

**CORPORATE GOVERNANCE IMPLEMENTATION AT SOL PLAATJE  
UNIVERSITY  
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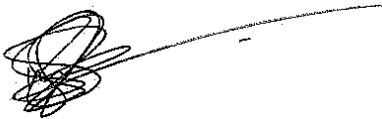
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## DECLARATION

I, Gobonamang Merahe (UFS student number 2018596367), declare that the field study, *Corporate Governance Implementation at Sol Plaatje University (SPU)*, hereby submitted for the Magister in Business Administration at the School of Management, University of the Free State, is my own independent work and that I have not previously submitted this work, either as a whole or in part, for a qualification at another University or at another faculty of this university.

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## ABSTRACT

South African universities derive their funding from limited government grants. Owing to the limited funding available to universities, there is an increased requirement from stakeholders for universities to be transparent and efficiently use public resources. Thus, there is pressure on universities to develop good governance. Corporate Governance has become a severe challenge amongst South African universities. This challenge is demonstrated by the numerous universities investigated or under administration over the years. This study evaluates the current Corporate Governance practices at Sol Plaatje University (SPU) to prevent similar Corporate Governance challenges from arising in the future at the institution. Otherwise, it may experience similar Corporate Governance challenges that led to the collapse of some higher education institutions in South Africa.

Therefore, the primary objective of this study is to evaluate the implementation of Corporate Governance disclosure principles at SPU from 2013 to 2022 to determine the application of Corporate Governance practices regarding disclosure. Furthermore, this study is guided by two secondary objectives: (a) To identify Corporate Governance best practices applicable to Higher Education institutions through available literature and (b) To assess the implementation of good Corporate Governance practices at SPU by analysing information disclosed in the Annual Reports. This study uses a quantitative content analysis approach to analyse existing data from SPU Annual Reports submitted to the Minister of Higher Education, Science, and Innovation. SPU Annual Reports were analysed according to the instrument "*Framework for Corporate Governance Compliance of South African Universities*" designed by Crous (2017: 212–375) to assess Corporate Governance practices at the institution. All SPU Annual Reports, published from 2013 to 2022, were selected for this study. The study, therefore, uses a census sample.

The study reveals that SPU's Corporate Governance practices were not up to standard, characterised by a culture of extensive non-disclosures, and indicative of less accountability and transparency in the institution's governance. The researcher recommended how SPU should ensure its Corporate Governance practices are up to

standard. Failure of SPU to perform up to standard Corporate Governance carries the risk of the institution following in the steps of universities that collapsed.

**Keywords:** Accountability, Annual Reports, Corporate Governance, Council, Disclosures, Higher Education, International Best Practices, King IV, Non-disclosures, Sol Plaatje University, Stakeholder, Reporting Regulation, Transparency.

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## **NOTES ON REFERENCING PROGRAM USED**

The reference program, Mendeley, was used for the referencing in this document. The program allowed for various referencing styles and adjusting the referencing styles to suit the author's needs. The adjusted Harvard referencing style, developed by the Cape Peninsula University of Technology, was used in this document. Mendeley also allowed for the referencing of various sources such as Books and Chapters in Books, Journal Articles, Thesis, Conference Papers, Magazines, Newspaper Articles, Reports and Codes, Legislation, Statues and Court Cases, Websites and Documents, and other sources.

In relation to in-text citation, where eBooks (Perlego sources) are used and do not have page or paragraph numbers, section headings were used in the in-text citation. See the example below:

Swann (2020: Getting Started with Content Analysis section).

## LIST OF ABBREVIATIONS

AG	Auditor-General
AHUA	Association of Heads of University Administration
APP	Annual Performance Plan
APSA	Academic Professional Staff Association Trade Union
ARC	Audit and Risk Committee
ARMC	Audit and Risk Management Committee of Council
AQF	Australian Qualifications Framework
CACS	Chancellor's Advisory Committee on Sustainability
CAEs	Chief Audit Executives
CAICFA	Campus Committee on Audit, Internal Control and Financial Accountability
CARE	Compliance, Accountability, Risk and Ethics
CEO	Chief Executive
CERC	Compliance & Enterprise Risk Committee
CFI	Corporate Finance Institute
CFO	Chief Financial Officer
CHE	Council for Higher Education
CGICTAS	Corporate Governance Information and Communications Technology Assessment Standard

CoC	Chairperson of Council
CPO	Campus Privacy Officer
CRC	Capital Renewal Committee
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
CISO	Chief Information Security Officer
CISPC	Campus Information Security and Privacy Committee
CTER	Commission for Tertiary Education and Research
CUC	Committee of University Chairmen
CUT	Central University of Technology
DHET	Department of Higher Education and Training
DVC	Deputy Vice-Chancellor
EMS	Economic Management Sciences
ESOS	Education Services for Overseas Students
FMF	Fees Must fall
FTEN	First-Time Entering Students
GAAP	Generally Accepted Accounting Principles
GHREC	General Human Research Ethics Committee
GRAP	Generally Recognised Accounting Practice
GRI	Global Reporting Initiative

HEFCW	Higher Education Funding Council for Wales
HEIs	Higher Education Institutions
HESA	Higher Education Support Act
HESF	Higher Education Standards Framework
HESP	Higher Education Standards Panel
HEQC	Higher Education Quality Committee
ICT	Information Communication Technology
IF	Institutional Forum
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IODSA	Institute of Directors South Africa
IRGC	Information Risk Governance Committee
IT	Information Technology
ITLG	Information Technology Leadership Group
JSE	Johannesburg Stock Exchange
KPMG	Klynveld Peat Marwick Goerdeler
ManCom	Management Committee
MIT	Massachusetts Institute of Technology
MTEF	Medium-Term Expenditure Framework
MTT	Ministerial Task Team

MU	Mpumalanga University
NEHAWU	National Health Education and Allied Workers Union
NSFAS	National Student Financial Aid Scheme
OfS	Office for Students
PFMA	Public Finance Management Act
PMBOK	Project Management Book of Knowledge
PVC	Pro-Vice Chancellors
QS	Quacquarelli Symonds
REMCO	Remuneration Committee
RSA	Republic of South Africa
SABC	South African Broadcasting Corporation
SCM	Supply Chain Management
SFC	Scottish Funding Council
SIACA	South African Institute of Chartered Accountants
SMART	Specific, Measurable, Attainable, Relevant and Time-bound
StatsSA	Statistics South Africa
SAQA	South African Qualifications Authority
SIU	Special Investigating Unit
SOEs	State-Owned Enterprises
SRC	Student Representative Council

SPU	Sol Plaatje University
TEQSA	Tertiary Education Quality and Standards Agency Act
THE	Time Higher Education
TUT	Tshwane University of Technology
TVET	Technical and Vocational Education and Training
UCB	University of California Berkeley
UFH	University of Fort Hare
UK	United Kingdom
UNCTAD	United Nations Community of Trade and Development
UNISA	University of South Africa
USA	United States of America
USAf	Universities South Africa
UUK	Universities United Kingdom
VBS	Venda Building Society
VC	Vice-Chancellor
VUT	Vaal University of Technology
WSU	Walter Sisulu University

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## **CHAPTER 1 - INTRODUCTION TO THE STUDY AND CHAPTER OUTLINE**

### **1.1 INTRODUCTION AND BACKGROUND**

Universities have come under pressure to develop good governance. The pressure to develop good governance is the consequence of limited public funding available to universities, the requirement for greater transparency, and the demand for the efficient use of public funds from university stakeholders (Department of Higher Education and Training (DHET), 2017: 20; Kok & McDonald, 2017: 228). Universities also face pressure to be sustainable, and to act more like businesses to gain a competitive advantage. This is to face off domestic, and international, competition in the provision of higher education (Kok & McDonald, 2017:210); Republic of South Africa (RSA), 2014:12). University funding is critical to an institution's success. South Africa's public higher education institutions derive their funding from three primary sources of funding, namely, first-stream income (government grants), second-stream income (tuition fees), and third-stream income (private donations, private contracts, investments, other entrepreneurial activities, and all other forms of university income) (Wangenge-Ouma & Kupe, 2020:1; Council on Higher Education (CHE), 2016a: 18; CHE, 2016b: 341). The government, through grants, is the most critical source of funding for South Africa's public universities (Statistics South Africa (Statssa), 2020: para.1). Most universities globally are public institutions and thus dependent on government funding through state grants (Kori, 2016: 52). However, state grants are not sufficient, and given the limited government funding for universities, institutions of higher learning are growing their research-intensive portfolio as a source of "third-stream" income to augment income from tuition fees and government subsidies (Universities South Africa (USAf), 2021: para.20; Swartz, Ivancheva, Czerniewicz & Morris, 2019: 573). Given the mentioned sources of university funding, university affairs must be run ethically. Ethics, particularly in public institutions, are an essential element that brings about trust and accountability, thus enhancing good governance and driving the delivery of public goods and services (Shava & Mazenda, 2021: 309).

In recent years, a lack of transparency, accountability, and efficiency has been problematic for South Africa in the public and private sectors (Shava & Mazenda, 2021: 306). Ethical culture is at the core of Corporate Governance. For instance, the KING IV

report defines Corporate Governance as “*the exercise of ethical and effective leadership by the governing body toward the achievement of the following governance outcomes; Ethical culture, Good performance, Effective control, [and] legitimacy*” (Institute of Directors in South Africa (IODSA), 2016: 11).

The National Student Financial Aid Scheme (NSFAS) is an “*indirect*” source of funding to universities. It enables students to access higher education in the Republic of South Africa (RSA). The core mandate of NSFAS is to offer loans and bursaries to students that qualify for the awarding thereof and to develop eligibility criteria and rules for the financial support it provides (RSA, 1999: 4). NSFAS is, however, failing to perform its core function; thus signalling a Corporate Governance problem. For example, awareness about funding shortages in South African higher education was sharply raised by student protests in 2015, termed “*Fees Must fall #FMF*”. As a result of these student protests, the South African government has since committed additional funds to NSFAS in support of university students (Langa, 2017: 8). Despite the increase in NSFAS funding in 2014/15 from R5.9 billion to about R35 billion in 2020/21, additional funding was needed to fund the shortfall of 2021/22 (Staff Reporter, 2021b: paras.14–15). The 2021/22 shortfall stemmed from Cabinet that decreased the budget of the DHET to R24.6 billion in 2021. It resulted in a R6.8 billion budget cut for NSFAS loans and bursaries (Smit, 2021: para.3). The government later prioritised additional funding for the 2021/22 shortfall by increasing the NSFAS budget to approximately R42 billion (Staff Reporter, 2021b: paras.14–15). This increase amounts to 107%; from R20 billion in 2018 to R42 billion in 2021 (Staff Reporter, 2021b: para.2). As if delays in confirming student funding in 2021 were not enough, NSFAS announced its decision, without consultation with the higher education sector, to cease the funding of specific higher education diplomas, which were previously financed (Phakeng, 2022: para.3). NSFAS was not only experiencing funding challenges in 2021. For instance, the scheme expected a R10 billion shortfall in 2022 (Kobokana, 2021: para.1). The business processes of NSFAS needed to be stabilised to ensure it has the necessary capacity to perform its core mandate (Staff Reporter, 2021a: para.20). According to the Chief Executive Officer (CEO) of USAf, the South African Higher Education sector needed a “*coherent system,*” that ensures that once students are approved for NSFAS, they immediately receive their allowance on admission to programs

at a university (Pitt, 2021: para.33). The following section discusses the Corporate Governance challenges in South African universities.

### **1.1.1 CORPORATE GOVERNANCE CHALLENGES AT SOUTH AFRICAN UNIVERSITIES**

Corporate Governance is a challenge amongst South African universities. This challenge is evidenced by the many universities investigated or under administration over the years. Since 2000, 11 Independent Assessors have been appointed for several universities in terms of the Higher Education Act 101 of 1997, owing to poor institutional governance and management (Staff Reporter, 2019a: para.14). Universities where Independent Assessors were appointed to investigate the institutions' administrative, governance and management challenges, includes Tshwane University of Technology (TUT), the Walter Sisulu University (WSU), the Central University of Technology (CUT), Vaal University of Technology (VUT) and the University of Fort Hare (UFH) (Staff Reporter, 2019a: paras.16–20). The latest universities experiencing Corporate Governance challenges are the University of South Africa (UNISA), the University of Cape Town (UCT) and Stellenbosch University (SU). The sections below will discuss the Corporate Governance challenges at the mentioned universities by relying primarily on findings and the Independent Assessors' and Administrators' recommendations that specifically focus on Corporate Governance.

TUT was placed under administration in 2011. The Assessor's report underlined the management's failure to talk with labour unions, dubious handling of the institution's procurement processes, and the excessive student protests as concerning. In the weeks preceding the decision to place the institution under administration, it was discovered that TUT's Vice-Chancellor (VC) used a revoked evaluation certificate to apply for the job (SAPA, 2011: para.1). The recommendations of the Independent Assessor pointed to a lack of Corporate Governance and the dire need to align the institution with Corporate Governance best practices. Key recommendations of the Independent Assessor were (Maphai, 2010: 29–33):

- (a) Re-forming Council around professionals with an understanding and appreciation of the concept of fiduciary responsibility.
- (b) Revising TUT's delegation of authority document per the guidelines set in the King III Codes of Good Corporate Governance.
- (c) Ensuring the management of tenders and large expenditures projects, or appointment of staff, was done in an open and transparent manner; free of suspicion of favour.
- (d) Council must not micro-manage the institution; and
- (e) Defining the correct reporting line of the internal audit function in line with the recommendations of the King III Codes on Good Corporate Governance.

In 2018, according to the author Jordaan (2018: para.1), the Academic Professional Staff Association Trade Union (APSA) called on the Minister of Higher Education and Training to put TUT under administration for apparently disregarding the university's statutes, rules, and policies. Their allegations were premised on the re-election of the Council Chairperson for a third consecutive term, and the appointment and extension of the contract of the Acting Vice-Chancellor, which they deemed unlawful (Jordaan, 2018: para.2). Following a right of response from the institution, the Minister was satisfied with the TUT's response that assured the Portfolio Committee on Higher Education, Science and Technology that the re-election of the Council Chairperson for a third term was neither in violation, or contravention, of the statutes of the university; nor unlawful. The Minister also did not find any issue with the appointment of the Vice-Chancellor (Staff Reporter, 2019c: para.2). However, the Higher Education, Science and Innovation Portfolio Committee and the Minister of DHET were displeased by the response of TUT on serious allegations related to the business arm of the university, namely TUT Enterprise Holdings. The committee and the Minister confirmed that an independent investigation was warranted to restore stakeholder trust and confidence in TUT'S business arm (Staff Reporter, 2019c: para.3).

In 2011, the DHET Minister placed WSU under administration following the report of an Independent Assessor (Staff Reporter, 2011: para.1). In April 2011, the assessment showed that the university kept many bank accounts with different signatories, poor financial controls, poor human resources practices, and an obsolete information technology (IT) infrastructure (Hweshe, 2011: para.6). Following the DHET's assessment, an Administrator was tasked with the duty of ensuring good governance, strengthening structures, systems, and policies, and restoring the culture of teaching and academic integrity at the institution (Hweshe, 2011: para.9) . The report of the Assessor indicated (Ncayiyana, 2011: 2–3):

(a) WSU was an unstable institution characterised by conflict, mistrust, and disaffection among its stakeholders, and there was a complete loss of confidence in university leadership.

(b) The institution's council, together with its management, could not rescue it from the crisis it was in.

(c) There was an urgent need for a vigorous review of the institution's administrative and financial model to gear it towards greater efficiency; and

(d) WSU was bankrupt, with weak financial systems and controls. It desperately needed a significant cash injection to sustain operational capacity,

To address the challenges at WSU, the Assessor made several recommendations. These recommendations included (Ncayiyana, 2011: 23–26):

(a) The appointment of an Administrator to undertake the responsibilities of the university Council and to supervise the interim Executive Management of the university for a period sufficient to return to institutional stability and financial solvency.

(b) The dissolution of the WSU Council.

(c) Placing the Vice-Chancellor on leave until the end of his contract to ensure the proper handover of the institution and its leading players and stakeholders.

- (d) Dissolution of the Senior Management Team within 30 days of the Administrator assuming office and the reconstitution of a Senior Management Team in line with the Administrator's envisaged management model.
- (e) Obtaining a substantial cash injection to meet WSU's obligations; and
- (f) The appointment of a team of experts to assist the Administrator in critical areas necessary to restore institutional stability and financial solvency.

In June 2012, following a whistleblower's report, the Minister of DHET requested CUT's Council to investigate allegations of corruption and abuse and to report back to the Minister. The Council refused to cooperate with the investigation and to report to the Minister. The non-cooperative attitude of the university Council then prompted the Minister to appoint an Independent Assessor to investigate governance, administrative, and management problems at the CUT (PMG, 2012: para.35). The Assessor found that (Smith, 2012: 3–4):

- (a) The university Council has mishandled a complaint from the whistleblower and thus compromising the application of the whistleblowing policy.
- (b) Council had poor adherence to good governance principles and failed to discharge its fiduciary responsibility; and
- (c) That the institution's unsatisfactorily mediation and prolonged staff restructuring process negatively impacted staff confidence, loyalty, and job security.

The Independent Assessor recommended the appointment of an Administrator. But the Council rejected and denied the Administrator access to the university, and a legal battle between the CUT and the Minister ensued (Macfarlane, 2012: para.15). The Minister lost the case against CUT because the Minister had acted without proof of maladministration, thus violating the Higher Education Act 101 of 1997 (Staff Reporter, 2012: para.3). In addition to the governance issues at CUT, the Council of CUT placed both the Vice-Chancellor and Deputy Vice-Chancellor under precautionary suspension until a grievance inquiry was concluded (Staff Reporter, 2020a: paras.1–2).

However, the VC left the institution before the grievance process was finalised and left nine months before his term would end through a *“mutual separation agreement”* (Govender, 2021: paras.1–2). The VC was suspended for having ignored a sexual harassment case (Nkuyane, 2021: para.2). The suspension of the VC also happened under a cloud of the governance crisis at the institution. As a result of the turmoil within CUT, students also staged a protracted strike, where they accused the Council chairperson of failing to direct the institution out of the governance crisis it was facing (Nkuyane, 2021: para.1). Furthermore, following a special Council meeting, the chairperson of Council, together with her Deputy, resigned (Dlodlo, 2020: paras.2–3). An interim chairperson led the Council from 3 November 2020 till a chairperson was elected on 28 November 2020 (Zulu, 2020: para.9).

In October 2022, the Minister of DHET appointed an Independent Assessor to investigate the circumstances leading to the suspension of the former VC to determine if *“there was any breach of the fiduciary duty on the part of the council, the disciplinary processes, and his departure from the university”* (Khumalo, 2022para.7). The appointed Independent Assessor’s report, released in June 2023, revealed the following (Duncan, 2023: 33):

- There were weaknesses and dysfunctions in student administration, various facets of financial management and governance at CUT.
- That significant intervention was required to strengthen administration, governance and financial management; and
- CUT Council’s functioning and actions constituted the most significant impediment to the University’s functioning and growth.

The Independent Assessor made several recommendations. The key recommendations of the Independent Assessor included the following (Duncan, 2023: 34):

- the disbandment of the Council and the appointment of an Administrator to assume the responsibilities of the Council until the appointment of a completely reconstituted Council.

- the Administrator to assist the newly appointed VC of CUT in the execution of her responsibilities.
- that the current members of CUT's Executive Management serve their current terms; and
- that the new VC progressively build up a new Executive Management team with the support of the proposed Administrator and, ultimately, a new Council.

Similarly to the institutions mentioned above, VUT was also placed under administration. However, the institution has repeatedly been placed under administration in the past two decades (Kahn, 2020: para.3). A series of investigations, which include the 2006 Commission of Inquiry, the 2012 Independent Assessment, and numerous other forensic audits, have all pointed to severe challenges at the institution (Wild, 2020: para.6). For example, the 2006 Commission of Inquiry found that a Vice-Chancellor was appointed under questionable circumstances and in the same vein was unsuitable for the position he occupied (Mabuza, 2020: para.20). In 2012, the university was placed under administration for a second time. The Independent Assessor found that there were unending conflicts and cliques in the Council and top management of VUT (Macupe, 2019a: para.8). Additionally, the assessor found that the university's management failed to deal with problems of unfair labour practices, corruption, mishandling of funds, and manipulation of procurement processes (Mabuza, 2020: para.21). Despite the intervention of the DHET, the Assessor, and the Administrator, VUT was again placed under administration for the third time in August 2019 (Kahn, 2020: para.4). In 2019, two Assessors were appointed, and their report once again revealed serious challenges at the institution. The report highlighted that VUT was paralysed by infighting, corruption, and poor governance. Some paid-for work on the residences was either defective, incomplete or non-existent (Wild, 2020: para.8).

The VUT Chairperson of Council was interfering and involved in the university's operational matters. There were also two groupings at the institution; one which was planning the VC's overthrow and the other speaking in his defence (Macupe, 2019c: para.22). According to Wild (2020: para.9), the institution had several irregular

appointments, suspensions, and people in acting positions. The internal controls governing staff remuneration were not adequately followed. For example, an interim Chief Financial Officer (CFO), appointed in 2018 on a short-term contract, earned R146,542 a month. He was only at VUT three days a week, commuting from Cape Town, with the university paying for temporary accommodation and car rental (Wild, 2020: para.9).

The revelations of the problems at VUT required far-reaching and severe actions to save the institution from further collapse. For example, the recommendations included asking the Special Investigating Unit (SIU) to probe senior officials and everyone else involved in the awarding of contracts (Kahn, 2020: para.5), annual lifestyle audit of university officials, and declaration of conflicts of interest (Wild, 2020: para.12). Furthermore, the Assessors also recommended the rewriting of the Institutional Statute to (Barney & Ralebipi-Simela, 2020: 63):

- (a) limit the power and influence of internal stakeholders and its executive management.
- (b) review VUT's supplier database.
- (c) repurpose the Academic Project through the reviewing of courses and qualifications.
- (d) re-look the institution's academic profile; and
- (e) address lacking academic facilities, infrastructure, and equipment.

In the medium term, the university planned to insource Protection Services staff and accredit private student residence providers, rather than lease accommodation. The university also planned to institute disciplinary hearings against all staff implicated in wrongdoing and finally fill mission-critical vacant positions (Macupe, 2019c: paras.15–16).

The University of Fort Hare (UFH) was placed under administration in April 2019 (Maqhina, 2020: para.6). The institution returned to normal operations in November 2020 after 18 months of being under administration (Khumalo, 2020: paras.1–5; Linden, 2020:

paras.2–3). The problems at UFH began in 2018 when the worker unions went on an eight-week-long protest characterised by violence, which posed threats of physical harm to university officials and ultimately led to the closure of the campus (Gilili, 2018: paras.1–7). In 2019, the UFH’s Audit and Risk Committee (ARC) successfully recommended the suspension of the VC on allegations of overstepping his authority and undermining the committee (Fengu, 2019b: para.1). The governance challenges at the institution were characterised by the context of fear (Fengu, 2019a: para.29) and were evident in the University Council failing to reach a quorum for the better part of 2018. The inquorate Council meetings meant that the Council was unable to appoint a new Chairperson or follow up on the institution’s plans for the 2019 academic year; such as determining the fees structure for the new academic year (Brink & Molamu, 2019: 19). The collapse of governance at the institution pressed the Minister of DHET to appoint an Administrator at UFH on 29 April 2019 (Linden, 2019: para.2). The Minister intervened “*to ensure both good governance and that an environment conducive to teaching, learning, and research prevails at the University*” (Staff Reporter, 2019d: para.3).

The Administrator took over the duties of the Council for 12 months and initiated processes that would restore proper governance at the university. The Administrator’s tasks were to ensure a full-scale independent investigation into the (Staff Reporter, 2019b: para.1):

- (a) resignations, suspensions, and dismissals.
- (b) alleged financial irregularities; and
- (c) other related matters that led to the collapse of governance at the university.

The appointment of the then Administrator and two Independent Assessors assisted the institution to approve matters that were pending, such as the 2019 Budget, the 2019 Enrolment Plan, the 2019 Annual Performance Plan (APP), the 2018 Annual Report, as well as the filling of critical vacancies (Brink & Molamu, 2019: 48). In addition to the expedition of pending matters, the institution was able to constitute an Interim and Advisory-, an Audit and Risk-, a Finance- and Procurement-, a Human Resource-,

Remuneration-, and an Information Communication Technology (ICT) Governance Committee (Brink & Molamu, 2019: 48). The university was not yet in the clear by early 2020, and in February 2020 the institution experienced a violent student protest. The students protested upon the financial exclusion of 3,000 students over unpaid registration fees. The protest was characterised by looting, damaging university property, and removing staff from their offices (Maliti & TIMESLIVE, 2020: paras.1–8). In 2020 a new University Council was appointed, heralding the normalisation of institutional governance at UFH (Khumalo, 2020: para.10). Despite a new Council, and a renewal plan at UFH, the university was shocked because of the killing of a staff member, and the attempted murder of its VC (Burgess, 2023: para.1). The latest developments at UFH have a potential to plunge the institution once again into further chaos, that previously led to the institution being put under administration.

The University of South Africa (UNISA), the largest university in South Africa by enrolments of around 400,000 students from South Africa, Africa, and other parts of the world, is also facing governance challenges (Mkize, 2023: para.2; Staff Writer, 2022: paras.2–3). In 2021 a Ministerial Task Team (MTT), mandated to investigate the strategic mandate and purpose of UNISA within the South African context, reached a number of conclusions. The report includes adverse conclusions that suggest shortcomings, challenges, and allegations of circumstances that amount to maladministration and poor governance (Chawula, 2023: paras.3–10; Mclean, 2023: paras.4–12; Staff Writer, 2022: paras.6–7). Challenges at UNISA figured in the spotlight in 2022 when the National Health Education and Allied Workers Union (NEHAWU) alleged that UNISA increased the salaries of a few selected staff without the approval of the University Council, which resulted in millions of Rands in over-expenditure. The University also faced allegations of abuse of power in suspending workers, unlawfully launching disciplinary cases, dismissing staff, and misusing funds (Staff Writer, 2022: paras.8–9). Following the conclusions reached by the MTT and widespread allegations of governance and managerial shortcomings, the DHET launched an independent investigation into affairs at UNISA by appointing an Independent Assessor in September 2022. The general purpose of the investigation was to advise the Minister on both the source and nature of problems; and recommend measures needed to restore good governance and

management at UNISA. The report of the Independent Assessor, released in March 2023, raised the following (Mosia, 2023: 289–295):

- UNISA has experienced governance challenges since 2016, characterised by blurred lines of authority between the Council and Management, which weakened the University.
- There were no improvements in the governance arrangements of UNISA from the period of the appointment of the VC in 2021 up to the conclusion of the Independent Assessment (March 2023).
- Although the meeting agendas of the Council, over time, were focussed on financial and compliance matters, this had no impact as non-compliance was pervasive. This was evident throughout the Independent Assessor report.
- Council failed to fulfil its fiduciary responsibilities. For example, Council condoned financial irregularities, failed to hold the Management accountable and did not attend to the allegations and complaints about over-expenditure of the VC's official residence with care, diligence, and impartiality.
- Council did not resolve the dysfunctional relationship between the VC and the Registrar. This involved the submission of contradictory reports to the Council by the two Senior Executives and also adversely affected the delivery of essential services.
- Council was careless in the execution of fiducial duties when it justified the transgression of the Delegations of Authority and SCM processes in the procurement of staff laptops without any consequences for management.
- UNISA, as an institution that was supposed to lead given its configuration as a distance e-learning institution, failed in the implementation of its Information Communication Technology (ICT) strategy. Thus, its students suffered because of a decision taken without the involvement of primary stakeholders.

- Council failed in its duty to ensure good governance when UNISA's Annual Report was submitted six months late after all public universities submitted their Annual Reports to the Minister in terms of the statutory requirement.
- The allegations of the VC to have approved the salary adjustment of staff in her office to R2.9 million were proven. The VC, together with the Management Committee (ManCom), violated the procurement policy in respect of the laptop scheme by bypassing the policy to expedite the implementation of the decision.
- The functioning and efficacy of both Council and Management fall below an expected standard of an effective university following the best interests of its students, staff, and resources. Self-interest was pervasive within the Management and Council ranks; and
- Overall, the efficacy of the Council was not proven. Council failed to ensure that the University is well managed. Yet, performance bonuses were paid to the Executive Management. Overall, Council failed to protect the good name and reputation of South Africa's oldest University.

The Independent Assessor stated that the resignation of the Council can be considered. However, it was a partial remedy, as UNISA's management was also responsible for the challenges at the institution. The Independent Assessor recommended the placement of UNISA under full administration, where both Council and Management are relieved of their duties (Mosia, 2023: 294).

The year 2022 and 2023 has seen the University of Cape Town (UCT), Africa's number one university and 57th ranked university in the world, in terms of Times Higher Education (THE) (Boonzaier, 2023para.2), grappling with governance challenges. The governance challenges at UCT were exposed to the public when the institution's VC and the Chairperson of Council (CoC) were accused of misleading UCT's Senate on circumstances around the Deputy Vice-Chancellor of Teaching and Learning's (DVC) departure. The allegations against the VC and CoC surfaced at a Senate meeting in September 2022, where the departed DVC for Teaching and Learning alleged, through a

letter, that the CoC forced her out of her position at the behest of the VC (Davis, 2022: paras.3–5). The accusations against the university’s VC and the CoC constituted a serious breach of governance and would later reveal many issues with wider implications for the institution (Davis, 2022a: paras.5–7). Later Council meetings further exposed the divisions and governance challenges, and intensified challenges at the institution. For example, twenty-eight Council members failed to reach a consensus and voted on two alternatives. Fourteen Council members voted in favour of a retired judge to be appointed to probe the allegations of governance capture and misconduct against the VC and CoC. The other half of Council voted for a different motion: that the university must undertake an internal investigation into UCT Senate for potential procedural irregularities when a letter from the outgoing DVC, disputing the CoC’s version of her retirement, was publicly read out at its meeting (Basson & Charles, 2022: paras.5–9; Davis, 2022b: paras.7–9). The deciding vote at the special Council was cast by the Council’s Deputy Chairperson in favour of an investigation into governance and procedural matters in relation to the Senate meeting of 30 September 2023 (Basson & Charles, 2022: para.10; Davis, 2022b: para.10). UCT’s Council eventually formed an independent investigation headed by a retired judge, to investigate allegations of mismanagement and abuse of power against its VC and CoC.

After the formation of the investigation panel, it was reported that the VC was suspended in February 2023, pending disciplinary actions (du Toit, 2023: paras.2–3). The outgoing VC’s second term was characterised by significant governance failures and escalating controversies that placed the university at risk (Naidoo, 2023: paras.6–11).

An Investigative Panel struggled to secure the appearance of the CoC, who was refusing to appear before the Panel (Mpati, Cachalia, Johnson & Hanekom & 2023: 5–7). The Panel said the CoC was non-cooperative, relegated her fiducial responsibility, and was *“seeking refuge behind a thinly disguised legal façade”* (Mpati et al., 2023: 11). The non-cooperation of the CoC had the effect of the Panel releasing an Interim Report on 17 May 2023, which focused on her conduct. The Panel concluded on the CoC’s conduct that the CoC (Mpati et al., 2023: 11–12):

- embarked on a strategy to terminate the former DVC's contract prematurely.
- conflated governance and operation duties by terminating a contract of the DVC, which is the duty of a VC; thus violating the Council's policy on the reappointment of Senior University Executives.
- improperly in secrecy, conducted a meeting of the Remuneration Committee (REMCO), where an agreement with the former DVC was tabled and senior Human Resource representatives were asked to leave, and the meeting was not recorded.
- misled Senate on the circumstances surrounding the departure of the former.
- failed to recuse herself in a Council meeting and voted on a matter she was conflicted on, which related to the establishment of an independent Investigative Panel; and
- The CoC and the Deputy CoC defamed the former DVC in communication to the UCT Community; thus breaching the settlement non-disclosure agreement between UCT and the former DVC.

Following the release of the panel's Interim Report, the Chairperson of Council resigned with immediate effect on 26 May 2023 (Broughton, 2023: paras.3–4). The former VC and CoC's departure did not mean challenges at UCT disappeared. Amongst others, the Deputy Chairperson was still seen as an integral part of the problems at UCT.

On 9 December 2022, UCT's Council removed the then Deputy CoC from her position. The Council further attempted to remove her completely from the Council in May 2023. However, the Council abandoned the process when she took the matter to court (Mogakane, 2023: paras.32–33) on allegations that she was pushed from her position to punish her for making decisions in favour of the former VC. The Council's former Deputy CoC wanted her removal from her position to be declared unlawful, invalid, and irrational (Mogakane, 2023: paras.2–3).

In 2023, Stellenbosch University (SU) experienced problems in its leadership ranks when its Vice-Chancellor (VC) was accused of governance transgressions. The institution's Council was at the helm of instituting an independent inquiry against the VC (Majiba, 2023: para.3). The SU Convocation Executive demanded the resignation of the VC following nepotism allegations. The VC was accused of using his discretionary placement power to secure two admissions in the medical faculty for close relatives (Farber, 2023: paras.2–3). However, the motion of no confidence in the VC was said to have been done without consulting the broader Convocation constituency. Thus, contravening the SU statute, as the Convocation Executive must effect Convocation decisions, and not their own (Dayimani, 2023: paras.14–17). The Convocation Executive's motion against the VC was tabled at a Council meeting in April 2023 (Majiba, 2023: para.15). The Council meeting postponed its decision on the vote of no confidence in favour of establishing a three-person committee to investigate the allegations. It was only upon the conclusion of the committee's work that the Council would consider their report, evaluate, and consider the motion of no confidence (Farber, 2023a: paras.4–9). The Council meeting further concluded that the VC's discretionary placement policy should be reviewed by relevant academic governance structures for the consideration of the Council (Majiba, 2023: para.18). Upon the conclusion of the Committee's work, it was found that the VC did not break any institutional rules, but however, acted unethically. The VC's punishment for the findings included a financial penalty and a public censure (Jansen, 2023: paras.14–15). The next paragraph provides an overview of Sol Plaatje University (SPU).

Sol Plaatje University (SPU) is one of the only two new post-1994 public Higher Education Institutions. SPU was established in terms of section 20(6) of the Higher Education Act, 1997, under Government Notice No. 630 in Government Gazette No. 36771 on 23 August 2013 (DHET, 2013: 3). It was only on 19 August 2014 that its first full Council was properly constituted (SPU, 2014: 2). The institution opened its doors in 2014 and relies heavily on government grants to fund its operations (Macupe, 2019b: para.8). The institution's infrastructure resulted from the acquisition of an existing building and the construction of new facilities (SPU, 2014: 2). In the first five years of SPU's establishment, the university completed the first phase of its refurbishment and construction program; which represented a capital expenditure of approximately R1,4 billion. The first phase of the

project included staff offices, on-campus residences, and teaching spaces (SPU, 2018: para.27). The institution's building projects are estimated to continue until 2028 (Staff Reporter, 2019a: para.46). The institution grew from 124 students in 2014 to 2 004 students in 2019 and projected growth of 2 901 students between 2020 and 2024. SPU plans to enrol 4 905 students by 2024. To accommodate the increase in student intake, the institution aims to develop its infrastructure, academic and administrative systems (SPU, 2019: 8).

SPU claims to place a strong focus on good governance and proper oversight (SPU, 2019: 5). The institution regularly reports on governance and operational matters; for example, the institution has since 2013 issued 10 Annual Reports and two five-year plans, namely Strategic Plan 2015-2019 and Strategic Plan 2020–2024 (SPU, 2023: paras.2–11). Although not much is publicly reported about SPU, references were found to institutional disruptions relating to student protests for better services. For example, in 2019, students disrupted classes in protest of a catering company accused of serving them poor quality food (Staff Reporter, 2019c: para.2). SPU first-year orientation for 2021 was also shut down by protesting students in March 2021 because of the nation-wide protest for free education, labelled “*#Feesmustfall campaign.*” The protesters communicated their registration, accommodation, and student funding demands to the institution's management (SPU, 2021: paras.4–5). In February 2022, students disrupted the start of the academic year at SPU when they protested financial exclusion, poor student catering, and the unavailability of sufficient on-campus accommodation for first-year students (Mkize, 2022: para.3).

The rest of the chapter is structured as follows: Section 1.2 discusses the problem statement, Section 1.3 explains the research gap, Section 1.4 details the research objectives of the study and the research method and design are introduced in Sections 1.5 and 1.6. Empirical studies, the conclusion on research design, and the study limitations are discussed in Sections 1.6 to 1.9. Sections 1.10, 1.11, and 1.12, respectively, outline the practical ethical aspects of the study, its structural overview, and the significance of the proposed research. Finally, concluding remarks are presented in Section 1.13.

