State interference occurs, for instance, when the state *"interferes"* with the governance of Universities and normally occur in times of student unrest where police intervention is needed; when a commission of inquiry is appointed; or when an administrator is appointed at a University (see 3.3.3.2).

The involvement of a Ministry responsible for the Higher Education is evident in the thirty countries that were included in the EURYDICE investigation in 2007 and 2008 (see 3.4.2). These ministries were supported by the involvement of a Higher Education Council, Advisory Council and/or Research Council.

In the United States of America, there is a national Department of Education (see 3.5.2) involved in the external governance of Universities. One or a combination of three state-level bodies supports this Department, namely the State Governing Board, the State Coordination Board and the State Planning, Regulatory and Services Board (see 3.5.2). Not all three boards are active in every state, and the duties and functions of each board are determined by which board is involved in the state.

The Department of Higher Education and Training is the external body that governs Higher Education in Australia. The Higher Education Standards Panel and the Tertiary Education Quality and Standards Agency support the Department. The Higher Education Standards Panel is responsible for the development of overall contents and standards of education in Australia. Further, the Tertiary Education Quality and Standards Agency is responsible for the accreditation and approval of University programs in Australia (see 3.6.2).

There are three bodies in New Zealand that assist the Minister of Education in governing Higher Education Institutions. The Tertiary Education Advisory Commission (TEAC) governs the funding of Universities as well as the provision of advice to the Minister of Education and Training regarding the performance and implementation of policies relating to Education. The New Zealand Qualifications Authority (NZQA) is responsible for the approval of qualifications obtained in secondary and tertiary institutions, other than Universities. The Academic Quality Agency (AQA) is responsible for the academic quality assurance at Universities and for performing academic audits on a 5-year rotation basis (see 3.7.2).

The external governance structures in South Africa consist of the national Department of Higher Education and Training headed by the Minister of Higher Education and Training. The Council of Higher Education (CHE), the South African

Qualifications Agency (SAQA) and the Higher Education Quality Committee (HEQC) assist the Minister of Higher Education and Training. The CHE is responsible for the organisation of higher education conferences and the promotion of quality education. SAQA is responsible for the development and maintenance of a transparent and integrated national framework for the recognition of learning achievements in South Africa to ensure that higher education qualifications are of an acceptable standard. The HEQC is responsible for the accreditation of academic programmes offered at Universities in South Africa (see 3.8.2).

It appears that the external governance model that is applied in some European Countries (see 3.4.2), the United States of America (see 3.5.2), Australia (see 3.6.2), New Zealand (see 3.7.2) and South Africa (3.8.2) are all based on the state supervision model. Different bodies, panels, and agencies are responsible for, among others, funding, quality assurance and the recognition of programmes and providing support to the Ministries. With the Ministries, the Universities also have structures in place to govern the University internally, which are discussed below.

5.3.3 Internal Governance Structures

In most countries, internal governance at Universities is based on the shared governance model. This shared governance model rests on the premise that the governance of a University is shared between the "administration" of a University as well as key stakeholders of the University (see 3.3.2). The key stakeholders who are involved in the governance of Universities were identified as the controlling body of a University (also called a Board or Council), the faculty (academic staff members) as well as the Senate. As the roles and responsibilities of each of these stakeholder groups differ from country to country, and even within a country like the United States of America, there is no one-size-fit-all model for internal governance.

One of the contentious issues raised regarding internal governance structures of Universities as semi non-profit organisations is the payment of compensation to Council members (see 3.2). The majority of authors who researched the payment of compensation to the executives of non-profit organisations are pro-payment as compensation for knowledge, skills and time spent on the performance of duties of the executives of non-profit organisations. Some authors also call for compensation of travelling expenses only and not for the performance of duties (see 3.2). Both Australian and New Zealand Universities compensate their Council members for the performance of their duties, based on guidelines provided by their respective states (see 3.6.3 and 3.7.3). Some South African Universities do pay compensation to their Council members for the attendance of Council and Council Committee meetings (see 4.5.8), but there are no guidelines in South Africa that govern this payment as there is in Australia and New Zealand. The non-payment of compensation to the Council members leads to questions on how these Council members can be held accountable for their actions.

As institutions of knowledge, the performance of Universities is mainly judged based on their academic performance. The internal governing bodies responsible for the academic governance are called the Senate in Europe (see 3.4.3), Stanford University (see 3.5.3.2), the University of California Berkeley (see 3.5.3.3), Australia (see 3.6.2) and South Africa (see 3.8.3). At Harvard University, the Harvard Corporation, also called the Fellows of Harvard, is responsible for the academic matters of the University (see 3.5.3.1).

Each University also has a body responsible for the strategic direction and management of the University. In most countries, this body is called the Council of the University (see Europe - 3.4.3, Australia - 3.6.3, New Zealand - 3.7.3 and South Africa - 3.8.3). In the United States of America, the name of this body differs from state to state. Harvard University if governed by the Board of Overseers (see 3.5.3.1), Stanford University by the Board of Trustees (see 3.5.3.2), the University of California Berkeley by the Board of Regents (see 3.5.3.3) and MIT by the MIT Corporation (also known as the Board of Trustees: see 3.5.5.4).

In Australia and New Zealand, corporate governance principles are applied to the composition and management of the internal governance structures, specifically the Council (see 3.6.3 and 3.7.3). Both these countries require their Council to consist of a small number of independent members (eight in Australia and twelve in New Zealand). The Council sizes in South Africa range between twenty and thirty-two members, but South Africa also require the majority of the Council members (60%) to be independent (see 3.8.3.1). The members of the Board of Overseers of Harvard

University (see 3.5.3.1) as well as the Board of Trustees from Stanford University (see 3.5.3.2) are all independent. The Board of Regents that governs the University of California Berkeley is 66% independent (see 3.5.3.3), and the Board of Trustees of MIT is all Alumni of the University (see 3.5.3.4). The independence requirement of the governing bodies is clearly emulating the independence requirements of the Boards of Directors of companies as recommended by corporate governance principles.

As part of the internal governance structures of the Senates and the Councils, the existence of subcommittees of the Councils, which assist the Council in the performance of their duties, is very important. As part of the development of the framework used in Chapter 4, the disclosure of the existence of subcommittee, their composition, and functions in the Annual Reports of the four Universities in the United States of America were investigated. This investigation was performed to identify international best practices. Although Audit and Risk Committees, or a combination of these, do exist at Stanford University (see 3.5.3.2), the University of California Berkeley (see 3.5.3.3) and MIT (see 3.5.3.4), disclosures about their duties, functions, qualification and skills of members are absent from the Annual Report of the Universities. Disclosures about the composition, qualification, and skills of the governing body members are also omitted from the Annual Reports of Harvard University (see 3.5.3.1), Stanford University (see 3.5.3.2), the University of California Berkeley (see 3.5.3.3) and MIT (see 3.5.3.4).

Even though some of the information about the duties and responsibilities of the committees and governing bodies are disclosed on the official websites of these Universities, the absence of the information in the Annual Reports raises questions about the transparency of the disclosures contained in the Annual Reports of these Universities as well as the Universities' commitment to accountability. Even though the transparency of the disclosure practices of Harvard University (see 3.5.3.1), Stanford University (see 3.5.3.2), the University of California Berkeley (see 3.5.3.3) and MIT (see 3.5.3.4) is questioned, the strong involvement of Alumni in the governance of Harvard University and MIT may be an indicator of why these two Universities are so successful despite the apparent lack of application of corporate governance principles as disclosures in their Annual Reports.

5.4 The development of the framework

The Regulations for Reporting by public Higher Education Institutions (Reporting Regulations) issued in 2014 govern the detail disclosures that should be included in the Annual Report of South African Universities. These Reporting Regulations are based on the corporate governance principles as contained in the King III Report (see 2.3.4.2). The Reporting Regulations were used as the basis to develop the reporting framework that was used in Chapter 4 (see 4.3 and Appendix A). The framework contains a total of 536 items that were used in the analysis of the 113 Annual Reports obtained for the years 2011 to 2015. The framework was adjusted for additional disclosures that are recommended in the King IV Report (see Appendix B and 4.3.2). Altogether 140 items were added to the framework based on the disclosure recommendations of the King IV Report. Subsequently, the Annual Reports of the top ten international Universities (see Table 1.1 in 1.5.6.2) were used to identify international best practices in the disclosure of corporate governance principles. Apart from the inclusion of a five-year summary in the Annual Reports of the Universities based in the United States of America, the remainder of the sixty items that were added to the framework was identified by the analysis of the two Universities based in the United Kingdom, namely Oxford and Cambridge Universities. The results of the application of the framework to the 113 Annual Reports are discussed in section 5.5 below.

