University of Cape Town

OVERVIEW OF THE FINANCIAL GOVERNANCE, STRUCTURES AND PROCESSES OF THE UNIVERSITY
This document provides a high level overview of the financial impact flowing from activities within the University, the governance and controls in place around such activities, including the roles of the Executive, Management and Council, both directly and through its various committees.

1. Some of Council’s key functions and responsibilities in this respect are to ensure that:
   - The University has clear strategic goals and objectives;
   - The Executive Officers (the Vice-Chancellor and the Deputy Vice-Chancellors) are held to account in achieving these;
   - The University financial position is sound and sustainable;
   - No fees are set, and no financial appropriations made, without its approval;
   - Risk management and internal controls are in place;
   - All its constituencies (staff, students, and alumni), donors, customers, suppliers and service providers and their employees are treated in an appropriate manner;
   - The University complies with all relevant laws, regulations and accounting policies; and
   - The committees and sub-committees necessary to achieve the above are properly constituted with a relevant composition and have appropriate terms of reference and reporting procedures.

2. Council Committees assisting Council with this remit

2.1. The University Audit Committee

The University Audit Committee is a standing committee of Council and consists of external members and the Vice-Chancellor. Both internal and independent auditors have unrestricted access to it. A standing Risk Management Committee (RMC), chaired by the Vice-Chancellor, supports the Committee. The Audit and Risk Committees review risk in a comprehensive manner and implement measures to manage identified risks. The Audit Committee’s responsibilities are to:
   - Ensure that there is an effective process for assessing and managing risk;
   - Assess the financial statements for reasonableness and accuracy, and for compliance with accounting policies and with the regulations laid down by the Minister under the Higher Education Act;
   - Recommend to Council the approval of the Annual Report, incorporating the Annual Financial Statements;
   - Review and approve the scope of the internal audit programme;
   - Recommend the appointment and retention of the independent external auditors;
   - Review the scope of the audit conducted by the independent external auditors; and
   - Review on its own and with the help of internal audit, the adequacy and effectiveness of internal control.
2.2. The University Finance Committee

The University Finance Committee is a standing committee of Council. The Finance Committee advises Council on financial strategy, makes recommendations on annual operating budgets and on capital and other allocations which may have a longer time horizon. The Committee also monitors and reports on progress against these.

2.3. The Council Remuneration Committee

The Council Remuneration Committee is a standing committee of Council and consists of external members of Council, the Chairs of the Audit, Human Resources and Finance Committees and the Vice-Chancellor. It is responsible for:

- Advising the Council on remuneration policy;
- Setting mandates for consultation and negotiations, on pay and conditions of service, with staff bodies and trade unions;
- Evaluating the performance of the Vice-Chancellor; and
- Determining the pay of senior leadership group members in terms of the performance management system.

2.4. The University Student Affairs Committee (USAC)

The USAC is established in terms of S27 (3) of the Higher Education Act, 1997 as amended, to advise the Council on student matters. This standing committee of Council is made up of one member of the Executive, members of Council and of the academic staff and student representatives. Council requires the USAC to report twice a year on student concerns and on how these are being addressed.

2.5. The University Human Resource (HR) Committee

This standing committee advises Council on HR policy, is responsible for advising Council on employment equity policy and plans, and for keeping abreast of staff issues and staff concerns. A Council member chairs the Committee. At UCT, the UHRC also oversees the outsourcing of certain functions and monitors the compliance of outsourced service providers to the agreed code of conduct.

2.6. The University Building and Development Committee (UB&DC)

The UB&DC advises Council on physical development and oversees major capital projects. It includes nominees of the Cape Provincial Institute of Architecture, and one of its functions is to advise on the development of the University's campus-assembly of spaces and buildings.

2.7. The University Strategy Forum

Chaired by the Vice-Chancellor, and consisting of Council Members and elected staff and student representatives, this standing body advises Senate and Council on strategy and related resource allocation.
3. Risk
The Council recognises the importance of managing risk, and has assigned accountability for this to the Vice-Chancellor.