## **1.2 PROBLEM STATEMENT**

Corporate Governance is one of the most severe challenges confronting universities in South Africa. For instance, according to the DHET (2017:3), owing to poor governance and mismanagement at several universities, the Minister of DHET has appointed several Independent Assessors over the past years. Furthermore, the Independent Assessors concluded that serious governance challenges that destabilised and undermined the effective functioning of these universities, originated from the incapacity of Council members to execute governance and fiducial responsibilities, troubled relations among Councils, Senior Management and employees, lack of decisive leadership at Council level and unproductive behaviour from some Council members (DHET, 2017: 3). Akin to other sectors of the South African society, universities have fallen victim to poor governance, with public apathy adding to the governance crisis at universities (Pityana, 2020: para.2). Governance failures in the South Africa Higher Education landscape are consequential of the absence of management skills and a loss of decisive leadership (Wild, 2020: 13). Given the reported Corporate Governance issues, and the number of universities placed under administration over the past years, good governance is key to achieve quality decision making. Universities can flourish and become more sustainable by adhering to Corporate Governance principles, such as transparency and accountability (Rathod, 2020: para.8). This study will therefore evaluate the current Corporate Governance practices at SPU, with the aim to prevent similar Corporate Governance challenges from arising in the future at the institution. Otherwise, it may experience similar Corporate Governance challenges that led to the collapse of some other higher education institutions in South Africa.

## **1.3 RESEARCH GAP**

Based on the discussion in Section 1.1, there are numerous reports and media articles on the challenges universities face in implementing Corporate Governance. There, however, seems to be little scholarly work regarding the implementation, or lack of, Corporate Governance, specifically at the SPU. This university is one of the first two

universities established in post-apartheid South Africa. SPU was opened in 2014. It is also the first and only university in the Northern Cape province (SPU, 2023: para.2).

## **1.4 RESEARCH OBJECTIVE**

The study's primary objective is to evaluate the implementation of Corporate Governance disclosure principles at SPU from 2013 to 2022 to determine the extent of the application of Corporate Governance practices regarding disclosure.

The following secondary objectives guide this study:

- To identify Corporate Governance best practices applicable to Higher Education institutions through available literature; and
- To assess the implementation of good Corporate Governance disclosure practices at SPU by analysing information disclosed in Annual Reports.

## **1.5 RESEARCH METHOD AND RESEARCH DESIGN**

### **1.5.1 Introduction**

Research is a methodical inquiry to gain more knowledge, expand on the facts that already exist, address current mistakes, and eliminate misconstructions (Pandey & Pandey, 2015: 7). Research applies scientific procedures to resolve problems (Pandey & Pandey, 2015:9). This section provides a brief overview of the research method and design of this study.

### **1.5.2 Research methods**

The first methodological choice confronting a researcher is the method to be used. The researcher must choose between a quantitative, qualitative, or mixed-method research design (Saunders, Lewis & Thornhill, 2019: 174). The following Sections, 1.5.2.1 and 1.5.2.2, briefly discuss quantitative and qualitative research approaches.

### **1.5.2.1 Quantitative research**

Quantitative research is concerned with *“counts and measures of things, the extents, and distributions of our subject matter: how large the thing is, how many of them there are, or how likely we are to encounter one”* (Lune & Berg, 2017: 12). Quantitative research studies the relationships between variables that are measured numerically and analysed using statistical and graphical methods (Saunders et al., 2019: 178). According to Leedy and Ormrod (2020: 28), quantitative research *“involves looking at amounts, or quantities, of one or more variables of interest. A quantitative researcher tries to measure variables in some numerical way, perhaps by using commonly accepted measures of the physical world (namely rulers, thermometers, oscilloscopes) or carefully designed measures of psychological characteristics or behaviours (for example, tests, questionnaires, rating scales).”*

In quantitative research, a researcher is independent of respondents (Saunders et al., 2019: 178). Quantitative researchers are inclined to seek explanations and predictions that are easily generalisable. Such researchers intend to recognize relationships between variables and, based on the results, confirm, or adjust existing theories or practices (Leedy & Ormrod, 2020: 113). Therefore, the quantitative research method is best suited for researchers who do not need to interact with participants, but wants to establish causality between variables.

### **1.5.2.2 Qualitative research**

Qualitative research is concerned with *“the meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things”* (Lune & Berg, 2017: 12). Unlike in quantitative research, meaning in this form of research is derived from images and words, instead of from numbers (Saunders et al., 2019: 179). According to authors Leedy and Ormrod (2020: 28), *“Qualitative research involves looking at characteristics, or qualities, that cannot be entirely reduced to numerical values. A qualitative researcher typically aims to examine the many nuances and complexities of a particular phenomenon”*. Authors Saunders et al. (2019: 179) are of the further view that for the

success of the research, qualitative researchers must build an understanding, and be sensitive to the participants, to gain cognitive access to data. According to Leedy and Ormrod, qualitative researchers are more inclined to seek a better understanding of complex situations. Qualitative researchers work exploratory, and they might build theory upon their observations (Leedy & Ormrod, 2020: 113). A qualitative research method is best suitable for researchers that can allocate the time and resources to understand subjective and socially constructed meanings. This type of research is inclined to a more personal interpretation and an in-depth understanding of the phenomenon under study instead of a mere numerical interpretation of the results.

### **1.5.2.3 Conclusion on research methods**

This study will use a quantitative content analysis research design to evaluate the implementation of Corporate Governance principles at Sol Plaatje University from 2013 to 2022 to determine its alignment with Corporate Governance. The small sample of 10 Annual Reports is ideally suitable for a quantitative approach. Sol Plaatje University issued its first Annual Report in 2013.

## **1.6 RESEARCH DESIGN**

This study employed a quantitative content analysis approach by analysing existing data from SPU Annual Reports submitted to the Minister of Higher Education, Science, and Innovation, as the research design. SPU Annual Reports will be analysed according to the instrument *“Framework for Corporate Governance Compliance of South African Universities”* designed by Crous (2017: 212–375) to assess Corporate Governance in South African Higher Education Institutions (HEIs). Crous’ framework is based on Reporting Regulations, the King III Report on Corporate Governance in South Africa, the KING IV Report on Corporate Governance for South Africa, international literature, and the Financial Statements of leading international universities (Crous, 2017: 212). The research instrument is discussed in detail in Chapter 3.

## **1.7 EMPIRICAL STUDIES**

The “*Framework for Corporate Governance Compliance of South African Universities,*” designed by (Crous, 2017: 212–375), will be used to analyse SPU’s Annual Reports submitted to the Minister of Higher Education and Training from 2013 to 2022. This period is chosen as SPU issued its first Annual Report in 2013. To date, the number of reports issued is ten. It thus covers the period 2013 to 2022. The 10 Annual Reports for the 2013 to 2022 financial years were analysed against the framework developed in the literature stage of this study.

The period 2013 to 2022 also covers the issuing and implementing of the King III Report from 2014, with the current KING IV Report only implemented in 2017. The Reporting Regulations are still written based on King III. Therefore, SPU’s readiness to apply KING IV will also be verified.

## **1.8 CONCLUSION ON RESEARCH DESIGN**

The research design followed in this study is the analysis of readily available data in the form of SPU Annual Reports submitted to the Minister of Higher Education and Training. The content of the Annual Reports will be analysed based on the framework adopted during the literature review stage of the study.

## **1.9 LIMITATIONS OF THE STUDY**

The study analysed the Annual Reports of SPU, a publicly funded university. Therefore, the results of the study might not be suitable for generalisation to privately funded universities. For this study, only publicly available SPU Annual Reports were analysed. Publicly available Annual Reports might vary from the documents submitted to the Minister due to the protection of sensitive information. The possible variation in the two mentioned Annual Report types might limit the study to obtain a holistic picture of the Corporate Governance issues at SPU. This study only explored the Annual Reports of SPU. Furthermore, only the publicised information was available to the researcher.

## **1.10 PRACTICAL ETHICAL ASPECTS**

Although the SPU Annual Reports for this study are publicly available, care is taken to ensure that SPU does not suffer any reputational damage. For example, SPU will be informed of the intention of the study, and that it is only for academic purposes. The University of the Free State's (UFS) General Human Research Ethics Committee (GHREC), which sets rules and oversees research as guided by the UFS's Senate, is responsible for approving the research proposal and ensuring it follows the highest ethical standards. The study leader has, as a member of the South African Institute of Chartered Accountants (SAICA) and the UFS Ethics Committee, undertaken an oath to observe the highest ethical standards. The researcher is a staff member of SPU, where he is contractually obliged to act professionally, and act in the best interest of SPU. The researcher is, therefore, inclined to gather data responsibly and manage it with care.

## **1.11 OVERVIEW OF THE STRUCTURE OF THE STUDY**

The study is structured as follows:

Chapter 1: This chapter outlines the introduction and background of the study to the reader. Secondly, the study objectives were identified. Lastly, the chapter ends with an outline of the succeeding chapters.

Chapter 2: The detailed discussion on Corporate Governance and its implementation in Higher Education constitutes the literature review.

Chapter 3: This chapter focuses on the research method, and research design followed in the study. The study uses a quantitative content analysis research approach. The chapter also outlines the sampling method and the data-gathering technique utilised in this study.

Chapter 4: In this chapter, the researcher undertakes an analysis and interpretation of the collected data. In this chapter, the study's key findings are identified.

Chapter 5: The concluding chapter summarises the study. The chapter outlines the study's key findings and recommendations, as well as the conclusions drawn, in line with the research objectives and research questions expressed in Chapter 1, Section 1.4.

## **1.12 SIGNIFICANCE OF THE PROPOSED RESEARCH**

Given the reported cases of Corporate Governance collapse at universities together with the placing of several universities under administration over the years, student and labour unrest at universities, and reported challenges to disburse student allowances on the part of NSFAS, this research will contribute to the debate on Corporate Governance implementation at higher education institutions. Previously, the extent of Corporate Governance implementation at SPU has been understudied. For instance, no comprehensive study with a single focus on implementing Corporate Governance at SPU was identified during this study. There are no media references to the collapse in Corporate Governance, equally. Additionally, there seems to be little scholarly work on the implementation of Corporate Governance at SPU, or lack thereof.

Considering the above, this study will therefore evaluate the current Corporate Governance practices at SPU to prevent similar future challenges at the institution that collapsed other higher education institutions in South Africa. The new and emerging university, SPU, will therefore be able to avoid the mistakes made by universities that experienced, or are still experiencing, Corporate Governance challenges.

Good governance is a prerequisite for a flourishing and sustainable university. Through good governance, and thus observing Corporate Governance principles, such as accountability and transparency, a university can arrive at better decision-making, better relate with its stakeholders, prosper and maintain sustainability (Rathod, 2020: para 8).

## **1.13 CHAPTER CONCLUSION**

Corporate Governance is proving to be a challenge amongst South African universities. The Corporate Governance challenge in universities is evident from the substantial number of universities investigated or placed under administration over the years. SPU is

a new university with no reported cases of Corporate Governance collapse. However, given the mentioned cases of Corporate Governance collapses, the author believes the university is not exempted from the likelihood of Corporate Governance challenges. This chapter provided a structure for the study. It outlined the background to the problem and contextualised the research topic. Motivation for further research on applying Corporate Governance principles to universities, particularly SPU, was made. The chapter explained the research method and design used. Lastly, the limitations and ethical considerations were discussed. The next chapter, Chapter 2 of this study, will review Corporate Governance literature in detail.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 INTRODUCTION**

Chapter One presented the background and the problem statement of the research study. Issues around the collapse of Corporate Governance in institutions of higher learning in South Africa were discussed. It was discussed that due to limited public funding available, institutions of higher learning had been constantly under pressure to develop Corporate Governance practices to remain afloat in today's business environment.

Chapter Two will first define Governance and Corporate Governance; secondly, the chapter will provide a historical context of Corporate Governance; and thirdly, this chapter discusses five Corporate Governance theories. Fourth, stakeholders in higher education are briefly explained. Fifth, this chapter explains the introduction of Corporate Governance in South Africa. Subsequently, the chapter provides an overview of implementing Corporate Governance into the South African Higher Education system. A discussion on International best practices in Higher Education governance follows the discussion on Corporate Governance in South African Higher Education. Lastly, given the reviewed literature, the framework for this study is outlined.

## 2.2 DEFINING GOVERNANCE AND CORPORATE GOVERNANCE

The term Corporate Governance is essential to this study. It is used interchangeably with governance. Section 2.2 of this chapter will focus on defining both terms and outlining the definition of Corporate Governance used throughout this study.

### 2.2.1 Defining Governance

The word governance has its origin in the Greek and Latin language, which meant control, guidance, and manipulation. However, the meaning has since overlapped with the word government, used to refer to administrative and political activities related to public affairs (Keping, 2018: 1) . Governance is derived from the word *govern*, and it means to control the actions of a group for the benefit of the whole. In the business world, governance is overseen by the Board of Directors, who establish documents like company by-laws and create significant policies to govern how the organisation does business, Policies are also implemented that specifically restrict or direct how people can act (Staff Writer, 2020: para.3).

The focus of governance is the creation of suitable conditions for orderly rule and collective action (Stoker, 1998: 15). Governance is the exercise of authority to bring about order and address the public's needs. Governance serves to maximise public interest by steering and regulating the activities of citizens, using the power of different systems and relations (Keping, 2018: 3). Governance involves balancing the powers of various members within an organisation, holding the members accountable while at the same time addressing legitimate needs, interests, and expectations of stakeholder for the better good of the organisation (Skae, 2017: para.4). According to Pelizzo (2018: 10) Governance is also the *“absence of corruption, good administration, and impartiality.”* Stoker (1998: 16) summarises governance into the following five propositions:

- a) Governance refers to a collection of institutions and actors derived from, and beyond, government.
- b) Governance identifies the blurring of boundaries and the responsibility for addressing social and economic issues.

- c) Governance identifies the power dependence in relations between institutions engaged in collective action.
- d) Governance is about self-governing networks of actors; and
- e) Governance recognises that the capacity to execute operations is not dependent on the government to command or use its authority. However, it sees government as able to use new tools and techniques to steer and guide.

## 2.2.2 Defining Corporate Governance

In their seminal work on Corporate Governance, Shleifer and Vishny (1997: 773) suggest that Corporate Governance addresses the agency problem, because it is concerned with reassuring institutional investors of their return on investment. Based on the perspective of the Agency Theory, Corporate Governance is a *“set of instruments that owners deploy to ensure that the company is managed according to their interests”* (Redondo & Bilbao, 2018: 283). In this case, owners ensure that their interests are served by the Manager rather than the Managers being self-serving at the owners' expense. Redondo and Bilbao (2018: 283) further point out that the Agency Theory conceptualisation of Corporate Governance was once universally accepted. At some stage, organisations were primarily focused on how conflict is resolved between the management of an organisation and its shareholders; at the neglect of other stakeholders (Brennan & Solomon, 2008: 2). Jones and Pollitt (2004:167) support Brennan and Solomon's argument, confirming that significant efforts in organisations are made and focused on the protection and enhancement of shareholders' interests (Jones & Pollitt, 2003: 167).

The Cadbury Report (The Cadbury Committee, 1992: 17) and the King I Report (IODSA, 1994: 1) define Corporate Governance as *“the system by which companies are directed and controlled”* However, this explanation is characterised as being too simple and relatively devoid of nuance (Thabane & Snyman Van Deventer, 2018: 3). According to Singh, Tabassum, Darwish and Batsakis (2018: 171) Corporate Governance refers to the mechanism by which a company is controlled and run by its CEO, Board of Directors and Senior Management. Crous (2017: 17) defines Corporate Governance as *“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.”* Corporate Governance is defined differently across study disciplines, such as economics, business management, and law. These different definitions make the studying of Corporate Governance challenging (Redondo & Bilbao, 2018: 283). For this study, the KING IV Report definition is used. The KING IV Report defines Corporate Governance as *“the exercise of ethical and effective leadership by the governing body toward the achievement of the following governance outcomes; Ethical culture, Good performance, Effective control, [and] legitimacy”* (IODSA, 2016: 11).

### **2.3 THE HISTORICAL OVERVIEW OF CORPORATE GOVERNANCE**

Although the first Corporate Governance guidelines were released in the 1990s, Corporate Governance challenges have always been a common feature in business (van Zyl & Mans-Kemp, 2020: 2). Corporate Governance was studied and considered a part of the business management discipline from the 1970s. However, the release of the Cadbury Report in 1992 was a turning point in Corporate Governance (Redondo & Bilbao, 2018: 283). These authors believe that the Cadbury Report exposed inadequate Corporate Governance practices, which led society to demand stricter control on how organisations are managed, resulting in more scholarly work on Corporate Governance. The Cadbury Report provided a global benchmark against which standards of Corporate Governance could be measured. Another critical turning point in Corporate Governance came from the world’s financial crisis in 2008. Despite strides made to develop Corporate Governance in the 1990s, the world’s financial crisis of 2008 exposed shortfalls in Corporate Governance (VAN Zyl & Mans-Kemp, 2020: 2). The negative effect of the global economic recession of 2008 resulted in the improved focus on further developing Corporate Governance globally. Countries started to develop country-specific interventions, as the *“one size fits all approach was no longer practical”* (VAN Zyl & Mans-Kemp, 2020: 2). During the world’s financial crisis of 2008 and the subsequent period, the term Corporate Governance transformed to be used more to investigate matters related to managerial accountability, board composition, and shareholder participation in public

companies (Cheffins, 2013: 22). The development of Corporate Governance is also evident in the development of Corporate Governance theories, discussed below.

## **2.4. CORPORATE GOVERNANCE THEORIES**

### **2.4.1 Agency Theory**

The Agency Theory emerged as an economic theory by Alchain and Demsetz in 1972. Since the Agency Theory originated from the economic theory, it has been used in other sectors such as economics, politics, finance, and marketing (Madhani, 2019: 11). The Agency Theory can be defined as a theory that aligns the attentiveness of owners and managers based on the assumption that there is an intrinsic conflict between owners of businesses and management (Madhani, 2019: 11). The Agency Theory deals with the obligatory relationships between two or more people. There is an engagement between one person, referred to as the agent, who engages with another, called the principal, to perform services on behalf of each other (Chowdhury, 2021: 5). An agency relationship exists when a principal, through a contract, delegates duties and decision-making authority to an agent. If the principal and agent are utility maximisers, the agent will most likely not act in the principal (Jensen & Meckling, 1976: 308). Utility maximisation implies that individuals and organisations seek to achieve the highest satisfaction level from their economic decisions (Corporate Finance Institute (CFI), 2023: para.2). Agency Theory seeks to resolve two problems in the agency relationship, namely: the conflicting interests of the principal and the agent, and the complex and costly exercise a principal undergoes to determine precisely what an agent is doing (Eisenhardt, 1989: 58). For the survival of any organisation, it is essential that agency problems are controlled (Fama & Jensen, 1983: 327). Agency problems arise because the writing and enforcement of contracts involve costs. According to Jensen and Meckling (1976), *“Agency costs include the costs of structuring, monitoring and bonding a set of contracts among agents with conflicting interests, plus the residual loss incurred because the cost of full enforcement of contracts exceeds the benefits”* (Jensen & Meckling, 1976: 308). Key assumptions in Agency Theory are (a) the self-interest of parties to the agency relationship, (b) information asymmetry, (c) the commodification of information, (d) risk aversion, (e) the bounded

rationality of decision-makers, and (f) the eminence of efficiency (Eisenhardt, 1989: 58). Given these assumptions of Agency Theory, the theory focusses on determining the most efficient contract to govern the relationship between the principal and the agent (Eisenhardt, 1989: 58).

Information asymmetry is at the center of the problem in the agent and principal relationship because it causes a conflict of interest (Awolowo, Garrow, Clark & Chan, 2018: 8). Information asymmetry is the disproportionate information between two parties in a contract. When one party has more information and material knowledge than the other, the imbalances empower the party with more information to have a competitive advantage (Wigmore, 2016: para.2). The authors argue that agents, motivated by their self-interests, self-preservation, and aided by the information advantage they have over principals, tend to manipulate information to maximise their interest (Awolowo et al., 2018: 8). Parker, Dressel, Chevers and Zeppetella (2018: 7) agree that the party with the information advantage can opportunistically operate with self-interest against the interests of the other party. Principals are not able to supervise the work of agents regularly, thus disempowering them to know the truth around important business decisions taken by agents. Agents tend to use their advantage over information to take profit maximisation decisions in the best interest of their wealth acquisition, leading to ethical risks and decision-making conflicts (Huu Nguyen, Thuy Doan and Ha Nguyen, 2020: 3). The authors argue that conflict can be reduced through clear communication and Corporate Policy that ensure increased control of the shareholder over an organisation's Board of Directors (Huu Nguyen et al., 2020: 3). Through investing in information systems that can clearly outline the agent's behavior, organisations can control agent opportunism (Eisenhardt, 1989: 58). Solutions to the reduction of the agency problem lie within the supervisory and management systems of an organisation (Huu Nguyen et al., 2020: 1). Huu Nguyen et al. (2020:3) argue that *“the mechanisms of accountability, transparency, and accountability through supervision and oversight, best practice of corporate governance can increase the communication and trust of shareholders to managers. It means that understanding this mechanism can help reduce the agency problem between owners and managers”*.

Some of the mechanisms used to align the interests of the principal and agent include good remuneration packages and share options. However, Awolowo et al., (2018: 6) argue that mechanisms to align principal and agents' interests have proven ineffective given various financial scandals in the past. Examples are Olympus in Japan and Enron in America. The authors argue that an external audit is the best mechanism for measuring and controlling agent behavior. It aligns the interests of agents with those of the principal and thus strengthens trust (Awolowo et al., 2018: 6). To bridge the information gap through control, oversight, and monitoring functions of audit committees, high-quality information is disseminated. For example, in South Africa, Audit Committees play an essential role to ensure high-quality information is given to shareholders (Raimo, Vitolla, Marrone and Rubino, 2021: 523). In the agency relationship, an external audit helps to ensure that the records of an organisation are a true reflection of its state of affairs by investigating and detecting errors and fraud; thus safeguarding the principal's interest. Second, an external audit fulfills an attestation role by ensuring that the principals know that their organisations are involved and that their investment will generate good returns (Awolowo et al., 2018: 7–8). Financial professionals forming part of the Audit Committee improve the committee's supervisory and monitoring capabilities and create a favourable context for transparency-oriented disclosure processes (Raimo et al., 2021: 526). Awolowo et al. (2018: 7–8) propose forensic auditing to enhance trust within the agency relationship. The authors argue that an external audit uniquely links the principal and the agent. External audits ensure that agent records are error-free, accounts are valid, detect fraud, and assure the principal that their investment is safe. The subsequent theory to be discussed below is the Stewardship Theory.

#### **2.4.2 The Stewardship Theory**

Stewardship Theory emphasises trust as an essential pillar in the relationship between the management of an organisation and its stakeholders. The Stewardship Theory predicts that managers are trustworthy to the extent that they act as excellent stewards of the management responsibilities bestowed on them (Madhani, 2019: 9). According to Madhani (2019:9), the Stewardship Theory aims to reduce the agency costs associated with the Agency Theory by ensuring that the roles of a Chief Executive Officer (CEO) and

Chairperson of an organisation are similar. Thereby harmony between the other stakeholders of the organisation is ensured. The Stewardship Theory is based on two assumptions: that the agency costs are minimised and that the senior management of an organisation is trustworthy by nature (Gaur, Bathula & Singh, 2015: 912). The subsequent theory to be discussed below is the Shareholder Theory.

### **2.4.3 The Shareholder Theory**

The Shareholder Theory is founded on the fundamentals that the main reason for the existence of any business is to make a profit and to ensure that shareholders' dividends are maximised, because they are the sole owners of the business (Bello & Mustapha Abu, 2021: 112). The Shareholder Theory emphasises managers as agents employed by the shareholders of the business to maximise the profits (Vargas-Hernandez & Gonzalez, 2017: 45). The Shareholder Theory, however, faced many critics as it only caters to the owners of the organisations' interests, which is to increase shareholder value (Bello & Mustapha Abu, 2021: 112). This caused several issues, such as false reporting on the business's financials by the managers due to the extreme pressure on them to maximise shareholder value (CFI Team, 2021: paras.6–10).

### **2.4.4 The Enlightened Shareholder Theory**

Based on the Shareholder Theory, the business environment is viewed as a body of shareholders with the board's obligatory responsibilities leaning towards the shareholders (O'Connell & Ward, 2020: 6). This means that the shareholders of the business are only interested in the financial returns of the business. However, the Enlightened Shareholder Theory with its value approach is more concerned with long-term value creation, where other business stakeholders are also considered in the shareholder value maximisation process. The group of people with interests in the affairs, or those having a stake in the business operations, are also deemed necessary; even though the shareholder interests are predominant (O'Connell & Ward, 2020: 6).

## 2.4.5 The Stakeholder Theory

The Agency Theory and Stewardship Theory, as discussed in Sections 2.4.1 and 2.4.2, fail to identify, and manage stakeholders involved in governance. The stated theories emphasise “*the importance of directors, their networks, behavior, and ability to secure resources*” (Crous, 2017: 64). Freeman, Phillips and Sisodia (2018: 7) argues that what sets Stakeholder Theory apart from the mentioned theories, is that the Stakeholders Theory emphasises the centrality of human actors and their interaction in value creation and trade within a world of turbulence. Therefore, Stakeholder Theory is based on a humanistic conception of business because it views human values, ethics, and norms as essential instruments for the effective and efficient running, as well as the sustainability, of organisations (Freeman et al., 2018: 7).

An organisation involves a series of relationships between an organisation’s management, its stakeholders as well as its shareholders. Stakeholders are a group of people who have a specific involvement or stake in the affairs of a business entity (Bello & Mustapha Abu, 2021: 95). Edward Freeman’s seminal work, *Strategic Management: A Stakeholder Approach* (1984), is widely credited as an important contribution to the stakeholder approach (Tao, Wu & Zhao 2022: 1; Freeman et al., 2021: 1758; Mhlanga & Moloji, 2020: 356; Saleem et al., 2020: 2; Valentinov et al., 2019: 2; Richter & Dow, 2017: 428). Several authors view an organisation as a collection of internal and external groups that affect, and can be affected, by the success of an organisation (Richter & Dow, 2017: 1758; Freeman, 1984: 46). According to Barney & Harrison (2020: 20), “*Stakeholder theory pertains to relationships with multiple stakeholders*”. With the development of the Stakeholder Theory and the growing interrogation of the *stakeholder* concept across disciplines, the definition of stakeholder is likely to change (Miles, 2017: 9).

Hörisch, Schaltegger and Freeman (2020: 3), posit that Stakeholder Theory has four core ideas, namely:

- a) Organisations are constituted of networks of associations (relationships) between diverse stakeholders.

- b) The important duty of a manager is value-creation for stakeholders by aligning the interests of diverse stakeholders into mutual interests, instead of choosing between conflicting interests.
- c) The integration thesis, which implies that ethics and business are not two separate constructs, but the two are integrated aspects of the business to create value; and that
- d) Organisations are established around a specific purpose based around which stakeholders cooperate; which goes beyond profit making.

The Stakeholder Theory presented a new view in capitalism that emphasises the interrelated relationship between the organisation and those who have a stake in it, such as investors, customers, employees, suppliers, and the community (Mhlanga & Moloji, 2020: 364). Stakeholder Theory presents a large body of knowledge that explains how the interests of diverse stakeholders can simultaneously be considered (de Gooyert, Rouwette, van Kranenburg & Freeman, 2017: 402). The Stakeholder Theory explains that the role of management in an organisation stretches beyond the revenue generation and profitability of a business. It also entails the consideration of the other groups of people who have a stake in the affairs of the business (Mhlanga & Moloji, 2020: 364; Kusi et al., 2018: 272; de Gooyert et al., 2017: 402; Richter & Dow, 2017: 430; Cordeiro & Tewari, 2015: 833). Contrary to the Shareholder Theory, which places supremacy on shareholders as owners of the business, and that prioritises the needs of investors, suppliers, employees, and customers, the Stakeholder Theory expands the parties that are important to the organisation. This theory includes communities, the public, government bodies, political groups and even competitors (Saleem et al., 2020: 2).

Barney and Harrison (2020:203-204) state that there are differing views on the usefulness of the Stakeholder Theory, namely whether it addresses the critical issues or not. However, the authors argue that even if the Stakeholder Theory addressed all vital issues, the general applicability of the theory would still not be advisable. Barney and Harrison (2020:203) further believe that, despite the Stakeholder Theory being used to guide

business decisions and public policy, there has yet to be consensus that the theory can be generally applicable.

Despite the differing interests of diverse stakeholders and their various information needs, they share an interest in corporate reporting (Hörisch et al., 2020: 7). Communication to stakeholders must not only report, but also integrate various interactive platforms that allows them to participate and share their views. Diverse communication forms, aids organisations and their stakeholder in the making of transparent and informed decisions; thereby improving value creation (Hörisch et al., 2020: 7). The importance of stakeholder participation in the organisation's decision-making is receiving more attention (de Gooyert et al., 2017: 402). The information to stakeholders must be contextual, not ambiguous, and clear to interpret. Stakeholders must understand the consequences that the information has on society, the organisation, and the stakeholders (Hörisch et al., 2020: 7).

Authors Donaldson and Preston (1995: 66–67) and Jones et al., (2018: 371) described Stakeholder Theory to be divided into three interrelated, yet distinct theoretical approaches: a descriptive-, an instrumental-, and a normative approach. The descriptive approach explains the organisation's and stakeholders' interaction in balancing competing interests (Richter & Dow, 2017: 428; de Colle, 2005: 303). The instrumental approach focuses on the anticipated proceeds that an organisation can earn because of the consideration of stakeholders (de Gooyert et al., 2017: 403). Lastly, the normative approach emphasises the intrinsic value derived from considering stakeholders (de Gooyert et al., 2017: 403). The Normative approach prescribes an ethical obligation for organisations to respond to legitimate claims of stakeholders irrespective of the consequences to the organisation (de Colle, 2005: 303; Donaldson & Preston, 1995: 67). Thus, the Normative approach forms the theoretical and ethical foundations of the Stakeholder Theory (Tao et al., 2022: 3).

Given the different approaches of stakeholders, such as instrumental, descriptive, and normative, the Stakeholder Theory has been contested if it qualifies as a theory since its inception or not (Freeman et al., 2021: 1759; Freeman et al., 2020: 6; Richter & Dow,

2017: 428). The contestation of the theory led Barney and Harrison (2020: 209) in their article *“Stakeholder Theory at the Crossroads”* to conclude that the competing perspectives, challenges, numerous questions with few answers regarding the Stakeholder Theory, requires further research into the field. Stakeholder topics have thus gained more impetus in various disciplines.

Since this study is premised on the Stakeholder Theory, Section 2.5 will identify and discuss the main stakeholders in Higher Education Institutions to structure the discussion on their role in the Corporate Governance of their institutions.

## **2.5 STAKEHOLDERS IN HIGHER EDUCATION INSTITUTIONS**

Higher Education Institutions, like other organisations, have interest groups. According to Savga, Krykliy and Kyrychenko (2018: 32), modern universities are at the center of contesting interests from different stakeholders. Hickman and Akdere (2017: 108) agree with the view as postulated by Savga et al., (2018: 32) and are of the further opinion that an increased stakeholder voice and the inclusion of stakeholders in institutions of Higher Education ensure genuine value for students, faculty communities and society (Hickman & Akdere, 2017: 108). Stakeholder management in Higher Education requires wide-ranging negotiation skills, prioritisation, and a clear vision to ensure a healthy Higher Education sector capable of delivering on the Academic Project (CHE, 2016b: 38).

Stakeholders in Higher Education have been identified as students, staff, alumni, administrators, accrediting agencies, legislators, parents, part-time faculty, Higher Education councils, and coordinating boards (Bejou & Bejou, 2016: 55). These stakeholders are divided into two main groups, namely internal and external stakeholders (Labanauskis & Ginevičius, 2017: 69). Internal stakeholders include students, student leaders, and labour unions based within the university (Sebola, 2017: 187). Students are an important stakeholder group that needs to be resourced to play a meaningful role in Higher Education. For instance, in England and Wales, it is a requirement for the governing body to take reasonable steps to ensure the Students’ Union operates democratically, fair, and to be accountable for its finances (CUC, 2001: 38). In Denmark, business organisations, like the Confederation of Danish Industry, individual large

businesses, and local authorities are players in the Higher Education space. Their emphasis is on the importance of Higher Education Institutions for the economic and cultural development of different regions. Higher Institutions Rectors organise themselves through Rector's Conferences to engage the government, a leading funder of Higher Education. International actors are also present in the policy space as Denmark, as European Union (EU) member, is part of many International Higher Education Agreements (Rasmussen, 2019: 90–91). In South Africa's Higher Education System, University Councils are composed of internal and external stakeholders. Internal members in the Council include university staff from some of the staff constituencies they represent (academic, administrative, general, and management) and student/s designated by the SRC. External Council members include not more than five members appointed by the Minister, and other members are drawn from various sectors based on their expertise and knowledge relevant to the governance of public institutions of higher learning (RSA, 1997: 32–34).

## **2.6 CORPORATE GOVERNANCE IN SOUTH AFRICA**

Corporate Governance came to South Africa in 1994 after the establishment of the King I Report (Crous, 2017: 96). South Africa has since issued four Corporate Governance reports: King I in 1994, King II followed in 2002, together with an adjustment in King II, King III was published in 2009, and the latest KING IV, followed suit in 2016. South Africa is a pioneer in Corporate Governance. To substantiate the claim that South Africa has been a pioneer in the Corporate Governance space, Judin, Roberts & Naidoo (2017: 1) point out that *“The release of the fourth King Report on Corporate Governance for South Africa (KING IV), following the wake of King III (2009) and King II (2002), South Africa has undeniably one of the best Corporate Governance frameworks worldwide”*.

South Africa has been mentioned to be the first in the world for its continued leadership in matters related to Corporate Governance (Judin et al., 2017: 1). From 1994 to 2016, King Reports have been offering direction to both listed and unlisted organisations, respectively (VAN Zyl & Mans-Kemp, 2020: 1). The King Report is highly regarded in South Africa and is a listing requirement on the Johannesburg Stock Exchange. It has

also become recognised globally as the leader in Corporate Governance trends and thinking (King, 2020: 125). Moreover, the King Reports have strengthened Corporate Governance in Higher Education in South Africa. For example, in 2007, the Implementation Manual for Annual Reports of Higher Education included disclosure recommendations as per the King II Report, and the 2014 Reporting Regulations for Public Higher Education Institutions were amended to adhere to King III requirements (Crous, 2017: 96). The above-stated developments will be briefly discussed below.

### **2.6.1 King I (1994)**

The issuing of the King I Report in November 1994 was influenced by the publication of the Report of the Committee on the Financial Aspects of Corporate Governance (also known as the Cadbury Report) in the United Kingdom (UK) in 1992. As an initiative of the IODSA, the King Committee was formed and mandated to consider matters beyond what was investigated by the Cadbury Committee to draw up a Code of Ethical Practices for business enterprises in South Africa. Notably, the King Committee was to consider the special circumstances in South Africa at that time (VAN der Merwe, 2020: 140). The basis of King I was, *“While it is of utmost importance that companies operate from a base of integrity, we believe that the focus must be on a participative entrepreneurial approach rather than a dominant one. Similarly, the participation process must not become so dominant that it stifles or obstructs the notion of business risk for reward in a free enterprise system”* (IODSA, 1994: 5; VAN der Merwe, 2020: 141–142). The foundations for the ethics of governance were laid in King I when the King Committee opted for an inclusive stakeholder approach where directors would be expected to act in the organisation’s best interest (Rossouw, 2019: 188–189). Van der Merwe (2020: 142) adds that King I went beyond financial and regulatory aspects of Corporate Governance, as the Report advocated for an integrated approach to good governance in the interests of a broader range of stakeholders. Stakeholders have to adhere to the fundamental principles of sound financial, social, ethical, and environmental practice. Furthermore, King I not only advocated for *“enterprise with integrity,”* but also emphasised society’s expectation of greater accountability from companies regarding their non-financial affairs. Examples are the well-being of organisations’ employees and the environment (VAN der

Merwe, 2020: 140) The support for worker participation in Corporate Governance was a unique feature of King I, which was seen to be very important in South Africa at the time (VAN der Merwe, 2020: 142). However, it also pointed out that corporations should be allowed the flexibility to develop their system of worker participation; whether through workers' committees or at the management, executive committee, or board level (VAN der Merwe, 2020: 142). Involvement and effective communication with all stakeholders are important for Corporate Governance.