5.5 FINDINGS, RECOMMENDATIONS AND LIMITATIONS

The framework was designed to provide each University with a possible score out of 10.00 for disclosing detail information on the internal governance of the University. These scores were developed for three categories, namely South African scores; a score in terms of the King IV Report; and a combined score in terms of the South African and international best practices. These scores are presented in twenty-four different subsections as prescribed by the Reporting Regulations (see Appendix A). Although all of the subsections contain scores in terms of South African disclosure requirements, not all contain scores in terms of King IV and international best practices (see 4.3.2 and 4.3.3). The main findings of this study are discussed below.

- ***Finding:*** Although the disclosure recommendations from the King IV Report are only applicable for financial years starting on or after 1 April 2017, some Universities were proactive and had already included disclosures recommended by the King IV Report in the Annual Reports. The low average scores in terms of the King IV Reports (see Table 4.1), however, supports the fact that the King IV disclosure recommendations are not yet applicable.

  Recommendation: The Reporting Regulations should be adjusted to reflect the additional disclosures as contained in the King IV Report. As the Reporting Regulations of 2014 were based on the King III Report, the regulations also need to be adjusted to reflect the change in approach to governance from "apply or explain" in the King III Report to "apply and explain" in the King IV Report. The adjustment of the Reporting Regulations for the recommendations of King IV should also be a priority and performed as soon as possible. The implementation of the recommendations of King IV can therefore not be implemented for Universities five years after the implementation in the private sector, as was the case with King III. As institutions of knowledge, the Universities in South Africa should, therefore, set the example concerning the application of the King IV principles.

- ***Finding:*** The detail disclosures contained in the Annual Reports of South African Universities, in terms of the South African Reporting Regulations, are lacking as is evident from the relatively low average scores contained in Table 4.1. With only one University (UNISA) scoring more than 7.00 out of 10.00 it is clear that attention to detail is needed from Universities when preparing their Annual Reports.

  Recommendation: Areas that need immediate and urgent attention are the disclosures in terms of the exposure to and management of risks, transformation; stakeholder relationships; the report by the Audit Committee on their activities during the year; the disclosure in terms of the governance of Information Technology; the management of conflict; the existence and management of a Code of Ethics as well as the disclosures relating to the sustainability of the Universities. The disclosure of the composition of the

Councils and the committees, with the skills and qualification of the Council and Committee Members, also needs urgent attention.

The following Annual Reports can be seen as the best examples of the disclosure, based on the scores for the individual sub-sections:

- Performance Assessment (see 4.5.3) – UJ 2014 and 2015;
- Report of the Chairperson of the Council (see 4.5.4) – NWU 2015;
- Statement of governance (see 4.5.5) – UNISA 2014 and 2015;
- General disclosure aspects in terms of Council (see 4.5.6) – UWC 2012;
- Composition and functions of the Council (see 4.5.7) – UNISA 2014 and 2015;
- Remuneration Committee composition and functions (see 4.5.8) – CPUT 2014 and 2015
- Finance Committee composition and functions (see 4.5.9) – UKZN 2015 and UNISA 2014 and 2015;
- Planning and Resource Committee composition and functions (see 4.5.10) – UNISA 2014 and 2015;
- Audit Committee composition and functions (see 4.5.12) – UNIVEN 2015
- Risk Committee composition and functions (see 4.5.13) – CUT 2014 and 2015 as well as UJ 2014 and 2015;
- Governance of Information Technology (ITa) (see 4.5.14) – UNISA 2014 and 2015 as well as WSU 2014 and 2015;
- Conflict Management (see 4.5.15) – UMP 2015, NWU 2014 and 2015 as well as UNISA 2014 and 2015;
- Stakeholder Relationships (worker and student participation) (see 4.5.16) – NWU 2014 and 2015 as well as UNISA 2014

	and 2015;
• Code of Ethics (see 4.5.17)	– UWC 2014;
• Council statement on sustainability (see 4.5.18)	– UNISA 2014 and 2015 as well as NWU 2015;
• Report of the Senate to Council (see 4.5.19)	– NWU 2015;
• Vice-Chancellor Report on administration and management (see 4.5.21)	– DUT 2014 and 2015 as well as UP 2014;
• Report on internal administrational structures and controls (System of Internal control) (see 4.5.22)	– NWU 2014;
• Report on the assessment of the exposure to risk and the management thereof (see 4.5.23)	– UNISA 2015;
• The statement of the Chief Financial Officer (CFO) and the Chairperson of the Finance Committee of the Council on the Annual Financial Review (see 4.5.24)	– VUT 2015; and
• Report on Transformation (see 4.5.25)	– NMMU 2014 and 2015, TUT 2014 and 2015, UJ 2014 and 2015, UNISA 2014 and 2015, UNIVEN 2015, VUT 2014 and 2015 as well as ZULULAND 2015.

- ***Finding:*** Although the majority of the Annual Reports analysed include the bulk of the minimum content and statements prescribed by the Reporting Regulations (see Table 4.2), the detail disclosures in the minimum statements are lacking. The lack of detail disclosures has led to questions about the awareness of the Council and Committee members of their duties and functions. It was found the Council and Committee members may very well be aware of their duties and functions, but that the individual or group of individuals, who assists the University and the Council in the preparation of the Annual Reports may be unaware of the detail disclosures that are recommended in the Annual Reports and omitted the information for that reason.

Recommendation: Councils and executive management of Universities should ensure that they are grounded in their knowledge of not only their duties and responsibilities but also in the detail disclosure recommendations they are responsible for. They should further ensure that they are satisfied that the individual or group of individuals they rely on to prepare the disclosures in the Annual Reports are knowledgeable about the detail disclosures that are required by the Reporting Regulations and that the necessary control procedures are in place to assist these individuals

- ***Finding:*** The omission of some of the detail disclosures in the Annual Reports have raised questions about the commitment of South African Universities to the principles of transparency and accountability. This was specifically identified with the lacking disclosure of the Councils about their commitment to corporate governance principles, poor disclosures in the reports of Chairpersons of the Councils and the poor disclosure relating to remuneration and performance management of the executive management.

  Recommendation: Although Council may be committed to the principles of transparency and accountability, this commitment should be clearly demonstrated by ensuring the information is disclosed in the Annual Reports.

- ***Finding:*** The remuneration of Council and Committee members for the attendance of Council and Committee meetings differ from University to University. Those Universities that do compensate their Council members compensate them for the attendance of meetings as well as for traveling expenses. There is no national benchmark available to guide Universities in the compensation of their Council members. Without compensating Council members for their services, it may prove to be difficult to keep Council members accountable for their actions.

  Recommendation: A national benchmark should be set to guide the remuneration of Council members of South African Universities. This may improve the accountability and performance of Council members.

- ***Finding:*** Disclosures in term of international best practices are poor as is evident from the relatively low scores in Table 4.1. As the majority (66%) of the Universities' combined South African and international scores are lower than the scores they achieved for the South African disclosures alone, it is evident that the majority of the South African Universities may not be aware of the international best practices.

  Recommendation: The international best practices in terms of disclosures should be included in the Reporting Regulations. This will ensure that the Annual Reports of South African Universities are comparable to the top international Universities.

- ***Finding:*** The greatest limitation and disappointment, experienced during the study is the unavailability of the Annual Reports of South African Universities (see 1.7 and 4.2). As Universities are mainly funded by the state and therefore public money, the information contained in the Annual Reports of Universities is deemed to be public information, should be treated as such and should be readily available. With the Annual Reports of only 64% of the Universities being available on their websites and the poor responses received from some Universities, the public availability of the Annual Reports is a serious concern. The unavailability of the Annual Reports raised questions about some of the Universities' commitment to transparency.

  Recommendation: Although the Annual Reports of the South African Universities are submitted to the Department of Higher Education and Training annually, the submitted information is not easily available for public use from the Department of Higher Education and Training. A national database containing the Annual Reports of Universities is needed, which will allow individuals to access the Annual Reports of the Universities. The Reporting Regulations should also be adjusted to include the recommendation from the King IV Report that the Annual Reports and Audited Financial Statements of an entity should be made available on the entity's website.