- The first priority for risk management relates to the safety and welfare of all who work at or for the University: all staff, all students, visitors and contractors;
- The integrity of the University’s academic work is of paramount importance. This ranges from the quality of teaching, reliability of examination systems (no leaks or cheating, external examiners to establish standards, fairness of marking) to transparent and fair selection procedures, detecting plagiarism, and many other dimensions;
- The University has a responsibility to all its members to safeguard its reputation. Examples that would compromise the University’s reputation include fraudulent research, plagiarised publications, unethical research, falling standards of graduates, perceptions of and actual discrimination, loss of independent mindedness; and
- The University is a public institution, and has a duty to itself and to society to safeguard its material assets and to ensure their appropriate use. Risk mitigation strategies must take this into account.

Arising from the above, the University has identified three risk domains

- Risks associated with teaching: These risks are managed through academic structures of the University such as Senate, the regular external reviews of academic departments, the Quality Assurance Working Group, Faculty Examinations Committees, and the internal audit department which tests aspects such as the integrity and quality assessment of exams systems;
- Risks associated with research: These risks are managed through the academic structures of the University such as Senate, the University Research Committee, Research Ethics committees (for humans and animals), insistence on external peer review of research; and
- Operating and business risks: These risks are managed by the University Audit Committee through its Risk Management Committee

In assessing the major risks to which the University is exposed, management has identified the following subheadings:

- Relationships: Includes relationships with the State, both national and provincial, with state related bodies such as Groote Schuur Hospital, National Research Foundation, and with external funders in general. The risks to which the University is exposed in this respect range from the impact of changes to funding, to the possible withdrawal of facilities. A related risk is the acceptance of funding which requires onerous obligations for the university.
- Financial/Commercial: Includes the possible negative impact of devolved financial control, operating without an adequate financial strategy and the normal risks associated with compliance with legislation, investments and from fraud or theft. The risks are possible overextension of resources, straight
financial loss and penalties arising from non-compliance with tax and other legal requirements.

- **Human Resources:** The University is particularly vulnerable to its ability to attract and retain staff of the appropriate calibre and profile.

- **Student and Related:** The University must be in a position to attract the correct calibre and profile of student. This risk is influenced by many factors, including the perceived and actual fairness of the admissions process, the availability of student housing and the availability and adequacy of financial support for students.

- **Property, Resources and Related:** The onus here is to provide both a safe and attractive environment for staff and students and to provide the resource base necessary for scholarly activities. The risks associated with the physical environment are evident in health and safety issues, crime and crime containment initiatives, while those associated with the resource base relate to the ability to attract staff, students and research and related support.

Appropriate members of the Executive are accountable to the RMC for monitoring the effectiveness of the processes and mitigating controls in place for each identified risk within each of the above subheadings.

### 4. Policies and Guidelines

All expenditures, irrespective of the source of funding, are subject to the policies and guidelines of the University. These can be found on:

[http://www.uct.ac.za/services/financial/policiesguides](http://www.uct.ac.za/services/financial/policiesguides)

The overarching policy in respect of funds held by the University is contained in the document titled ‘Funds deposited with, or held by, the University’.

This policy must be read in conjunction with the various delegated authorities documents approved annually by Council. These are:

- Financial Authority Limits;
- Human Resources Limits;
- Research and Related Contract Limits;
- Authorities delegated to the Registrar; and
- Authority to sign institutional submissions and grant applications (Development and Alumni Department).

The Finance and Human Resources departments, through their extended reach into all operational areas within the University, are tasked with ensuring that these policies and delegated authorities are complied with. The University Audit Committee, assisted by both the internal and external auditors, governs this process.
5. FINANCES OF THE UNIVERSITY

The funds available to and administered by the University can be broken down into the following broad categories:

- Council controlled funds, which can be sub-divided into:
  - Council controlled funds for the educational and related activities of the University (known as the general operating budget or GOB);
  - Council controlled funds for the staff and student housing activities; and
  - Funds available to Council which it has chosen to designate for specific purposes.