Organisations need to be consistent in communicating to all stakeholders, not only shareholders (IODSA, 1994: 17). The importance of the link between a corporation's stakeholders is that it promotes the principle of transparency and helps develop good working relationships (IODSA, 1994: 23). Another unique feature of the King I Report is the call for stakeholders to deal with the organisation in good faith. In the Report, it is stressed that, *"it is the responsibility of all stakeholders to ensure that the company operates morally and ethically. The company can only do so if all its stakeholders operate ethically and morally as it has no mind of its own"* (IODSA, 1994: 26). King I introduced and attached a Code of Ethics to the Report, titled: *"Code of Ethics for Enterprises and All who deal with Enterprises"* (IODSA, 1994: 58–65). The eight-chapter Code of Ethics uses a stakeholder approach to outline the ethical responsibilities of companies' contractual and noncontractual stakeholders. Thus, it presumes that there must be an ethical ecosystem in which all parties affected by, or that can affect the business, have specific ethical responsibilities to the company (Rossouw, 2019: 192). The King I Report was reviewed, and the King Report on Corporate Governance for South Africa, 2002 (King II), was published.

### **2.6.2 King II (2002)**

By 2000, the King Committee saw the need for South African companies to start reporting on sustainability. The need for sustainability reporting was prompted by the guidelines laid down by the Global Reporting Initiative (GRI) (King, 2020: 124). King I was reviewed, and the King Report on Corporate Governance for South Africa (King II) came into effect on 1 March 2002 (VAN der Merwe, 2020: 142). King II recommended sustainability

reports, which became a listing requirement at the Johannesburg Stock Exchange (King, 2020: 124). King II is much more based on principles than King I. They are the following seven principles (van der Merwe, 2020: 142; Crous, 2017: 98; IODSA, 2002: 10–11):

- a) Discipline – *“Corporate discipline is a commitment by a company’s senior management to adhere to behavior that is universally recognized and accepted to be correct and proper. This encompasses a company’s awareness and commitment to the underlying principles of good corporate governance, particularly at the senior management level”* (IODSA, 2002: 10)
- b) 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”* (IODSA, 2002: 10).
- c) 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”* (IODSA, 2002: 10).
- d) 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”* (IODSA, 2002: 10–11).

- e) 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 responsible to the company, it must act responsively to and with responsibility towards all stakeholders of the company”* (IODSA, 2002: 11).
  
- f) 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”* (IODSA, 2002: 11);  
and
  
- g) 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”* (IODSA, 2002: 11).

The commitment of the King Committee to the concept of an inclusive stakeholder approach was carried over to King II. This time it was more reinforced and nuanced than before in articulating commitments to stakeholders (Rossouw, 2019: 189). King II, however, introduced an additional concept, explaining the distinction between accountability and responsibility. The Report explained that in law, the directors are only accountable to the company and responsible to the stakeholders (van der Merwe, 2020: 142; Rossouw, 2019: 189). King II states that *“The stakeholder concept of being accountable to all stakeholders must be rejected for the simple reason that asking boards to be accountable to everyone would result in their being accountable to no one”*(IODSA, 2002: 5). The *inclusive approach* featured prominently in King II and used the concept of the *license to operate to motivate*. This acts as support for an inclusive approach that required organisations to recognise the need for stakeholder participation in the

organisation's strategy formulation. The King Committee viewed the inclusive approach as fundamental to doing business in South Africa and to ensure the success of companies' economic efficiency and broader social objectives (VAN der Merwe, 2020: 142). King II incorporated the concept of *Ubuntu* (loosely translated as African Humanism), an African worldview and culture in the context of governance, which highlighted ideals such as “*spiritual collectiveness over individualism, consensus rather than dissension, humility, co-existence, and ubuntu (humanity) and an inclusive system of consultation*” (VAN der Merwe, 2020: 143). It should be noted that despite the strong focus of the stakeholder-inclusive approach across the King II Report, the code of Corporate Governance, accompanying the Report, did not include a dedicated section on this subject. Instead, it opted to deal specifically with relations with shareowners. However, brief mentioning is made concerning the responsibility to consider company stakeholders' interests as part of its commitment to good corporate citizenship (VAN der Merwe, 2020: 143).

Ethics governance is positioned more prominently and in more detail in King II than in King I (Rossouw, 2019: 193). The sub-chapter on “*Ethical Practices and Organisational Integrity*” (IODSA, 2002: 108–113) formed part of Section 4 of the Report that dealt with “*Integrated Sustainability Reporting*”. This is of symbolic importance, thus not treating ethics as in King I, but positioned in the middle of King II (Rossouw, 2019: 193). A significant departure from the approach adopted by King I was that King II no longer provided a model Code of Ethics as an appendix to the Report. On the contrary, companies were encouraged to develop their Code of Ethics. To help companies in this regard, the King II Report contained an appendix that dealt with *Key decisions in developing a code of ethics* (IODSA, 2002: 239–245; Rossouw, 2019: 193). Furthermore, King II highlighted that a Code of Ethics alone was insufficient to change ethical behavior and culture within a company. A Code of Ethics was one element in a more comprehensive formal ethics program that should have “*both behavioural and structural aspects*” (IODSA, 2002: 108; Rossouw, 2019: 193).

### 2.6.3 King III (2009)

In a meeting between the United Nations Community of Trade and Development (UNCTAD) and the International Federation of Accountants (IFAC) held in 2008, it was resolved that financial reporting was critical. It was, however, not sufficient for directors to fulfill their duty of accountability (King, 2020: 124). Furthermore, the meeting observed that companies were reporting in two silos, with sustainability issues on one side, and the financials on the other. In 2008, the King Committee realised that South African companies ought to move towards integrated reports and change the mindset of Boards from thinking in silos to an integrated basis. Therefore, the King II Report was reviewed, and King III was issued in 2009.

King III recommended integrated thinking and issuing an Integrated Report, which became a listing requirement at the Johannesburg Stock Exchange (JSE) (King, 2020: 124). Integrated reporting of the King III Report, explained that *“while King II explicitly required companies to implement the practice of sustainability reporting as a core aspect of Corporate Governance, King III not only supported this approach but made the case that whereas in the past it was done in addition to financial reporting, it now should be integrated with financial reporting”* (VAN der Merwe, 2020: 143–144).

The Companies Act of 2008, which became effective in 2011, is considered one of the major driving forces behind the iteration of the King II Report and the subsequent publication of the King III Report (Rossouw, 2019: 195). The introduction of King III makes a compelling case for supporting a voluntary approach to governance compliance instead of a statutory approach. It rejects the notion of *comply or else* and a *one size fits all* approach. *Comply or else* is a statutory regime of Corporate Governance. This statutory approach to Corporate Governance means that legal sanctions are imposed for non-compliance with Corporate Governance Codes (IODSA, 2009: 6). Instead, King III adopted the *apply or explain* approach to governance (VAN der Merwe, 2020: 143). The *apply or explain* approach means that should a Board of Directors take a decision that, to follow a recommendation would not, in a particular circumstance, be in the best interest of the organisation, they may apply a different practice or apply the recommendation

differently. This is provided that the adopted practice will still achieve the objective of the overarching principles of fairness, accountability, responsibility, and transparency. The *apply or explain* approach also means that the Board will explain the need for such a deviation in that case, detailing how the principles and recommendations were applied and what the results were (Cambridge Strategy Group, 2023: para.2; IODSA, 2009: 7). Despite the compelling case to support the voluntary approach, King III explained the direct link between governance and law. One example is that some of King II's recommendations were incorporated into the new Companies Act of 2008 (VAN der Merwe, 2020: 143). In addition, considering Directors' fiduciary duties and duty of care, skill, and diligence, they would be well advised not to ignore governance practices that were established in the marketplace. The reason is this could potentially result in a court of law concluding that this was evidence of failure to uphold the required standard of conduct for a Director (VAN der Merwe, 2020: 143).

The philosophy of King III centers around leadership, sustainability, and corporate citizenship. The Report builds upon the idea that good governance is about effective leadership, and sustainability was the twenty-first century's fundamental moral and economic imperative. It additionally points out that as a legal entity, a company, must operate sustainably and that sustainability considerations were rooted in the South African Constitution (van der Merwe, 2020: 143). Even though the notion of corporate citizenship was mentioned in King I and King II, King III was the first of the King Reports to raise corporate citizenship to the status of a governance principle (Rossouw, 2019: 194). King III elaborates in detail on the concept of sustainability, highlighting international and local developments in this area. It also shows the need for integration of social, environmental, and economic issues and, following the example of its predecessors, on an inclusive stakeholder approach (VAN der Merwe, 2020: 143). Under the principle of corporate citizenship, King III emphasises that companies are always affected by the triple context of the economy, society, and natural environment in which they operate. In turn, the operations of the companies also impact the very same triple context; thus making them co-responsible for the future of this triple context (Rossouw, 2019: 194). Explaining the moral obligation of companies about the triple context, King III posits that: *“Responsible corporate citizenship implies an ethical relationship of responsibility*

*between the company and the society in which it operates*” (IODSA, 2009: 22). Furthermore, King III advises that corporate citizenship should not be about empty slogans or rhetoric but should be about *“tangible reportable programmes and results”* (IODSA, 2009: 24). Therefore, the Board has a strategic, policy and supervisory role regarding the performance of the company as a corporate citizen (Rossouw, 2019: 194). King III includes new concepts and new governance trends, for example, alternative dispute resolution, risk-based internal audit, and information technology governance (VAN der Merwe, 2020: 144). With the introduction of the King III Report, it was for the first time applied to all entities regardless of the manner and form of incorporation or establishment, and whether the entity operated in public, private, or non-profit sectors (VAN der Merwe, 2020: 144).

Another unique characteristic of King III is that the first chapter of its Code dealt with ethical leadership and corporate citizenship, a clear sign of the renewed focus on these critical aspects of good Corporate Governance (van der Merwe, 2020: 144). Contrary to King II, a separate section on managing stakeholder relationships was included in the Code. Herein, the duty of the Board to, not only appreciate that stakeholders’ perceptions affected a company’s reputation, but also to remind the Board that it should strive to achieve the balance between its various stakeholder groupings, in the best interest of the company, is clearly outlined. Like King I, it is noted that transparent and effective communication with stakeholders is crucial for building and maintaining stakeholder trust and confidence (van der Merwe, 2020: 144). The King I and II Reports only made governance recommendations, while King III was the first King Report to introduce governance principles. The first three of the 68 principles in King III addressed issues of ethics. The first principle expressed clearly the ethical dimension of leadership (IODSA, 2009: 20) *“The board should provide effective leadership based on an ethical foundation”* (2009:20). This principle, was in line with what was first mentioned in King I, that Corporate Governance is basically about *enterprise with integrity* (Rossouw, 2019: 193).

#### 2.6.4 KING IV Report (2016)

By 2015 it was clear that, with the adoption of King III, companies used the 75 principles as a checklist, routinely applying or explaining why - due to the regime being “*apply or explain*” (King, 2020: 124). Some of the explanations were absurd. However, an explanation was compliance. King (2020: 124) further observed, that registers filled in to verify whether an organisation adopted King III or not, was completed, not by senior executives but by staff members, It thus become a mindless tick box exercise. Upon deliberations with various stakeholders across sectors, the King Committee concluded that the upcoming iteration of the King Report should be deliberately outcome-based. With a few fundamental differences from its predecessors, the KING IV Report on Corporate Governance for South Africa, 2016 (KING IV) took effect on 1 April 2017 (VAN der Merwe, 2020: 144). The main themes of the latest King Report (KING IV) included ethical leadership, sustainable development, corporate citizenship, stakeholder inclusion, integrated thinking, and integrated reporting (IODSA, 2016: 11). According to the KING IV Report, Corporate Governance is considered a leadership issue that is symbolised by accountability, responsibility, fairness, integrity, transparency, and competence (IODSA, 2016: 11). The King Committee outlined what outcomes an organisation had to show to be regarded as practicing good governance by stakeholders. The Committee resolved on four outcomes, namely: “*Ethical culture with effective leadership; adequate and effective controls with informed oversight; value creation in a sustainable manner; and trust and confidence of the community in which the organisation operated with legitimacy of operations*” (King, 2020: 125 ;van der Merwe, 2020: 144). The Committee decided on sixteen basic principles to be adopted by organisations to achieve these results, and each principle adhered to international best practices, it also recognised that not every organisation would be able to implement those practices. The regime of KING IV became “*apply and explain.*” It was applying the sixteen basic principles for achieving these outcomes and explained practices to reach or seeking to reach those principles. This was a sensible approach, since the Board, in making a business judgment call, was compelled to think about what effect its decision would have on these outcomes (King, 2020: 125;van der Merwe, 2020: 145). The idea behind the “*apply and explain*” regime is that KING IV's principles are universal and applicable to all organisations (VAN der Merwe, 2020: 145).

Despite KING IV still carrying the core messages of enterprise with integrity and stakeholder inclusion, as well as the concepts of balance and voluntary application of governance recommendations, the report does so differently from the previous reports (VAN der Merwe, 2020: 144). The terminology was changed to facilitate the understanding and application of the principles and recommended practices. For example, the *board* was replaced with *governing body* and *director* with *member of the governing body*. *Company* is in most cases replaced with *organisation (sic)* (VAN der Merwe, 2020: 144) The reasoning was for structures, like the Board of Trustees of a trust, or the council of a municipality, and other similar non-company entities, to also relate to aspirations of KING IV with the development of their suitable governance practices (VAN der Merwe, 2020: 144).

To realise this objective of the King Committee, sector supplements were added to guide different kinds of organisations (namely, municipalities, non-profit organisations, retirement funds) in applying KING IV principles within their unique sectors and circumstances (VAN der Merwe, 2020: 144). To help organisations to achieve these outcomes, the principles in King III were scrutinised to identify principles that should be retained as principles and those to be categorised as recommended practices; instead of principles (VAN der Merwe, 2020: 144). This revision led to 16 of the principles in King III to be incorporated in KING IV as principles, while the remainder was incorporated into KING IV's recommendations (Van der Merwe, 2020: 144). Apart from these sixteen principles, there was a seventeenth principle focusing on the responsibility of institutional investors to ensure the practice of good and effective governance in the companies in which they invest (Van der Merwe, 2020: 144).

KING IV followed in the steps of King III by also positioning ethics as the first part of the KING IV Code on Corporate Governance. Compared to King III, in which three out of the 68 principles concentrated explicitly on ethics, KING IV has only 16 generic principles. Still, three out of the 16 principles deals with ethics. This means that a larger portion of the KING IV Code is devoted to ethics, compared to King III (Rossouw, 2019: 194). The main difference between King III and KING IV is that, while King III introduced the ethical values of responsibility, accountability, fairness, and transparency that directors should

follow, KING IV uses the same four terms but names them *characteristics*. KING IV also added two additional characteristics to the list: integrity and competence (Rossouw, 2019: 195). An important message of KING IV is one of sustainable value creation, recognising that challenges such as financial instability, climate change, and ecological overshoot are pertinent. This results in realising that business cannot continue as usual and that dynamics such as social media, disruptive technologies, as well as the increasing expectations and demands from stakeholders, called for a fundamentally different approach (van der Merwe, 2020: 144–145).

Despite integrated thinking and reporting being recommended in King III, there was no guidance on how to write an integrated report. The first framework was developed in South Africa and was used as the blueprint for developing the International Framework issued in December 2013. The South African IRC then adopted the International Framework (King, 2020: 124). KING IV incorporated references for the first-time on the six capitals discussed in the Integrated Reporting Framework, namely financial, manufactured, intellectual, human, social, as well as relationship and natural capital (VAN der Merwe, 2020: 145; IIRC, 2013: 4). This explains the transition from finance capitalism to inclusive capitalism, from the short-term equity markets to long-term, sustainable capital markets, and from siloed reporting to integrated reporting. KING IV notes that, in response to these transitions, leading organisations started to change how they operate regarding stakeholder management, technology, and strategy (VAN der Merwe, 2020: 145). A common thread throughout all the King Reports has been the advocacy for a *stakeholder-inclusive* model. It had the effect of continuously reminding those in the boardroom and management that for an organisation to have a long-term, sustainable future, it had to be managed considering the real and legitimate needs, expectations, and interests of all its stakeholders. Consequently, creating shareholder wealth at the expense of the other stakeholders is not perceived as a sustainable model (VAN der Merwe, 2020: 140). The next section discusses the application of Corporate Governance in the South African Higher Education system.

## **2.7 CORPORATE GOVERNANCE IN THE SOUTH AFRICAN HIGHER EDUCATION**

Globally, there is a lively debate on how public institutions should be run (Integrated reporting org, 2021: 2). The demand for greater transparency has led to several techniques to ensure that stakeholders' needs are met. These techniques include preparing harmonious reports to stakeholders and communicating organisations' financials (Veltri & Silvestri, 2015: 445). South Africa has a robust university governance system, clearly articulated in the Higher Education Act 101 of 1997 (as amended in 2016).

Good Governance is important for the sustainability of Higher Education Institutions. According to DHET (2017: 5) *"The success of a public higher education institution rests, to a large extent, on accountable and effective governance and sound management practices"* (DHET, 2017: 5). The following sections will briefly outline the South African Higher Education Governance model as articulated in key legislation and policy position papers, such as Reporting Regulations (RSA, 2014), the White Paper 3 (DoE, 1997), and the Green Paper (RSA, 1996) as in the Higher Education Act 101 of 1997 (RSA, 1997) (as amended in 2016).

### **2.7.1 South African Public Higher Education Institutions' Reporting Regulations**

In 2003 the DHET issued the first Regulations for Reporting by Public Higher Education Institutions (Reporting Regulations). The second edition of the Reporting Regulations was issued in 2007. The Reporting Regulations prescribe the content and format to be followed by Public Universities in preparation for their Annual Reports (RSA, 2003: 17). The Reporting Regulations serve the purpose of ensuring minimum standards of reporting by governance structures and management of universities in line with International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Practices (GAAP) (RSA, 2003: 17). The following section provides a brief comparison between the 2003 and 2007 Reporting Regulations.

The 2003 and 2007 Reporting Regulations referred to Corporate Governance principles in the King II Report (RSA, 2003: 17; Crous, 2017: 107). Whilst the 2003 Reporting Regulations prescribed that Annual Reports of Universities report on *"Internal*

*administration/operational structures and controls” (Section 3.16)* and Annual Financial Review (RSA, 2003: 31–33), the 2007 revision replaced the latter sections with the following (Crous, 2017: 107):

- a) Statement by the Chief Financial Officer (CFO) and the Chairperson of the Council’s Financial Committee on the Annual Financial Review.
- b) Financial Statements to comply with GAAP.
- c) A disclosure of senior management’s remuneration; and
- d) The use of electronic data to supplement the Annual Report.

The next paragraph will discuss the latest edition of the 2014 Reporting Regulations for Public Higher Education Institutions.

### ***The 2014 Reporting Regulations***

The 2014 Reporting Regulations were published in 2014 for implementation in 2015. The 2014 Reporting Regulations are based on the King III Corporate Governance Principles. The Reporting Regulations points the governance of universities to the Council, which is equated to a Board. The effective management and administration of universities are vested in the Executive Management (RSA, 2014: 14).

Unlike the preceding Regulations, the 2014 Reporting Regulations direct public universities to the following requirements (RSA, 2014: 3):

- (a) Production of a Strategic Plan, which must be updated at least every five years.
- (b) The submission of an Annual Performance Plan (APP) to DHET annually (as provided for in the Regulations), which must be consistent with the Medium-Term Expenditure Framework (MTEF). It has to contain performance targets and be aligned with the Strategic Plan.
- (c) Identification of a core set of indicators to be used in institutional performance.
- (d) The adopting of a mid-year reporting system and submission of a Mid-Year Performance Report as provided for in the Regulations; and

(e) Ensuring the alignment between the Strategic Plan, Annual Performance Plan, Annual Report, budget documents, and Mid-Year Performance report.

According to the 2014 Reporting Regulations, the following content must be included in the Annual Reports of public universities (RSA, 2014: 6–7):

- a) A signed performance report by the Council Chairperson and VC for the preceding calendar and financial year.
- b) A performance report.
- c) A status report on the achievement of objectives according to the institution's Annual Performance Plan (APP) and similarly on the achievement of the Strategic Plan goals.
- d) Reporting of the Council Chairperson, detailing the Council's assessment of the institution's progress in the achievement of goals according to the APP.
- e) The list of Council members and the constituency they presented for the previous year, as well as members serving at the time of the adoption of the report; and an indication of the statute under which members serve.
- f) Council statement on Governance.
- g) Council Statement on Sustainability.
- h) Council Statement on Transformation.
- i) Council Report on Risk Assessment and Management of Risk.
- j) VC's Report on Management and Administration.
- k) Senate Report to Council.
- l) Institutional Forum (IF) Report to Council.
- m) The Finance Executive Manager and the Chairperson of the Financial Results of the Finance Committee's Statement on the financial results.
- n) Audit Committee Statement on its performance of its duties.
- o) Audited Annual Financial Statements, complying with the International Financial Reporting Standards (IFRS).
- p) Consolidated Statements.

- q) Annualised gross remuneration for the Executive Management, disclosed in a note showing the gross remuneration paid to each executive member in their executive capacity and for other services.
- r) The gross remuneration of each Council member paid for duties performed on their official duties.
- s) The Independent Auditor's Report on the Annual Report.
- t) Supplementary information verified by an external auditor; and
- u) Approved minutes for all Council meetings held in the previous 12 months, including their agendas and attendance registers.

In comparing the three Reporting Regulations, the 2014 Regulations are more detailed and comprehensive. The latest Reporting Regulations are based on the King III Corporate Governance Principles (RSA, 2014: 14). The following paragraphs describe the internal governance of South African universities.

The Higher Education Act No 101 of 1997 (as amended in 2016), Chapter 4, Section 26, outlines the South African institutional governance structures as follows:

- University Council.
- Senate.
- A principal.
- Vice principal.
- An SRC.
- Institutional Forum (IF); and
- Any structure considered important as determined by the institutional statute (RSA, 1997: 32).

At the institutional level, the primary accountability is shared between two governing structures: Council and Senate. Council is the highest decision-making body within a university, tasked with the duty to ensure Good Governance (DHET, 2017: 9). Council assumes the role of trustees in the public interest, and Senate is accountable to the Council. This body is responsible for the Academic Project of the university (DHET, 2017: 9). The work of Council and Senate is underpinned by the dual principles of institutional

autonomy and academic freedom (DHET, 2017: 21). Given that Council can not sufficiently represent all internal voices because of its size and composition, the Institutional Forum (IF) was introduced to play an advisory role to Council and broaden institutional participation (DHET, 2017: 22).

The Institutional Forum advises Council on issues affecting an institution, such as race and gender equity issues, senior management appointments, dispute resolution procedures, and the fostering of an institutional culture conducive for teaching, learning, and research based on the promotion of human rights and respect (RSA, 1997: 36). The fourth statutory structure in institutional governance is the SRC, which is an apex decision-making structure in student governance (DHET, 2017: 23). The SRC has jurisdiction over student matters albeit subject to Council and institutional statutes (DHET, 2017: 9). Lastly, the Vice-Chancellor (VC), leading with an Executive Management team, is responsible for the overall management and operational administration of an institution (DHET, 2017: 23).

Even though the governance of universities includes Council members and Executive Management, the latter oversees the relationship between themselves and important stakeholders, such as labour unions, students, and staff. Poor management of internal stakeholders causes disorder and leads internal stakeholders pursuing different interests, which might be to the detriment of institutions (Sebola, 2017: 183). Sebola (2017: 184) is of the opinion that only *“the university management as mandated by the Higher Education Act, 1997 can make internal stakeholders work towards common university goals”* (Sebola, 2017: 184).

## **2. 8 INTERNATIONAL BEST PRACTICE IN HIGHER EDUCATION GOVERNANCE**

### **2.8.1 Internal and External Governance Structures in the United States of America (USA)**

#### ***2.8.1.1 Introduction***

The governance of universities in the United States of America (USA) is varied and complex (Crous, 2017: 141). Given the diversity and complexity of this continent's

university governance structures, this section is therefore limited to a brief discussion of the external governance structures in the USA below. Thereafter an explanation will be given of the internal governance structures of four USA universities, namely, Harvard University, Stanford University, Massachusetts Institute of Technology (MIT), and the University of California Berkeley (UCB). The criteria for choosing these universities were based on the Quacquarelli Symonds (QS) World University Rankings. As such, USA universities forming part of the top 10 World Universities were chosen.

### ***2.8.1.2 External Governance Structures in the United States of America***

Given the complexity of the USA university governance structures, the following models can best explain these diverse structures (Fulton, 2019: 2):

- a) Single, statewide coordinating board/agency.
- b) Single, statewide governing board.
- c) One or more major, systemwide coordinating or governing boards; and
- d) Administrative or service agency.

For a Single-Statewide-Governing-Board model, a single coordinating board and agency are responsible for significant aspects of the state's role with public post-secondary institutions. In some instances, this is also the case with independent colleges (Fulton, 2019: 2). Examples of states with a single coordinating board and agency are Oklahoma, Virginia, Kansas, and Nevada. In Oklahoma, The State Regents for Higher Education is a statewide coordinating board for public institutions, and it has partial authority over independent institutions. The post-secondary structure in Oklahoma includes four-year systems; four- and two-year systems; and four-year multi-campus institutions; all governed by separate boards (Fulton, 2019: 3). Two-year institutions include community colleges, vocational-technical colleges, and career colleges. These two-year institutions offer programs where students can earn an associate degree in two years or a certificate in one year or less (Indeed, 2022: para.4; College Board, 2023: para.11). Associate degrees offered at two-year institutions can provide the basis for further studies at four-

year universities (Hassan, 2021: para.17). Many students choose to study at community colleges with the aim of completing the first two years of prerequisites (Hassan, 2021: para.18). Upon obtaining a transfer degree called “*Associate of Arts,*” or AA, (Intermediate Degree in Art), students can transfer to a four-year institution (Hassan, 2021: paras.17–19). When students transfer the credits accumulated at two-year institutions, they can complete their Bachelor’s degree programs in an additional two or more years (Hassan, 2021: para.24). Additionally, to the associate degree, two-year institutions also award certificates of merit upon completion of shorter technical programs (Hassan, 2021: para.20). Complementary to the two-year institutions that offer associate degrees, four-year institutions are colleges or universities that offer a variety of Bachelor’s degree programs that can be completed in four years. Many institutions also offer Master’s degrees that students can enrol to after their bachelor's degrees (College Board, 2023: para.10; Indeed, 2022: para.6). A Bachelor’s degree is usually obtained by passing a *finals* examination, rather than by the accumulation of course *credits* or hours of classroom study. The quality of work completed in four-year institution courses is assessed by means of a continuous record of marks and grades in a course transcript. Completing a certain number (and selection) of courses with passing grades results in a Bachelor’s degree. The first two years of a student's studies usually comprises of prescribed courses from a broad range of subject areas and some elective courses chosen by the student. In the third and fourth years of study, the student majors in one or two subjects (Britannica, n.d.: para.3). Furthermore, postgraduate students can pursue advanced studies or research from a variety of graduate schools, usually specialised institutions. At these schools, students work toward either a Master’s degree or a Doctoral degree (Britannica, n.d.: para.3). Some states have Boards of Regents. A Board of Regents is a governing body administering a state’s college and university system, and responsible for planning, coordination, and budgeting for public Higher Education (Board of Regents State of Iowa, 2023: para.2; New York State Education Department, 2023: para.2). The Kansas Board of Regents is regarded as a Single- Statewide-Governing-Board. However, it also performs a coordinating role for most public institutions in the education sector. The Regents govern the state’s universities, which have no individual boards. In contrast, the local governing boards oversee coordinated campuses (Fulton,

2019: 3). Lastly, in Nevada, the *“Board of Regents of the Nevada System of Higher Education governs the state’s public four- and two-year institutions,”* which have no local boards, and research institutes (Fulton, 2019: 3). The following paragraph discusses the Single-Statewide-Coordinating-Board-and-Agency model.

Under a Single-Statewide-Coordinating-Board-and-Agency model, one or more coordinating or governing boards oversee the institutions in the major post-secondary system. The states have no single, statewide coordinating, or governing board. Examples of states with one or more major, system-wide coordinating or governing board include Connecticut, Mississippi, and Utah. In Connecticut, the Board of Regents for Higher Education governs a system of state colleges, community colleges, and an online college with no local boards. Public and independent institutions are served by the state of higher education agency (Fulton, 2019: 3–4). In Mississippi, public four-year universities are governed by the Board of Trustees of State Institutions, as they do not have individual boards. The coordinating role for the two-year institutions, which are governed by local boards, is fulfilled by the Mississippi Community College Board (Fulton, 2019: 5). In Utah, the Board of Regents governs public, four-year universities and community colleges. Furthermore, the Utah’s System of Technical Colleges Board of Trustees governs technical institutions. Institutions within both systems have local governing boards (Fulton, 2019: 4).

According to Fulton (2019: 5): *“Higher education administrative agencies oversee various programs and services for institutions across the state. These states also have system-level coordinating or governing boards and governing boards for individual institutions. State postsecondary administrative/service agencies also vary based on whether they are standalone offices or housed within other departments and the types of institutions served, among other distinguishing characteristics”* (Fulton, 2019: 4). State examples with Administrative- or Service Agencies include Arizona, Alaska, Connecticut, New Jersey, and Michigan. States like Delaware, the District of Columbia, Florida, Iowa, New Hampshire, New York, and Pennsylvania have post-secondary divisions within the K-12 education department (Fulton, 2019: 4). The K-12 system represents *“from kindergarten to 12th grade”*. The K-12 system is equivalent to, on average, a school starting age of five

years to completion of Grade 12 at the age of 18 years. The education system follows three stages: elementary school (Grades K–5), middle school (Grades 6–8), and high school (Grades 9–12) (Relocate Editorial, 2017: para.3). Furthermore, all agencies serve public two-year, public four-year, and in some instances, other (for example independent or non-profit, proprietary, online, or speciality) institutions. There are exceptions for the post-secondary divisions in Florida and Iowa, which caters to public, two-year institutions (Fulton, 2019: 4).

To some extent, coordinating boards, governing boards, and administrative or service agencies are defined by their primary responsibilities and authority. But, governing and coordinating boards share similar roles, although these entities have different responsibilities. For example, most governing and coordinating boards approve the Mission of institutions and develop higher education strategic plans at state level. Governing boards, however, typically hire Campus Presidents and determine their compensation contracts (Fulton, 2019: 6). Additionally, these coordinating and governing boards are concerned with system or institutional budgets. Governing boards can approve budget requests and recommend individual or consolidated budgets to legislature and other state policymakers. Even though some have approval authority, Coordinating Boards more commonly review and recommend budgets. In a few instances, Coordinating Boards have a limited, or no role, in the budget process (Fulton, 2019: 6–7). Most Coordinating and Governing boards also review and approve new academic programs that institutions have proposed. Some boards have the authority to only review new academic program requests, or have limited (if any) liability regarding new programs. Lastly, most Governing and Coordinating boards can appoint the leaders of post-secondary agencies or systems (Fulton, 2019: 7). Lastly, in the USA, the state-level boards are not involved in the accreditation processes of academic programs, and the independence of accreditation agencies is regarded as an essential requirement in higher education (Gümüş, 2018: 58). The next section discusses the internal governance structures within the USA.

### ***2.8.1.3 Internal Governance Structures in the United in the United States of America***

Given the diverse nature and complexity of the United States of America's (USA) university governance structures, as discussed earlier, Internal Governance structures will be explained by reviewing these structures of four top global universities based in the USA. These universities are in the top 10 globally in terms of the QS World University Rankings and are Harvard University, Stanford University, MIT, and the UCB (QS Top Universities, 2023: para.5).

**a) *Harvard University***

Harvard University is governed by two governing boards that complement each other. These two governing bodies, namely the Fellow of Harvard College, also known as the Corporation, and the Board of Overseers, perform roles ordinarily associated with a board of trustees (Harvard University, 2023c: para.4). The two governing bodies at Harvard University are essentially leading the strategic direction of the university, responsible for the quality of the Academic Project, and ensuring the university's continued success. The two Harvard governing bodies are explained further in the subsequent paragraphs. Also discussed below is the Office of the Provost, which is responsible for academic activities and policies at university-wide level.

The Harvard Corporation, formally known as the Fellows of Harvard College, is the smallest - and yet most powerful - of the university's two governing bodies (Dixon & Parker, 2017: para.6). For over three centuries, the Corporation constituted of six members, plus the University's President. This was a small board compared to similar boards at other universities (Dixon & Parker, 2017: para.13). The Corporation is the oldest in the Western Hemisphere, and was chartered in 1650. The Corporation now comprises 13 members after the membership size was increased in 2010 (Staff Reporter, 2019: para.30; Harvard University, 2023c: para.5; Dixon & Parker, 2017: para.13). The Corporation is fiducially responsible for the university's financial, academic, and physical resources, the strategic direction and overall well-being (Staff Reporter, 2019: para.30; Harvard University, 2023c: para.5; Dixon & Parker, 2017: para.7). Amongst the important duties of the Corporation, is its influential role in the selection of the University's President. The Presidential Search Committee comprises of the entire Corporation, plus three

members of the Board of Overseers (Dixon & Parker, 2017: paras.18–19). The Corporation entails a mix of prominent academics, business magnets, and lawyers (Dixon & Parker, 2017: para.10). The Corporation members typically meet seven to eight times during the academic year to set the University's agenda (Dixon & Parker, 2017: para.8). The Board of Overseers is the largest of the two governing bodies (Harvard University, 2023c: 8).

The Board of Overseers is Harvard's larger - yet less powerful - governing body (Dixon & Parker, 2017: para.10). Holders of Harvard degrees elect the Board of Overseers (Staff Reporter, 2019: para.30) which was established in 1642. The Board of Overseers comprises of 30 Harvard University alumni (Harvard University, 2023c: para.8; Dixon & Parker, 2017: para.17).

The Board meets five times annually for plenary and committee meetings, in addition to the time Overseers dedicate to other Harvard services (Harvard University, 2023a: para.3). The plenary sessions handle reports from standing committees and involve deliberations with the University's President on critical issues and challenges. The common focus of plenary sessions is prominent topics on the university's agenda, namely areas such as innovation in teaching, learning, and research. The focus is on the university academic programs, and efforts to enhance connections across the different university schools, together with intensifying Harvard programs' beneficial impact globally (Harvard University, 2023a: para.3).

The essential duties of the Board of Overseers include directing the visitation process. The visitation process is a periodic external assessment of Harvard's schools and departments, where the quality of their programs is probed for quality assurance. The visitation process is critical to the periodic external assessment of the University's schools and departments to ensure they stay true to the University's charter (Harvard University, 2023c: para.9; Dixon & Parker, 2017: para.17; Harvard University, 2023a: para.2). The Board of Overseers operates through fifty visiting committees that report to, and are overseen by, the Board of Overseers (Harvard University, 2023a: para.2). Once visiting committees completed their work, the findings are reported to the Corporation. Thereafter

the two bodies convene a joint session (Dixon & Parker, 2017: para.17). The Board of Overseers has the authority to decide on certain issues, for example, the election of Corporation members (Harvard University, 2023a: para.3). Furthermore, the Board also advises the university's management on strategic initiatives, plans, and priorities (Harvard University, 2023c: para.9).

In addition to the two governing bodies, the Corporation and the Board of Overseers, Harvard University has a Provost who serves as the University's Chief Academic Officer. The Provost works jointly with the University's President in overseeing educational policies and all academic-related issues at the University. Examples are fostering collaboration amongst university faculties, building a diverse pool of scholars, advancement of innovation in teaching, learning, and research, and ensuring the university profits from its intellectual property (Harvard University, 2023b: para.2).

Harvard's Annual Reports are limited in reporting on the internal governance structure. The lack of disclosure regarding governance structures and details of the skills and qualifications of members of committees makes it difficult to determine the effectiveness and independence of committees (Crous, 2017: 152). However, Crous (2017: 152) argues that despite this difficulty, Harvard University has been highly successful over the years. Harvard University's success is attributed to the composition of the Corporation, which comprises Alumni and independent external Board members, compliance with and successfully implementing independence requirements in terms of Corporate Governance (Crous, 2017: 152).

#### **b) *Stanford University***

Under the laws of the State of California, Stanford University is registered as a trust with corporate powers (Stanford University, 2023: para.2). The University's Founding Grant stipulates that the custodian of the University is its Board of Trustees, which is responsible for managing the University's endowment and all its properties. The Board comprises a maximum of thirty-eight members, including the University's President, who serves as *ex officio* with a vote (Stanford University, 2022: para.43). The Board of Trustees sets annual budgets, administers invested funds, determines policies for the operation and control of

the University, as well as appoints the University's President (Stanford University, 2023: para.3). In addition to the Board of Trustees, Stanford University's governance comprises of a President, Provost, Academic Council, and several other academic and administrative officers (Stanford University, n.d.: para.2). The mentioned governance structures are discussed in the following paragraphs.