5.6 SIGNIFICANCE OF STUDY

Based on the results of the application of the developed framework, this study provided a clear indication that the disclosure of application of corporate governance in the Annual Reports of South African Universities needs much attention. Although the Reporting Regulations provide detail guidance on what should be included in the Annual Reports of South African Universities, this study provides a framework that can be used to determine the level of compliance with the Reporting Regulations, which include the principles of King III, the King IV Report and international best practices. The study further identified areas that need specific attention in terms of disclosure and can contribute towards the improvement of disclosures and transparency in the Annual Reports of South African Universities.

The developed framework can be utilised by Auditors, both internal and external (see 1.10 pages 37 and 38), to determine the level of compliance with disclosures in terms of the Reporting Regulations before a conclusion about compliance with Laws and Regulations are made. Management of Universities can use the framework during the preparation of their Annual Reports as an indicator of their compliance with the Reporting Regulations before the Annual Reports are submitted to the Department of Higher Education and Training. The results of the application of the Framework can further be used as a national benchmark, by the Department of Higher Education and Training, for rating Universities in terms of the disclosure of application of corporate governance principles and to evaluate the Universities' compliance with the relevant Reporting Regulations.

5.7 FURTHER RESEARCH

During the performance of the study, the following potential, further research opportunities were identified:

- A detailed comparison between the scores achieved in the framework by traditional Universities and Universities of Technology may be performed to determine differences in disclosure practices if any;
- The integration of the different capitals contained in the King IV Report (financial-, manufactured-, human-, intellectual-, natural- and relationship-

capital) into the disclosures in the Annual Reports of Universities may be investigated;

- The integration of KPI's, strategic objectives and sustainability in the different sections of the Annual Report may be investigated. Based on the analysis of the Annual Reports in this study, only the University of North-West successfully managed this integration in their Annual Reports;
- A detailed comparison between the Annual Reports on the disclosure of risks and opportunity management in South African Universities may be done. This will assist in identifying common risks and opportunities at Universities and to determine the best practice for the disclosure of risks and opportunities;
- An investigation into the policies and procedures about sustainability and sustainability disclosures at South African Universities may be performed;
- An investigation into the size of Councils in South African Universities and how the size influence on effective decision-making of the Council, is needed;
- A comparative study may be performed about the composition and size of the Audit Committees of the South African Universities and the effect the size and composition has on the effectiveness of Audit Committees;
- A study may be performed where the members of University Councils and its committees are interviewed to determine their awareness and knowledge of their duties and functions as Council and Committee members;
- A study may be performed on the existence, management, and effectiveness of Whistle-blower policies at South African Universities; and
- For the purpose of this study, the results in terms of the analysis of the Annual Reports of each University were not discussed. As the data are readily available, a detailed report per University may be compiled to address the trends in disclosure for each University. This may prove to be beneficial to the individual University to determine where their weaknesses in detail disclosures in terms of the Reporting Regulations are.

5.8 CONCLUDING REMARKS

Application of the principles of corporate governance is important to ensure the efficient use of resources and to hold the organisations and their managers accountable. The disclosure of corporate governance practices in the Integrated Reports of companies and the Annual Reports of Universities further increase transparency and contribute towards the public image of these organisations.

As Universities in South Africa are largely funded by taxpayers' money, the public image of these institutions is crucial for their survival and in attracting students, which, in turn, has an impact on the subsidy they receive from the state. It is thus crucial for South African Universities to boost their public image to attract quality students. This can be achieved by ensuring that the disclosures in their Annual Reports comply with the Reporting Regulations of South Africa and international best practices. In the words of the Mervyn King (IOD; 1994: foreword):

> *"What corporate governance means is that people outside looking into the company will see that the people inside who are practicing qualitative governance are making decisions on an intellectually honest basis and are applying care and skill in making business judgements".*

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APPENDIX A

NOTE: All requirement in the 2014 column indicated in **red**, are additional requirements in the 2014 Reporting Regulations, which was not contained the 2007 Reporting Regulations. All aspects indicated in the 2007 Reporting column in **blue** are requirements that are no longer required in the 2014 Reporting Regulations. Aspects indicated in **green** were moved within the Reporting Regulations.

In paragraphs and sentences that contain more than one colour, i.e. **black** and **red**/**blue**/**green**, the **black** represents the original information as found in the 2007 Reporting Regulations. The **red**/**blue**/**green** colours represent the changes or additions, as set out above, found in the 2014 Reporting Regulations, for example: in the sentence "Council endorses the Code of Corporate Practices and Conduct of Ethical Behavior in terms of the King III Report", the black represents the requirement from the 2007 Reporting Regulations that was also found in the 2014 Reporting Regulations and the portion in **red**, represents the addition in terms of the 2014 Reporting Regulations.

SOURCES: (RSA, 2014c; RSA, 2007).

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
1. Minimum Content of the Annual Report	• Reports and statements on governance and Reports on operations • Annual financial review • Report of the independent auditors on the consolidated Financial Statements • Consolidated Annual Financial Statements • Report of Independent Auditors on the Supplementary Financial Data and Financial Performance Indicators • Supplementary Financial Data and Financial Performance Indicators	• Performance Report • Reports and statements on governance and Reports on operations ○ List of council members at date of acceptance of Report ○ Council members' representative constituency ○ Statement of Council on governance ○ Statement of Council on sustainability ○ Statement of Council on transformation ○ Report of Council on risk assessment and management ○ Report of Vice-Chancellor on management and administration ○ Report of Senate to Council ○ Report of the Institutional Forum ○ Statement of Chief Finance Executive and the Chairperson of the Finance Committee ○ Statement on how the Audit Committee fulfilled its duties • Annual financial review – Report by the Chairperson of

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		the Finance Committee and the Chief Financial Executive • Report of the independent auditors on the consolidated Financial Statements • Consolidated Annual Financial Statements in terms of International Financial Reporting Standards • Supplementary Financial Data and Financial Performance Indicators
2. Performance Assessment		• Extent to which strategic goals and objectives have been achieved • Extent to which agreements that Council have committed to have been achieved • Refer to key performance indicators and targets as set out in the Annual Performance Plan • Reasons for under achievements of objectives • Impact of under achievement on HEI and stakeholder • Indicate how intends to address shortcomings related to areas where objectives have not been achieved • The Report should be signed by ○ Chairperson of the Council ○ Vice-Chancellor
3. Report of the Chairperson of the Council	• Academic developments that may influence the attainment of the mission of institution • Other developments that may influence the attainment of the mission of the institution • Statement of self-assessment of objectives including a summary of details • Summary of attendance of council members at meetings • Matter Council find significant in terms of operations • Achievements in meeting social responsibility commitment, including composition of staff and student bodies • Financial health and viability • Subcommittee with a	• Integrated Report contain ○ Adequate information on operations ○ Adequate information on sustainability ○ Adequate information on Financial Reporting • Performance review should include ○ Economic aspects ○ Social aspects ○ Environmental aspect • Report should be past and forward looking • Report should provide context • Report should show transparency • Comments on social demand facing HEI in terms of stakeholder relationships ○ Fee-free education ○ Equal access

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
	strategic and financial significance are chaired by individuals with appropriate skills and experience • Reference to significant unresolved aspects on all subcommittee agendas affecting the institution • Campus development • Facilities and major capital works • Events • Student services • Distance learning • Working with industry • Significant changes • Signed by the Chairperson of the Council	o Promotion of previously disadvantaged individuals o Quality education o Industry demands • HEI is a going concern o HEI can continue as a going concern o If not reasons must be provided o If not actions to be taken must be given • Council statement outside of Financial Statements o Established formal policies and frameworks for design of internal financial controls o Established formal policies and frameworks for implementation of internal financial controls o A review of internal financial controls has been done (No guidance as to the frequency of the review is provided in the Reporting Regulations) o Effectiveness of internal financial controls • Financial controls inadequacies, individual and in aggregate, which resulted in material financial loss have been: o Reported to Council o Disclosed in the Integrated Report • Report on risk management in terms of following: o How institution dealt with risks management o Council responsible for total process of risks o Opinion on effectiveness of risk management process o System put in place to support opinion

<table>
<tr><th>Subsection</th><th>2007 Reporting Regulations</th><th>2014 Reporting Regulations</th></tr>
<tr><td></td><td></td><td>

Independent and objective reviews of risk management process
Disclosure on maintenance or Reporting system to
Monitor changes in risk profile
Gain assurance that risk management is effective
Disclosure:
That HEI maintains effective risk management process to manage key risks
That Council is not aware of any key risks current, imminent or forecasted that may be threaten sustainability
Financial health and viability
Funding sources
Material changes
Challenges faces
Subcommittee with a strategic and financial significance are chaired by individuals with appropriate skills and experience
Reference to significant unresolved aspects on all subcommittee agendas affecting the institution
Summary of attendance of members
Council should give Report on the following:
Borrowings and additional borrowing raised, were properly approves in terms of HE Act
Additional investment in infrastructure properly approves in terms of HE Act
Audit Report qualified
Statement of the fact
Reasons
Steps taken by Council of remedies