- Designated Funds, being funds made available to the University by external bodies who have specified the purpose. These are generally directed towards the research, community service and related activities of the University and can be sub-categorised as follows:
  - Donations;
  - Grants; and
  - Contracted / Sponsored Services;

- Agency monies where the University acts as agent on behalf of a third party for the processing of funds to a member of the University community, most probably a student.

All of the above will be dealt with in more detail below.

(A summary of the financial activities of the University ONLY, using 2009 for illustrative purposes, can be found in Appendix A. This will differ from that included in the Annual Report to Government which consolidates the activities of additional bodies, in particular, the UCT Foundation.)

6. COUNCIL CONTROLLED FUNDS

GENERAL

The University has adopted an approach to financial management which provides the basis for financial stability and sustainability, while at the same time allowing the University to budget for and achieve its strategic goals. This approach is more fully described in the document Financial Policy in Respect of Council Controlled Funds, (url: http://www.uct.ac.za/usr/finance/about/finplan.pdf) and which should be read in conjunction with this document in order to more fully understand the total financial context.

The two Council Controlled subdivisions (Educational and Housing) include all the activities reported to the UFC on an ongoing basis, including Net Investment Income, plus certain additional items. These include Council designated invested funds, and the operations of All Africa House and Staff Housing. External contributions to Council initiated capital projects are also included here.

SETTING OF FEES

The University of Cape Town complies with the Higher Education South Africa (HESA) Best Practice ‘Guidelines for Determining Annual Tuition Fee Increases in the Higher Education Sector South Africa’. This stipulates that, for the University to formulate and develop a fee proposal for submission to Council, appropriate
internal consultations must take place. For UCT these stakeholders comprise the Student Representative Council, the University Council and Finance Committee, and executive management and senior leadership. Any other grouping may be included in the process. Following this consultation and information process, a proposal for fee increase, with supporting information, is submitted to Council for its consideration.

PROCESS FOR COMPILING THE BUDGET

The process cycle for drawing up the annual plan and budget for Council Controlled continuing activities is as set out in Appendix B.

This process also facilitates the motivation for additional resource allocation by operating units (Faculties, Administrative and Support areas and Housing). New resource allocation requests are evaluated and ranked through the process cycle and once firmer overall estimates of total revenues and costs are available, any remaining funds can be applied to top-ranked new initiatives. The final approval of the overall budget, including any new undertakings, is done by Council on the recommendation of the UFC, which is informed by the USF and the University Executive.

Ongoing reporting of outcomes against approved budgets is done on a monthly basis. Area Finance Managers in consultation with their budget-holders, prepare variance analysis reports. These are submitted to the Management Accounting Office of the Finance Department for review and follow up.

For the month ends of April, June, September and December, these reports require an executive summary by the Dean or Unit Head. These submissions form the basis for the Management Accounts that are presented to the UFC for review and approval and then to Council for their information. In addition, a full consolidated pack of all unit reports is sent to members of the Executive and Senior Leadership Group for their information and follow up with those who report to them as appropriate.

7. DESIGNATED FUNDS- GENERAL

Designated funding may be provided as a donation, as a grant or as contract research / sponsored research

Grants and Donations

The following criteria identify a Grant:

A. The award places restrictions on the use of funds such as specified budgetary restrictions; the objectives to be achieved by the use of the funds; the program in which the work will be carried out; the individuals responsible for the completion of the work; the period of performance; and invention rights.

B. The sponsor retains authority to withhold funds pending satisfactory completion of project objectives. Unused funds may be required to be returned to the grantor.

C. Formal financial accounting, during the life of the project, at its termination, or both, is required.

D. Reports related to the substance of the work, during the life of the project or at its termination, are required by the sponsor. Copies of published materials may also be requested.