Stanford University has a President, as well as a Provost. The President has the power to determine the duties of the University's professors and teachers, prescribing and enforcing the course of study, the mode and manner of teaching (Stanford University, 2022: para.46). The President has a number of delegated powers from the Board of Trustees, such as the responsibility for the management of the University's financial and business affairs, including its operations and assets (Stanford University, 2022: para.47). The Provost is the University's Chief Academic and Budget Officer and administers academic programs and services across the University (buildings, libraries and information resources, and student affairs) (Stanford University, 2022: para.51). The Senate of the Academic Council further supports the Board of Trustees, President, and Provost on academic matters.

Stanford University Senate of the Academic Council is responsible for the University's academic and research policy (Stanford University, n.d.: para.2). The Senate comprises of fifty-five members of the Academic Council. They have the deliberative and legislative functions, power, and responsibility for the academic administration of Stanford University, subject to the limitations of the Board of Trustees (Stanford University, 2022: para.85). The Academic Council's work is partly performed through seven standing Academic Council Committees. Agenda items are diverted through the relevant standing Committees before reaching Senate (Stanford University, n.d.: para.2). Amongst others, the work of the committees includes (Stanford University, n.d.: para.3):

- The reviewal of undergraduate and postgraduate programs.
- Setting up research policies.
- Admission standards and policies for undergraduates.
- Undergraduates and postgraduates' academic policies.

- IT security and infrastructure; and
- Exceptions to the academic policies.

**c) *Massachusetts Institute of Technology (MIT)***

The senior leadership of the Massachusetts Institute of Technology (MIT) comprises of a President as its Chief Executive Officer, a Chancellor, and a Provost (MIT, n.d.: para.2). The Chancellor has the responsibility of oversight over admissions, teaching, and learning, student support, and residential life. The Chancellor also leads in strategic planning, faculty appointments, resource development, and campus planning activities (Dizikes, 2021: para.6; Academic Gates, 2021: para.2). The Provost serves as MIT's chief academic and budget officer. The Provost oversees deans of schools and the college, serves on several committees, academic units, Institute Boards, and directs the Provost's Office team (MIT, n.d.: para.2; Ai, 2022: para.6). The Chancellor and Provost report directly to the President and are both MIT's most senior academic officers (MIT, n.d.: para.2).

A board of trustees governs MIT, called the MIT Corporation. The Corporation has a fiduciary responsibility to ensure the institution remains true to its chartered purpose and its integrity and financial resources are preserved. The Corporation and its committees are responsible for guiding the strategic direction, approval of annual budgets, fiducial responsibility, approving the development of new study programs, electing the President, and advising the President when needed (MIT, n.d.: para.2). The Corporation's membership comprises of distinguished leaders in science, engineering, industry, education, and public service, together with an *ex officio*, the President, Chairman, Treasurer, and Secretary of the Corporation. In total, the Corporation comprises seventy-eight active members, which include the Chairman, President, Secretary, and Treasurer of the Corporation; the President of the Alumni/ae Association; and three representatives of the Commonwealth of Massachusetts -- the Governor, Chief Justice, and Secretary of Education (MIT, n.d.: paras.2–3).

The Corporation only meets four times a year, and most of its operations are fulfilled through its committees. The Corporation's standing committees are the Risk and Audit Committee, Executive Committee, Governance and Nominations Committee, and the Development Committee. The composition of these is set out on MIT's website, and responsibilities are detailed in the MIT's By-Laws (MIT, n.d.: paras.2–7).

By-law 14 deals with the Executive Committee members and responsibilities. The Executive Committee comprises of the President, Executive Vice President, the Corporation Chair, the investment management company Chair, the Risk and Audit Committee Chair, and between seven and ten additional members (The MIT Corporation, n.d.: para.2). The Executive Committee is responsible for overseeing the general administration and superintendence of all matters relating to the MIT. This, amongst others, includes the performance of the Institute's administration, the scope and excellence of MIT's educational and research programs; financial planning and investment of the Institute's endowment and other financial assets; MIT's policies, systems, controls for operations, financial reporting, risks and risk management, audits, legal affairs, and compliance (The MIT Corporation, n.d.: para.6).

By-law 15 details the members and responsibilities of the Governance and Nominations Committee. The Governance and Nominations Committee comprises of the Corporation Chair, the President, between five and seven Corporation members, and one emeritus life member of the Corporation (The MIT Corporation, n.d.: para.3). The responsibility of the Governance and Nominations Committee is to ensure that the Corporation operates consistently according to the best governance principles. Its specific responsibilities include the recommendation of the best candidates for election into the Corporation, inviting nominations from the Corporation for all standing committees, recommending candidates for election into standing committees, and filling vacancies in these committees (The MIT Corporation, n.d.: paras.6–10).

By-law 17 details the Corporation Development Committee's (CDC) membership and responsibilities. The CDC comprises of the Chairperson of the Corporation, the President, the Executive Vice President and Treasurer (*ex officio* members). Members of the

Corporation, alumni, or friends of the MIT may be elected by the Corporation. The functions of the CDC are to engage in outreach, as well as to further the purpose and capabilities of the Institute through the procurement of endowment and operational funds (The MIT Corporation, n.d.: para.4).

By-law 18 sets out the membership and responsibilities of the Risk and Audit Committee. The Risk and Audit Committee comprises between five and eight members. Two of the Risk Audit Committee members are representatives of the MIT executive. The rest are selected from the MIT Corporation (The MIT Corporation, n.d.: para.4). The Risk and Audit Committee is responsible for MIT's internal and external auditors, the appointment of public accountants to examine the MIT books, present audit outcomes to the MIT Corporation, ensuring the quality and integrity of MIT financial statements, tax filing, compliance with laws, regulations, and standards of ethical behaviour, as well as risk management (The MIT Corporation, n.d.: para.5). The composition of the Risk Audit Committee brings into question its independence.

**d) *University of California Berkeley***

The University of California is a ten-campus public higher education system governed by a 26-member Board of Regents. The University and its governance are vested in the California State Constitution (University of California, n.d.: para.2). The By-laws, Committee Charters, Standing Orders, and Regents Policies outline the rules and parameters on how the Board, working in collaboration with the President, governs the institution (University of California, n.d.: para.3). All campuses of the University of California are headed by one President, who is responsible for the management of the financial and business operations, as well as supporting the academic and research missions of the University across its campuses (University of California, n.d.: para.8). Each campus has a Chancellor, Vice-Chancellor, Provost, and campus leadership, who are advised and supported by an impartial, external group of advisors known as the Board of Visitors (University of California Berkeley, 2023c: para.2). The Office of the Chancellor has the responsibility of providing organisational, administrative, strategic, and compliance services for the advancement of the Chancellor's vision, core values, and

priorities (University of California Berkeley, 2023d: para.2). The Chancellor is aided by the Board of Visitors (University of California Berkeley, 2023c: para.2). The Board advises on matters concerning opportunities and risks facing the university, the campus' long-term strategy, the shaping and advancement of critical initiatives, the reviewal of significant capital projects, as well as reviewing and consultation on Berkeley's annual operating and capital budgets. The Board of Visitors also engages, on behalf of the University, with donors, policymakers, and the public (University of California Berkeley, 2023c: para.2).

The Chancellor heads the University of the California Berkeley -Campus and is responsible for seven divisions (each is led by a vice-chancellor) (University of California Berkeley, n.d.: para.1). The Executive Vice-Chancellor and Provost follow the Chancellor as next-in-line leadership. The positions of Vice-Chancellor and Provost are occupied by the same person, albeit with different responsibilities (University of California Berkeley, n.d.: para.2).

The Berkeley Division of the Academic Senate represents Berkeley faculty in the shared governance of the University of California. The Regents empower the Academic Senate to make critical decisions, such as determining academic policies, setting admission requirements, granting degrees, advising the Chancellor on the campus budget, authorising and supervising courses and curricula, advising on faculty appointments, promotions, and the budget distribution (University of California Berkeley, 2023a: para.2).

In addition to the governance structures discussed below, Berkley University has specific administrative committees. They are briefly discussed below:

- **Information Risk Governance Committee (IRGC):** This Committee is responsible for providing the campus framework for the institutional governance of information risks (University of California Berkeley, 2023b: para.2). The IRGC has the mandate from the Compliance, Accountability, Risk and Ethics (CARE) committee to make recommendations on issues of campus risk. These recommendations influence policies that determine campus information risk tolerances. The IRGC's broad membership allows for evaluating the impact on

recommended risk management policies taking into cognisance the full diversity of campus activities (University of California Berkeley, 2023b: para.6).

- **Campus Information Security and Privacy Committee (CISPC):** The CISPC supports and advises the IRGC on information security and privacy programs, priorities, and budget. The CISPC also provides advisory services to the Campus Privacy Officer (CPO), the Chief Information Security Officer (CISO), and the Information Technology Leadership Group (ITLG) (University of California Berkeley, 2023e: para.5). The membership of the CISPC is drawn from the campus community by the IRGC, based on their contextual experience and willingness to serve (University of California Berkeley, 2023e: para.11).
- **Compliance and Enterprise Risk Committee (CERC):** The CERC serves senior leadership. They are the working committee responsible for identifying, assessing, and monitoring campus risks (University of California Berkeley, 2023g: para.2). Committee members are selected from each division that represents major administrative functions and areas across the campus. These committee members are knowledgeable and authoritative to speak on behalf of their constituency. They understand that they are accepting their willingness to analyse risk challenges from a campuswide perspective (University of California Berkeley, 2023g: para.3).
- **Chancellor's Cabinet:** The Chancellor's Cabinet is a merger of the Campus Committee on Audit, the Internal Control and Financial Accountability (CAICFA) Committee and CARE (University of California Berkeley, 2023g: para.13). CAICFA was, as a standalone committee, responsible for campus-wide issues concerning internal control audit, financial accountability, and policy implementation. At the same time, CARE was accountable for identifying, assessing, and monitoring campus-wide compliance risks (Crous, 2017: 156). The Chancellor's Cabinet, as the highest administrative committee, represents the campus' senior leadership. They have the opportunity to discuss issues of strategic and critical importance confronting the campus to assist the Chancellor in developing the vision and goals. They may take initiative to guide the campus, receive briefings from the Chancellor on her offices of Regents, the President, the Council of Chancellors, and the State. Lastly, the senior leadership can in this manner also obtain updates or

presentations on principal projects (University of California Berkeley, 2023h: para.2).

- **Chancellor’s Advisory Committee on Sustainability (CACs):** The CACS promotes environmental management, sustainable development, and an inclusive environmental community at UC Berkeley (University of California Berkeley, 2023i: para.2). The Committee advises the Chancellor on all environmental and sustainability matters concerning the University of California, Berkeley. The CACS has no independent members, because the committee’s membership is drawn from faculty, staff, students, and alumni (University of California Berkeley, 2023: para.3).
- **Capital Renewal Committee (CRC):** The responsibility of the CRC is to identify and prioritise campus capital renewal and infrastructure needs. The CRC reports to the Capital Planning Committee (CPC) (University of California Berkeley, 2023f: para.2). The CRC comprises of thirteen members, who are involved either with managing the University or its assets, no independent member can be selected from the publicised members’ roaster (University of California Berkeley, 2023f: para.3).

The University of California Berkeley has a number of administrative committees that assist the campus senior leadership with the University governance. All the committees do not include independent members, except the CERC with one independent member. This raises the question on the ability of the committees to make independent decisions regarding governance principles (Crous, 2017: 158).

## **2.8.2 Internal and External Governance Structures used in Australia**

### ***2.8.2.1 Introduction***

Australia has no unified form of university governance structures ruled by the federal government due to the historical consistency of efforts to foster autonomous management (Hong, 2018: 726). However, several variables, such as levels and sources of university funding and changes in legislation regarding Governing Bodies of universities, influence University Governance in Australia. This continent has 41 universities, of which 38 are

public and three are private. Each university in Australia is established under similar, yet not identical, legislation. Each university's decision-making processes are the product of different circumstances they face. Each university has been established under its own Act of Parliament in the State of its registration (University Chancellors Council, 2021: paras.2–4). The following sections discuss the external and internal governance structures found in Australia's University Governance.

### ***2.8.2.2 External Governance Structures in Australia***

The Australian University Governance model can be located within the state supervision model, with the state steering higher education from a distance. Australian Commonwealth, through the Higher Education Minister, has a significant policy and financial responsibility towards higher education. At the same time, state and territory governments assume legislative responsibility, also involving targeted funding. They are also responsible for appointments in university governing bodies (Hong, 2018: 723). The different Acts of Parliament establishing each university in Australia regulate and give effect to university governing bodies, including aspects such as size and composition. Changes in legislation affect university governance (Chan, 2018: 1). Several legislations and voluntary codes provide a framework for University Governance in Australia. The following are Federal legislations that inform the external University Governance in Australia:

- Tertiary Education Quality and Standards Agency Act (TEQSA).
- The Higher Education Standards Panel (HESP).
- The Higher Education Standards Framework.
- The Australian Qualifications Framework (AQF).
- Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS).
- Education for Overseas Students Act (including the National Code) (ESOS).
- Higher Education Support Act.

Internal governance structures supplement the external governance structures of Australia. Voluntary codes such as the Voluntary Code of Best Practice for the

Governance of Australian Public Universities (as amended in May 2018) assist in articulating the internal governance structures in Australia. Internal governance structures in the Australian Higher Education system are discussed in the following section.

### ***2.8.2.3 Internal Governance Structures in Australia***

The Australian higher education sector has transformed over the years. However, the most noticeable transformation occurred in the Dawkins period between 1987 and 1991 under the then Minister John Dawkins. During that period, the Australian government relinquished control over the internal governance of universities in Australia. The government progressively transferred power over to VCs and boards, substantively increasing managerial levels of Pro Vice-Chancellors (PVCs), Deputy-Vice-Chancellors (DVCs), and Deans (Lake, Joannes-Boyau, Lucas, McCallum & O'Connor, 2022: 10). With the progressive concentration of power in the VCs over the years, the role of critical stakeholders such as academics, students, unions, and general community representation was reduced to a powerless minority. Furthermore, the principal orientation of governance became financial rather than pedagogical or civic. Its model and performance metrics became those of business corporations (Lake et al., 2022: 12).

Traditionally, the internal governance structure of Australian universities is tripartite in nature. The structure comprises of the executive management of the university led by the Vice-Chancellor, the academic board responsible for the academic governance of the university, and the Council, overseeing the overall Corporate Governance of the university (Pinto, 2021: para.12). The internal governance structure of Australian universities is discussed in the succeeding paragraphs.

Universities have leadership in the form of a Chancellor, Vice-Chancellor, and President (who leads collectively with an executive management team). The Chancellor is the formal head of a university, who works closely with the Vice-Chancellor and President. The Chancellor is also the ceremonial head of a university; who works closely with the President, and is the chairperson of the governing body, This body must uphold the highest standards of integrity and ethical governance. The Chancellor is responsible for playing a representative role, articulating the university's interests. He or she is presiding

at ceremonial occasions such as graduations and encourage benefactors to provide philanthropic support to the university's activities. Furthermore, the Chancellor is also responsible for guiding the appointment of a new Vice-Chancellor in the event of the resignation or retirement of the incumbent (University Chancellors Council, 2021: paras.7–11). A Vice-Chancellor serves as the University's principal academic and chief executive officer, leads the University, determines and implements its overall strategic direction closely working with the Chancellor, Council, University senior leaders, and the Academic Board (The Adelaide University, 2023: paras.3–5; Commonwealth of Australia, 2014: sec.34; The University of Sydney, n.d.: paras.3–4).

Australian Universities' internal governance is autonomous and self-governed, with highly independent governing boards (Howard & Howard Partners, 2021: 156; Hong, 2018: 726). Each university in Australia has a governing body, variously called Council, Senate, or Board of Trustees (called the Council hereon). The Council oversees a university's strategic planning and educational, financial, commercial, and legal accountabilities. It is also responsible for appointing the Vice-Chancellors and monitoring their performance. The governing bodies vary in size from 10 to 21 members. Australian University Councils have a majority of external members appointed for their various skills and experience. A minority of members is appointed by the State government or Governor of the state in which they are registered. Most of the Councils also include members of the university's key internal stakeholders (Howard & Howard Partners, 2021: 156; Pelizzon, Young & Joannes-Boyou 2020: para.11; DHET, 2017: 33; Universities Australia, 2010: 2).

External and internal members play a crucial role in Council committees. External members bring independent judgment and a set of expertise to the university that is not readily available. However, external members are likely to have a less thorough knowledge of the institution than their internal equivalents. Such a diverse governing body membership is intended to ensure appropriate governance accountability for universities (DHET, 2017: 33).

The Acts of Parliament to establish and govern a particular university in Australia regulate the size and composition of a university's Council. This can be affected as legislation is

updated (Chan, 2018: 1). The “*Voluntary Codes of Best Practice for the Governance of Australian Universities*” introduced in 2010 (as amended in 2018) set the guidelines regarding the size and structure of governing bodies within Australian universities and, although it is not legislation, the code has been widely implemented (Chan, 2018: 1). The Code seeks to support and guide university governing bodies and leadership broadly. It outlines the key roles and responsibilities of functions of governing bodies and provides a series of recommendations to support effective implementation. The Code is voluntary, and not all items contained therein may be relevant to all universities. However, it is expected that all Australian universities will report on their alignment with the Code in their annual reports, providing reasons for any areas of non-compliance (Universities Australia, 2010: 1).

The Australian universities’ internal governance adopts a business-oriented management mechanism. Although State governments are represented in university Councils, they are not dominant and enjoy the same rights as other representatives. Universities enjoy larger procedural and substantive autonomy (Hong, 2018: 730). Councils are supported by their committees in the overall governance of universities.

Council Committees are provided for in Section 18 of the Australian National University Act 1991 (as amended in 2014). The section provides for the delegation of functions and power of the Council to its Committees, which consist of the Council and other members. Section 18 sets conditions under which such functions or powers can be exercised. However, Section 18 and the Act do not prescribe or detail those Council Committees (Commonwealth of Australia, 2014sec.18). Minimum Council Committees are explained in the Deloitte 2014 Report on the “*Review of the Australian National University (ANU) Act 1991 and the governance arrangements of the ANU*” as (Deloitte, 2014: 37):

- 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.

An evaluation of the governance structures of the top five Australian Universities, namely the University of Melbourne, Monash University, The University of Queensland, the University of Sydney, and the Australian National University, as per Times Higher Education rankings (Times Higher Education, 2023: para.4), reveals that the universities have the above-mentioned minimum Council Committees in place as part of their governance structures (Monash University, 2022: 83; The University of Melbourne, 2022: 86; The University of Sydney, 2022: 10; Australian National University, 2021: 82; The University of Queensland, n.d.: para.4).

In addition to the Council Committees outlined above, the Academic boards (also called Senates) of Australian Universities also assist Council in the governance of universities on this continent. Academic Boards oversee universities' academic affairs and develop the academic strategy, including maintaining high standards in teaching and research (Monash University, 2023: para.2; Howard & Howard Partners, 2021: 157). The Chairpersons of University Academic Boards are almost always *ex officio* council members of the university. For instance, this is the case at many universities, such as Monash University, the University of Adelaide, and The University of Queensland (The University of Adelaide, 2023: para.3; Monash University, 2022: 80; University of Queensland, 2022: 38Pinto, 2021: para.20). Furthermore, these Academic Boards and their sub-committees assist the Council, Vice-Chancellor, and President in fulfilling their responsibilities of monitoring and managing academic standards, as well as complying with the legislated requirements of the Higher Education Standards Framework (Threshold Standards) (The University of Adelaide, 2023: para.4). The Academic Boards are fundamentally crucial to the regulatory regime governing universities, as overseen by TEQSA (Pinto, 2021: para.10). Therefore, the Academic Boards are responsible for the ultimate academic governance of an institution by ensuring comparability and maintenance of standards; internally and externally (Pinto, 2021: para.24).

Like the United States of America, Australia does not have a single document governing the disclosures in Universities' Annual Reports (Crous, 2017: 166). The Australian government's efforts to streamline reporting by adding governance protocol in the Higher

Education Support Act of 2003 in 2004, as a condition for funding, were rejected by universities and withdrawn by the government in 2008. The withdrawal was based on a Labour Policy position to end government interference in universities' internal management and reduce compliance reporting. The universities were opposed to any regulatory requirements that added costs and compliance requirements and deemed inconsistent with potential benefits. The universities also viewed requirements as an unwise application of a one-size-fits-all governance model, which contradicted government's objective of promoting diversity (Howard & Howard Partners, 2021: 157). Consequently, the Australian Government has no provision to discipline a University Council for mismanagement, besides by means of a royal commission or by sporadically establishing a committee to enquire about university management and finances (Howard & Howard Partners, 2021: 157)

#### **2.8.2.4 Conclusion on the Internal and External Governance Structures used in Australia**

The Australian higher education sector has transformed over the years. However, the most noticeable transformation occurred in the Dawkins period between 1987 and 1991. Several legislations, voluntary codes, and the different Acts of Parliament in establishing each university in Australia, provide a framework for University Governance. An Act of Parliament establishing a university, regulates and effects university governing bodies, including their size and composition. Australian Universities' internal governance is autonomous and self-governed, with independent governing boards. The Australian universities' internal governance adopts a business-oriented management mechanism, with a governing body consisting of more independent members. This provides for a balance of expertise and independence of the governing body. The independence of the governing body and good Corporate Governance is also illustrated by the delegation of power and functions to Council Committees and the inclusion of Committees such as the Nomination and Audit Committee.

## **2.8.3 Internal and External Governance Structures in the United Kingdom (UK)**

### **2.8.3.1 Introduction**

The Higher Education sector of the UK has two specific governance codes, namely *The Higher Education Code of Governance (the 'CUC Code')* and *The Scottish Code of Good Higher Education Governance* (only applicable in Scotland) ([www.advance-he.ac.uk](http://www.advance-he.ac.uk), n.d.: para.1). Higher Education Institutions (HEIs) in the decentralised nations of the UK, consider the CUC Code in the context of their legislative and regulatory environments. For instance, Scottish institutions firstly abide to the Scottish Code of Good Higher Education. In contrast, the English institutions prioritise the overlay of the Public Interest Governance Principles, and the Welsh institutions adhere to the Welsh Governance Charter (CUC, 2020: 5).

The UK Higher Education sector prides itself on the autonomy and diversity of its Higher Education Institutions. Therefore, care is taken that governance requirements are proportional and applicable, regardless of institutional size, complexity, or legal form (CUC, 2020: 5). Section 2.8.3.2 and Section 2.8.3.3 of the study discuss the internal and external governance structures used in the United Kingdom Higher Education sector.

### **2.8.3.2 External Governance Structures in the UK**

As mentioned above, UK higher education's legislative and regulatory environment is informed by two governance codes, namely the *CUC Code* and the *Scottish Code of Good Higher Education Governance*. Central to the external governance of higher education in the UK is the Ministry for Higher and Further Education, led by a Minister of State. The Ministry oversees Higher Education Institutions' compliance with the law, ministerial codes, and legal statutes (Eurydice, 2008: 26). The Ministry is also responsible for the strategy for higher education, student finance, universities and higher education reform, higher education quality, the Teaching Excellence Framework, widening participation in higher education, and the UK's international education strategy (UK Government, n.d.: para.3). Therefore, the Ministry for Higher and Further Education is responsible for the overall UK Higher Education. The external governance framework in

the UK involves the following key players, namely regulatory bodies, national-level bodies of heads of HEIs, and other organisations interested in the development of higher education in the UK. They assist the Ministry in the external governance of higher education (Eurydice, 2008: 26). These key players in higher education in the UK are briefly discussed below.

Key players in the external governance of Universities in the UK include, amongst others, the Committee of University Chairmen (CUC), the Higher Education Funding Council for Wales (HEFCW), The Office for Students (OfS), the Scottish Funding Council (SFC), The Higher Education Division of the Department for the Economy in Northern Ireland, Universities UK (UUK), the Association of Heads of University Administration (AHUA) and GuildHE. The CUC is the representative body for the Chairs of UK universities. The CUC promotes the highest governance standards across the UK Higher Education sector (Committee of University Chairs, 2023: para.2). The HEFCW operates between the Welsh Government and higher education providers. HEFCW provides funding for higher education teaching, research, and innovation and supports Welsh Government priorities for higher education (Llywodraeth Cymru Welsh Government, n.d.: para.2). HEFCW will in the near future be replaced by the Commission for Tertiary Education and Research (CTER) (Atherton, Lewis & Bolton, 2023: 5). OfS is an independent higher education regulator in England, responsible for allocating grants to higher education providers for the provision of education and educational facilities. OfS ensures that higher education in England delivers positive outcomes for students, such as improving student choice, equal access to education, protection of students' interests, and enriching their careers and lives (Atherton et al., 2023: 15; UK Government, 2023: 8–9). The Scottish Funding Council (SFC) is a departmental public body responsible for funding higher and further education institutions in Scotland. SCF's are responsible for the development "*of national operational policy for tertiary education and skills, research, innovation, and knowledge exchange*" and "*Scrutinising the governance and financial health of institutions to secure public investment and a sustainable sector*" (Atherton et al., 2023: 19–20). In contrast to England, Wales, and Scotland, Northern Ireland has no independent body responsible for managing higher education. Instead, the Higher Education Division of the Department for the Economy in Northern Ireland acts as a government department, funding council,

and regulator. The Department's Higher Education division is responsible for policy formulation and administering funding to support education, research, and related activities in the higher education sector (Atherton et al., 2023: 21). Universities UK (UKK) is one of the main representative bodies for higher education institutions (HEIs) across the UK. It undertakes and publishes research on developments in the higher education sector (Advance HE, 2020b: para.9). The Association of Heads of University Administration (AHUA) is the representative body for senior university managers (Registrars, Chief Operating Officers, and Heads of Administration). The AHUA represents the collective views of members on critical issues and policies to the higher education (HE) sector, government, and other stakeholders (Association of Heads of University Administration, 2023: paras.2–4). GuildHE is also an officially recognised representative body for UK Higher Education, which champions distinction and diversity in the sector. GuildHE members include universities, university colleges, further education colleges, and specialist institutions (GuildHE, n.d.: para.3). Their external governance is augmented by internal institutional governance for the overall governance of higher education in the UK. The following section discusses the internal governance of higher education in the UK.

### ***2.8.3.3 Internal Governance Structures in the UK***

Universities in the UK are autonomous with the primary responsibilities of governance of the institutions and management of their activities, finances, and personnel. The universities' governance is articulated by each university's constitution, typically arising from an Act of Parliament, a Royal Charter, or an Order in Council issued by the Privy Council and University statutes (K12 Academics, 2023: para.10; University of Warwick, 2016: 2–3; Heriot-Watt University, n.d.: 3–4; Atherton et al., 2023: 5). All Internal university governance structures of European universities are comprised of an executive body, an academic governance body, and a decision-making body responsible for the overall governance of the institution (Eurydice, 2008: 33). The Vice-Chancellor heads the executive body in UK universities. The academic governance body in UK universities is variously called the Academic Board or Senate with a membership solely comprised of internal members. The decision-making body responsible for the overall governance of

UK universities is referred to as the Governing Body or Council. The Governing Body consists of a mix of internal and external members. Some universities have an advisory body, namely the Court (Eurydice, 2008: 35). These internal governance structures are discussed below.

The typical executive body or university officers responsible for the daily management of universities in the UK includes the Chancellor, Pro-chancellor(s), Vice-Chancellor (VC), Pro-Vice-Chancellor, and Registrar, depending on the governance instruments of an institution. A Chancellor is a formal ceremonious head of a university conferring degrees during ceremonies. Chancellors are distinguished individuals from academia or public life. The VC has the overall responsibility for the executive management of an institution. S/he is like the institution's Chief Executive Officer and is accountable to the institution's governing body. Members Council typically appoint a Pro-Chancellor as its Chairperson, together with a Pro-Vice-Chancellor. The Pro-Vice-Chancellor (s) assists the VC and is usually responsible for some academic duties. Lastly, the most senior member of the administrative staff is the Registrar, who ensures that the university business is conducted appropriately, and s/he reports to the VC. The Registrar is usually designated as the secretary of the Council, Senate, and other statutory bodies (University of Cambridge, 2023: paras.2–40; University of East London, 2023: paras.2–19; University of Oxford, 2023: paras.1–6; CUC, 2001: 13–14).

The academic governance of UK universities is the responsibility of the Senate or Academic Board, which operates through committees. The Senate's role is to oversee the teaching and research of the University, as well as being responsible for academic quality and standards, together with the admission and regulation of students. The responsibility of the Senate is subject to the Council's overall control (University of Sheffield, 2023: para.2; Advance HE, 2020a: paras.2–3). The role of the governing body, or Council, is discussed in the following section.

As discussed earlier, the overall governance of UK universities is the responsibility of the Governing Body, namely the Council. Their role is well articulated in the CUC Code, developed by the University Chairs, to help governing bodies provide high standards of

governance across their institutions (CUC, 2020: 4). The Code is based on the following principles (CUC, 2018: 8):

- a) Autonomy is the best guarantor of quality as well as international reputation.
- b) Academic freedom, as well as high-quality research, scholarship, and teaching.
- c) Protection of student interests through good governance.
- d) Publishing accurate and transparent information that is publicly accessible.
- e) Recognition of the accountability for funds received from stakeholders and the recognition that an HEI is in a contract with, and accountable to, stakeholders.
- f) Achieving equality of opportunity and diversity throughout the institution.
- g) The accessibility of HE to all who can benefit from it; and
- h) Complete and transparent accountability for public funding.

The Code is based on the principle of *apply or explain*, in which institutions are given a set of principles and elements. But, they are not required to comply with all of these. Institutions can choose parts of the Code that apply to them. However, they must justify the reasons for their choices. Therefore, each institution decides on the best way to implement the Code and adopts a governance model suitable for their context (CUC, 2020: 5). The Code should be read in parallel with the governing instruments of individual institutions. The Code does not repeat the relevant legal and regulatory requirements (CUC, 2020: 4).

In addition, the Code lists the following elements of Good Governance for university Councils (CUC, 2020: 8):

- a) The governing body is responsible and accountable for institutional activities, the approval of all final decisions on matters of fundamental concern and within its authority.

- b) The governing body, together with the Executive, is responsible for the mission statement and the overall strategic direction of the institution. The governing body must guarantee institutional sustainability by actively seeking and receiving assurance that the implementation of the institution's strategic plan is in alignment with relevant legislations, regulatory frameworks, and institutional policies. The body must ensure that adequate systems and risk management are in place.
- c) The governing body protects and promotes institutional reputation and autonomy by operating in line with values that underpin the CUC Code and its various elements, together with the principles of public life.
- d) To ensure fair outcomes in institutional processes, The governing body must promote a culture of equality, inclusivity, and diversity throughout the institution its operations and composition.
- e) The governing body must ensure the robustness, agility, and effectiveness of its governance structures through the evaluation of governance performance against the CUC Code and recognised standards of good practice; and
- f) Governing bodies must understand the various institutional stakeholders and ensure that their interests are adequately and meaningfully engaged to allow the stakeholders' views to be considered and reflected in relevant decision-making processes.

In addition to the 2020 CUC Code, the CUC has released the Higher Education Audit Committees Code of Practice (2020) and the Higher Education Senior Staff Remuneration Code (2021). The Higher Education Audit Committees Code of Practice (2020) is designed to ensure higher education institutions have the most effective audit arrangement. This is realised by identifying key elements that form the basis of an effective Audit Committee (CUC, 2020a: 1). The Higher Education Senior Staff Remuneration Code (2021) is a framework for Good Practice to determine fair and appropriate remuneration for senior staff of HEIs. The Code aids governing bodies with the leadership and stewardship regarding remuneration in their institutions (CUC, 2021:

1). With these Codes, the UK governance framework mirrors the overall UK Corporate Governance framework articulated by the 2018 UK Corporate Governance Code (UKCGC). The 2018 UKCGC focus on the following five areas (Miller, 2023: para.9; FRC, 2018: 4–15):

- Board leadership and company purpose.
- The division of responsibilities.
- Board composition, succession, and evaluation.
- Audit, risk, and internal control; and
- Remuneration.

Accountability and transparency are required from UK universities. Documents and dialogues are exchanged between universities and funding bodies during a specific period each year. Exchanges include audited-related information, as well as an expression on planning and performance (Eurydice, 2008: 30). The Higher Education Statistics Agency (HESA) is the official public accountability agency responsible for collecting, analysing, and disseminating information on higher education in the UK. The data collected covers students, staff, student destinations, and finances. These data sets provide performance indicators for the universities, which include completion rates, research output, graduate employment, and widening participation indicators. All UK universities must submit Strategic Plans, Annual Reports, and National databases (Eurydice, 2008: 31–32). UK universities' Annual Report information requirement is similar to the requirements of aspects that must be included in the Annual Reports of South African Universities (Crous, 2017: 132).

#### ***2.8.3.4 Conclusion of the Internal and External Governance Structures used in the UK***

For its four regions, England, Wales, Northern Ireland, and Scotland, the UK's Higher Education sector have two governance-specific codes associated with them. The Higher education sector is autonomous with a diversity of Higher Education Institutions. The UK

Higher Education Governance Framework is coordinated. It involves external and internal governance. Although the UK government takes the overall responsibility for Higher Education, key players including regulatory bodies, national-level bodies of heads of HEIs, and other bodies interested in developing UK Higher Education, assist in the external governance. UK universities' internal governance is articulated in constitutional arrangements, the Act of Parliament, the Royal Charter, and statutes of individual institutions. High levels of accountability and transparency are required from UK universities. This consequently leads to periodic exchange of documents and dialogues between universities and regulating bodies. The UK Higher Education Governance framework is in tandem with the UK's robust Corporate Governance framework - as articulated by the 2018 UKCGC.

The chapter provided a literature background on Corporate Governance, which included a historical development of Corporate Governance, Corporate Governance theories, the South African Corporate Governance framework, international best practices in university governance, and the South African university governance system. This literature review makes it appropriate for this study to adopt the *Framework for Corporate Governance Compliance of South African Universities* developed by Crous (2017: 212–375) to investigate Corporate Governance Implementation at Sol Plaatje University (SPU). The following section briefly describes the framework for this study.

## **2.9 THEORETICAL FRAMEWORK**

This study will employ the *Framework for Corporate Governance Compliance of South African Universities* developed by Crous (2017: 212–375) to analyse SPU's Annual Reports for the applications of Corporate Governance. The framework is based on Reporting Regulations, the King III Report on Governance, the KING IV Report on Governance, international literature, and the Financial Statements of the top international universities (Crous, 2017: 212).

## 2.10 CHAPTER CONCLUSIONS

Chapter Two provided a literature review on Corporate Governance. The chapter started by providing a historical context of Corporate Governance. Secondly, the chapter discussed Corporate Governance theories in the form of the Agency Theory, Stewardship theory, Shareholder Theory, and Enlightened Shareholder Theory. The Stakeholder Theory was decided to be forming the basis of this study as the best practice in Corporate Governance calls for an inclusive stakeholder approach. Thirdly, Chapter Two defined the concept of Corporate Governance. Fourthly, this chapter discussed the introduction of Corporate Governance in South Africa, and fifth, the chapter provided an overview of the implementation of Corporate Governance into South African Higher Education. Lastly, the chapter discussed international best practices regarding Corporate Governance in Higher Education. Based on the literature review, this study adopts the *Framework for Corporate Governance Compliance of South African Universities* (Crous, 2017: 212–213). In the next chapter, the research methodology adopted for this study will be discussed in detail.

## **CHAPTER 3: RESEARCH DESIGN AND METHODS**

### **3.1 INTRODUCTION**

Chapter Two contained the Literature Review for the study, which provides a historical context of Corporate Governance, a discussion of Corporate Governance Theories, defining Governance and Corporate Governance, an introduction of Corporate Governance in South Africa, International Best practices in Higher Education Governance, and lastly, the implementation of Corporate Governance in the South African Higher Education system. Chapters 1 and 2 provided the basis for the research design, methods, and framework adopted in this study.

The discussions in Chapter 3 include the study's research design, target population, sampling strategy, data collection method, and data analysis procedure. This chapter also elaborates on ethical considerations and study limitations. The iterations are conducted below.