</td></tr>
</table>

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		○ Audit Report emphasis of matters ▪ Statement of the fact ▪ Reasons ▪ Steps taken by Council of remedies or ▪ Detailed explanation if remedies are not possible ○ Large tenders awarded during the year ▪ Process followed ▪ Composition of tender Committee ○ How contracts are managed ▪ Process of managing service level agreements ▪ Monitoring of suppliers' performance ▪ Monitoring of suppliers' workplace ethics ○ Reasons for refusal by the HEI of relevant requests for information lodged with HEI ○ Material and immaterial but often repeated penalties, sanctions and fines for non-compliance with statutory obligations • Campus development • Facilities and major capital works • Events • Student services • Distance learning • Working with industry • Significant changes • Signed by the Chairperson of the Council
4. Statement on Corporate Governance	• Account of governance structures • Account of Responsibilities	• Council approval of statement • Auditable evidence of

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
	• Account of procedures • Council approval of statement	approval ○ Full Council meeting on dd/mm/yyyy ○ The meeting was quorate ○ Documentation for approval circulated in advance with agenda ○ Due notice given
5. Council Committees	**<u>Council and Committees</u>** • Universities commitment to: ○ Discipline ○ Transparency ○ Independence ○ Accountability ○ Responsibility ○ Fairness ○ Social responsibility • Council endorses the Code of Corporate Practices and Conduct of Ethical Behavior • Council recognizes the need to conduct business with Integrity • Council recognizes the need to conduct business in terms of generally accepted practices • Audit Committee is responsible for monitoring of compliance to the Code of Ethics • External auditors reviewed compliance to specific matters in the Code of Ethics in accordance with the King Report • External auditors determined that it is appropriate for Council to make the statements on Corporate Governance	**<u>Council and Committees</u>** • Universities commitment to: ○ Discipline ○ Transparency ○ Independence ○ Accountability ○ Responsibility ○ Fairness ○ Social responsibility • Council endorses the Code of Corporate Practices and Conduct of Ethical Behavior in terms of the King III Report • Council recognizes the need to conduct business with Integrity • Council recognizes the need to conduct business in terms of generally accepted practices • Audit Committee is responsible for monitoring of compliance to the Code of Ethics • External auditors reviewed compliance to specific matters in the Code of Ethics in accordance with the King III Report • External auditors determined that it is appropriate for Council to make the statements on Corporate Governance
6. Council	**<u>Council</u>** • Council consist of academic and non-academic members as appointed in terms of the Statute • Majority (minimum 60%) are neither employees not students • Role of the Chairperson of Council is separate from role of the Chief Executive or Principle • Matters for decision-making	**<u>Council</u>** • Council consist of academic and non-academic members as appointed in terms of the Statute • Majority (minimum 60%) are neither employees not students • List of Council members should include detail on ○ Internal vs. external members ○ An arithmetic

Subsection	2007 Reporting Regulations	2014 Reporting Regulations

	are set out in the Statutes of the University
	• Council is responsible for ongoing strategic direction
	• Council is responsible for approval of major developments (no detail provided in Reporting Regulations as to what is meant with major
	• Council is responsible for receipt of regular Reports from management on day-to-day operation of business
	• Council meets at least six times per year
	• Council has at least the following Committees:
	  ○ Remuneration Committee
	  ○ Finance Committee
	  ○ Council Membership Committee
	  ○ Audit Committee
	• Committees are formally constituted with terms of reference
	• Committees consist mainly of Council Members who are neither employees nor students
		summary of membership
		• Role of the Chairperson of Council is separate from role of the Chief Executive or Principle
		• Disclosure on the proposed length of tenure of Chairperson
		• Matters for decision-making are set out in the Statutes of the University
		• Council is responsible for ongoing strategic direction
		• Council is responsible for approval of major developments (no detail provided in Reporting Regulations as to what is meant with major developments)
		• Council is responsible for receipt of regular Reports from management on day-to-day operations of the HEI
		• Council meets at least four times per year
		• Council has at least the following committees:
		  ○ Remuneration Committee
		  ○ Finance Committee
		  ○ Risk Committee
		  ○ Council Membership Committee
		  ○ Audit Committee
		• If there is no Risk Committee
		  ○ Explicit statement
		  ○ Clarification of how Council addresses risks
		  ○ Which Committee is responsible for risk management
		• Committees are formally constituted with terms of reference
		• Committees consist mainly of Council Members who are neither employees nor students
		• Page number where the list of meetings is set out on
		• Council should indicate in Report that appraisals of Council and Committees have been conducted
		• Council should include in

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		table format: ○ Composition of Council ○ Length of service ○ Length of service on other institutions Council, which merged with this institution ○ Age of each Council member ○ Which Committee each Council member sits on ○ Number of Council meetings attended ○ Number of Committee meetings attended ○ Significant directorships held
7. Remuneration Committee	<u>**Remuneration Committee**</u> • Direct authority to Report to Council of matter relating to: ○ General staff policies ○ Remuneration ○ Prerequisites (no guidance is provided as to what the prerequisites refer to in the Reporting Regulations) ○ Bonuses ○ Executive remuneration ○ Remuneration of Council members ○ Service contracts ○ Retirement funds	<u>**Remuneration Committee**</u> • Issue remuneration Report to ○ Explain remuneration philosophy ○ Explain how the philosophy has been implemented • Disclosure ○ The remuneration policies followed ○ The strategic objectives it seeks to achieve • Explain the policy on base pay including benchmarks • Special justification on policy to pay on average above the median • Direct authority to Report/ consider or recommend to Council of matters relating to: ○ General staff policies ○ Remuneration ○ Prerequisites (no guidance is provided as to what the prerequisites refer to in the Reporting Regulations) ○ Bonuses ○ Executive remuneration ○ Remuneration of Council members ○ Service contracts

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		o Retirement funds o Post-retirement medical aid funding • Disclose and Report on gross remuneration o All costs in terms of cash o All costs incurred otherwise as defined in Income Tax Act 58 of 1962 • Material payments to be considered ex-gratia in nature explained and justified • Disclosure of performance parameters in terms of bonuses • Disclosures of methods of evaluation of performance • Policies in terms of service contracts o Period of contract o Notice conditions of contract • Note in financial statements containing executive remuneration o Include comparative figures for prior year o Include payments to Council members o Include payments to Committee members
8. Finance Committee	**Finance Committee** Recommend to the HEI: o Annual revenue budget o Annual capital budget • Monitors performance in terms of: o Operating budget o Capital budget • Responsible to assure accounting information systems are maintaining the accounting records in good order • Responsible to assure the personnel compliment are maintaining the accounting records in good order	**Finance Committee** Recommend to the HEI: o Annual revenue budget o Annual capital budget • Monitors performance in terms of: o Operating budget o Capital budget • Statement that the HEI is a going concern • Responsible to assure accounting information systems are appropriate • Responsible to assure the personnel compliment are maintaining the accounting records in good order and personnel are o Sufficient o Not-excessive o Suitably qualified
9. Planning and	**Planning and Resource**	

Subsection	2007 Reporting Regulations	2014 Reporting Regulations

Resource Committee	**<u>Committee</u>**
	• Responsible for medium term strategic plans
	• Responsible for long term strategic plans
	• Provide input for preparation of annual budget by the Finance Committee
	• Responsible to ensure all financial implications of:
	  ○ Capital development projects
	  ○ Annual operating budgets
	  ○ Implications of allocation to strategic activities
	Are referred to the Finance Committee
		<u>Planning and Resource Committee</u>
		• Responsible for medium term strategic plans
		• Responsible for long term strategic plans
		• Provide input for preparation of annual budget by the Finance Committee
		• Responsible to ensure all financial implications of:
		  ○ Capital development projects
		  ○ Annual operating budgets
		  ○ Implications of allocation to strategic activities
		Are referred to the Finance Committee