E. Periodic payments are to be made to the University so that the financing of a project is on a continuous basis.
Grants can include state funded initiatives.

**N.B. Grants for activities which management recognises as continuing, although specifically designated, are included as revenue under Council Controlled continuing operations to ensure that the future costs are recognised for planning purposes.**

The following criteria identify a **Donation**:  

- A. For donations contractual requirements may not imposed. However, objectives may be stated and use of the funds may be restricted to a particular purpose such as a professorship, scholarship or research in a defined area (e.g. Alzheimer's disease).
- B. The award is irrevocable.
- C. A period of performance is not specified.
- D. Formal financial accounting is not required and there is no requirement to return unexpended funds. However, a report to the donor on the utilization and/or impact of the gift may be requested, and this report may include expenditures and fund balances.

Submissions for grants and donations are initiated by Deans, Executive Directors or by the Executive and is subject to the relevant processes outlined in 7.3 below for research awards. All such submissions are coordinated by the University’s Development and Alumni Department (DAD), under the overall governance of the University Development Committee.

Monies relating to all specifically funded activities must be recorded in a separate, discrete fund, the VAT status of which will be determined based on the activities being undertaken.

Area Finance Offices (AFO) are responsible for opening such funds, for loading the budget, for invoicing for services rendered or recording receipt of payment and for monitoring that expenditures comply with University policy and are in line with funder’s restrictions/ rules and with the budget proposal as originally submitted.

AFOs are also responsible for drawing up financial reports, which may require audit, as stipulated by the Donors/Grant awarding agencies. These reports would include all of the funds received, including those which may have been invested and the interest thereon, and will normally be accompanied by a narrative progress report compiled by the Researcher/ Principal Investigator (PI). All audits are coordinated via the central Research Finance Office.

Council has delegated the authority to approve and sign submissions to grant awarding foundations and other bodies to the Executive Director of Development and Alumni Department. This authority extends to signing grant applications and grant or donor agreements approved in terms of the authorities delegated by Council (Section 4 above).

**7.1. DESIGNATED INVESTED FUNDS**

These are the funds, outside of the control of Council, which have been invested in one of the non-endowed investment portfolios of the University (No.2 or No.3), more fully described in section 9.2 and 9.3 of this document.

The funds invested in the No.2 Portfolio consist mainly of faculty, departmental and research unit reserves and certain funds available to PASS Departments. These funds normally derive from donations, surpluses on research and related contracts and equipment and vehicle replacement provisions.
The funds invested in the No.3 (Cash) Portfolio are shorter term in nature and are normally derived from monies received for grants and contracts which are surplus to immediate operational requirements. PI and Heads of Departments (HoD) are encouraged to invest in this manner and the investment of such funds is often a requirement of external funders.

Although all these funds do represent potential future expenditure, such expenditure can only take place after the funds have been disinvested from the relevant portfolio and, as such, would not affect the Free Cash position of the University.

7.2. DESIGNATED OTHER FUNDS

Included here are the non-research grants and donations where the donor has specified the use for which the monies have been given to the University. The specifically designated distributions from the Endowed Funds held in the UCT Foundation are also included here (refer section 9.1 below).

Due to the nature of these funds, these monies tend either to be spent in the year in which they are received or are invested in either the No.2 or No.3 portfolio (refer sections 9.2 and 9.3 below).

As indicated in the note on the Endowed Portfolio (section 9.1), any endowed monies distributed but unutilised are reinvested in the following year. AFOs are required to report annually on the reason for the non-utilisation of funds. This report is reviewed by the Trustees of the Foundation.

7.3. DESIGNATED RESEARCH FUNDS

As the name implies, this is where financial transactions relating to the main research activities of the University are recorded.