### **3.2 RESEARCH DESIGN**

Research design is an action plan that outlines the systematic procedure for the collection and analysis of the needed information (Akhtar, 2016: 68). According to Pandey and Pandey (2015: 18), research design is a master plan that offers structure and a strategy to collect data, answer research questions, and control variables. Bougie and Sekaran (2020: 103) define research design as *“a blueprint or plan for data collection, measurement and analysis, created to answer your empirical research questions”*. As a general plan that outlines how a researcher will answer research questions, the research design clearly outlines the objectives emanating from research questions, data gathering sources, how data is to be gathered and analysed, ethical considerations, and limitations that will unavoidably be encountered (Saunders et al., 2019: 173 –174). Planning a research design requires a researcher not only to decide on the practical research problem or questions, but similarly to consider the most appropriate data for the study and practical tools to collect and interpret the data (Leedy & Ormrod, 2020: 107–108). Therefore, the research design provides a suitable framework for collecting appropriate

information for a study (Sileyew, 2019: 2). The research design of this study is quantitative content analysis. Section 3.2.1 elucidates the quantitative content analysis research design.

### **3.2.1 Quantitative Content Analysis**

Krippendorff (2018: 408) describes content analysis as “*a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use*”. Content analysis is quantified based on predetermined categories in a systematic, replicable manner before data is analysed (dos Santos, du Toit, Faasen & Quesada (2021: 14.1 Chapter guide section). Neuendorf (2017: 17) describes content analysis as a “*summarizing, quantitative analysis of messages that follows the standards of the scientific method (including attention to objectivity-intersubjectivity, a priori design, reliability, validity, generalizability, replicability, and hypothesis testing based on theory) and is not limited to the types of variables that may be measured or the content in which the messages are created or presented*”. Swann (2020: Getting Started with Content Analysis section) supports the view of Neuendorf, that quantitative content analysis follows principles of the scientific method, because data is carefully gathered using certain procedures, analysed, validated (if possible), and the findings are then reported. In contrast to qualitative content analysis, quantitative content analysis heavily relies on enumerating coded textual matter (Krippendorff, 2018: 410–411). Quantitative content analysis provides the following advantages (dos Santos et al., 2021: 14.1 Chapter guide section) :

- It is a transparent and objective analysis method. As such, the coding scheme and the sampling procedures can be re-created for the feasibility of replications and follow-up studies.
- It can be used with relative ease for longitudinal analysis.
- Because participants do not have to take the researcher into account, quantitative content analysis is unobtrusive and therefore does not have a reactive effect.

- It is highly flexible and applicable to diverse structured and unstructured information sources - from mass-media outputs to annual reports on corporate websites; and
- It can generate information about elite groups that are difficult to access, such as company directors.

The instrument for this study was designed using Microsoft Excel, which allows the use of spreadsheets to organise data systematically, using functions and formulas for statistical analysis. This Microsoft Excel research instrument in this study supports quantitative content analysis, ensuring a speedy, objective, and replicable statistical analysis of SPU's Annual Reports. Quantitative content analysis is thus the best research method for this study.

### **3.3 POPULATION AND SAMPLING**

#### **3.3.1 Population**

South African public universities are required, by law, to annually report on their governance to the DHET by submitting Annual Reports. This study focuses on Corporate Governance implementation at SPU. All 10 SPU Annual Reports submitted to DHET, and thereafter made publicly available, were included as part of the research population for this current study. Given that this study focuses on one particular public university, SPU, selecting a sample from the population was not necessary. All SPU Annual Reports, published from 2013 to 2022, were selected for this study. The study, therefore, uses a census sample. A census sample is data collection from all units within an entire population (dos Santos et al., 2021: 10.1 Chapter guide section). The researcher in this study gathers census data from the entire population, rather than a sample.

### **3.4 DATA COLLECTION**

Section 3.4 discusses the type of data that was collected, and the procedure used to collect the data. Content analysis is the process by which a researcher extracts data from documents. The researcher collected Annual Reports of SPU, which are publicly available. The Annual Reports were all gathered in the defined period of the study, namely 2013 to 2022, by downloading them from the institution's website.

The downloaded Annual Reports were expected to be prepared in accordance with the reporting regulations for public Higher Education Institutions. The Annual Reports are endorsed by the institutions' Councils and submitted to DHET annually. Thereafter it became publicly available.

### **3.5 DESIGN OF THE RESEARCH INSTRUMENT**

This section outlines the design of the research instrument for this study. A research instrument is a tool that assists with data collection, coding, data capturing, editing, and analysing the related data. Essentially, the research instrument allows the researcher to achieve the study's objectives. This study utilises the *Framework for Corporate Governance Compliance of South African Universities*, developed by Crous (2017: 212–375) to analyse from SPU Annual Reports, the implementation of Corporate Governance at SPU. The design process of the instrument employed in this study is as follows (Crous , 2017: 212–375) :

Crous' framework for analysing the disclosure of the application of Corporate Governance of South African Universities is premised on Reporting Regulations, the King III Report of Governance, international literature, the Financial Statements of the top 10 international Universities as well as KING IV (Crous, 2017: 212). The basis of the framework is the Reporting Regulations, which was summarised in a list format in this study. Thereafter, the list was compared against the recommendations of the King III Report on Governance to ensure the list's compliance with the principles contained in the King III Report. The list was found to be complete in terms of the King Report III, and as such, no additions were

preferred, which then formed the framework's basis under the heading SA (see, Crous (2017: 218)).

Subsequently, the above-mentioned list was updated using the KING IV Report under the heading *KING IV*. The KING IV Report's principles were compared to the list consisting of the Reporting Regulations (including disclosures in terms of King III) and updated. Finally, the Financial Statements of the Top 10 International Universities were compared to the list mentioned above, and any governance disclosures included therein were mentioned under the heading *INTERNATIONAL* (Crous, 2017: 212). The international score consists of the SA King III score with a score for the international best practices added.. For example, if the SA score is 16 and there are 15 additional International Items, the International score will be calculated out of a total of 31.

The list was then divided into the same reporting categories as in the Reporting Regulations. The twenty-four categories used in the framework, as well as the analysis of the Annual Reports, are as follows (Crous, 2017: 212–214):

1. Minimum content that Universities should include in the Annual Reports.
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 and functions.

11. Audit Committee composition and functions.
12. Risk Committee composition and functions.
13. Governance of Information Technology.
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's Report on Administration and Management.
21. Report on Internal Administrative 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; and
24. Report on Transformation.

According to Crous (2017: 214), 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 by means of the following steps:

- Total 1: Reported 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 regarding the final KING IV Report (referred to as KING IV). As the implementation date of the KING IV was only 1 April 2017, the scores for this framework section 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 application in terms of KING IV.
- Total 3: Aspects from the Reporting Regulations from 2014 and international best practices additions (referred to as INT).

The Reporting Regulations are still based on King III and have not been adjusted to KING IV. Therefore, the instrument used for this study is still valid as it was originally designed.

The framework consists of 736 items that were tested. The South African Regulations (SA) contains 536 items under the twenty-four categories, the international best practices (INT) include sixty items, and the KING IV (KING IV) portion has 140 items (Crous, 2017: 248). The total points received under each heading per category are then converted into a score of 10.00 and included in the data capturing table. Table 3.1 below provides a breakdown of the 736 items tested under twenty-four categories and three headings (SA, INT, and KING IV) (Crous, 2017: 253–368):

**Table 3.1: 736 items tested in the framework under the twenty-four disclosure categories for the analysis of the Annual Reports.**

	SA	INT ADDITIONAL ITEMS	KING IV
<b>Total</b>	<b>536</b>	<b>60</b>	<b>140</b>
<b>Aspects and sections</b>			
Minimum Content	16	15	3
Performance Assessment	8	0	2
Report of the Chairperson of Council	54	9	15

	SA	INT ADDITIONAL ITEMS	KING IV
<b>Total</b>	<b>536</b>	<b>60</b>	<b>140</b>
<b>Aspects and sections</b>			
Statement of Corporate Governance	6	3	0
General requirements-Council	14	0	7
Council	30	13	36
Remuneration Committee and Remuneration Disclosures	33	1	30
Finance Committee	11	1	2
Planning and Resource Committee	7	1	2
Council Membership Committee	1	1	2
Audit committee and Disclosure	80	13	4
Risk Committee	7	0	1
Information Technology Committee	10	1	4
Conflict Management	6	0	0
Stakeholder Relationships	14	0	13
Code of Ethics	18	0	0
Council and Sustainability	21	1	0
Senate Disclosure	15	2	0
Vice-Chancellor Report on Administration and Management	15	0	0
Internal Administration and Structures Report	84	0	0
Report on Exposure to Risk	57	0	19
CFO and Annual Financial Review Report	16	0	0
Transformation Report	11	0	0
Institutional Forum Disclosure	2	0	0

### **3.6 DATA CAPTURING PROCESS**

The Microsoft Excel research instrument was used to capture data. Including the twenty-four disclosure aspects as themes, each theme was allocated a CONVERTED score out of 10. When a comparison between an aspect in SPU's Annual Report and of the instrument was included, the number one (1) was entered. If SPU's Annual Report did not apply an aspect in the instrument, the number zero (0) was entered. The entries were then used to calculate the scores under the instrument's twenty-four disclosure themes.

### **3.7 DATA ANALYSIS**

This section briefly discusses the method for identifying, analysing, and reporting patterns within the data and organising the data sets in detail to respond to the research objective. As explained earlier, an existing Microsoft Excel research instrument was used to capture data from 10 SPU Annual Reports released between the period 2013 to 2022. The themes for analysing the data set were twenty-four disclosure items in the instrument. If an item was met with the comparison between the instrument and SPU Annual Reports, the number one (1) was entered. The number zero (0) was entered to reflect no application. The data entries were used to calculate the scores under the instrument's twenty-four disclosure items. After the data scores, Microsoft Excel was automated to present the scores in graphs and table form. Descriptive statistics were used to analyse the observed scores to detail how SPU applied Corporate Governance principles.

### **3.8 RELIABILITY AND VALIDITY OF THE RESEARCH INSTRUMENT**

Reliability and validity are criteria used to determine the quality of the research. Reliability aims to guarantee the dependence, consistency, stability, predictability, and accuracy of the research data. Reliability approaches seek to answer two questions: *“If we measure the same set of objects repeatedly by using the same or comparable measuring instrument, will we get similar measures?”* and *“Whether the measures obtained from a measuring instrument are the true measures of the property being measured?”* (Patil & Shridhar, 2020: 37). Validity places emphasis on the question: *“Are we measuring what we were supposed to measure?”* This is to ascertain whether the tests are measuring

what they are supposed to measure instead of considering the effects of non-related variables (Patil & Shridhar, 2020: 51). The paragraph below discusses how the reliability and the validity of the research instrument were tested, and thus verifying the quality of this research.

From the onset, it is worth mentioning that the instrument for this study was tested, proven reliable, and validated by a PhD study *Corporate Governance in South African Higher Education Institutions, 2017* by Cornelia Crous. Thus, reliability and validity were tested. Following the same approach as Crous (2017:218-219), the validity and completeness of the data analysis are described below.

To ensure the quality and completeness of the data collection, the researcher selected five Annual Reports for capturing. The five Annual Reports were then captured on the Microsoft Excel research instrument three times to ensure accuracy. To test the accuracy of the Microsoft Excel instrument, the score received after capturing the same five Annual Reports three times was then analysed to check if the data capturing yielded the same outcomes each time for the same year. The outcome of each year was consistent for each capturing and analysis. The framework further contains control totals under each category and subsection. This was to ensure that the total scores achieved by each year under review are equal to, or less than, the maximum number of points available for each subsection. The following section discusses how research ethics were considered for this study.

### **3.9 ETHICAL CONSIDERATIONS**

As a SAICA member, the research supervisor has sworn to observe the highest ethical standards. The researcher is a staff member of SPU, and he is contractually obliged to act professionally and in the best interest of SPU. Therefore, the researcher is inclined to gather data responsibly and handle it with care. Given that the Annual Reports of SPU were adopted by the institution's Council, submitted to DHET, and then made publicly available, the researcher regards them as an accurate reflection of the annual financial situation at SPU. The assumed accuracy of the Annual Reports recuses the researcher from the obligation of further proving their reliability or validity. Although SPU's Annual

Reports used are publicly available, the researcher informed SPU of the intended research. Additionally, to ensure no reputational damage, SPU was assured that studying its Annual Reports was intended for academic purposes only. Furthermore, for the commencement of the study, the researcher obtained ethical clearance (Ethical Clearance number: UFS-HSD2023/2038) from the UFS General Human Research Ethics Committee (GHREC). Lastly, the researcher safely stored the downloaded Annual Reports and the coded research instrument in cloud storage, and this will remain for five years. The following section discusses the study's limitations.

### **3.10 RESEARCH LIMITATIONS**

The study analysed the Annual Reports of SPU, a publicly funded university. Therefore, the study's results might not be suitable for generalisation to privately funded universities. For this study, only publicly available SPU Annual Reports were analysed. Publicly available Annual Reports might vary from the ones submitted to the Minister of DHET due to the protection of sensitive information. The possible variation in the two mentioned Annual Report versions might limit the study from obtaining a holistic picture of the Corporate Governance issues at SPU. The study was limited to the Annual Reports of SPU. Therefore, not all the information regarding other public universities was taken into consideration by the researcher.

### **3.11 CHAPTER CONCLUSION**

In Chapter 3, the researcher highlighted the research design and methods employed in this study and discussed the data collection, and data analysis. Lastly, the researcher elaborated on the ethical considerations adhered to in collecting and analysing the data for this study. A quantitative content analysis research design was used to analyse SPU Annual Reports released between 2013 to 2022 to address the study's objectives. The following chapter will comprehensively discuss the collection and analysis of obtained data.

## **CHAPTER 4: DATA ANALYSIS AND INTERPRETATION**

### **4.1 INTRODUCTION**

Chapter 3 dealt with the research design and methods of this study. It provided a detailed discussion of the study's target population, sampling strategy, data collection method employed, data analysis procedure, the ethical considerations, and the study's limitations.

Chapter 4 focuses on the analysis and interpretation of data collected. Ten Annual Reports of Sol Plaatje University (SPU) out of ten (10) available Annual Reports constituted the population and sample of the study. It thus formed a consensus sample. The ten (10) Annual Reports were organised and analysed into 24 subsections, under the three headings SA, KING IV, and INT (International). Therefore, Chapter 4 will analyse and interpret the scores per report for 10 years (2013 – 2022). The interpretation of the results after applying the framework to the mentioned subsections is presented below. The discussion of the results takes the following sequence:

- a) Minimum content that universities should include in the Annual Reports.
- b) Performance Assessment.
- c) Report of the Chairperson of the Council.
- d) Statement of Governance.
- e) General disclosure aspects in terms of the Council.
- f) Composition and functions of the Council.
- g) Remuneration Committee composition and functions.
- h) Finance Committee composition and functions.
- i) Planning and Resource Committee composition and functions.
- j) Council Membership Committee composition and functions.

- k) Audit Committee composition and functions.
- l) Risk Committee composition and functions.
- m) Governance of Information Technology.
- n) Conflict Management.
- o) Stakeholder Relationships (worker and student participation).
- p) Code of Ethics.
- q) Council statement on sustainability.
- r) Report of the Senate to Council.
- s) Report of the Institutional Forum.
- t) Vice-Chancellor Report on administration and management.
- u) Report on internal administration structures and controls (system of internal control).
- v) Report on the assessment of the exposure to risk and the management thereof.
- w) The statement of the CFO and the Chairperson of the Finance Committee of the Council on the Annual Financial Review; and
- x) Report on Transformation.

#### **4.2 MINIMUM CONTENT**

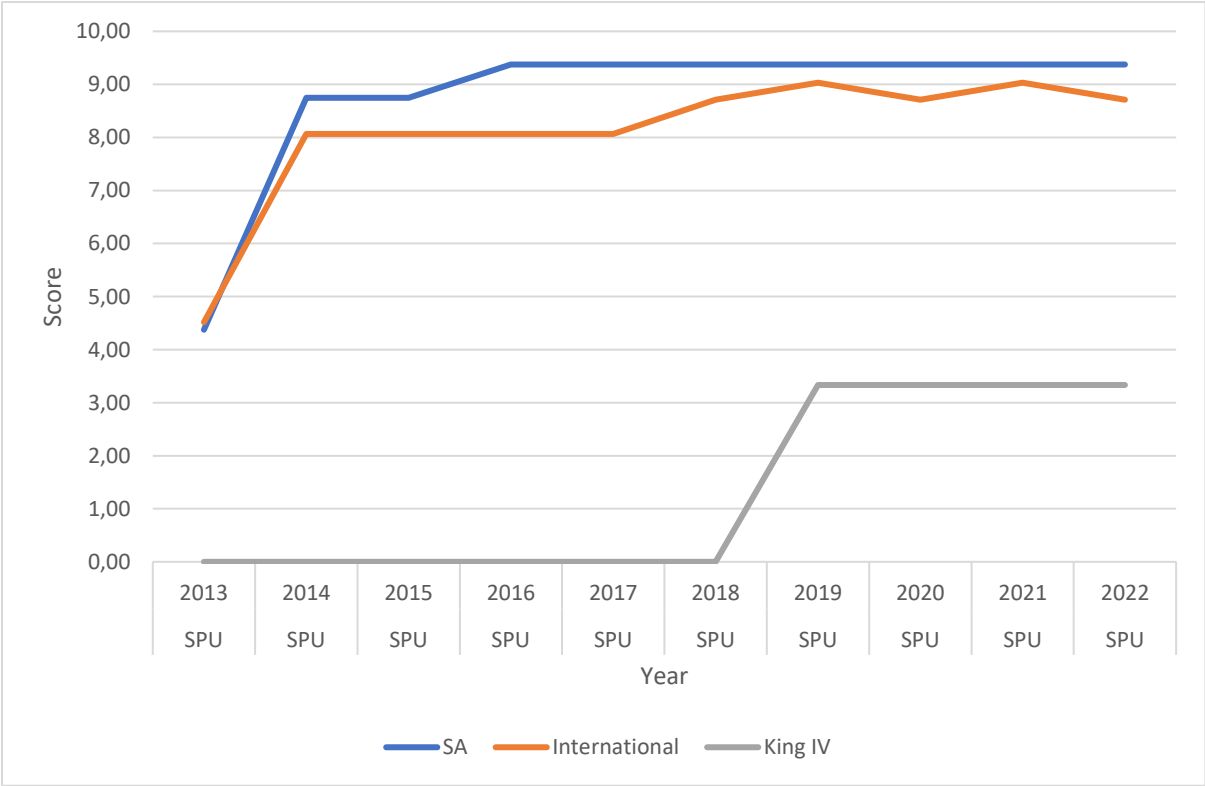
Section 4.2 discusses the results of applying the framework regarding the minimum content SPU should include in its Annual Report. The Reporting Regulations prescribe the content and format for the contents of Annual Reports of Public Higher Education Institutions. The minimum content includes, Statement of Governance, Performance

Assessment, Statement on Sustainability, and the Annual Financial Review (RSA, 2014: 15). See Table 4.1 on the minimum content prescribed.

**Table 4.1 Minimum content**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	4.38	8.75	8.75	9.38	9.38	9.38	9.38	9.38	9.38	9.38
<b>International</b>	4.52	8.06	8.06	8.06	8.06	8.71	9.03	8.71	9.03	8.71
<b>KING IV</b>	0.00	0.00	0.00	0.00	0.00	0.00	3.33	3.33	3.33	3.33

Figure 4.1 summarises the results of applying the framework regarding the minimum content included in SPU’s Annual Reports.



**Figure 4.1 Minimum content**

The total points achieved, and indicated above, were out of a score of 10.00. Thirty-four (34) items were included in the analysis of the minimum content to be included in SPU's Annual Report. The 34 items were organised under the three headings SA, KING IV, and INT. SA accounted for 16 items, International for 15 items, and KING IV for three items. The study revealed the following information regarding the minimum contents that should form part of SPU's Annual Reports over 10 years (2013-2022).

Figure 4.1 shows that at the institution's inception in 2013, the inclusion of the recommended minimum content, per reporting regulations (SA), was at its lowest at a score of 4.38. The SA score improved from 4.38 in 2013 to 8.75 in 2015. Furthermore, the inclusion of recommended minimum contents in SPU's Annual Reports improved to a score of 9.38 in 2016 and remained constant until 2022.

The disclosures regarding the international best practices (INT) were at their lowest, with a score of 4.52 in 2013. However, the score improved, ranging respectively between 8.06 and 8.71 from 2014 to 2018. The International disclosure score fluctuated between scores of 9.03 and 8.71 for the period between 2019 and 2022. Despite the fluctuation in international disclosure scores, SPU is performing well regarding international disclosure. The reason is that the score has been above 8.00 for 90% of the time (nine of the ten-year review period, from 2014 to 2022).

SPU started applying KING IV in 2019. A score of 3.33 under the KING IV column, was recorded from 2019 to 2022. The score of 3.33 is below the standard of 5.00 and indicates an improvement is needed regarding KING IV disclosures.

## **4.2 PERFORMANCE ASSESSMENT**

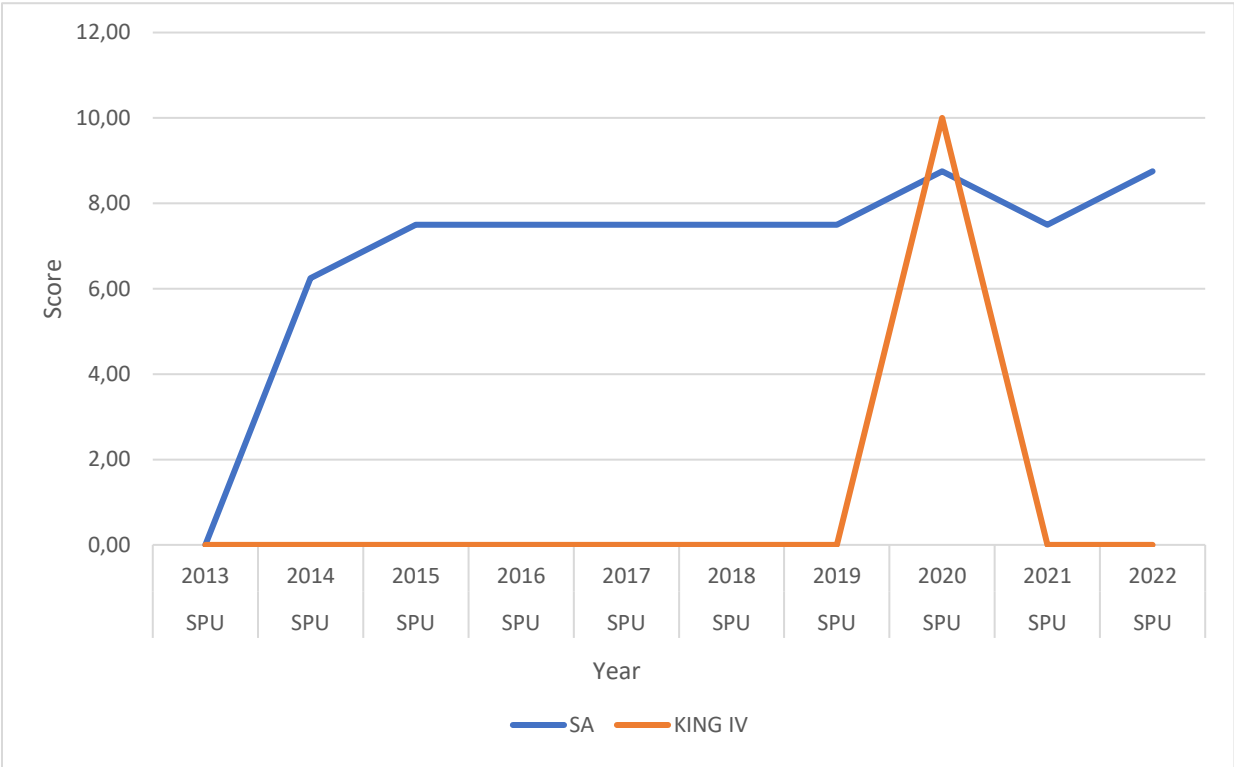
This section discusses the results of applying the framework regarding the disclosure of the Performance Assessment of SPU. A Report on Performance Assessment is recommended to be included in its Annual Reports. The Assessment Report indicates the extent to which an HEI has achieved its strategic goals and objectives and is based on key performance indicators and targets outlined in an institution's Annual Performance Plan. The report should give reasons for under achievement of targets and how this type

of performance would affect the institution and its stakeholders (RSA, 2014: 16). Furthermore, the institution should state how it will address shortcomings related to the under achievement of objectives (RSA, 2014: 16).

**Table 4.2 Performance Assessment**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	6.25	7.50	7.50	7.50	7.50	7.50	8.75	7.50	8.75
<b>KING IV</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.00	0.00	0.00

The results of applying the framework regarding the disclosure of the performance of SPU are presented in Figure 4.2



**Figure 4.2 Performance Assessment**

Ten (10) items were evaluated in the analysis of the Performance Assessment included in SPU's Annual Report. The 10 items were organised under the two headings SA and KING IV. South Africa comprised eight items, while KING IV comprised two items (see Table 3.1) (RSA, 2014: 16). After analysis of 10 SPU Annual Reports published from 2013 to 2022, the study revealed the following information regarding Performance Assessment.

SPU's 2013 Annual Reports did not include the recommended performance management information as required by the Reporting Regulations 2014. The non-inclusion of performance information is attributed to the fact that the performance information was only required from 2014 onwards (Crous, 2017: 258). SPU improved its scores regarding Performance Assessments from 2014 to 2015. The scores rose again in 2022. The score reflects 6.25 for 2014, 7.50 for 2015 to 2019, and in 2022 the Performance Assessments score was 8.75. The increase in the 2015 score of 7.50, maintained till 2019 and surfacing again in 2021, is attributed to the disclosure of information regarding the reasons for underachieving objectives. These were not disclosed in preceding years. The 2020 and 2022 Annual Reports were the only reports that disclosed how underachieved objectives' shortcomings would be addressed. Therefore an increase was seen from 7.50 to 8.75.

SPU's Annual Reports for 2013 to 2019 and 2022 did not include Performance Assessment information in line with KING IV's recommendation. This is clear from the zero (0.00) score. However, SPU scored 10.00 in 2020, because its Annual Report included Performance Assessment information per KING IV's recommendation.

#### **4.3 REPORT OF THE CHAIRPERSON OF THE COUNCIL**

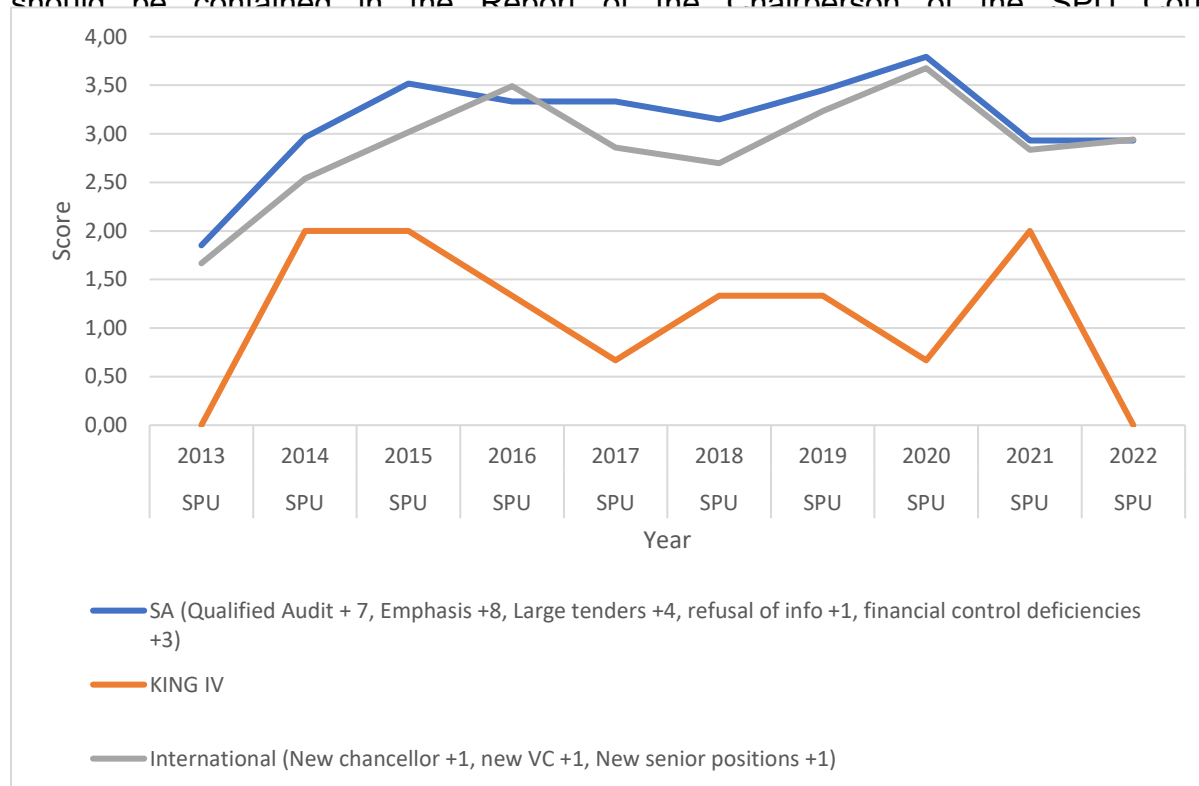
Section 4.3 discusses the results of applying the framework regarding the disclosures that should be contained in the Report of the Chairperson of the SPU Council. Seventy-six items were included in the analysis of the minimum content to be included in SPU's Annual Report. The seventy-eight items were organised under the three headings SA, INT, and KING IV. South Africa comprised 54 items, INT nine, while KING IV comprised 15 (see Table 3.1). The total number of items under the SA analysis increased with 4 additional items for the years 2019-2022 due to the existence of large tenders, bringing the total for the SA analysis to 58. In 2013 SPU appointed a new Chancellor, Vice-

Chancellor and created new senior positions. This caused the INT section of the analysis for 2013 to increase with three items to a total of 12. Similarly the total number of items in 2019 increased with one item, due to the appointment of a new Chancellor being appointed. In 2020 and 2022 the total items used for the analysis of the INT section increased with one item due to the creation of new senior positions. The content encompasses comments on social demand facing the Higher Education Institution. It highlights stakeholder relationships, risk management, compliance management, facilities and major capital works, financial health, and viability of the institution (see Appendix A) (RSA, 2014: 16–19).

**Table 4.3 Report of the Chairperson of the Council**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	1.85	2.96	3.52	3.33	3.33	3.15	3.45	3.79	2.93	2.93
<b>KING IV</b>	0.00	2.00	2.00	1.33	0.67	1.33	1.33	0.67	2.00	0.00
<b>International</b>	1.67	2.54	3.02	3.49	2.86	2.70	3.24	3.68	2.84	2.94

Figure 4.3 shows the results of applying the framework regarding the disclosures that should be contained in the Report of the Chairperson of the SPU Council.



**Figure 4.3 Report of the Chairperson of the Council**

The scores were calculated out of 10.00 after capturing data from the 10 SPU Annual Reports between 2013 and 2022. The study revealed the following regarding the Report of the Chairperson of the Council.

The highest SA score is 3.79, the highest INT score is 3.49, and the highest KING IV score is 2.00. All these recorded scores fall under 5.00 for a period covering 10 years and are a call for concern. These low scores show a culture of non-disclosure, lack of awareness of the duties and responsibilities of the Council, and lack of knowledge of the contents of the Chairperson of Council’s Report. This shows that the reports did not sufficiently cover the recommended items, and in most cases did not include them at all. Even more worrisome is that 80% of the reports were signed by the Chairperson of the Council - showing endorsement - despite the reports that were lacking details as required by Reporting Regulations.

The Report of the Chairperson of the Council largely omitted reporting on social demands, namely fee-free education, equal access, promotion of previously disadvantaged individuals, quality, and industry demand. There are all prevalent forces, confronting the institution on stakeholder relationships. In the 10 years under review, the Report of the Chairperson of the Council only made comments on fee-free education, equal access, and quality in the years 2017 to 2019. While fee-free education, equal access, and quality were insufficiently reported, comments on promoting previously disadvantaged individuals and industry demands were omitted for all the years. The under-reporting and omission of these aspects may broaden the trust deficit between SPU and its stakeholders. This may stem from the omission that reveals a Council that is not committed to transparency.

Although the Chairperson of the Council's Report sufficiently reported and gave assurance of the going concern of SPU, it however largely omitted comments on all aspects of the institution's financial health and viability. For instance, a comment on Financial Health and viability was only made in 2022. Comments on financial challenges were only disclosed in 2022, while no material changes were disclosed in all the years.

The Chairperson of the Council poorly reported on the Council's responsibility for risk management. For instance, only two statements were issued in 2020 and 2021 for all 10 reports on how the Council dealt with risk management. Council responsibility for the total process of risks was only indicated in the 2020 report. An opinion on the effectiveness of the risk management process was given in 2020, together with a statement on the system put in place. No statement was made to indicate assurance for independent and objective reviews of the risk management process.

In terms of additional disclosure recommendations in relation to KING IV, the Reports of the Chairperson of the Council are lacking in detail. The Reports of the Chairperson of Council did not emphasise compliance management as required by KING IV. For instance, from the 10 reports analysed, only the 2014 and 2015 reports commented on *processes of compliance management*. Additionally, comments on key focus areas of compliance management were only included in the 2014 and 2015 reports. Furthermore,

no comment was included in any of the reports on mechanisms for monitoring and assessing adequacy, effectiveness, and effectiveness of compliance.

Regarding international best practices, it is recommended that details about the Chancellor, including the Chancellor's name, visits, medals awarded, activities, and selection processes in case of a new appointment, must be included in the report. The report of the Chairperson of the Council only disclosed the Chancellor's name, visits, and activities in 2016 and omitted other recommendations for that year. Disclosure on the Chancellor's name was present in the 2020, 2021 and 2022 reports. Equally, the Report of the Chairperson of the Council did not disclose SPU's models for determining the structure of undergraduate costs and the regular reviewing of these cost structures and models. The omission of recommended disclosures to stakeholders might suggest that the Council is not committed to transparency.

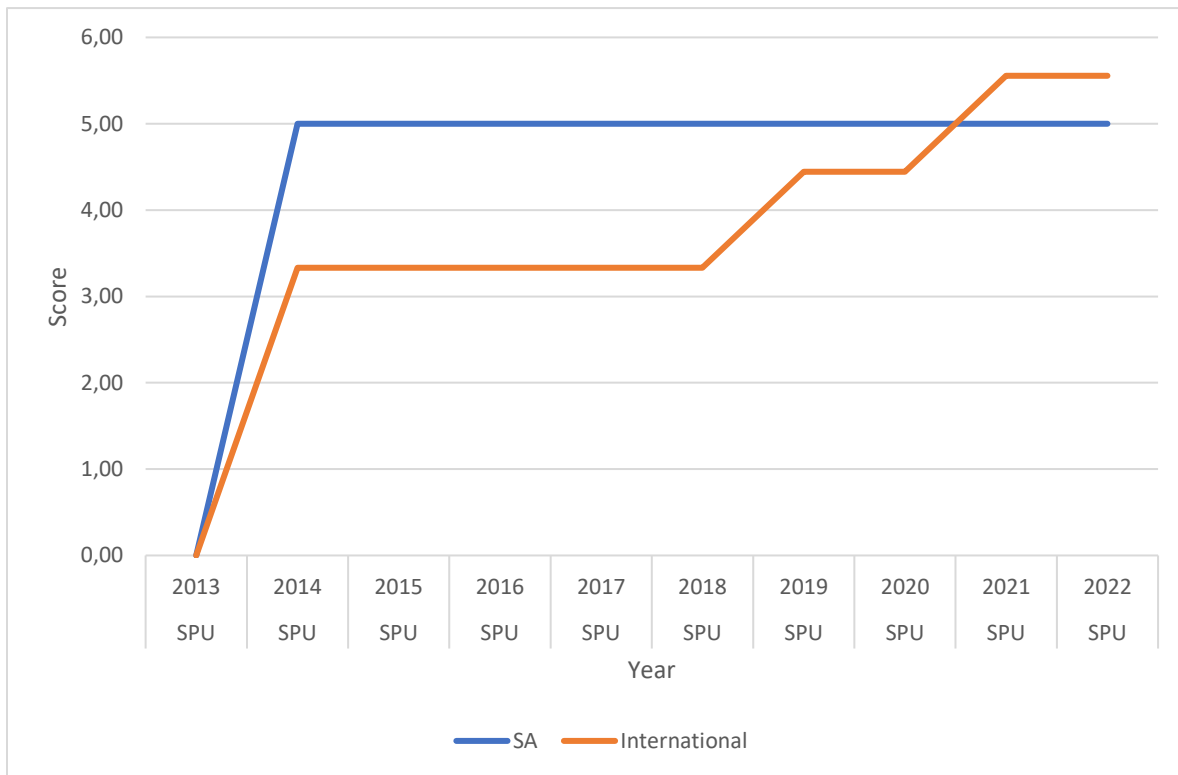
#### 4.4 STATEMENT OF CORPORATE GOVERNANCE

A Statement of Corporate Governance accounts for the Council’s governance of an institution. The Reporting Regulations require the Council to declare the application of the Code of Governance principles. If a principle is not applied, the Council has to reason for non-application of the principle (RSA, 2014: 20).