10. Council Membership Committee	**<u>Council Membership Committee</u>** • Considers nominations for vacancies in Council Membership in terms of Statute	**<u>Council Membership Committee</u>** • Considers nominations for vacancies in Council Membership in terms of Statute
11. Audit Committee	**<u>Audit Committee</u>** • Members may be Council or non-Council members, but should be specialists in the field • Internal and external audit has unrestricted access to the Audit Committee • Audit Committee ensures that the internal and external auditors' independence is not impaired • Meet at least twice a year • Attendance of meetings by both internal and external auditors • Attendance of meetings by appropriate executive management members • Operate according to terms of reference • Terms of reference is confirmed by Council • Provide assistance to the Council in terms of: ○ Ensuring compliance with applicable legislation	**<u>Audit Committee</u>** • Council, through Audit Committee, provide oversight over Reporting process as customized for HEI • Members may be Council or non-Council members, but should be specialists in the field • Number of years ago the Audit Committee was established • Minimum number of members • All members are independent (not employed by the HEI) • Combined qualifications and experience in business of Committee members • Internal and external audit has unrestricted access to the Audit Committee • Audit Committee ensures that the internal and external auditors' independence is not impaired • Meet at least twice a year • Attendance of meetings by both internal and external auditors

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
	○ Matters relating to financial and internal controls ○ Matters relating to accounting policies ○ Matters relating to Reporting and disclosure ○ Internal audit policies ○ External audit policies ○ Activities of internal audit ○ Scope of internal audit ○ Adequacy of internal audit ○ Effectiveness of internal audit function ○ Effectiveness of internal audit plans ○ Assessment of all areas of financial risks ○ Management of financial risks ○ Review of external audit plans ○ Approval of external audit plans ○ Review of external audit findings ○ Approval of external audit findings ○ Review of external audit problems ○ Approval of external audit problems ○ Review of external audit Report ○ Approval of external audit Report ○ Review of external audit fees ○ Approval of external audit fees ○ Compliance with the Code of Corporate Practices and Conduct ○ Compliance with the HEI's code of Ethics	• Attendance of meetings by appropriate executive management members • Operate according to terms of reference • Terms of reference is confirmed by Council • Provide assistance to the Council in terms of: ○ Ensuring compliance with applicable legislation ○ Consideration of sustainability matter in integrated Report ○ Monitoring appropriateness of combined assurance model ○ Conclude and Report to stakeholders on effectiveness of internal financial controls ○ Matters relating to financial and internal controls ○ Matters relating to accounting policies ○ Matters relating to Reporting and disclosure ○ Review internal audit risk assessment ○ Approve internal audit plan to ensure mitigation of identified risks ○ Internal audit policies ○ External audit policies ○ Activities of internal audit ○ Scope of internal audit ○ Adequacy of internal audit ○ Effectiveness of internal audit function ○ Effectiveness of internal audit plans ○ Assessment of all areas of financial risks ○ Management of financial risks

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		○ Review of external audit plans ○ Approval of external audit plans ○ Review of external audit findings ○ Approval of external audit findings ○ Review of annual external audit management letter ○ Approval of annual external audit management letter ○ Review of external audit problems ○ Approval of external audit problems ○ Review of external audit Reports ○ Approval of external audit Reports ○ Review of external audit fees ○ Approval of external audit fees ○ After due deliberation and discussion with external auditors recommend AFS to Finance Committee (see 8 above) ○ Regularly follow up that all items in the management letter was addressed ○ Regularly follow up that appropriate actions were taken for all items in the external audit management letter ○ Regularly follow up that all items in the interim internal audit Report was addressed ○ Regularly follow up that appropriate actions were taken for all items in interim internal audit Report ○ Determine that all items raised in the previous Reports were resolved ○ Determine that items

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		raised in the previous Reports did not re-occur ◦ Review financial policies and changes to policies ◦ Recommend changes in financial policies for approval ◦ Ensure policies for protection of assets from loss are in place ◦ Ensure policies for protection of assets against unauthorized use are in place ◦ Report material losses due to unauthorized use to Department of Higher Education and Training ◦ Report actions taken due to unauthorized use of assets to the Department of Higher Education and Training[17] ◦ In case of a qualified audit Report, the Audit Committee should, make a statement to the effect ◦ In case of a qualified audit report, the Audit Committee should explain reasons for the qualifications ◦ In case of a qualified audit Report, the Audit Committee should outline in reasonable detail, actions to be implemented to ensure immediate removal of qualification ◦ In case of an emphasis of matter,

[17] Reporting of losses due to unauthorized use of assets should be based on material events, which is entity specific. The regulations define material events as any event which, if omitted or misstated, could influence the decisions of users of the financial information (RSA, 2014c: 24)

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		the Audit Committee should make a statement to the effect o In case of an emphasis of matter, the Audit Committee should explain the reasons for the emphasis of matter o In case of an emphasis of matter, the Audit Committee should explain in reasonable detail the actions taken to immediate removal of emphasis of matter o Compliance with the HEI's code of Ethics o If there are no credible internal audit, and explicit statement of the fact o If there are no credible internal audit, statement of how the Audit Committee satisfied itself on the compliance to necessary controls and procedures • Composition of Audit Committee, with academic qualifications, to be attached o Internal or external member o Period served o Arithmetic calculation on percentage internal vs. external members o Number of meetings held o Attendance of meetings by members
12. Risk Committee		**Risk Committee** • Considers all risks as a result of o Exposure o Not just financial risks • Council's integrated Report will indicate how the Committee is constituted • Council' integrated Report will indicate the Reporting line • Maintain Reporting system

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
13. ITa Committee	**Other sub committees** Detail of all other Council Committees	• Monitor changes in risk profile • Gain assurance that risk management is effective **ITa Governance Committee** • Statement that Council is responsible for ITa governance • How Council fulfilled this role • Management's responsibility for implementation of ITa governance framework • Comments on alignment of ITa with performance • Comments on alignment of ITa with sustainability objectives • Comments on how Council monitors significant ITa investment and expenditure • Comments on how Council evaluates significant ITa investments and expenditure • How ITa is an integral part risk management • Monitoring of effective management of ITa assets • Comments on how Risk Committee/Audit Committee assist the Council in carrying out ITa responsibilities
14. Conflict Management	• Group of individuals have been identified with: ○ Professional qualifications ○ Experience in mediation ○ Experience in arbitration ○ Experience in dispute resolution • Available to Council in resolution of disputes between parties in order to avoid conflict • If not necessary to use their expertise in the current year, disclose that	• Group of individuals have been identified with: ○ Professional qualifications ○ Experience in mediation ○ Experience in arbitration ○ Experience in dispute resolution • Available to Council in resolution of disputes between parties in order to avoid conflict • If not necessary to use their expertise in the current year, disclose that • If there were student unrest in the financial year: ○ Statement of the fact ○ Extent ○ Effect ○ Number of academic days lost ○ Cost of damage to property

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		○ How was the issue resolved ○ Additional costs • If there were staff unrest in the financial year: ○ Statement of the fact ○ Extent ○ Effect ○ Number of academic days lost ○ Cost of damage to property ○ How was the issue resolved ○ Additional costs • If there were outsourced staff unrest in the financial year: ○ Statement of the fact ○ Extent ○ Effect ○ Number of academic days lost ○ Cost of damage to property ○ How was the issue resolved ○ Additional costs
15. Worker and student participation	• Participatory structures ○ Designed to achieve good employer/employee relationships ○ Designed to achieve good student relationships ○ Effective sharing of relevant information ○ Consultation ○ Identification of conflict ○ Resolution of conflict • Structures should embrace goals relevant to: ○ Productivity ○ Career security ○ Legitimacy ○ Individual's identification with the HEI • Affirmative action program should be part of training program • Affirmative action program should be part of business plan	• Participatory structures ○ Designed to achieve good employer/employee relationships ○ Designed to achieve good student relationships ○ Effective sharing of relevant information ○ Consultation ○ Identification of conflict ○ Resolution of conflict • Structures should embrace goals relevant to: ○ Productivity ○ Career security ○ Legitimacy ○ Individual's identification with the HEI • Signed recognition agreements with the following staff structures ○ Staff structure A and date ○ Staff Structure B and date

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
16. Code of Ethics[18]	• Committed to highest standards of integrity • Committed to highest standards of behaviour • Deals with all stakeholders including ○ Council ○ Managers ○ Employees ○ Students ○ Competitors ○ Donors ○ Society at large • Council and staff are expected to observe the institutions ethical obligations to practice business through fair commercial competitive practices • Council approve the Code of Ethics	• Committed to highest standards of integrity • Committed to highest standards of behaviour • Deals with all stakeholders including ○ Council ○ Managers ○ Employees ○ Students ○ Competitors ○ Donors ○ Society at large • Council and staff are expected to observe the institutions ethical obligations to practice business through fair commercial competitive practices • Council approve the Code of Ethics • Council should review Code ○ dd/mm/yyyy ○ Meeting should be quorate ○ Documentation for approval by Committee should be circulated along with meeting agenda ○ In advance ○ With due notice
17. Council Statement on Sustainability		• Sufficient information on how HEI impact positively on ○ Economic life of community in terms of environmental aspects ○ Economic life of community in terms of social aspects ○ Economic life of community in terms of governance aspects • Sufficient information on how HEI impact negatively on ○ Economic life of community in terms of environmental aspects ○ Economic life of community in terms of

[18] The wording in these statements should be adjusted to suit the individual institution.