Council has delegated authority to sign research and research related contracts as set out in the delegated authorities’ document referred to under Policies and Guidelines (Section 4). All such contracts must be coordinated by the Research Contracts and Intellectual Property Services office (RCIPS), under the general governance of the University Research Committee. The following table indicates the various types of agreements encountered:

- Research services
- Other services
- Collaboration
- Consortium
- Sub-contract
- Consultancy agreements
- Investigator initiated clinical research agreements
- Inter-institutional agreements
- License agreements
- Shareholders agreements
- Non-disclosure
- Material transfer agreements
- Sponsor initiated clinical trial agreements

The Contract pre-award and post-award processes are set out in the flow charts attached in Appendix C.

Pre-Award Processes

Applications for research funding to external bodies, and the acceptance of research contracts are subject to rigorous scrutiny. Dependent on the type of activity, research proposals are typically subject to the following scrutiny/approval steps: (example from Health Sciences)
• Financial Clearance
  • Budget sign off by AFO;
  • Audit requirements (Terms of Reference); and
  • Cost Recovery.

• Scientific Assessment
  • Departmental Approval;
  • Approval where hazardous materials are to be used; and
  • Approval for research involving DNA technology or genetically modified organisms.

• Ethics Approval
  • Human and Animal.

• Final Clearance
  • Usually the Deputy Dean: Research within the Faculty.

RCIPS will not proceed with the contract approval process without evidence that the above clearances have been obtained. RCIPS considers the following with regard to each individual contract:

• Value of contract – authorisation level
• Budget – full cost or not, co-contributions
• Rights to results/intellectual property
• Exploitation conditions
• UCT’s obligations
• Confidentiality and publication rights
• Student involvement and bursaries
• Payments to PI
• Indemnity/insurance
• Termination/breach/dispute
• Foreign Countries’ Acts

The following legal aspects and Acts are also considered:

• The Intellectual Property Rights from Publicly Financed Research and Development Act
• Exchange Control Regulations
• VAT Act
• Income Tax Act
• Biodiversity Act
• Indigenous Knowledge Act
• Patent & Copyright Act
• Plant breeders rights
• Insurance

Post-Award Processes
All specifically funded research and related activities must be recorded in a separate, discrete fund, the VAT status of which will be determined based on the activities being undertaken.

As for donations and grants, the financial management and the processes detailed under Designated Funds – General (7.1) apply to these funds.

It should be noted that approximately 75% of State Research Grants and 60% of Research Contracts are subject to audit.

7.4. General Oversight
AFOs are required to report monthly on any fund that has gone into deficit and how that deficit is to be eliminated.

The Central Research Finance Office (CRF) also monitors funds in deficit and
meets with the AFO regularly to review these and, together with the Debtors Office, the age analysis of each Faculty’s Research and related debt. CRF also provides the Executive Director: Finance with periodic reports on anticipated Research related income and expenditure, highlighting major trends and potential risk or opportunities.

In addition, CRF coordinates all the required audits for Designated Funds, actively engaging with the major awarding bodies to ensure that audit requirements are fully understood.

8. AGENCY FUNDS

This relates to monies where the University acts as a conduit between an external agency and a member of the University community, usually a student. The best examples of this are the NSFAS loans advanced to students and external corporate bursars. In both instances, the transaction is between the external body and the student but both the University and the external body require that the monies be credited to the student fee account, rather than paying the money to the student who must then settle the debt. This includes NRF support for post-graduate students.

Revenues amounting to R230 million were processed in this manner in 2009.

9. INVESTMENTS AND THE INVESTMENT PORTFOLIOS

9.1. UCT Foundation’s Endowed Portfolio (Incorporating the old No.1 Portfolio of the University)

GENERAL BACKGROUND

Some donations are given to the University where the donor wishes to protect the capital and to use only earnings on the capital to fund an activity, usually in perpetuity - such as an endowed chair, or prize or scholarship. Such funds are called endowments and all endowed funds are held on behalf of the University in a separate Trust, the UCT Foundation. The Trustees of the Foundation are independent of the University and, being a legal entity in its own right, the financial records of the Foundation are subject to independent audit. Currently the auditors to the UCT Foundation are Ernst & Young.