**Table 4.4 Statement of Corporate Governance**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
<b>International</b>	0.00	3.33	3.33	3.33	3.33	3.33	4.44	4.44	5.56	5.56

Figure 4.4 presents the results of applying the Code of Governance principles in the Statement of Corporate Governance.



**Figure 4.4 Statement of Corporate Governance**

Section 4.4 discusses the results of applying the framework regarding the disclosures that should be contained in the Statement of Governance. Nine items were included in the analysis of the minimum content to be included in SPU's Annual Report. These items were organised under two headings, SA and INT. South Africa comprised six items and INT three (see table 3.1). The content includes Council approval of statements and auditable evidence of approval (date of the full Council meeting, meeting quorum, documents for approval circulated in advance with agenda), the composition of the Senate, and Senate's general responsibilities (see Appendix A) (RSA, 2014: 20).

The scores were calculated out of 10.00 after capturing data from the ten SPU Annual Reports publicly available between 2013 and 2022. The study revealed the following information regarding the Statement of Governance.

The SA score for the disclosure of SPU's Council Approval of the Statement of Governance was zero in 2013. However, the score improved to 5.00 in 2014 and this was maintained for the nine years of the reporting period (2014 to 2022). SPU did not issue a statement that documents for approval were circulated in advance with the agenda. There was no evidence that due notice was given, and that the Council meeting was in quorate. The exclusion of the highlighted disclosures and the evaluated scores may suggest that the SPU Council members might lack the necessary awareness of the Corporate Governance principles they ought to apply. Improved knowledge on the recommended contents of the Annual Reports per Reporting Regulations (RSA, 2014) may be necessary.

Regarding international best practices, the score was zero in 2013 and 3.33 from 2014 to 2018. The INT score improved to 4.44 (2019 and 2020) and further increased to 5.43 (2021 and 2022). The non-disclosure of the general composition and responsibilities of the Senate suggests that the SPU Council might lack an overview of all items needed to be disclosed in this section of the Annual Report.

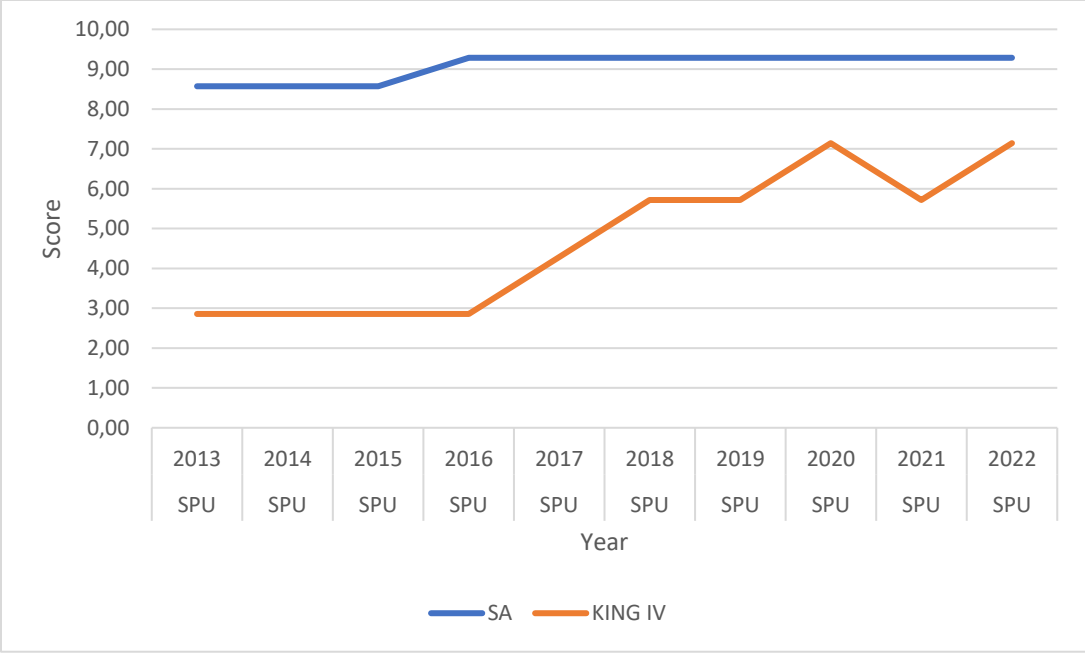
**4.5 GENERAL REQUIREMENTS – COUNCIL**

The analysis of SPU’s Annual reports shows SPU’s level of commitment to Corporate Governance principles of discipline, transparency, independence, accountability, responsibility, fairness, and social responsibility. The SPU Council acknowledged their commitment to the university’s Code of Ethics, as required by Reporting Regulations and as evidenced by seven Annual Reports (70%). However, contrary to the Reporting Regulations requirements, the SPU Council had no Annual Report mentioning an independent external audit review of its commitment to the Code of Ethics. The score was 8.57 from 2013 to 2015 and increased to 9.29 in 2016. This score was maintained till 2022.

**Table 4.5 General Requirements - Council**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	8.57	8.57	8.57	9.29	9.29	9.29	9.29	9.29	9.29	9.29
<b>KING IV</b>	2.86	2.86	2.86	2.86	4.29	5.71	5.71	7.14	5.71	7.14

The results regarding the General Requirements of the SPU Council are presented in Figure 4.5.



**Figure 4.5 General requirements - Council**

As per the KING IV Report, the Council is recommended to disclose its commitment to inclusivity, competence, diligence, to be informed, and have courage to act with integrity and honesty. All reports (100%) include the Council’s commitment to inclusivity. Five reports (50%) acknowledge the Council’s commitment to competence, two reports (20%) state the Council’s duty to be informed, and all 10 reports (100%) outline the SPU Council’s commitment to act with integrity and honesty. None of SPU’s Annual Reports, however, referred to diligence. For the acknowledgment of the three principles (inclusivity, competence, and courage to act with integrity) in its report, the SPU Council was proactive in applying the KING IV report. These disclosures were made before the coming into effect of the KING IV Report in 2016. Lastly, six reports (60%) provide mechanisms that the SPU Council use to hold itself accountable for ethical governance.

**4.6 COUNCIL**

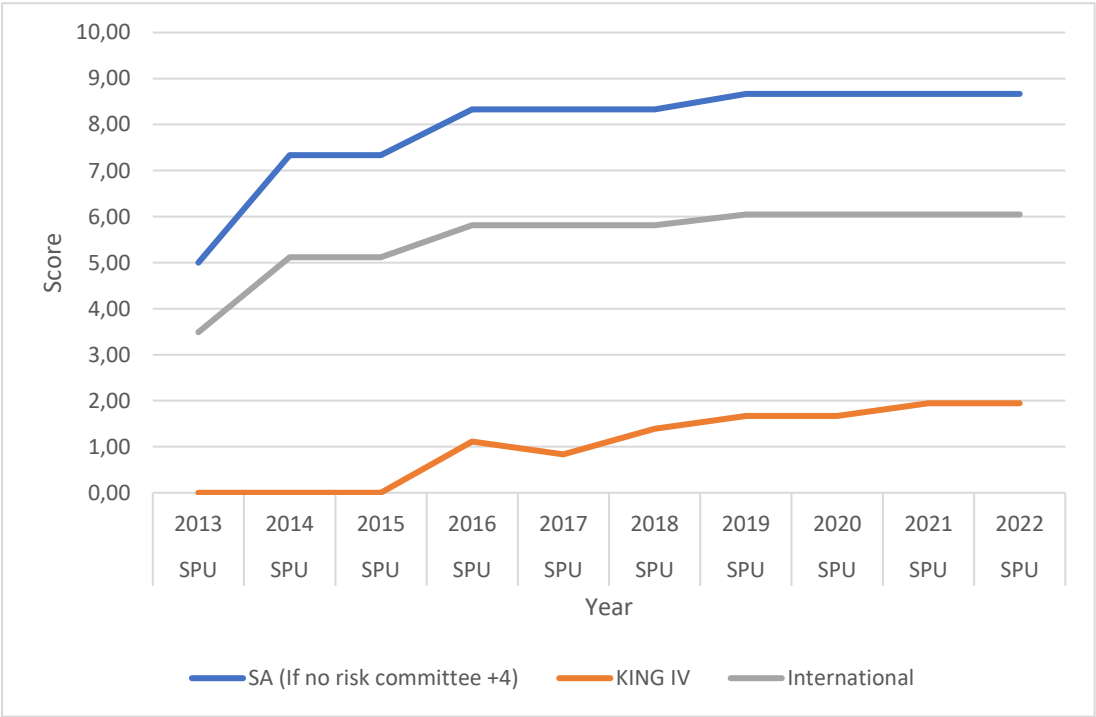
This section discusses the results of the framework regarding the disclosure of the composition and functions of the Council. Amongst others, the recommended disclosures regarding the composition and function of the Council include the comprising of the Council, length of service in Council, Council statutory committees, number of Council

members and its committee meetings, meeting attendance registers, risk management, disclosure of skills and competence of Council members, and significant directorship held (RSA, 2014: 20–21).

**Table 4.6 Council**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	5.00	7.33	7.33	8.33	8.33	8.33	8.67	8.67	8.67	8.67
<b>KING IV</b>	0.00	0.00	0.00	1.11	0.83	1.39	1.67	1.67	1.94	1.94
<b>International</b>	3.49	5.12	5.12	5.81	5.81	5.81	6.05	6.05	6.05	6.05

The results of applying the framework regarding the disclosure of the performance of the composition and function of the SPU Council are presented in Figure 4.6



**Figure 4.6 Council**

Regarding the SA column, the score of the disclosures regarding the composition and functions of the Council ranges from 5.00 to 8.67. These scores indicate that SPU

performed well regarding their disclosures from 2013 to 2022. With all 10 reports analysed, show a steady increase in the score from the first report issued in 2013 to the last in 2022.

Despite well portrayed scores recorded over the 10 years, some disclosures were either omitted from the report or limited. For example, all analysed reports outrightly omitted disclosures about the Council Membership Committee, length of service at other institutions that merged to form new institutions, and the age of each council member. Equally, only 40% of the analysed reports indicated that the appraisal of the Council and committees was conducted.

Regarding the KING IV column scores, SPU has performed poorly. This evaluation is based on the scores ranging from 0.00 to 1.94. No report disclosed all the items from the 36 items to be disclosed according to KING IV. Instead, only seven items were disclosed. The seven items that were disclosed are mentioned below:

- a) Skills needed for committee disclosure were only contained in five out of 10 Annual Reports (2016 and 2019 to 2022).
- b) Qualifications needed for committees' disclosure were contained in four Annual Reports (2019 to 2022).
- c) A mix of skills needed by the Council to achieve objective disclosure was contained in five Annual Reports (2018 to 2022).
- d) Reasons for removal/resignation or retirement of council members disclosure was contained in only three Annual Reports (2018, 2021 and 2022).
- e) Responsibility for ethical policy disclosure was contained in seven Annual Reports (2016 to 2022).
- f) Necessary structures put in place for ethics management disclosure were contained in seven Annual Reports (2016 to 2022).
- g) Necessary processes in place to manage ethics disclosure were contained in seven Annual Reports (2016 to 2022); and
- h) The remaining 29 items were omitted from all Annual Reports.

Although the seven Annual Reports disclosed the necessary processes to manage ethics, no information was included on how SPU monitors and assesses the effectiveness and adequacy of its ethics management processes.

The non-disclosure regarding the Council's functions and the existence of the minimum committees, put into question the Council's commitment to Corporate Governance principles of transparency and accountability. A university Council is mainly responsible for the sustainability and value creation of the institution. They have to play a crucial role in applying Corporate Governance principles and should also disclose their performance regarding their duties (Crous, 2017: 286). The results of the analysed data indicate that SPU was not proactive in disclosing and applying other Corporate Governance principles such as ethical culture, effective control, and responsibility. The disclosures contained in seven Annual Reports were only stipulated in 2016.

The SPU score in terms of International best practice ranges from 3.49 to 6.05. The scores increased from 3.49 (2013 to 2014) towards 2018 (5.81) and again in 2019 to 2022 (6.05). The score is borderline and indicative of many omissions. For instance, international best practice recommendations for the Council, such as the disclosure of political engagement of Council and its members, the existence of statutes for the appointment of the Council Chairperson and Deputy Chairperson, and the Investment Committee, were omitted.

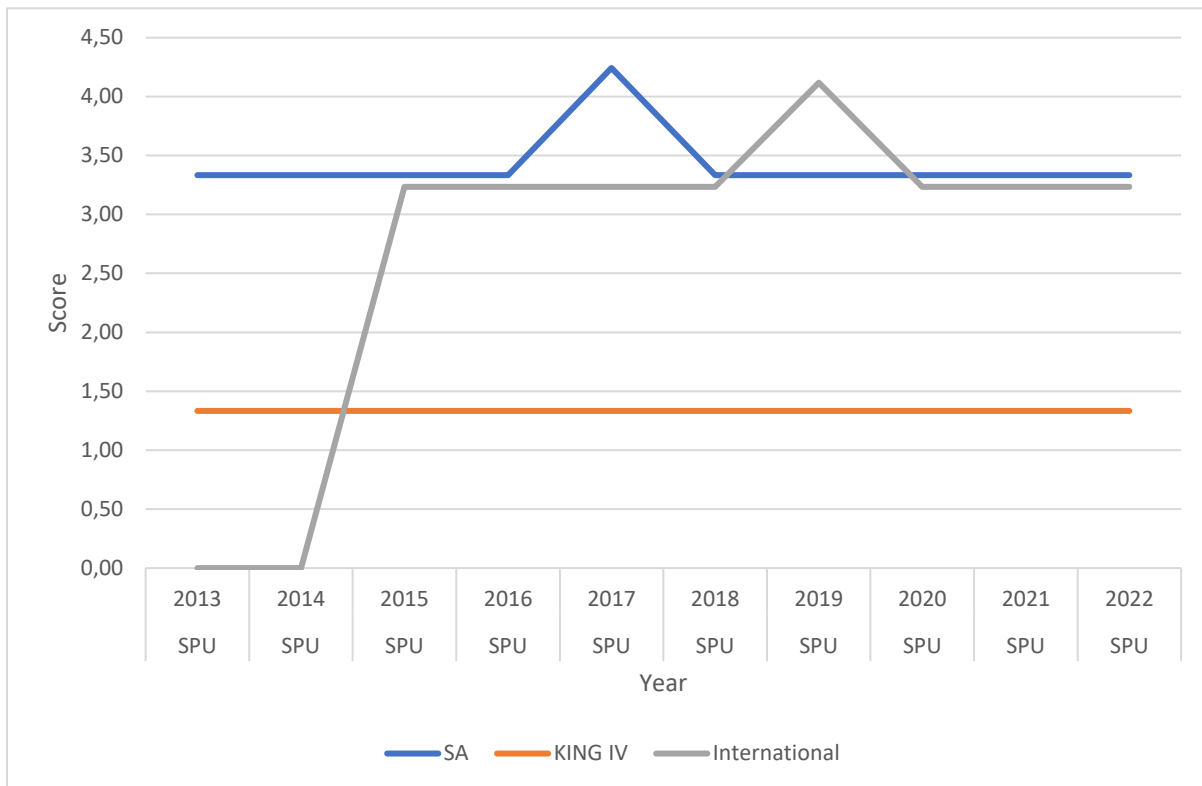
#### **4.7 REMUNERATION COMMITTEE AND REMUNERATION DISCLOSURES**

Section 4.7 discusses the results of applying the framework regarding the Remuneration Committee and remuneration disclosures that should be included in the Annual Report. The total points that could be achieved were out of a score of 10.00. Sixty-four (64) items were included in the analysis of the minimum content of the SPU Annual Reports. These items were organised under the three headings SA, KING IV, and INT. Numerically, SA accounted for 33 items, International for one item, and KING IV for 30.

**Table 4.7 Remuneration Committee and remuneration disclosures**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	3.33	3.33	3.33	3.33	4.24	3.33	3.33	3.33	3.33	3.33
<b>KING IV</b>	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33
<b>International</b>	0.00	0.00	3.24	3.24	3.24	3.24	4.12	3.24	3.24	3.24

The results regarding the Remuneration Committee and remuneration disclosures are presented in Figure 4.7.



**Figure 4.7 Remuneration Committee and remuneration disclosures**

The study signifies the following regarding the Remuneration Committee and remuneration disclosures for the 10 years (2013-2022). Regarding the SA column, the scores range from 3.33 to 4.24. The score was 3.33 annually for the 10 years under review, except in 2017, when the score was 4.24.

The KING IV scores for the 10 years are poor at 1.33, maintained throughout the 10 years. The low scores are owing to the gross omission of disclosures in SPU's Annual Reports.

The scores regarding additional disclosures for the International range between 0.00 and 4.12. The scores were 0.00 for 2013 and 2014 and increased in 2015 to 3.24. This was maintained for seven years, with the highest score recorded in 2019 at 4.12.

SPU's Annual Reports omitted Remuneration Committees and remuneration disclosure items a number of times. Among the many omissions, these Annual Reports did not disclose the existence of a remuneration policy, the philosophy followed in terms of remuneration and performance parameters set for bonuses. Furthermore, there was a lack of disclosure of methods of evaluation of performance and policies in terms of service contracts. These non-disclosures are indicative of a Council that has a less functional Remuneration Committee, and where there is no clear governance of remuneration within the institution. The data analysis results also reflect a lack of application of Corporate Governance and disclosure recommendations, and thus indicates a non-transparent university.

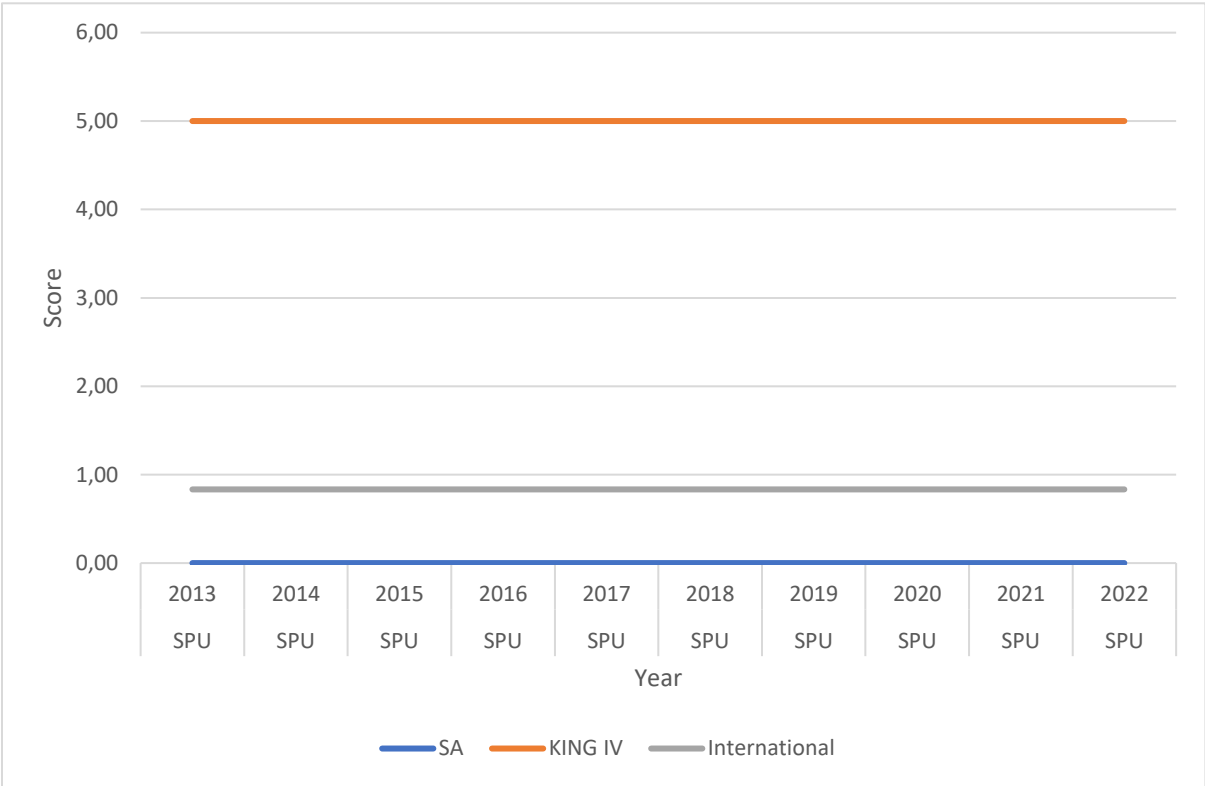
#### **4.8 FINANCE COMMITTEE**

This section discusses the results of applying the framework regarding the Finance Committee disclosures that should be included in the Annual Reports. The Finance Committee is responsible for a university's annual operational and capital budget, as well as the monitoring thereof. Furthermore, the Finance Committee assures the university is a going concern, responsible for ensuring the appropriateness of accounting information systems and ensure that sufficient and suitably qualified staff are responsible for the university's accounting records (RSA, 2014: 22). The total points that could be achieved in this analysis were out of a score of 10.00. Fourteen (14) items were included in the analysis of the minimum content to be included in SPU's Annual Report, organised under the three headings SA, KING IV, and INT. SA accounted for 11 items, International for one item, and KING IV for two items. The study revealed the following regarding the Finance Committee disclosures for the 10 years (2013-2022).

**Table 4.8 Finance Committee**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>KING IV</b>	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
<b>International</b>	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83

Figure 4.8 below shows the results of applying the framework regarding the Finance Committee disclosures that should be contained in SPU’s Annual Reports.



**Figure 4.8 Finance Committee**

The scores under SA are 0.00 for the 10 years. This means that all SPU’s Annual Reports omitted to disclose the information on how the Finance Committee discharged its responsibilities. The non-disclosure of the responsibilities of the Finance Committee put

into question their knowledge of the duties and performance expected. This further questions the Council’s commitment to transparency.

The KING IV and international best practice scores are 5.00 and 0.83, respectively, as maintained throughout the 10 years. In terms of KING IV, the composition of the Finance Committee was disclosed in all 10 Annual Reports, However, all 10 Annual Reports omitted information on the Finance Committee’s use of external advisors. It needs to be noted that the Finance Committee’s Chairperson’s name was disclosed for the 10 years under review.

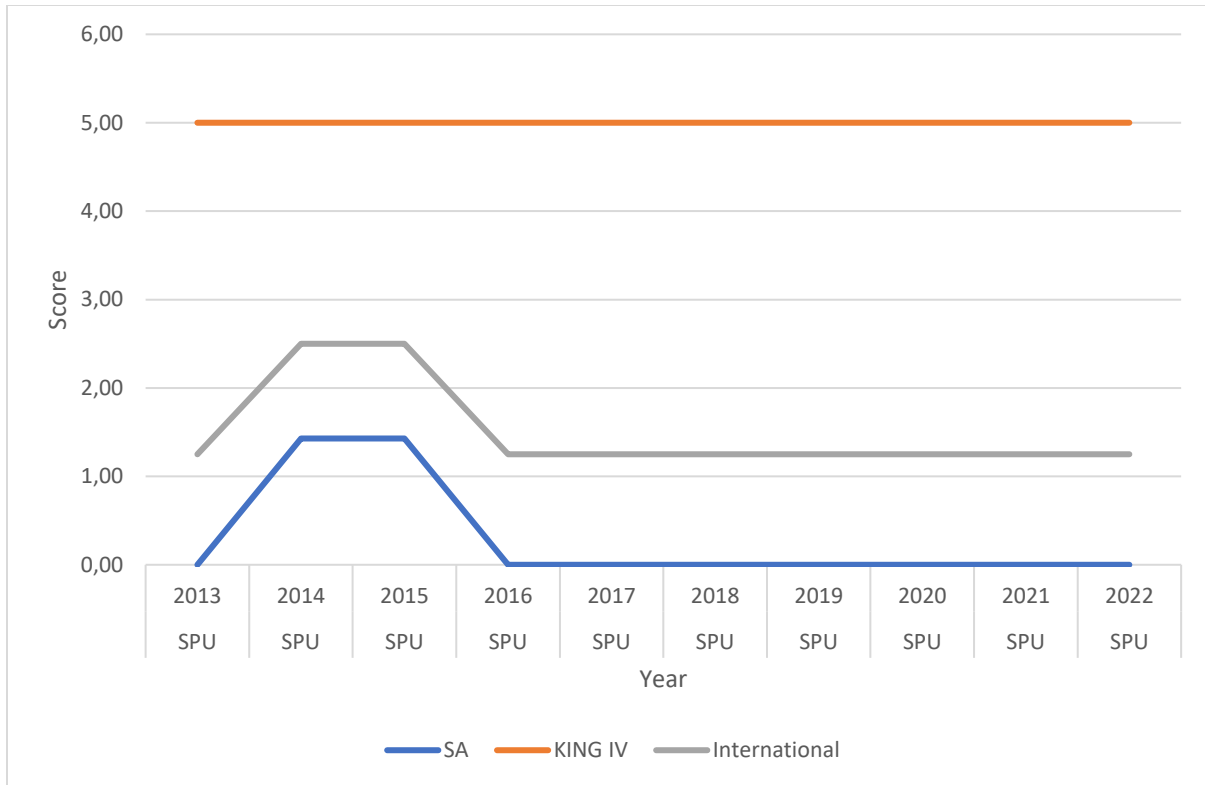
**4.9 PLANNING AND RESOURCE COMMITTEE**

Section 4.9 discusses the results of applying the framework regarding the Planning and Resource Committee disclosures that should be included in the Annual Report. The focus of the Planning and Resource Committee is the medium and long-term strategic plans of an institution, and it assists the Finance Committee with input in the preparation of Annual Budgets (RSA, 2014: 22). The total points that could be achieved were out of a score of 10.00. Ten (10) items were included in the analysis of the minimum content to be present in SPU’s Annual Report. The 10 items were organised under the three headings, namely SA, KING IV, and INT. SA accounted for seven, International for one, and KING IV for two items.

**Table 4.9 Planning and Resource Committee**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	1.43	1.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>KING IV</b>	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
<b>International</b>	1.25	2.50	2.50	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Figure 4.9 presents the results of applying the framework regarding the Planning and Resource Committee disclosures that should be included in the Annual Report.



**Figure 4.9 Planning and Resource Committee**

The study revealed the following regarding the Planning and Resource Committee's composition and function disclosures for the 10 years (2013-2022). For SA, the scores regarding the Planning and Resource Committee functions and composition are 1.43 for 2014 and 2015. For all the other years, the score equals 0.00. Of the seven items under the SA column, only one item was disclosed, namely the duty concerning *medium-term strategic plans*. Albeit the item was only contained in two Annual Reports - 2014 and 2015. The other six items under the SA column were omitted. The non-disclosures put into question the SPU's commitment to transparency as well as the existence and performance of the Planning and Resource Committee.

Regarding KING IV, all 10 Annual Reports included the disclosure recommendation on the composition of the Planning and Resource Committee. However, the disclosure recommendation omitted the inclusion of the external advisor on the Committee; thus resulting in a score of 5.00 for all 10 years.

All 10 Annual Reports included the international best practice recommended for disclosure. The international score was 1.25 for all the years under review, except for 2015, when it was 2.50.

**4.10 COUNCIL MEMBERSHIP COMMITTEE**

The Council Membership Committee assists the Council in nominating individuals with the requisite skills and experience to serve on the Council (RSA, 2014: 22). Section 4.10 discusses the results of applying the framework regarding the Council Membership Committee disclosures that should be included in the Annual Report. The total points that could be achieved amount to 10.00. Four items were included in the analysis of the minimum content to be included in SPU’s Annual Report. The four items were organised under the three headings SA, KING IV, and INT. SA accounted for one, International for one, and KING IV for two.

**Table 4.10 Council Membership Committee**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>KING IV</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>International</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The study shows the following regarding the Council Membership Committee disclosures for the past 10 years (2013-2022). All the scores under the three headings, SA, KING IV, and INT, are 0.00 for the 10 years under review. The scores indicate the non-existence of the Council Membership Committee at SPU.

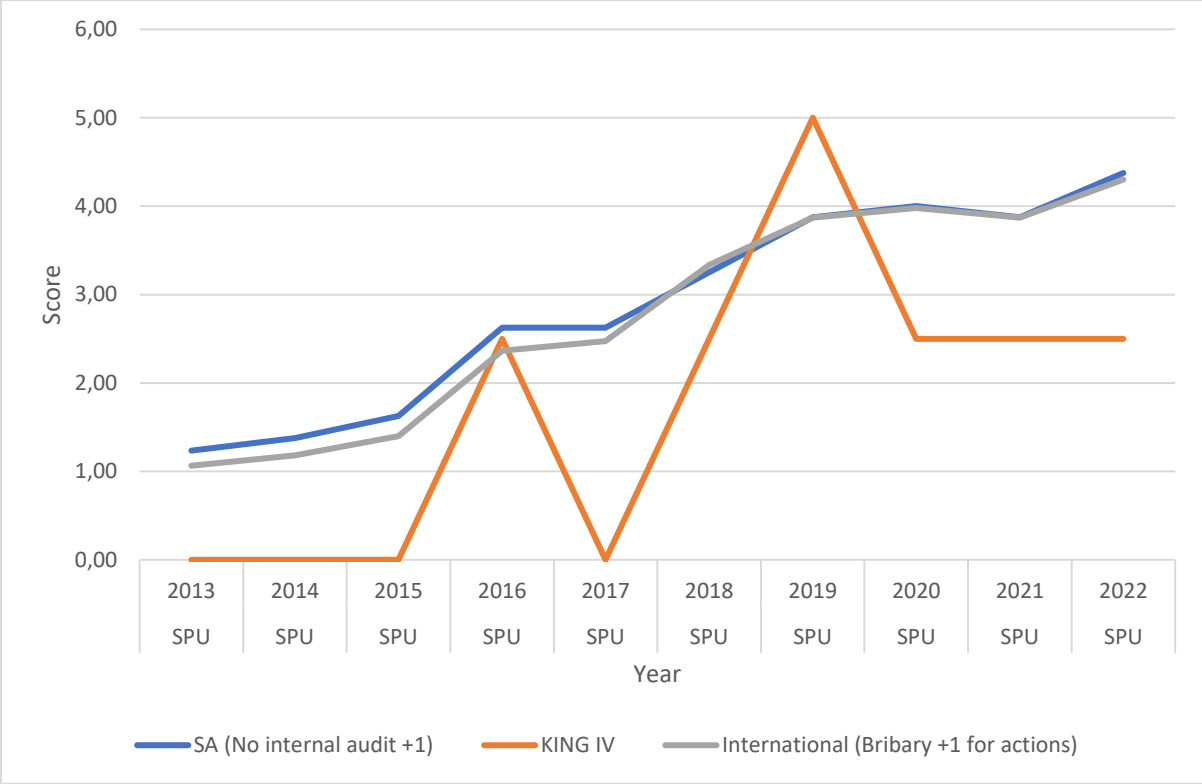
#### 4.11 AUDIT COMMITTEE AND DISCLOSURE

This section discusses the results of the disclosures that should be included in the Annual Report regarding the Audit Committee composition and functions. The Audit Committee, on behalf of the Council, provides oversight over the reporting process of an institution (RSA, 2014: 22). The total points achievable were out of a score of 10.00. Ninety-seven (97) items were included in the analysis of the minimum content to be included in the SPU Annual Report. The ninety-seven (97) items were organised under the three headings SA, KING IV, and INT. In terms of numbers, SA accounted for 80 items, International for 13, and KING IV for four. In 2013 tot items analysed for the audit committee under the SA section increased with one item because of the non-existence of an internal audit committee, bringing the total number of items used for the SA analysis to 81.

**Table 4.11 Audit Committee and Disclosure**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	1.23	1.38	1.63	2.63	2.63	3.25	3.88	4.00	3.88	4.38
<b>KING IV</b>	0.00	0.00	0.00	2.50	0.00	2.50	5.00	2.50	2.50	2.50
<b>International</b>	1.06	1.18	1.40	2.37	2.47	3.33	3.87	3.98	3.87	4.30

The study shows the following information regarding the Audit Committee composition and disclosure of functions for the 10 years (2013-2022). The SA scores range between 1.23 and 4.38. Albeit slow, the scores have increased, from 1.23 in 2013 to 4.00 in 2020, with the SPU gradually disclosing more items. However, the SPU returned in 2021 to its decreased 2019 score of 3.88 due to excluding how the Audit Committee was assisting the Council in managing financial risks. The score of 2022 increased to 4.38, showing an increase from 2021. This is attributed to the inclusion of how the Audit Committee assists the Council in terms of the effectiveness of internal audit plans.



**Figure 4.10 Audit Committee**

The overall SA scores are low, owing to many omitted recommended Reporting Regulation disclosures. Amongst the items not included in the 10 Annual Reports are the disclosure items, namely that the internal and external audit has unrestricted access to the Audit Committee, that the Audit Committee ensures that the internal and external auditors' independence is not impaired, together with the information disclosing the results of the review regarding the satisfaction that finance function has resources, expertise, and experience. The omission of this important information questions the Audit Committee's competence, skills, and qualifications to perform its duties. Furthermore, the vast non-disclosure of items leaves much to be desired regarding the Audit Committee's effectiveness and efficiency.

Regarding KING IV, the scores range from 0.00 to 5.00. No KING IV disclosures were made regarding the Audit Committee in 2013, 2014, 2015, and 2017. Therefore a 0.00 was allocated. These scores prove that SPU was not proactive in applying KING IV in the mentioned years. In 2016, 2018, 2020, 2021 and 2022, the SPU Annual Reports included

one item, namely Assurance conclusions. Therefore, the score of 2.50 in the mentioned years. SPU disclosed the Audit Partner rotation in 2019, resulting in a score of 5.00. As KING IV recommended, none of the Annual Reports provided other assurance providers' work details.

Regarding international best practices scores, the scores range between 1.06 and 4.30. Only five Annual Reports included statements on the self-assessment of faculties (2018 to 2022). The same Annual Reports included statements on the self-assessment of departments. Information regarding the actions implemented to prevent fraud, irregularities, bribery, and corruption was only included in five Annual Reports (2018-2022). For the 10 years, at least six Annual Reports (2017 to 2022) disclosed that the Audit Committees received regular reports from internal audits. Lastly, the highest disclosed item was the Audit Committee Chairperson's name. At least seven Audit Committee Reports included its Chairperson's name.

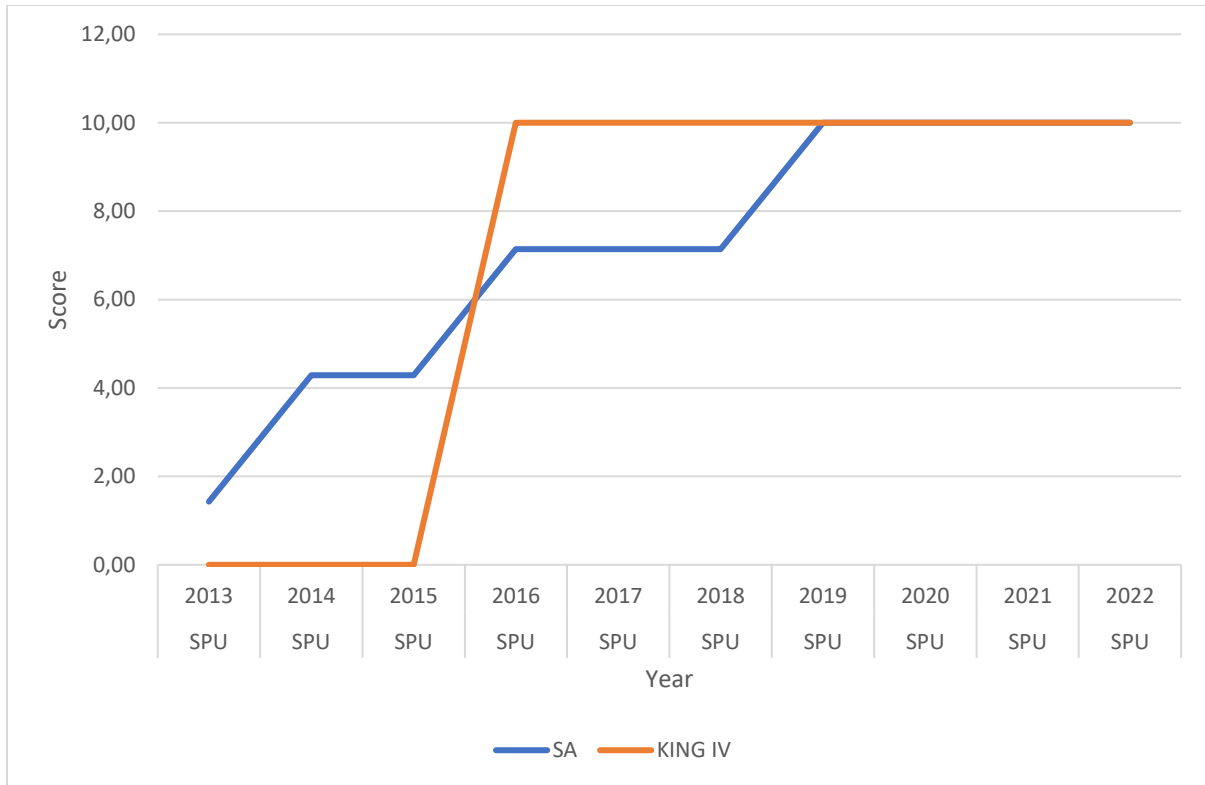
**4.12 RISK COMMITTEE**

Section 4.12 discusses the results of applying the framework regarding the Risk Committee disclosures that should be included in the Annual Report. The total points achieved were out of a score of 10.00. Eight items were included in the analysis of the minimum content to be included in SPU's Annual Report and were organised under the two headings SA and KING IV. In terms of numbers, SA accounted for seven items and KING IV for one. The study revealed the following regarding the Risk Committee composition and functions disclosure for 10 years (2013-2022).