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		social aspects ○ Economic life of community in terms of governance aspects • How Council believes positive aspects can be improved in the coming year • How Council believes negative aspects can be eradicated or ameliorated • Essential links between the following should be presented: ○ Governance ○ Risks and opportunities ○ Key performance indicators ○ Sustainable development • Matter to be dealt with ○ Inclusivity of stakeholders ○ Innovation ○ Fairness ○ Collaboration ○ Social transformation ○ Student numbers ○ Through-put rates ○ Through-put rates of pipe-line students ○ Generation of alternative funding
18. Report of the Senate to Council	• Changes in academic structures • Composition of the Senate • Significant developments and achievements ○ Instructions e.g. modes of delivery ○ Research • Composition and size of the total student body • Instruction ○ Limitations of access to certain courses ○ Levels of academic progress in different disciplines and levels of study (first year, second years etc.) ○ Awards and achievements • Research ○ Summaries of various programs ○ Awards ○ Funding	• Changes in academic structures • Composition of the Senate • Significant developments and achievements ○ Instructions e.g. modes of delivery ○ Research • Composition and size of student body • Instruction ○ Limitations of access to certain courses ○ Levels of academic progress in different disciplines and levels of study ○ Awards and achievements ○ Outputs produced in the form of graduate numbers • Research ○ Summaries of various programs

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
	• Access to financial aid and the provision thereof • Changes in institution fees charged • Changes in financial aid for students • Chairperson of the Senate should sign the Report	○ Awards ○ Funding ○ Outputs produced from research • Access to financial aid and the provision thereof • Chairperson of the Senate should sign the Report
19. Report of the Institutional Forum	• Content will depend on the activities of the Forum • Chairperson of Institutional Forum should sign the Report	• Content will depend on the activities of the Forum • Chairperson of Institutional Forum should sign the Report
20. Report of the Vice-Chancellor on management and administration	• Managerial and administrative achievements must be measured in terms of: ○ Plans ○ Goals ○ Objectives ○ For the term under review • Managerial and administrative aspects of operations of the institutions • New senior executive or administrative appointments • Achievements of administrative structures and resources ○ Personnel ○ Systems ○ Assessed in terms of realistic expectations • Adequacy of staffing levels ○ Specific reference to critical areas • Extent to which equity targets have been reached • Quality of information available to management • Administrative process involved in making information available to management • Student services and extra-curricular activities • Academic relationships with community • Service relationships with community • Changing patterns in provision of academic courses • Self-assessment of achievement of the Vice-Chancellor in reaching objectives for the period under review • Matters relating only to the management/administration of the institution	• Managerial and administrative achievements must be measured in terms of: ○ Plans ○ Goals ○ Objectives ○ For the term under review • Managerial and administrative aspects of operations of the institutions • New senior executive or administrative appointments • Achievements of administrative structures and resources ○ Personnel ○ Systems ○ Assessed in terms of realistic expectations • Adequacy of staffing levels ○ Specific reference to critical areas • Extent to which equity targets have been reached • Quality of information available to management • Administrative process involved in making information available to management • Student services and extra-curricular activities • Academic relationships with community • Service relationships with community • Changing patterns in provision of academic courses • Self-assessment of achievement of the Vice-Chancellor in reaching objectives for the period under review • Matters relating only to the management/administration of the institution

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
	• Vice-Chancellor should sign the Report	• Vice-Chancellor should sign the Report
21. Report on the internal administration and operational structures and controls/ Systems of Internal Control (*)	• HEI maintains systems of internal control over: ○ Financial Reporting ○ Safeguarding of assets against unauthorized acquisitions ○ Safeguarding of assets against unauthorized disposal • Designed to provide reasonable assurance to HEI and Council ○ Operational environment ○ Promotes safeguarding of assets ○ Preparation of reliable financial information ○ Communication of reliable financial information ○ Preparation of reliable other information ○ Communication of reliable other information • Documented organisation structure ○ Division of responsibilities ○ Established policies and procedures ○ Code of Ethics communicated throughout the organisation ▪ Fosters a strong ethical climate ○ Careful selection of people ○ Careful training of people ○ Careful development of people • Modern ITa used throughout the organisation • Modern ITa have been developed to achieve ○ Efficiency ○ Effectiveness ○ Reliability ○ Security • Modern ITa have been implemented according to defined standards to achieve ○ Efficiency	• HEI maintains systems of internal control over: ○ Financial Reporting ○ Safeguarding of assets against unauthorized acquisitions ○ Safeguarding of assets against unauthorized disposal • Designed to provide reasonable assurance to HEI and Council ○ Operational environment ○ Promotes safeguarding of assets ○ Preparation of reliable financial information ○ Communication of reliable financial information ○ Preparation of reliable other information ○ Communication of reliable other information • Documented organisation structure ○ Division of responsibilities ○ Established policies and procedures ○ Code of Ethics communicated throughout the organisation ▪ Fosters a strong ethical climate ○ Careful selection of people ○ Careful training of people ○ Careful development of people • Modern ITa used throughout the organisation • Modern ITa have been developed to achieve ○ Efficiency ○ Effectiveness ○ Reliability ○ Security

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
	o Effectiveness o Reliability o Security • Accepted standards to protect privacy has been applied • Accepted standards to ensure control over all data has been applied • Accepted standards to include disaster recovery and back-ups have been applied • Systems have been designed to promote easy access for all users • Competently strained staff control o Development of systems o Maintenance of systems o Operation of systems • Minimizing of risk of fraud and errors in the use of electronic technology to conduct transaction with staff and third parties o Close scrutiny o Design of procedures o Implementation of procedures • Internal auditor monitor: o Operation of internal control systems o Report findings and recommendations to management o Report findings and recommendations to Council • Take corrective actions to address control deficiencies • Take actions in terms of improving the system • Council through Audit Committee provides oversight of Financial Reporting process • Inherent limitations to effectiveness of internal control o Possible human error o Circumvention of control o Override of control • Internal control can only provide reasonable assurance • Effectiveness of internal control systems can change according to circumstances	• Modern ITa have been implemented according to defined standards to achieve o Efficiency o Effectiveness o Reliability o Security • Accepted standards to protect privacy has been applied • Accepted standards to ensure control over all data has been applied • Accepted standards to include disaster recovery and back-ups have been applied • Password controls strictly maintained o Required to change monthly • Monthly reviews to ensure o No clashes in user access rights o Basic internal control concepts of segregation of duties are followed • If due to capacity reasons there are clashes in user access rights, sufficient manual controls exist • Systems have been designed to promote easy access for all users • Systems are sufficiently integrated to o Minimize duplication o Ensure minimal manual intervention o Ensure reconciliation • Competently strained staff control o Development of systems o Maintenance of systems o Operation of systems • Minimizing of risk of fraud and errors in the use of electronic technology to conduct transaction with staff and third parties o Close scrutiny o Design of procedures o Implementation of procedures • Internal auditor monitor:

Subsection	2007 Reporting Regulations	2014 Reporting Regulations

	• Date on which HEI reviewed internal control system on
	    ○ Criteria for effective internal control
	    ○ Described in Internal Control Manual
	• Based on assessment, the HEI believes the following meets criteria
	    ○ On date (dd/mm/yyyy)
	    ○ System of internal control over operational environment
	    ○ System of internal control over information Reporting
	    ○ System of internal control over safeguarding of assets against unauthorized acquisition, use or disposal
	• Prepared for signature of
	    ○ Chairperson of the Audit Committee
	    ○ Head of Internal audit
		○ Operation of internal control systems
		    ○ Report findings and recommendations to management
		    ○ Report findings and recommendations to Council
		• Take corrective actions to address control deficiencies
		• Take actions in terms of improving the system
		• Council through Audit Committee provides oversight of Financial Reporting process
		• Inherent limitations to effectiveness of internal control
		    ○ Possible human error
		    ○ Circumvention of control
		    ○ Override of control
		• Internal control can only provide reasonable assurance
		• Effectiveness of internal control systems can change according to circumstances
		• Date on which HEI reviewed internal control system on
		    ○ Criteria for effective internal control
		    ○ Described in Internal Control Manual
		    ○ If the institution has no Manual, a specific statement of the fact should be made
		    ○ A statement of how the review has been done
		• Based on assessment, the HEI believes the following meets criteria
		    ○ On date (dd/mm/yyyy)
		    ○ System of internal control over operational environment
		    ○ System of internal control over information Reporting
		    ○ System of internal control over safeguarding of assets against unauthorized acquisition, use or