The Foundation’s Portfolio consists of over 620 individual funds that participate in the underlying investments on a basis similar to that employed by unit trust managers. New funds and additions to existing funds ‘buy’ additional units in the portfolio.

Income is distributed to the portfolio on the basis of X cents per unit, with X being approved by the Trustees of the UCT Foundation in December each year. The income distribution policy has been firmly established as being a 4% real return. This has been calculated by establishing a value of the Foundation’s investments at the outset date (1992) and then adjusting this each year by the annual inflation rate and so establishing a computed market value on which a 4% return is based.

Thus, investors can be assured that the real buying power of current distributions, being inflation linked, will be maintained into the future.

MANAGEMENT AND THE JOINT INVESTMENT COMMITTEE

The investments underlying the Foundation’s portfolio are managed by established investment managers whose appointment and fees are approved
by the Trustees on the recommendation of the Joint University/UCT Foundation Investment Committee (JIC). This Committee sets the guidelines for investment policy within which the investment managers may operate.

The JIC has engaged the services of a firm of actuarial consultants to advise on strategy and to assist in monitoring the investment performance against index related benchmarks and against the returns achieved by similar funds monitored by the consultants.

Funds distributed by the Foundation to the University are placed into individual accounts within the University and these are monitored by the Finance department to ensure that they are used solely for the purpose intended. Where the funds are for bursaries, these are administered by either our under graduate or post graduate funding office, as appropriate. Both of these offices are well versed in handling such designated funds and in reporting on their use to the donors where this is required.

Any funds not utilised in a particular year and not earmarked for use in the subsequent year are automatically reinvested into the specific endowment, thereby increasing future distributions.

The market value of this portfolio at 31 December 2009 was R 1 481 million.

9.2. No.2 Portfolio

The University’s No.2 Portfolio consists of in excess of 500 underlying funds whose capital has been pooled for investment purposes. As explained in section 6.2, these are funds which will in time be fully spent, including the initial investment. They are thus not endowments and are not transferred to the UCT Foundation.

These funds are held by the University but are administered by external investment managers who invest them on our behalf in both equities and interest bearing instruments. As with the Endowed portfolio, this relationship is governed by the JIC.

The mandate for this portfolio, as approved by both the JIC and Council, is to generate income while protecting capital. Based on this the mandated investment profile is 70% Bonds/Cash and 30% Equity, giving a bias towards high income generation, with the possibility of capital growth. While any investment carries risk, the risk of a capital loss is reduced. All realised capital profits (or losses) and income generated are distributed to underlying funds based on average capital invested over the year of distribution.

The market value of this portfolio at 31 December 2009 was R 648 million.

9.3. No.3 (Cash) Portfolio

The above portfolio is a specifically designated sub-set of the University’s cash which is invested by the Treasury section of the Finance Department within guidelines set and monitored by the JIC. Being a cash portfolio the risk of capital loss is minimal.

Interest is distributed monthly, on the previous months closing balance, based on the interest actually earned.

Capital may be invested as and when received and fund-holders are allowed a single withdrawal per month.

PIs and HoDs are encouraged to invest funds, received by way of Grant or
Contract which are surplus to immediate operational requirements, in the University’s cash portfolio. The investment of such funds is often a requirement of external funders.

The value of this portfolio at 31 December 2009 was R 428 million out of a total cash holding of R822 million.

10. CAPITAL PROJECTS

Capital projects are initiated in terms of University strategy as informed by the Shape and Size forecasts currently being debated.

The acquisition of minor assets (costing less than R10 million) is dealt with in the process described for recurrent operations in section 6 above.

Proposals for major capital project are initiated by the VC, by a Dean or by an Executive Director. The Physical Planning Unit must be involved in drawing up the proposal for consideration by the Executive (VCMAG) and the Resource Allocation Advisory Group (RAAG). These groups consider the proposed projects’ alignment with the university’s strategic and academic plan (VCMAG) and makes an initial evaluation of its financial assessment and affordability (RAAG).