**Table 4.12 Risk Committee**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	1.43	4.29	4.29	7.14	7.14	7.14	10.00	10.00	10.00	10.00
<b>KING IV</b>	0.00	0.00	0.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00

Figure 4.11 presents the Risk Committee's composition and function disclosure results.



**Figure 4.11 Risk Committee**

The scores in the SA column relating to the Risk Committee composition and functions range from 1.43 to 10.00. The scores were below 5.00 in the three formative years of SPU (2013 to 2015). In six Annual Reports (2013 to 2018), SPU did not acknowledge that the Risk Committee considers all risks due to exposure. Nine Annual Reports considered that not all risks are financial risks. The scores for 2016 to 2018 increased to 7.14, as five of the seven disclosure requirements were included in the Reporting Regulations. The score rose to 10.00 in 2019 and maintained at this level until 2022, because all four Annual Reports (2019 to 2022) included all disclosure items required by the Reporting Regulations.

Regarding KING IV, seven Annual Reports (70%) included the name of the Chairperson of the Risk Committee. The omission of the Chairperson of the Risk Committee in the three Annual Reports (2013 to 2015) suggests that SPU was not proactive in the application of KING IV at that time and only started to apply from 2016 onwards.

SPU is performing on standard regarding the Risk Committee's composition and function disclosure.

SPU has a combined Audit and Risk Committee named the Audit and Risk Management Committee of Council (ARMC). The ARMC performs both the duties and functions of the Audit and Risk Committee. The Audit and Risk Committee information was accounted for in the study, as required by the Reporting Regulations.

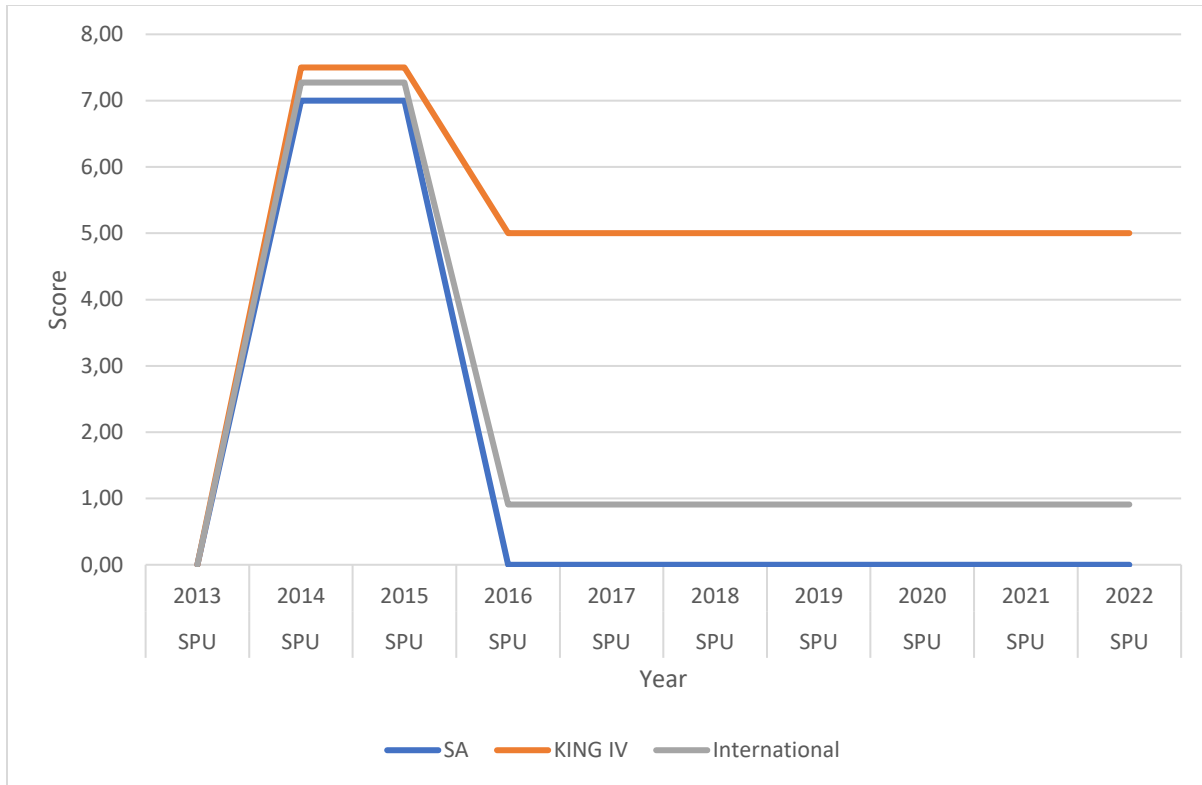
**4.13 INFORMATION TECHNOLOGY COMMITTEE**

This section discusses the results of applying the framework regarding Information Technology (IT) governance. The total points achieved were out of a score of 10.00. Fifteen (15) items were included in the analysis of the minimum content required in the SPU Annual Report and they were organised under the three headings SA, KING IV and INT. In terms of SA, it was accounted for 10 items, KING IV for four, and INT for one. The study shows the following regarding the Information Technology Committee for the 10 years under review (2013-2022).

**Table 4.13 Information Technology Committee**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	7.00	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>KING IV</b>	0.00	7.50	7.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00
<b>International</b>	0.00	7.27	7.27	0.91	0.91	0.91	0.91	0.91	0.91	0.91

Figure 4.12 below presents the results of applying the framework regarding Information Technology (IT) governance.



**Figure 4.12 Information Technology Committee**

SPU does not have a standalone Information Technology Committee. The Facilities Planning, Infrastructure, and Information Technology Committee is responsible for dealing with IT-related governance, amongst its other duties and functions.

The recorded scores in the SA range are zero for eight of the 10 years under review and 7.00 for two years (2014 and 2015). The score regarding the SA column in Figure 4.13 shows poor performance of SPU's IT governance. Only two Annual Reports, 2014 and 2015 (20%), disclosed items regarding Reporting Regulations. Only seven of the required 10 items were disclosed: items related to the Council's statement of the responsibility for IT governance, how the Council fulfilled its role, management's responsibility in implementing the IT governance framework, comments on how IT was aligned with performance and sustainability objectives, comments on the Council's monitoring of significant IT investment and expenditure, as well as the evaluation of significant IT investments and expenditure. SPU did not disclose information on how IT is an integral part of risk management, how it monitored the effective management of its IT assets or

comments on how the Audit and Risk Committee was assisting the Council with IT responsibilities.

The non-disclosures noted above portray a University Council that lacks IT governance and does not consider it an integral part of its sustainability. It also suggests derelict management responsibility in implementing an IT framework.

Regarding KING IV, the scores range between 5.00 and 7.00. In most of these aspects, SPU performed well. Two reports included information on key IT focus areas. A 100% of the Annual Reports included information regarding meetings of the IT Governance Committee, and the composition of the IT Governance Committee. However, none of the Annual Reports contained information about the existence of external advisors on the IT Governance Committee. SPU has also shown proactiveness in the application of KING IV, because there were disclosures before the coming into effect of KING IV in 2017.

For the international best practice disclosure, 90% of the Annual Reports disclosed the needed disclosure item. The only disclosure for the international best practice is the name of the chairperson of the IT Governance Committee.

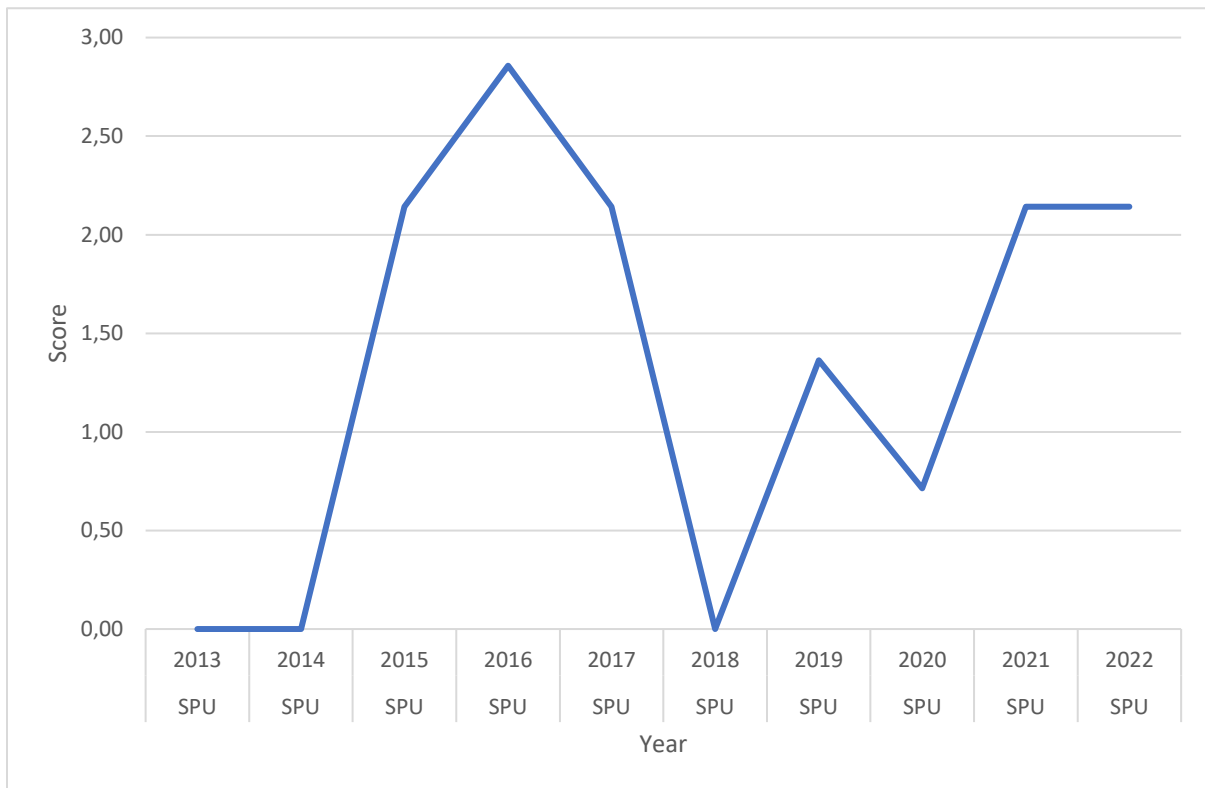
#### **4.14 CONFLICT MANAGEMENT**

Section 4.14 discusses the results of applying the framework regarding Conflict management practices. After analysing 10 Annual Reports, the total points achieved were calculated out of a score of 10.00. Six items were located in the analysis of the minimum content to be included in the SPU Annual Report. They were organised under the heading SA. The study revealed the following regarding the Information Technology Committee for the 10 years under review (2013-2022). The existence of student and staff unrest caused the total items used for conflict resolution to increase in the years 2015-2017 and again in 2019-2022. For 2019 the number of items increased with 14 items (seven for student and seven for staff unrest). For the years 2015-2017 and 2020-2022 the total number of items increased with seven for student unrest.

**Table 4.14 Conflict Management**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
SA	0.00	0.00	2.14	2.86	2.14	0.00	1.36	0.71	2.14	2.14

The results of applying the framework regarding the Conflict management practices are presented in Figure 4.13.



**Figure 4.13 Conflict Management**

The scores under SA range from 0.00 to 2.86 and reflect poor disclosures of conflict management practices at SPU. Seven Annual Reports indicated students' protests. However, only four mentioned the extent of the strike, and only three the protest's effect. Only two reported information on the number of academic days lost due to the student protest. The Annual Reports did not include information on individuals with expertise in conflict resolution, arbitration, and mediation. Equally, the Annual Reports did not point to individuals that the Council identified to resolve conflict.

Given the many reported student protests, it would be expected that SPU would fully report on the protests as prescribed by the Reporting Regulations. The non-disclosures, thus poor conflict management practices at SPU, put in doubt the Council's seriousness to lead the university's stakeholders to coexist in harmony in the institution's best interest and achieve its objectives.

**4.15 STAKEHOLDER RELATIONSHIPS**

Section 4.15 discusses the results of applying the framework regarding workers' and students' stakeholder relationships. Universities are required, by the Reporting Regulations, to disclose participation structures available to their students and employees (RSA, 2014: 25–26). After analysing 10 Annual Reports, the total points achieved were calculated out of a score of 10.00. Twenty-seven (27) items were included in the analysis as minimum content to be included in the SPU Annual Report. The 27 items were organised under two headings, SA and KING IV. SA accounted for 14 items, and KING IV for 13.

**Table 4.15 Stakeholder Relationships**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>KING IV</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The study revealed the following regarding student-worker participation in stakeholder relationships for the 10 years under review (2013-2022). Regarding SA and KING IV, none of the SPU Annual Reports disclosed information regarding the student-worker participation structures and stakeholder relationships.

Given that a university is an ecosystem of different interest groups, students and workers are bound to interact with one another, it is worrying that SPU's Annual Reports did not disclose such stakeholder relationships as required by Reporting Regulations. The non-disclosure of stakeholder relationships and participation structures indicates that the

Council might be downplaying the coexistence and interdependence of various university stakeholders to work in unison and to achieve university objectives.

**4.16 CODE OF ETHICS**

This section discusses the results of applying the framework regarding the disclosures relating to the existence of a Code of Ethics at SPU. Universities are required, by the Reporting Regulations, to disclose the existence of a Code of Ethics, as well as the University’s commitment to the highest standard of integrity in conducting its business and interaction with various stakeholders (RSA, 2014: 26). After analysing 10 Annual Reports, the total points achieved in Figure 4.16 were calculated out of a score of 10.00. Eighteen (18) items were included in the analysis of the minimum content to be included in the SPU Annual Report and organised under the headings SA.

**Table 4.16 Code of Ethics**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The study evaluates the existence of a Code of Ethics for 10 years (2013-2022). The SA scores are all zero for the 10 years under review. This is evidence that SPU did not make any reference to a Code of Ethics. The scores question the Council’s commitment to a culture of ethics. The Council might be committed to the highest standards of integrity in conducting its business. However, the problem can be with the individuals responsible for preparing the Annual Reports. If the problems lie with the individual responsible for preparing Annual Reports, it would also be true that the Council derelicts its duties, because they are responsible for approving Annual Reports. The documents must be a true reflection of the institution.

**4.17 COUNCIL AND SUSTAINABILITY**

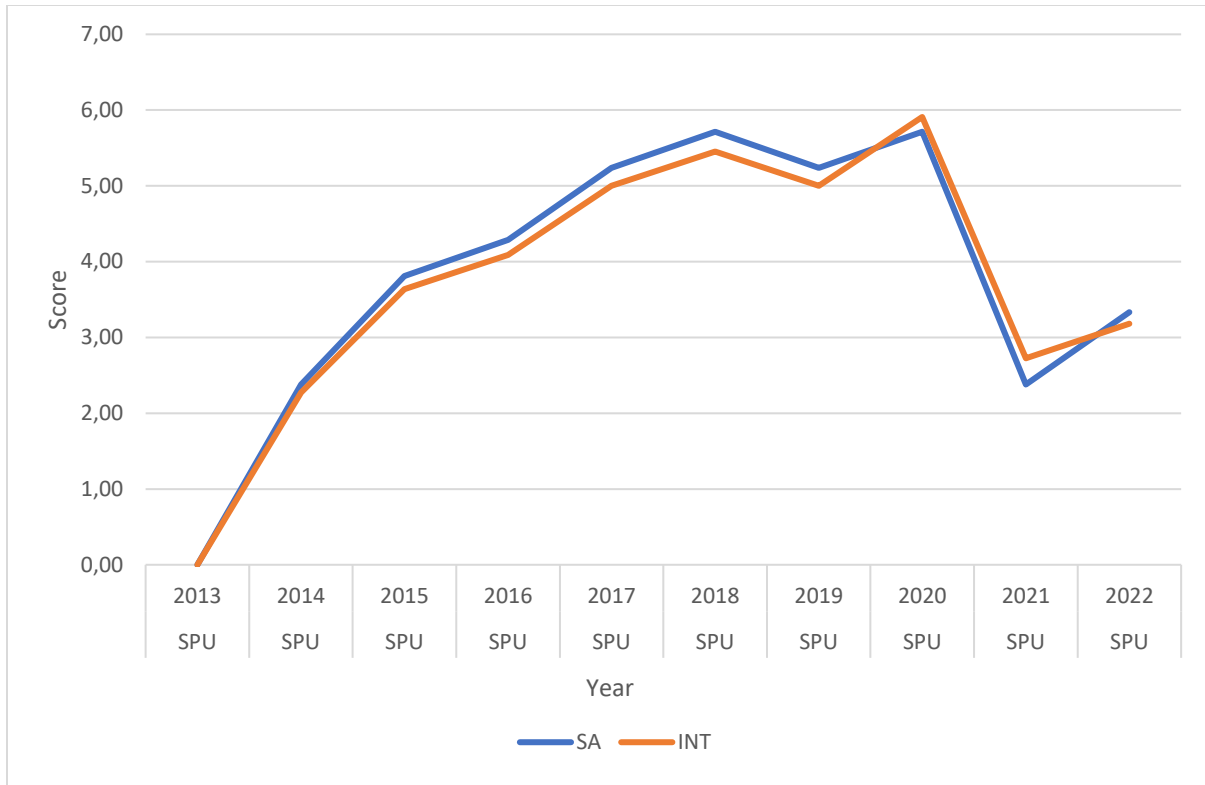
Section 4.17 discusses the results of applying the framework regarding the Statement on Sustainability. Reporting Regulations require universities to include a Sustainability

Statement in their Annual Reports. The statement of sustainability should sufficiently reflect the institution's positive and negative impact on the community's economic life regarding environmental, social, and governance aspects (RSA, 2014: 26–27). Twenty-two items were included in the analysis of the minimum content to be included in the SPU Annual Report. The Council should link the institution's governance, risks and opportunities, and key indicators to the sustainable development of the institution. The 22 items were organised under the two headings SA and INT. South Africa comprised 21 items and INT one (see table 3.1).

**Table 4.17 Council and Sustainability**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	2.38	3.81	4.29	5.24	5.71	5.24	5.71	2.38	3.33
<b>INT</b>	0.00	2.27	3.64	4.09	5.00	5.45	5.00	5.91	2.73	3.18

The scores were calculated out of 10.00 after capturing data from the 10 SPU Annual Reports publicly available between 2013 and 2022. The study showed the following regarding the Statement of Sustainability.



**Figure 4.14 Council and Sustainability**

The scores under SA range between 0.00 and 5.71. The score in 2013 was 0.00, because the 2013 Annual Report, when SPU was formed, did not contain a Statement of Sustainability. The score increased to 2.38 in 2014 and annually to a score of 5.71 in 2018. In 2019, the score decreased to 5.24 when the Annual Report excluded information on how the Council believed the negative aspects impacting the community's economic life could be eradicated. There was an increase in the score in 2020, back to 5.71. The increase was followed by a decrease to 2.38 in 2021. Thereafter, the score fluctuated upwards to 3.33 in 2022. SPU was inconsistent in their disclosures, because some information was included in one year but excluded in the next year's Annual Reports.

All 10 Annual Reports omitted information on SPU's negative impact on the environmental, social, and governance aspects. However, only two Annual Reports included information on how negative aspects can be eradicated. All Annual Reports included sufficient details on how SPU positively impacted social, governance, and

environmental aspects. However, no Annual Report had information on improving positive aspects, as required by Reporting Regulations.

Regarding the international best practices, INT scores range between 2.27 and 5.91. Only four Annual Reports achieved a score of 5.00 or above. However, no Annual Report has achieved a score of 6.00 or above.

The many omissions of information regarding aspects of sustainability show that the SPU Council is narrowing its definition of sustainability only to financials instead of including aspects of social, environmental, and governance. The many omissions and narrow interpretation and application of the concept of sustainability point to a Council that might not fully understand the concept of sustainability and equally shows less transparency in the governance at SPU.

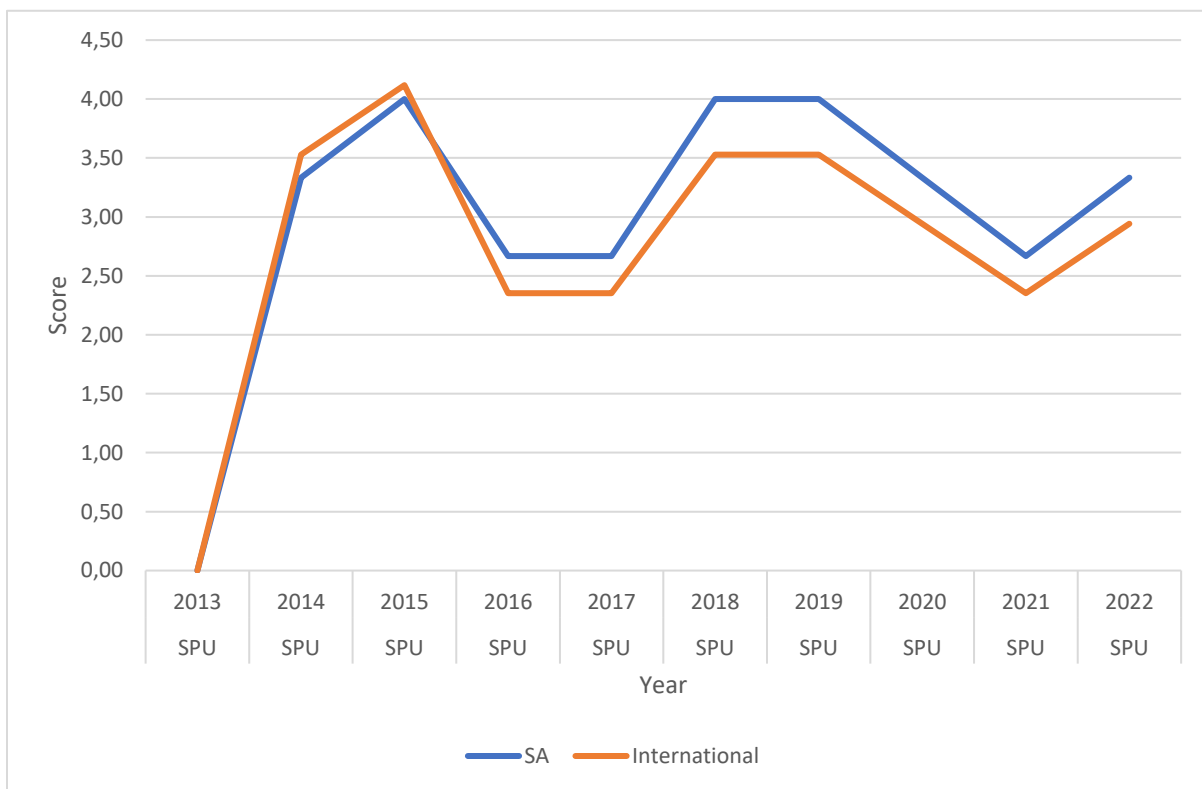
#### **4.18 SENATE DISCLOSURES**

Section 4.18 discusses the results of applying the framework to the disclosures in the Senate Report to the Council. The University Senate must report to the Council on its governance of the university's academic affairs. The Reporting Regulations require the Senate Report to the Council to include information on the composition of the Senate, changes to academic structures, composition and size of the student body, access and provision to financial aid, and research related information, such as research programs offered, funding and research output, etc (RSA, 2014: 27). Seventeen (17) items were included in the analysis of the minimum content to be included in the SPU Annual Report. The 17 items were organised under the headings SA and INT. The variable SA comprised 15 items and INT two. After analysing 10 Annual Reports, the total points achieved and displayed in Figure 4.18 were out of a score of 10.00. The interpretation of the scores is presented below.

**Table 4.18 Senate Disclosures**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	3.33	4.00	2.67	2.67	4.00	4.00	3.33	2.67	3.33
<b>International</b>	0.00	3.53	4.12	2.35	2.35	3.53	3.53	2.94	2.35	2.94

Figure 4.15 presents the results of applying the framework to the disclosures in the Senate Report to the Council.



**Figure 4.15 Senate Disclosures**

The scores under SA range from 0.00 to 4.00. The score was 0.00 in 2013, because SPU’s Annual Reports did not include a Senate Report to Council. The reason is that the institution was only established that year. With the 2014 Annual Report only disclosing six of the 15 items required, the score increased to 3.33. The score reached a high of 4.00 in 2015, 2018, and 2019. The highest number of items disclosed were nine, namely; the

academic structure changes, Senate's composition, significant developments and achievements with academic delivery, and the signing of the reports by the Senate chairperson.

Ten Senate Reports to Council excluded information on the student body size and composition, academic progress in various disciplines and levels of study, achievements, awards, summaries of different programs, and funding.

The scores in the INT column range from 0.00 to 4.12. The 2013 Annual Report did not include any international best practice in terms of disclosure. While only two or 20% of the Annual Reports contained information on external consultants used, none contained information on international engagements.

Looking at the results, SPU performed dismally regarding Senate disclosures. The results suggest Senate unawareness of its disclosure duties.

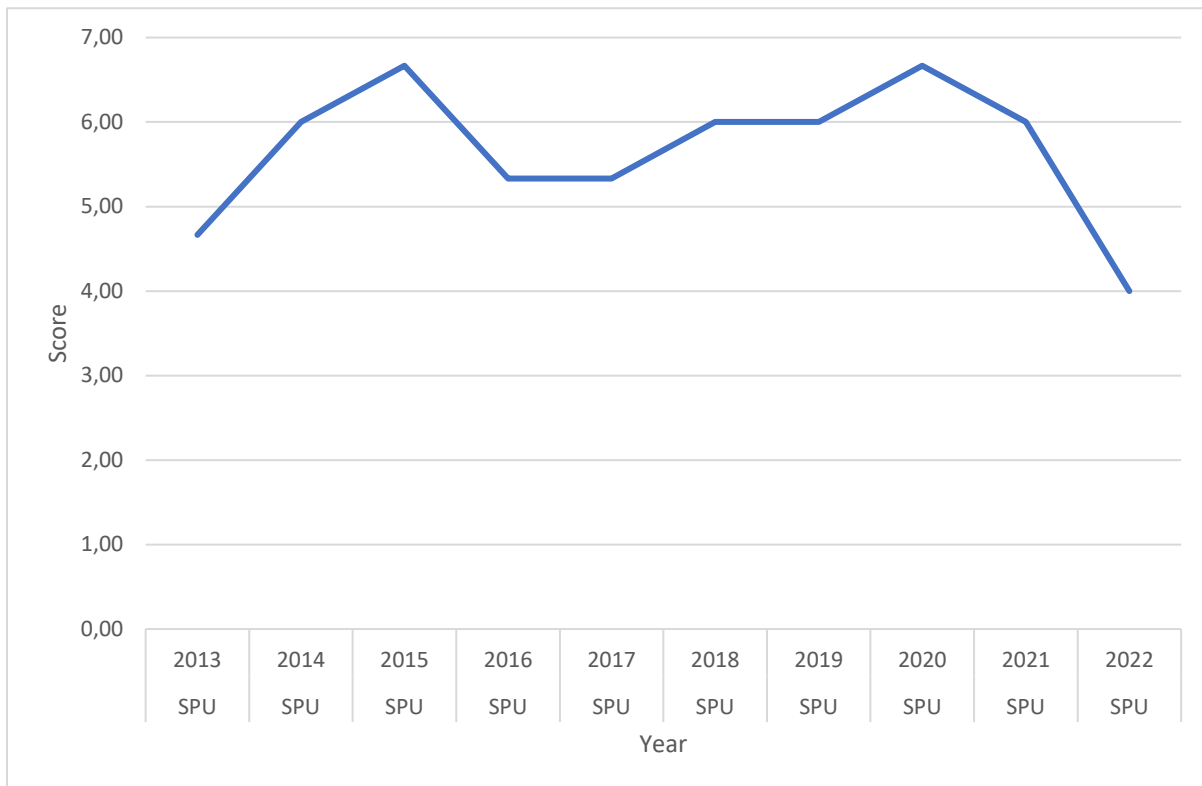
#### **4.19 VICE-CHANCELLOR REPORT ON ADMINISTRATION AND MANAGEMENT**

Section 4.19 discusses applying the framework to the Vice-Chancellor's disclosures on the University's administration and management. The Reporting Regulations require the Vice-Chancellor to report to the Council on the management and university administration (RSA, 2014: 28). The Vice-Chancellor's Report must, amongst others, include information on the managerial and administrative aspects of the institution, the adequacy of staffing levels, student services and co-curricular activities, and the changing patterns regarding the provision of academic programs (RSA, 2014: 28). Fifteen (15) items were included in the analysis of the minimum content to be included in the SPU Annual Report and were organised under the heading SA. After analysing the 10 Annual Reports, the total points achieved and displayed in Figure 4.19 were out of a score of 10.00. The interpretation of the scores is presented below.

**Table 4.19 Vice-Chancellor Report on Administration and Management**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	4.67	6.00	6.67	5.33	5.33	6.00	6.00	6.67	6.00	4.00

The results of applying the framework to the Vice-Chancellor's disclosures on the University's administration and management are presented in Figure 4.16.



**Figure 4.16 Vice-Chancellor Report on Administration and Management**

The scores pertaining to the SA variable range from 4.00 to 6.67. The score was 4.67 in 2013 and increased to 6.00 in 2014. The increase in the 2014 score is attributed to the inclusion of information on the achievements of administrative structures and resources assessed in terms of the realistic expectations and information on student services and co-curricular activities. The score was at its highest in 2015 and 2020 at 6.67. The increase from 6.00 in 2014 to 6.67 in 2015 is attributed to the inclusion of information on the extent to which equity targets were reached. The scores in 2016 and 2017 decreased

to 5.33. The 2016 decrease is attributed to the omission of information on academic relationships with the community and on the extent to which equity targets were reached. The 2017 decrease is attributed to the exclusion of information on how equity targets were achieved, and the functioning of administrative structures and resources assessed against realistic expectations. The score was at its lowest in 2022 when the Vice-Chancellor Report contained information on only seven of the fifteen recommended items.

None of the Annual Reports included the quality of information available to the institution’s management and the Vice-Chancellor’s self-assessment of achieving objectives. The non-disclosure of the quality information available to management for running the institution is of concern. This suggests that quality information for decision-making is not a priority at SPU. The non-disclosure of information about the Vice-Chancellor’s self-assessment signifies no accountability.

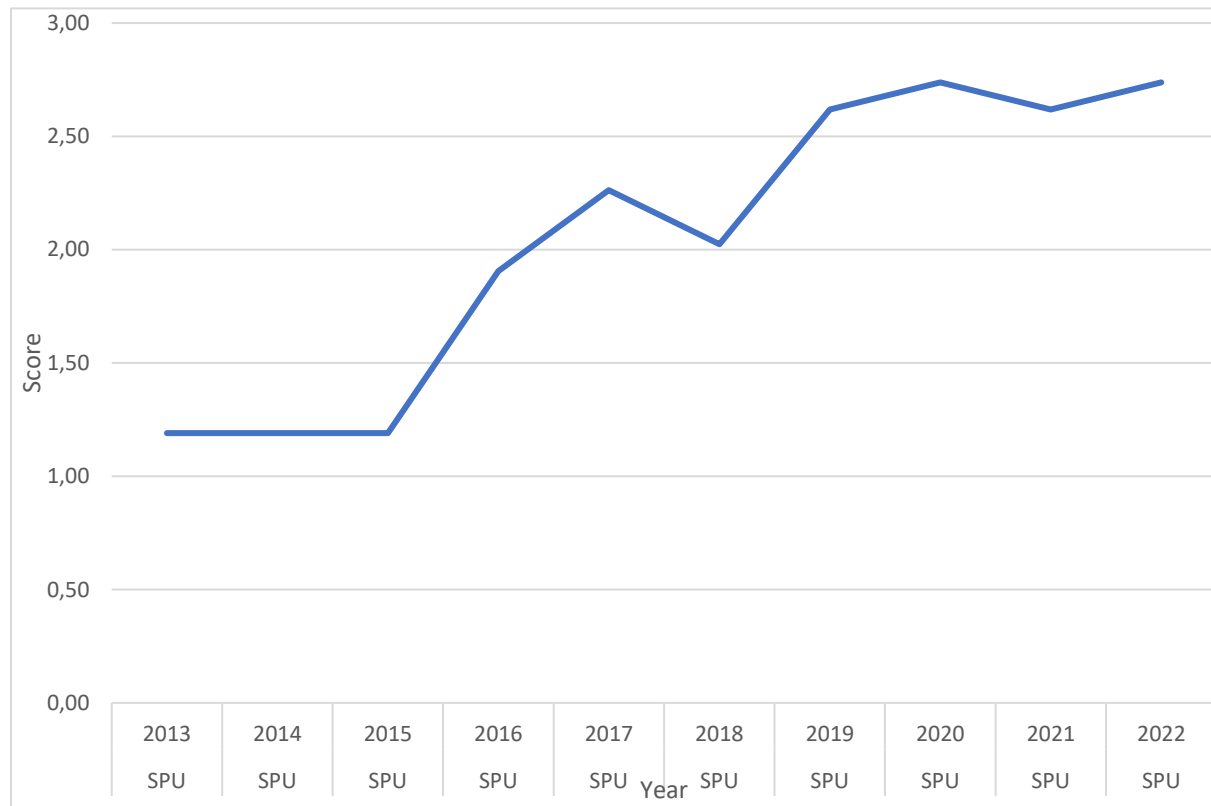
#### **4.20 INTERNAL ADMINISTRATION AND STRUCTURES REPORT**

This section discusses applying the framework to the Internal Administration and Structures report. The Internal Administration and Structures report includes 15 themes. The themes include HEI’s maintenance of internal control systems over established procedures and policies, the usage of modern information technology systems throughout the HEI, the competence of audit function staff, the statement on the effectiveness of internal control systems, and fraud risk management (RSA, 2014: 28–30). Eighty-four (84) items were included in the analysis of the minimum content to be included in the SPU Annual Report and organised under the heading SA. With the analysis of the 10 Annual Reports, the total points displayed in Figure 4.20 were out of a score of 10.00. The interpretation of the scores is presented below.

**Table 4.20 Internal Administration and Structures**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>SA</b>	1.19	1.19	1.19	1.90	2.26	2.02	2.62	2.74	2.62	2.74

Figure 4.17 presents the results of applying the framework to the Internal Administration and Structures report.



**Figure 4.17 Internal Administration and Structures**

The scores under the SA column range from 1.19 (2013-2015) to 2.74. There was a slight increase in the score to 1.90 in 2016, followed by a further increase to 2.26 in 2017. The highest score was 2.74, recorded in 2020.

All scores for the 10 years under review are below 5.00 due to many omissions in the 10 Annual Reports regarding the Internal administration and Structure reports. For instance, all Annual Reports excluded information on the need for Modern IT usage throughout the institution. None of the Annual Reports included information on the implementation of IT systems in terms of defined standards to achieve efficiency, effectiveness, reliability, and security. Only one Annual Report included information on the inherent limitations to the effectiveness of internal control. All Annual Reports lack information on when and how an

assessment of the internal control system was done. Only three reports included information on the need to take corrective actions to address control deficiencies.