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		disposal • Review of risk assessment documents by HEI ○ In conjunction with Internal Audit ○ Develop a program for Internal Audit's assessment ○ To investigate ▪ Systems ▪ Procedures ▪ Controls • Prepared for signature of ○ Chairperson of the Audit Committee ○ Head of Internal audit • Audit Committee should review Report prepared by internal audit and the Audit Committee on ○ Operational and administrative aspects ○ Meeting should be quorate ○ Documentation for approval by Committee should be circulated along with meeting agenda ○ In advance ○ With due notice
22. Report on assessment of the exposure to risk and the management thereof	**<u>Identification and assessment of risks</u>** • Risk definition • Identify events and actions which are potential risks; • Identify likelihood of occurrence • Assess anticipated impact • Balance opportunities and risks • Initial control of risk profile within normal organisational internal control structures and procedures • Despite structure and procedures, adverse events may still occur which will affect results of institution • Exposure to adverse events should be identified • Likelihood of adverse events should be assessed • Potential impact of adverse events should be assessed • Identify, through defined responsibility and	**<u>Identification and assessment of risks</u>** • Clear statement as to where risk management presides i.e. risks Committee, EXCO etc. ○ Should have separate minutes ○ How often are meetings ○ Membership ○ Member internal ○ Member external ○ Respective qualifications of Members ○ How do the responsible individual/body interact with the Audit Committee ○ Does the Committee have input into risk assessment in terms of internal audit ○ Risk assessment in terms of internal audit

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
	accountability for management: ○ Risk events ○ Risk condition ○ Risk area • Must be an established line function individual/Committee ○ Remit for determining identification of risk ○ Remit for determining interpretation of risk ○ Remit for determining of assessment of risks ○ Intervention measures • Risk register must be maintained • Scope on duties of risk management must be clarified • Individual or Committee must Report to the Audit and Finance Committees • Individual or Committee must Report to the Council through the Audit and Finance Committees • Individual or Committee must have unrestricted access to Chairpersons of the: ○ Audit Committee ○ Council ○ Vice-Chancellor • Report to other appropriate committees • Council should review comprehensive Report on significant risks at least once a year • Differentiate between financial and non-financial risks	is recommended to Council • Risk definition • Identify events and actions which are potential risks; • Identify likelihood of occurrence • Assess anticipated impact • Balance opportunities and risks • Initial control of risk profile within normal organisational internal control structures and procedures • Despite structure and procedures, adverse events may still occur which will affect results of institution • Exposure to adverse events should be identified • Likelihood of adverse events should be assessed • Potential impact of adverse events should be assessed • Identify, through defined responsibility and accountability for management: ○ Risk events ○ Risk condition ○ Risk area • Must be an established line function individual/Committee ○ Remit for determining identification of risk ○ Remit for determining interpretation of risk ○ Remit for determining of assessment of risks ○ Intervention measures • Risk register must be maintained • Scope on duties of risk management must be clarified • Individual or Committee must Report to the Audit and Finance Committees • Individual or Committee must Report to the Council through the Audit and Finance Committees • Individual or Committee must have unrestricted access to Chairpersons of the: ○ Audit Committee ○ Council ○ Vice-Chancellor • Report to other appropriate

Subsection	2007 Reporting Regulations	2014 Reporting Regulations

	<u>Management and control of consequences of risks (intervention and physical/financial control)</u>
	• Management should identify all risk consequences
	• Management should evaluate all risk consequences
	• Management should identify conditions arising within which risks are controlled
	• Management should identify conditions arising within which risks are monitored
	• Methods of minimizing adverse consequences must be employed
	• Based on cost effectiveness analysis
	• Risk register constantly updated
	• Management must receive Reports on proper management of risks
	• Responsibility and accountability for risk management should be assigned and managed within the organisation
	• Risk Committee or responsible person prepare a risk and risk management Report
	• Included in the Annual Report
	• Report describe general terms and structure in place to
	    o Assess risks
	    o Minimize risks of loss
	    o Financial risks
	    o Non-financial risks
	• Most significant risks should be identified
	• Measures to control risks should be identified within strategic attitude of Council
	• Signed by the responsible individual or the Chairperson of the Risk Committee or Audit Committee
		Committees
		• Council should review comprehensive Report on significant risks at least once a year
		• Differentiate between financial and non-financial risks
		<u>Management and control of consequences of risks (intervention and physical/financial control)</u>
		• Management should identify all risk consequences
		• Management should evaluate all risk consequences
		• Management should identify conditions arising within which risks are controlled
		• Management should identify conditions arising within which risks are monitored
		• Methods of minimizing adverse consequences must be employed
		• Based on cost effectiveness analysis
		• Risk register constantly updated
		• Management must receive Reports on proper management of risks
		• Responsibility and accountability for risk management should be assigned and managed within the organisation
		• Risk Committee or responsible person prepare a risk and risk management Report
		• Included in the Annual Report
		• Report describe general terms and structure in place to
		    o Assess risks
		    o Minimize risks of loss
		    o Financial risks
		    o Non-financial risks
		• Most significant risks should be identified
		• Measures to control risks should be identified within strategic attitude of Council
		• Signed by the responsible individual or the Chairperson of the Risk Committee or Audit Committee

23. The statement of the Chief Financial	• Overview of budget process • Indicate means whereby	• Overview of budget process • Indicate means whereby

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
Officer and the Chairperson of the Finance Committee of the Council on the Annual Financial Review	process in terms of resource allocation ◦ Promotes strategic goals and objectives ◦ Promote operational sustainability • Effect of budgetary control mechanisms in maintaining financial discipline • Salient features in the Financial Statements in relation to the financial condition of the institution • Extent to which achievement of primary strategic objectives is reflected in the statements • Statement to distinguish between financial consequences of use of assets and those representing unrestricted funds (Council-controlled) • Report should be thorough financial analysis using all data in the Financial Statement or other records • The Report to be signed by: ◦ Chairperson of the Finance Committee ◦ Chief Financial Officer	process in terms of resource allocation ◦ Promotes strategic goals and objectives ◦ Promote operational sustainability in foreseeable future • Comment on process for inclusivity/stakeholder participation • Effect of budgetary control mechanisms in maintaining financial discipline • Salient features in the Financial Statements in relation to the financial condition of the institution • Extent to which achievement of primary strategic objectives is reflected in the statements • Statement to distinguish between financial consequences of use of assets and those representing unrestricted funds (Council-controlled) • Report should be thorough financial analysis using all data in the Financial Statement or other records • Concentrate on Operational Finance • Indicate access to financial aid ◦ Provision of financial aid ◦ Received from external corporate bodies ◦ Changes in tuition fees • The Report to be signed by: ◦ Chairperson of the Finance Committee ◦ Chief Financial Officer
24. Report of the Audit Committee		• Disclose results of review in terms of satisfaction that finance function has ◦ Expertise ◦ Resources ◦ Experience • Report internally to the Council • Report on performance of duties ◦ How duties were performed ◦ Satisfied that external

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
		auditor is independent ◦ The committee's views on Financial Statements and accounting practices ◦ Effectiveness of internal financial controls ◦ Internal audit function • Provide summary of its role • Provide details on composition • Provide detail on number of meetings • Provide detail on activities • Recommend Integrated Report to Council for approval • Report must be signed by ◦ Chairperson of the Audit Committee ◦ Chairperson of the Council
25. Report on Transformation		• Adopt policies that promote transformation • Implement policies that promote transformation • Clearly indicate initiatives to assist people with disadvantaged backgrounds, woman and people with disabilities • Indicate transformation in terms of ◦ Teaching ◦ Leaning ◦ Research • Monitor effectiveness of policies • Monitor impact of policies • Report should be signed by ◦ Vice-Chancellor ◦ Chairperson of the Council
26. The compliance to of the Financial Statements to General Accepted Accounting Practices (GAAP) or International Financial Reporting Standards (IFRS)	Reporting in terms of GAAP or IFRS	Reporting in terms of IFRS
27. The disclosure of remuneration of senior management	For each executive management officer, the following should be disclosed: • Basic Salary • Employment Benefits • Other Allowances/ Payments	For each executive management officer, the following should be disclosed: • Gross remuneration for executive services • Gross remuneration for other

Subsection	2007 Reporting Regulations	2014 Reporting Regulations
	• Total cost to HEI • Exceptional payments For all Council and Committee Members the following should be disclosed: • Payment for attendance of Council and Committee meetings	services NOTE: Although the 2014 Reporting Regulations require less detail on the disclosure of remuneration, the IFRS requirements in terms of remuneration covers the detail. For all Council and Committee Members the following should be disclosed: • Payment for attendance of Council and Committee meetings
28. The use of electronic financial data as a supplement to the Annual Report	All institutions are to complete the templates as provided by the Department of Higher Education and Training on an annual basis	No specific guidance is provided in the 2014 regulations in terms of this requirement.
29. Copies and records of proceedings (approved minutes) foe each Council meeting		• Include agendas • Include attendance registers • For the past 12 months

APPENDIX B

Subsection	King III Principles	King IV Principles
1. Minimum Content of the Annual Report	N/A	N/A
2. Performance Report	N/A	N/A
3. Report of the Chairperson of the Council	Chapter 1 – Ethical Leadership and Corporate Citizenship Chapter 2 – Boards and Directors Chapter 3 - Audit Committees Chapter 4 – Governance of Risk Chapter 5 – Governance of Information Technology Chapter 6 – Compliance to laws, codes, rules and standards Chapter 7 – Internal audit Chapter 8 – Governing of Stakeholder Relationships Chapter 9 – Integrated Reporting and Disclosure	Principle 1 – The governing body should lead ethically and effectively Principle 2 – The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture Principle 3 – The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen Principle 4 – The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process Principle 5 – The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessment of the organisation's performance and its short, medium and long - term prospects Principle 6 – The governing boy should serve as the focal point and custodian of corporate governance in the organisation Principle 7 – The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively Principle 8 – The governing body should ensure that its arrangements for delegation

		within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties Principle 9 - The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and it individual members, support continued improvement in its performance and effectiveness Principle 10 – The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities Principle 11 – The governing body should ensure govern risk in a way that supports the organisation in setting and achieving its strategic objectives Principle 12 – The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives Principle 13 – The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that support the organisation being ethical and a good corporate citizen Principle 14 – The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term Principle 15 – The governing body should ensure that assurance services and functions enable an effective control environment, and that

		these support the integrity of information for internal decision-making and of the organisation's external report Principle 16 – In the execution of its governance role, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation over time Principle 17 – The governing body of an institutional investor organisation should ensure that responsible investment is practices by the organisation to promote good governance and the creation of value by the companies in which they invest
4. Statement of Corporate Governance	N/A	N/A
5. Council Committees	Principle 1.1 The Board should provide effective leadership based on an ethical foundation	Principle 1 – The governing body should lead ethically and effectively
6. Council	Principle 1.1 The Board should provide effective leadership based on an ethical foundation Principle 2.16 The Board should elect a chairman of the Board who is an independent Non-Executive Director. The CEO of the company should not also fulfil the role of chairman of the Board Principle 2.18 The Board should comprise a balance of power, with the majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent Principle 2.22 The evaluation of the Board, its committees and the individual Directors should be performed every year Principle 2.23 The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Principle 1 – The governing body should lead ethically and effectively Principle 7 – The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively Principle 8 – The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties Principle 9 - The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and it individual members, support continued improvement in its performance and effectiveness Principle 10 – The governing

		body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities
7. Remuneration Committee	Principle 2.25 Companies should remunerate Directors and executives fairly and responsibly	Principle 14 – The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term
8. Finance Committee	N/A	N/A
9. Planning and Resource Committee	N/A	N/A
10. Council Membership Committee		Principle 8 – The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties
11. Audit Committee	Principle 3.1 The Board should ensure that the company has an effective and independent Audit Committee Principle 3.2 Audit Committee Members should be suitably skilled and experienced independent Non-Executive Directors Principle 3.4 The Audit Committee should oversee Integrated Reporting Principle 3.7 The Audit Committee should be responsible for overseeing internal audit Principle 3.8 The Audit Committee should be an integral component of the risk management process Principle 3.9 The Audit Committee is responsible for recommending appointment of the external auditor and overseeing the external audit process	Principle 8 – The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties
12. Risk Committee	Principle 4.1 The Board should be responsible for the governance of risk	Principle 11 – The governing body should ensure govern risk in a way that supports the

	Principle 4.2 The Board should determine levels of risk tolerance Principle 4.3 The risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities Principle 4.6 The Board should ensure that framework and methodologies are implemented to increase the probability of anticipating unpredictable risks Principle 4.8 The Board should ensure continual risk monitoring by management Principle 4.9 The Board should receive assurance regarding the effectiveness of the risk management process	organisation in setting and achieving its strategic objectives
13.Information Technology Committee	Principle 5.1 The Board should be responsible for information technology (ITa) governance Principle 5.2 ITa should be aligned with the performance and sustainability objectives of the company Principle 5.3 – The Board should delegate to management the responsibility for the implementation of an ITa governance framework Principle 5.4 The Board should monitor and evaluate significant ITa investments and expenditure Principle 5.5 ITa should form an integral part of the company's risk management Principle 5.6 The Board should ensure that information assets are managed effectively Principle 5.7 A risk Committee and Audit Committee should assist the Board carrying out its ITa responsibilities	Principle 12 – The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives
14. Conflict Management	N/A	N/A
15.Worker and student participation	Chapter 8 – Governing Stakeholder relationships	Principle 16 – In the execution of its governance role, the

		governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation over time Principle 17 – The governing body of an institutional investor organisation should ensure that responsible investment is practices by the organisation to promote good governance and the creation of value by the companies in which they invest
16. Code of Ethics	Principle 1.1 The Board should provide effective leadership based on an ethical foundation	Principle 1 – The governing body should lead ethically and effectively
17. Council Statement on Sustainability	Principle 9.2 Sustainability Reporting and disclosure should be integrated with the company's Financial Reporting	Principle 5 – The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessment of the organisation's performance and its short, medium and long - term prospects
18. Report of the Senate to Council	N/A	N/A
19. Report of the Institutional Forum	N/A	N/A
20. Report of the Vice-Chancellor on management and administration	Chapter 8 – Governing Stakeholder relationships Chapter 9 – Integrated Reporting and disclosure	Principle 9 - The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and it individual members, support continued improvement in its performance and effectiveness Principle 16 – In the execution of its governance role, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation over time Principle 17 – The governing body of an institutional investor organisation should ensure that responsible investment is practices by the organisation to promote good governance and the creation of value by the companies in which they invest
21. Report on the internal administration and operational	Chapter 5 – Governance of Information Technology	Principle 4 – The governing body should appreciate that the

structures and controls/ Systems of Internal Control	Chapter 7 – Internal audit Chapter 9 – Integrated Reporting and disclosure	organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process Principle 5 – The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessment of the organisation's performance and its short, medium and long - term prospects Principle 11 – The governing body should ensure govern risk in a way that supports the organisation in setting and achieving its strategic objectives Principle 12 – The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives Principle 13 – The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that support the organisation being ethical and a good corporate citizen Principle 14 – The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term
22. Report on assessment of the exposure to risk and the management thereof	Chapter 4 – Governance of risk	Principle 11 – The governing body should ensure govern risk in a way that supports the organisation in setting and achieving its strategic objectives
23. The statement of the Chief Financial Officer and the Chairperson of the Finance Committee of the Council on the Annual Financial Review	N/A	N/A
24. Report of the Audit Committee	Chapter 3 – Audit Committees	Principle 8 – The governing body should ensure that its

		arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties
25. Report on Transformation	N/A	N/A
26. The compliance with of the Financial Statements to General Accepted Accounting Practices (GAAP) or International Financial Reporting Standards (IFRS)	N/A	N/A
27. The disclosure of remuneration of senior management	Principle 2.26 Companies should disclose the remuneration of each individual Directors and prescribed officer	Principle 14 – The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term
28. The use of electronic financial data as a supplement to the Annual Report	N/A	N/A
29. Copies and records of proceedings (approved minutes) foe each Council meeting	N/A	N/A
26. The compliance with of the Financial Statements to General Accepted Accounting Practices (GAAP) or International Financial Reporting Standards (IFRS)	N/A	N/A

SOURCES: (RSA, 2014c; IOD, 2011; IOD, 2016)