Poor disclosure regarding the Internal Administration and Structures report resulted in very low scores, as displayed in Figure 4.20. With the many omissions regarding Internal Administration and Control Structures disclosures, the effectiveness of SPU's ARMC is doubted. The non-disclosure also signifies a University and a Council not committed to sound internal control systems and further derelict of duty, as well as a lack of transparency.

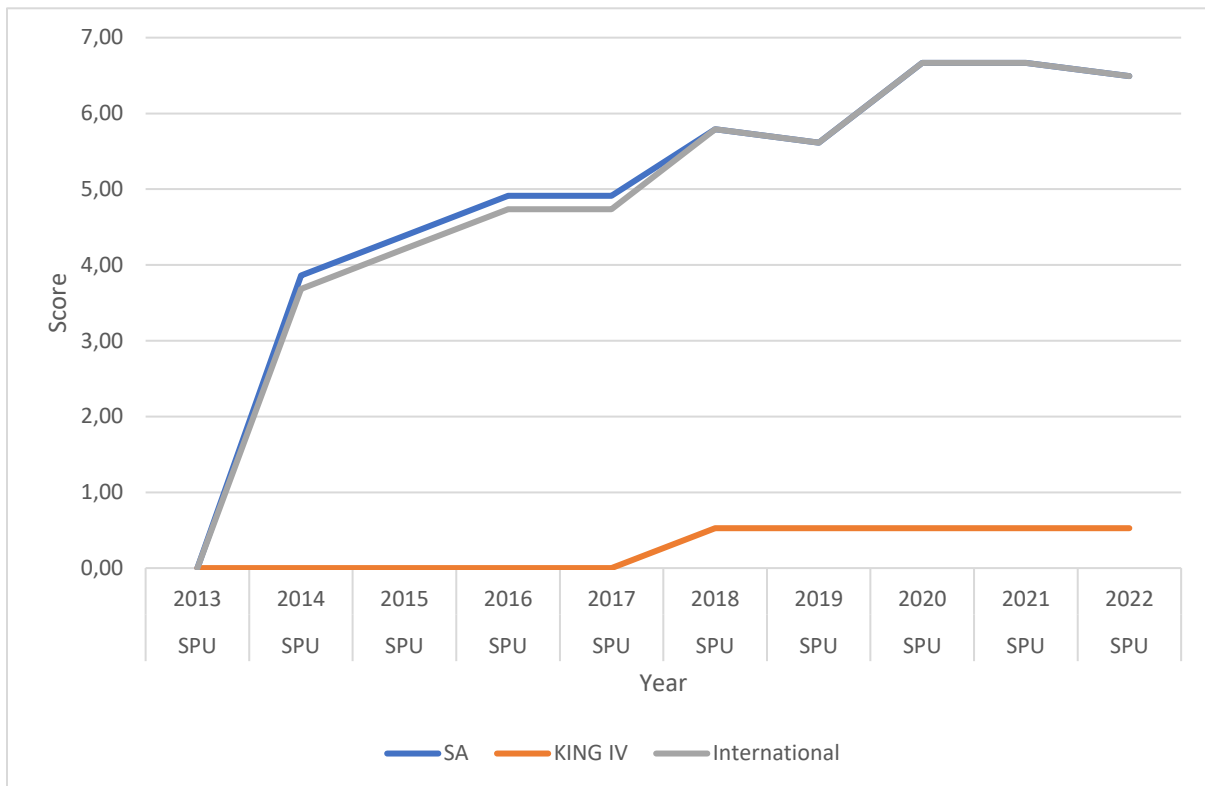
#### **4.21 REPORT ON EXPOSURE TO RISK**

Section 4.21 discusses applying the framework to the Report on Exposure to Risk. The Reporting Regulations require HEIs to include a report detailing exposure to risk and management in their Annual Report. The Report on Exposure to Risk divides risks into *financial* and *non-financial* and sets out managerial procedures to be put in place for the preparations of the report (RSA, 2014: 30). Amongst others, the report must outline where the function of risk management presides, identify potential risk events and actions, assess the potential impact of adverse events, present an updated risk register, as well as outline the management and control of risk consequences (RSA, 2014: 30–31). Seventy-six (76) items were included in the analysis of the minimum content to be included in SPU's Annual Report, and they were organised under the headings SA and KING IV. SA comprised 57 items, KING IV 19 and INT one. After analysing 10 Annual Reports, the total points displayed in Figure 4.21 indicates a score out of 10.00. The interpretation of the scores is presented below.

**Table 4.21 Exposure to Risk**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	3.86	4.39	4.91	4.91	5.79	5.61	6.67	6.67	6.49
<b>KING IV</b>	0.00	0.00	0.00	0.00	0.00	0.53	0.53	0.53	0.53	0.53
<b>International</b>	0.00	3.68	4.21	4.74	4.74	5.79	5.61	6.67	6.67	6.49

The results of applying the framework to the Report on Exposure to Risk are presented in Figure 4.18.



**Figure 4.18 Exposure to Risk**

The scores under SA range from 0.00 to 6.67. In 2013, SPU did not issue a Report on the Exposure to Risk; therefore a 0. The score increased to 3.86 in 2014, followed by a slight increase to 4.39 in 2015. This is due to SPU that embarked to disclose information regarding the risk exposure. The scores on this measurement increased in 2014 and

decreased in 2019. The decrease can be attributed to the exclusion of information regarding management's identification of all risk consequences, evaluation of risk consequences, identification of conditions for risk control, and risk monitoring. The scores were at their highest at 6.67 in 2020 and 2021. In the subsequent 2022, the score again decreased from 6.67 to 6.49. This decrease can be attributed to the exclusion of information in the Council's review of reports on significant risks (published once a year), management's identification of all risk consequences, and evaluation of risk consequences.

There were many omissions of disclosures under the SA column; hence the low scores. For instance, nineteen items were omitted from all Annual Reports. Regarding the scores for KING IV, they range from 0.00 to 0.53. The score was 0.00 from 2013 to 2017. From 2018 to 2022 it is reflected as 0.53. There is no common cause for the score being 0.53 during these years, because none of the Annual Reports disclosed any information on the 18 items measuring KING IV.

Regarding the International Best Practice score, the range extends from 0.00 to 6.49. Only five Annual Reports disclosed that the institution followed a risk-based approach to monitor risks.

The many omissions regarding the disclosure of risk exposure and, thus, the low scores are concerning. The poor disclosures indicate that the Council is not serious about its risk management duties and shows less commitment to proper risk management. It further suggests that the Council is not accountable, not acting with diligence, and relegating its duty to act responsibly and informed.

#### **4.22 CFO AND ANNUAL FINANCIAL REVIEW REPORT**

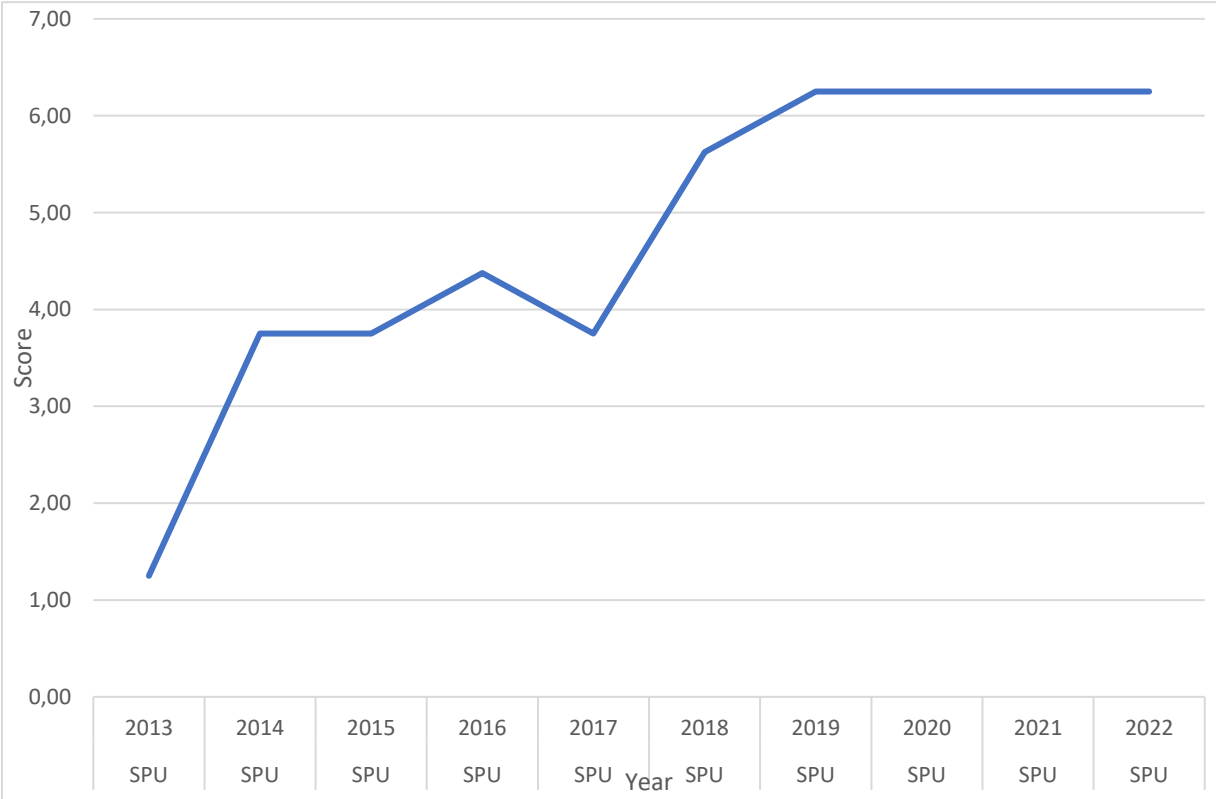
Section 4.22 discusses the results of applying the framework to the statement of the CFO and the Chairperson of the Finance Committee. The Reporting Regulations require an HEI to include a statement in its Annual Report that outlines an overview of the HEI's budget process and indicates resource allocations. Also, it must be indicated how they promote the achievement of the institution's strategic objectives and operational

sustainability in the foreseeable future (RSA, 2014: 31–32). Furthermore, the statement focuses on the institution's operating finances, provides a thorough financial analysis, indicates different sources of financial aid, access to financial aid and the provision thereof, as well as changes to tuition fees. The statement must be signed by both the CFO and the Finance Committee Chairperson (RSA, 2014: 32). Sixteen (16) items were included in the analysis of the minimum content to be included in SPU's Annual Report under the heading SA. After analysing 10 Annual Reports, the total points displayed in Figure 4.22 out of a score of 10.00, and the interpretation thereof is presented below.

**Table 4.22 Annual Financial Review**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	1.25	3.75	3.75	4.38	3.75	5.63	6.25	6.25	6.25	6.25

The results of applying the framework to the statement of the CFO and the Chairperson of the Finance Committee are presented in Figure 4.19.



### **Figure 4.19 Annual Financial Review**

The scores under the SA column range from 1.25 to 6.25. In 2013, SPU only disclosed access to financial aid from external corporate bodies and it was signed by the CFO. Hence the score of 1.25. The score increased to 3.75 in 2014 and was maintained in 2015 as well. The increase and maintenance are attributed to four more disclosures than in 2013. The additional disclosures in 2014 were the salient features in the financial statements. The statement was also signed off by the Finance Committee Chairperson. The score in 2016 increased to 4.38 with the inclusion of information on changes in tuition fees. A decrease followed in the 2017 score owing to the exclusion of information on changes in tuition fees. An increase in the score was experienced again as more disclosures were made, starting with 5.63 in 2018 and 6.25 in 2019. The score of 6.25 was maintained from 2019 to 2022.

The low scores are indicative of many omissions made in the Annual Reports. Only five Annual Reports produced a score above 5.00, while the other half not. The poor disclosure showed the SPU to be less transparent in its reporting. Furthermore, the missing information in the Annual Report does not assist the readers of SPU's Annual Reports to obtain a straightforward overview of the institution's financial condition.

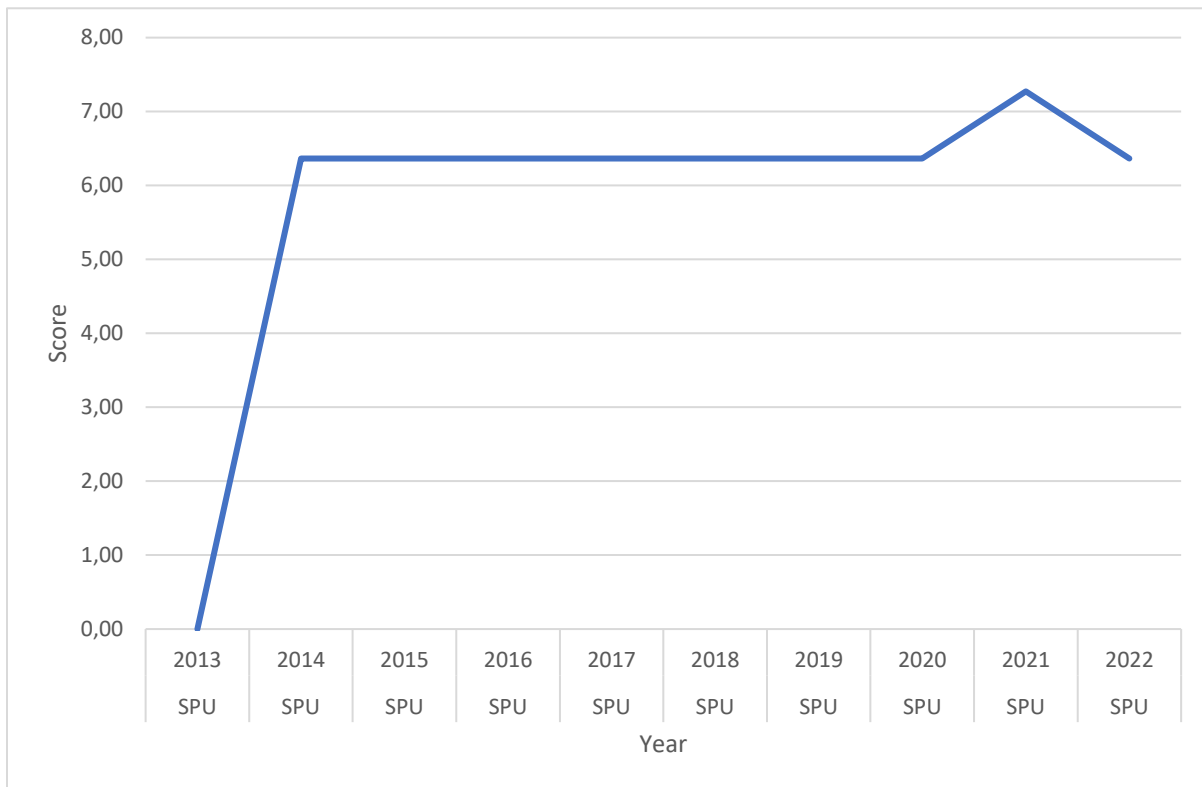
### **4.23 TRANSFORMATION REPORT**

The Reporting Regulations require universities to adopt and implement policies promoting the transformation of Higher Education. The Report on Transformation should reflect the initiative taken by an institution to achieve transformation in teaching, learning, and research. It must show how it assists people from previously disadvantaged backgrounds, including women and people with disabilities (RSA, 2014: 33). Furthermore, the report should have information on monitoring the impact and effectiveness of its transformation policies. Lastly, the report must be signed by the Vice-Chancellor and Chairperson of the Council (RSA, 2014: 33).

**Table 4.23 Transformation Report**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	6.36	6.36	6.36	6.36	6.36	6.36	6.36	7.27	6.36

Figure 4.20 shows the result of SPU's adoption and implementation of policies promoting the transformation of Higher Education.



**Figure 4.20 Transformation Report**

Eleven (11) items were included in the analysis of the minimum content to be included in the SPU Annual Report under the headings SA. After analysing 10 Annual Reports, the total points displayed in Table 4.23 were calculated out of 10.00. The interpretation of the scores is presented below.

The scores under SA ranges from 0.00 to 7.27. In 2013 SPU did not include any Report on Transformation because the institution was being established. A score of 6.36 was

recorded for eight years (2014 to 2019 and 2022), with a score in 2021 of 7.27. The Transformation Report of the eight Annual Reports (2014 to 2019 and 2022) included information on the adoption of policies promoting transformation, implementation of policies promoting transformation, initiatives to assist individuals from disadvantaged backgrounds, women and people with disabilities, the indication of transformation in terms of teaching and learning, and the signature of both the Vice-Chancellor and Chairperson of Council. The increase in 2021 to 7.27 is attributed to the addition in disclosures made in 2014 to 2019 and 2022, with information indicating transformation in research.

SPU performed very well in the disclosure of the Transformation Report, despite none of the Annual Reports expressing evidence of monitoring the effectiveness of policies and the impact of transformation policies.

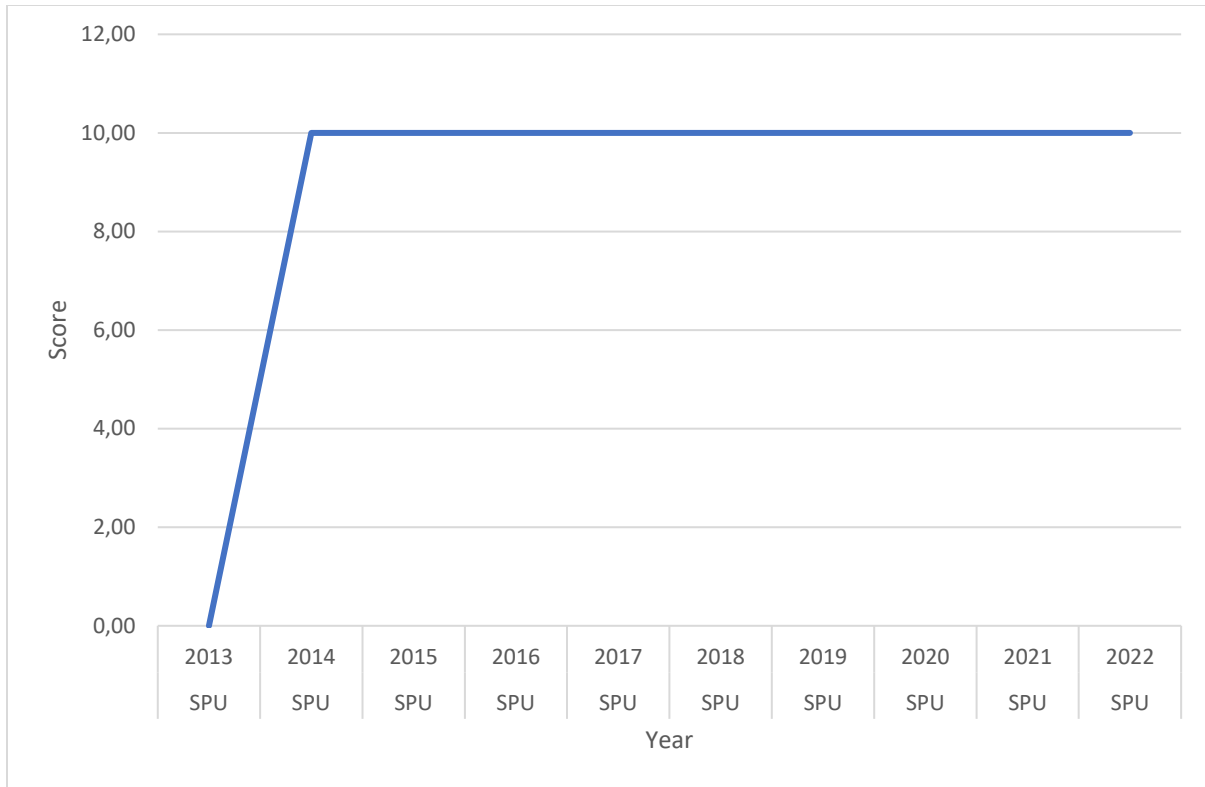
#### 4.24 INSTITUTIONAL FORUM DISCLOSURE

The Reporting Regulations require a university's Institutional Forum (IF) to report to the Council. The IF Report is dependent on each institution's statute. However, at minimum, the report should include information on the advice the Council sought and given. Furthermore, the report should list the composition of IF and the Chairperson of the IF must sign the report (RSA, 2014: 27–28). Two items were included in the analysis of the minimum content to be included in the SPU Annual Report under the headings SA. After analysing 10 Annual Reports, the total points displayed in Figure 4.24 are out of a score of 10.00. The interpretation of the scores is presented below.

**Table 4.24 Institutional Forum**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SA</b>	0.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00

Figure 4.21 displays the results regarding SPU's IF disclosure.



**Figure 4.21 Institutional Forum**

The score in terms of the IF disclosure ranges between 0.00 and 10.00. It was 0.00 in 2013, because the SPU did not have an Institutional Forum at its establishment. The score was 10.00 in 2014 and maintained this score till 2022. The score of 10.00 is attributed to nine Annual Reports that contained information relating to the activities of the Forum. Furthermore, the Chairperson of the Forum signed the report.

#### **4.25 CHAPTER CONCLUSION**

Chapter 4 focused on the data analysis and interpretation of data collected. Ten Annual Reports of SPU were organised and analysed into 24 subsections. The total points achieved were calculated out of a score of 10.00. An interpretation of data from the 24 subsections, which formed the themes, were interpreted. SPU's scores in the 24 categories reflected weak disclosures, except for the minimum content present in the Transformation Report, and Institutional Forum Disclosure. The results of applying the framework to the 24 themes showed that SPU's application of Corporate Governance was not up to standard. Analysis of the Annual Reports led to key findings on (a) minimum

content, (b) Council Committees, (c) Council Membership Committee composition and functions, (d) Governance of Information Technology, (e) Conflict management, (f) Stakeholder Relationships, (g) Code of Ethics, (h) Senate disclosures, (l) System of Internal Control and Risk Exposure, (j) KING IV Report disclosures, and (k) International Best Practices Disclosures. The main findings will be discussed in Chapter 5. The overall Reporting Regulations disclosures on the application of the framework in terms of the minimum content was increased, albeit the disclosures were not detailed. The overall International best practices disclosures showed an increase regarding the minimum content. However, the King IV measurement increase was poor, and at a mere score of 3.33 for four years. Regarding Council Committees, the overall disclosures for Reporting Regulation, International Best Practices, and King IV decreased, showing a lack of transparency regarding performing duties in various committee functions. The Reporting Regulations with respect to Conflict Management reflected poor disclosures. The score ranged between 0.00 and 2.86, which shows an overall decrease. Regarding the Stakeholder Relationship, no disclosures were made for Reporting Regulations and KING IV Report items. No information was disclosed regarding the Code of Ethics. In terms of Senate Disclosures, the overall Reporting Regulations and International best practice disclosures were dismal. It showed a decrease in scores. The disclosure scores regarding the Internal Control System and Risk Exposure were poor, ranging from 1.19 to 2.74. Chapter 5 will present the study's key findings, recommendations, and a conclusion.

## **CHAPTER 5: FINDINGS AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

The study's primary objective was to evaluate the implementation of Corporate Governance principles at SPU from 2013 to 2022 to determine the application of these practices. Additionally, this study was guided by two secondary objectives: identifying Corporate Governance best practices applicable to Higher Education Institutions through available literature and assessing the implementation of Corporate Governance practices at SPU by means of analysing information disclosed in Annual Reports.

In Chapter 2, the researcher conducted a literature review to identify Corporate Governance best practices applicable in Higher Education. The chapter first provided a historical overview of Corporate Governance and a discussion of Corporate Governance theories. The Stakeholder Theory was singled out in terms of Corporate Governance Theory, followed by identifying stakeholders in Higher Education Institutions. The at-length discussion on Stakeholder Theory is informed by the fact that in the South African Corporate Governance framework, King IV assumes a stakeholder-centric approach and that Higher Education Institutions are an ecosystem of stakeholders. An overview of Corporate Governance in South Africa followed, which focused on salient features of the King Reports: King Report I (1994), King Report II (2002), King Report III (2009), and KING IV (2016). In the discussion of Corporate Governance in South Africa, the university governance system is required to be robust and this is communicated in the Higher Education Act 101 of 1997 (as amended). Since 2003, South Africa has issued three Regulations for Reporting by Public Higher Education Institutions: The 2003 Reporting Regulations, the 2007 Reporting Regulations, and the 2014 Reporting Regulations. The Reporting Regulations prescribe the content and format of Universities' Annual Reports. The latest Reporting Regulations (2014) are premised on King III Corporate Governance principles. Lastly, a discussion on international best practices in higher education governance was undertaken, with a focus on Australia (AU), the United States of America (USA), and the United Kingdom (UK).

In Chapter 3, the researcher outlined the research design and methods to gather data for the study. The researcher utilised a quantitative content analysis research design. Quantitative content analysis provides the advantage of being a transparent and an objective analysis method. This allows for the coding scheme and sampling procedure to be feasible for replications and follow-up studies (dos Santos et al., 2021: 14.1 Chapter guide section). This study utilised the *Framework for Corporate Governance Compliance of South African Universities*, developed by Crous (2017: 212–375) This is a Microsoft Excel research instrument based on the Reporting Regulations, the King III Report, KING IV, international literature, and Financial Statements of the world's top 10 Universities.

Subsequently, in Chapter 4, the researcher analysed all 10 publicly available SPU Annual Reports from 2013 to 2022, using the Microsoft Excel research instrument to determine the extent of the Corporate Governance practices of SPU. This research instrument was well suited for quantitative content analysis, because the research instrument ensured an objective, speedy, and replicable statistical method for analysis of SPU Annual Reports. Chapter 5 is a culmination and summation of work conducted in the previous Chapters.

In Chapter 5, the researcher will present findings on the application of Corporate Governance at SPU. Findings emanate from the data analysis of SPU Annual Reports from 2013 to 2022, performed in Chapter 4. The findings address the study's objectives. Lastly, recommendations and conclusions will be drawn regarding the application of Corporate Governance at SPU.

## 5.2 KEY FINDINGS AND RECOMMENDATIONS

Several findings were made with the data analysis in Chapter 3 and data interpretation in Chapter 4. Section 5.2 discusses the key findings from Chapter 4.

### 5.2.1 Minimum content

**Findings:** SPU's Annual Reports include the minimum content that has to be included, except the Council Membership Committee, as prescribed for public Higher Education Institutions. However, each subsection lacks the detailed disclosures recommended by the Reporting Regulations.

**Recommendation:** SPU should adopt a standard checklist of all items to be included in its Annual Reports, as per *Framework for Corporate Governance Compliance of South African Universities*, and ensure that the compilation of its Annual Reports is aligned and includes all items per the Reporting Regulations.

### 5.2.2 Council Committees

**Findings:** SPU Council Committees are not up to standard and lack in the disclosure of the discharge of their various functions. The many omissions in disclosures, as evidenced in multiple scores of individual committees, indicate that a Council with fewer functional Committees lacks application of Corporate Governance. Less disclosure recommendations are made and thus seems non-transparent. For instance, the scores in terms of Reporting Regulations (SA) disclosures of critical Council Committees' composition and functions are listed below:

- Remuneration Committee score was 3.33.
- Finance Committee score was 0.00.
- Planning and Resource Committee score was 0.00.
- Audit Committee scores ranged between 0.00 and 5.00.
- Council Membership Committee was 0.00 (and, not existent).
- Information Technology Committee ranged between 0.00 and 7.00; and
- Planning and Resource Committee scores ranged between 0.00 and 1.43.

**Recommendation:** Disclosure by the Remuneration Committee, Finance Committee, Planning and Resource Committee, Audit Committee, and Information Technology Committee should be immediately addressed.

### **5.2.3 Council Membership Committee composition and functions**

**Findings:** SPU does not have a committee to assist in nominating individuals with the requisite skills and experience to serve on the Council.

**Recommendation:** The SPU Council should amend its University Statute to enact and appoint a Council Membership Committee. The Committee will ensure the narrowing of candidates for nominations and assist in obtaining the best candidates for Council membership.

### **5.2.4 Governance of Information Technology**

**Findings:** The Council of SPU lack in the governance of Information Technology (IT) and does not consider IT to be an integral part of its sustainability. The findings also show derelict management responsibility in implementing an IT framework.

**Recommendation:** Given the significant investment in IT and its importance to an institution's sustainability, the Council must adopt an IT framework, govern the use of IT, and disclose all information related to the institution's IT use. The Council should ensure the management's implementation and accountability of the IT framework.

### **5.2.5 Conflict Management**

**Findings:** SPU is pronged to student protest, with student protests declared yearly. However, the institution does not fully report on information related to student protests. For instance, it does not fully disclose the extent and impact of protests. Furthermore, the institution has poor conflict management practices.

**Recommendation:** SPU should disclose all information related to protests, as required by the Reporting Regulations. Most importantly, the SPU Council should establish a team of experts responsible for the institution's conflict resolution, arbitration, and mediation.

### **5.2.6 Stakeholder Relationships (worker and student participation)**

**Findings:** SPU's Annual Reports do not contain information on student-worker participation structure. Nor do they disclose information on stakeholder relationships as recommended by the Reporting Regulations and KING IV. Thus, SPU does not appear to be stakeholder-centric in its approach.

**Recommendation:** It is essential that SPU set up stakeholder participation structures. This is to maintain stakeholder relationships to encourage an atmosphere of union and stakeholders cooperatively working together to achieve the university's strategic goals and objectives.

### **5.2.7 Code of Ethics**

**Findings:** SPU did not reference the existence of a Code of Ethics, as evidenced by a score of zero (0) across the 10 years reviewed. The Council's commitment to an ethical culture is therefore doubted.

**Recommendation:** The SPU Council should adopt a Code of Ethics, promote it throughout the institution, monitor its implementation, and ensure all disclosure items in terms of the Reporting Regulations related to the Code of Ethics are fully declared in its Annual Reports.

### **5.2.8 Report of the Senate to Council**

**Findings:** SPU Senate might perform its duty of academic governance of the institution, but it is unaware of its disclosure duties. SPU performed poorly regarding Senate disclosures.

**Recommendation:** A Senate Reports template should be developed in alignment with the recommended Senate disclosure per Reporting Regulations and International best practices according to the *Framework for Corporate Governance Compliance of South African Universities*.

## 5.2.9 System of Internal Control and Exposure to Risk

**Findings:** The disclosures in the reports on the System of Internal Control and Exposure to Risk are very poor. This is evidenced by scores varying between 1.19, 2.74, 0.00 and 0.643 in the Reporting Regulation disclosures of the respective reports. The poor scores indicate an ineffective ARMC and a Council that is not committed to sound internal control systems, lacks transparency and accountability, is not diligent, with delegations of duty to be informed.

**Recommendation:** The ARMC should demonstrate its commitment to principles of accountability, transparency, diligence, and duty of care and to be informed by ensuring adequate information is disclosed in its Annual Reports, in line with the Reporting Regulations.

## 5.2.10 KING IV Report disclosures

**Findings:** Although there were a few instances of proactiveness in the application of KING IV disclosure before the implementation date of 01 April 2017, there were many instances of non-application from 2017 to 2022 in terms of KING IV disclosures. For example, low scores in terms of the KING IV Reports were recorded in the following subsections:

- a) Minimum Content score ranges between 0.00 and 3.33.
- b) Performance was 0.00 from 2013 till 2021 and 10.00 only in 2022.
- c) Report of Chairperson of Council score ranged between 0.00 and 2.00.
- d) The Council score ranged between 0.00 and 1.94.
- e) The Remuneration Committee score was 1.33 for the 10 years.
- f) The Council Membership Committee score was 0.00 for the 10 years.
- g) Audit committee scores ranged between 0.00 and 5.00.
- h) Stakeholder relationship scores were 0.00 for the 10 years.
- i) Council on Sustainability scores ranged between 0.00 and 5.71; and
- j) Report on exposure to Risk indicated 0.00 and 0.53.

**Recommendation:** SPU should prioritise the implementation and application of recommended KING IV disclosures consistently throughout its Annual Reports for best Corporate Governance practice. Equally, the need to adjust Reporting Regulations to reflect the KING IV Report approach (*apply and explain*) and Corporate Governance principles is urgent.

### **5.2.11 International Best Practices Disclosures**

**Findings:** SPU scored poorly in terms of International Best Practice Disclosures. The poor scores indicate that the Council and the compliers of SPU Annual Reports are unaware of Corporate Governance best practices for Higher Education governance. The evidence of poor performance can be derived from the following KING IV disclosure scores:

- a) Report of the Chairperson of Council scores ranged between 1.67 and 3.68.
- b) Statement of Corporate Governance scores ranged between 0.00 and 5.56.
- c) General requirements - Council scores ranged between 2.86 and 7.14.
- d) Council scores ranged between 0.00 and 1.94.
- e) Remuneration Committee and Remuneration Disclosures scores ranged between 0.00 and 4.12.
- f) Finance Committee score was 0.83 for the 10 years.
- g) Planning and Resource Committee score was 1.24 the 10 years.
- h) Council Membership Committee was 0.00 the 10 years.
- i) Audit Committee and Disclosure score ranged between 1.06 and 4.30.
- j) Information Technology Committee score ranged between 0.00 and 0.91 for eight years and performed on 7.27 for two years.
- k) Council and Sustainability score varied between 0.00 and 5.45.
- l) Senate Disclosure score was between 0.00 to 3.53; and
- m) Report on Exposure to Risk showed scores between 0.00 and 6.67.

**Recommendation:** International best practices need to be incorporated into the Reporting Regulations. This will ensure communicated recommendations and simplify it for SPU's Annual Report to be comparable to top international Universities.

### **5.3 CHAPTER CONCLUSION**

This study followed numerous reports and media articles on the challenges universities faced in implementing Corporate Governance and the little scholarly work regarding the implementation, or lack of, Corporate Governance. It is aimed at specifically the Sol Plaatje University (SPU). The study, therefore, examined the implementation of Corporate Governance principles at SPU from 2013 to 2022 to determine the application of Corporate Governance practices.

SPU's disclosure of Corporate Governance practices is lacking. For instance, the institution's Annual Reports were characterised by high non-disclosures. The Annual Reports did not give detailed information as recommended by the Reporting Regulations, KING IV Report, and International best practices. The many omissions indicated ineffective Council committees and a Council that was less accountable and transparent in its institutional governance. Contrary to the KING IV Report's approach, SPU is not stakeholder-centric in terms of its institutional governance.

SPU ought to bring its reporting up to standard in alignment with the Reporting Regulations, KING IV Report, and International best practices. The study makes recommendations on how SPU can improve its Corporate Governance practices.

The failure of SPU to consider, wholly or in part, the recommendations of this study can result in this institution following many universities that were placed under administration, as discussed earlier in the study (refer to section 1.2). The SPU Council carries the duty of care and diligence to ensure the institution's Corporate Governance does not collapse. It consequently prevents the same route as previously discussed of institutions facing Corporate Governance challenges.

Lastly, this study makes a meaningful contribution by thoroughly revealing the Corporate Governance practices at SPU to prevent it from collapsing. There has been only one study of SPU focusing on the period 2013 to 2015. This current study is the only ten-year review of the institution's Corporate Governance practices. SPU was established in 2013 and opened its doors in 2014 as a new University without the burden of legacy issues. It

will benefit significantly if it considers the study's recommendations on ensuring that its Corporate Governance is up to standard. Else, it runs the risk of Corporate Governance challenges.

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## APPENDIX A: ETHICAL CLEARANCE LETTER



### GENERAL/HUMAN RESEARCH ETHICS COMMITTEE (GHREC)

18-Oct-2023

Dear Mr Gobonamang Merahe

#### Application Approved

Research Project Title:

**Corporate Governance Implementation at Sol Plaatje University**

Ethical Clearance number:

**UFS-HSD2023/2038**

We are pleased to inform you that your application for ethical clearance has been approved. Your ethical clearance is valid for twelve (12) months from the date of issue. We request that any changes that may take place during the course of your study/research project be submitted to the ethics office to ensure ethical transparency. Furthermore, you are requested to submit the final report of your study/research project to the ethics office. Should you require more time to complete this research, please apply for an extension. Thank you for submitting your proposal for ethical clearance; we wish you the best of luck and success with your research.

Yours sincerely

**Dr Adri Du Plessis**

**Chairperson: General/Human Research Ethics Committee**

**Adri  
Du  
Plessis** Digitally  
signed by Adri  
Du Plessis  
Date:  
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## APPENDIX B: LETTER FROM LANGUAGE EDITOR

WordHouse

To whom it may concern

2024-02-24

This letter confirms that the editing group, **WordHouse**, language edited the thesis:

**Gobonamang Merahe**  
2018596367

**CORPORATE GOVERNANCE IMPLEMENTATION AT SOL PLAATJE  
UNIVERSITY**

in accordance with the requirements in respect of the Degree

**Master of Business Administration**

**Module Code: MBRP7900**

In the

Business School

Faculty of Economic and Management Sciences

at the University of the Free State