Projects that are supported by the Executive and deemed to be affordable are then considered by the University Building & Development Committee (UB&DC), which carries out an initial evaluation of the conceptual plan and how it aligns to the Space Development Plan. If approved, the UB&DC then instructs the Property & Services (P&S) department to proceed with more detailed design and costing, incorporating input from identified user groups and possibly including the appointment of certain members of the professional team (architect, quantity surveyor). This revised project scope is once again considered by the UB&DC and, if approved, put forward as a formal proposal to the UFC which formally considers the financial evaluation and affordability of the project as now costed. The UFC’s recommendation, together with the proposal from the UB&DC regarding the physical aspects of the project, is then forwarded to Council for consideration. Should Council decide not to proceed with the project all costs incurred to this point will need to be written off.

Where single major projects are funded in whole or in part by donations the underwriting of these yet to be raised monies must be approved by the UFC as part of the above process.

On approval by Council, the UB&DC then proceeds with the appointment of the Project Implementation Committee (PIC), the remaining members of the professional team and a standing Design Review group for this particular project. The final design and costing needs formal approval by the UB&DC before the P&S department is instructed to proceed to tender for the construction of the project.

Both the UFC and the UB&DC, and Council through the UB&DC, receive regular reports from the PIC throughout the life of the project.

All capital projects, large or small, impacting on the space and/or fabric of the University are co-ordinated by P&S, both from a physical planning and quality control point of view, and reported to the UB&DC, irrespective of the source of funding. This report also comes to the UFC.
FINANCIAL SUMMARY – 31st December 2009

The following is a summary of the financial activities of the University ONLY, using the 31 December 2009 situation for illustrative purposes. The table differs from the table that is included in the Annual Report to Government which consolidates the activities of additional bodies, the UCT Foundation in particular.

COUNCIL CONTROLLED FUNDS

<table>
<thead>
<tr>
<th>All Amounts in R'000</th>
<th>Notes</th>
<th>EDUCATIONAL 2009</th>
<th>HOUSING 2009</th>
<th>TOTAL 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recurrent Income</strong></td>
<td></td>
<td>1,520,949</td>
<td>183,288</td>
<td>1,704,237</td>
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<tr>
<td>State subsidies</td>
<td></td>
<td>776,488</td>
<td>0</td>
<td>776,488</td>
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<tr>
<td>Tuition and other fee income</td>
<td></td>
<td>576,678</td>
<td>162,852</td>
<td>739,530</td>
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<tr>
<td>Sales of goods &amp; services</td>
<td>1 &amp; 2</td>
<td>150,611</td>
<td>20,436</td>
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<td>Transfer from endowed funds</td>
<td>3</td>
<td>10,030</td>
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<td>10,030</td>
</tr>
<tr>
<td>Donations and gifts</td>
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<td>7,142</td>
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<td><strong>Recurrent Expenditure</strong></td>
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<td>Personnel</td>
<td></td>
<td>919,974</td>
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<td>944,352</td>
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<tr>
<td>Other operating expenses</td>
<td></td>
<td>460,857</td>
<td>139,644</td>
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<tr>
<td>Bursaries</td>
<td></td>
<td>85,999</td>
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<td>85,999</td>
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<tr>
<td>Depreciation</td>
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<td>19,904</td>
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<td><strong>RECURRENT SURPLUS</strong></td>
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<td><strong>Other Income – Net</strong></td>
<td></td>
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<tr>
<td>Interest and dividends</td>
<td>7</td>
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<td>Transfers between funds</td>
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<td>Finance costs</td>
<td>6</td>
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<td><strong>Non-Recurent Items</strong></td>
<td></td>
<td>5,276</td>
<td>68</td>
<td>5,344</td>
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<tr>
<td>Profit/(Loss) on sale of fixed assets</td>
<td></td>
<td>-174</td>
<td>0</td>
<td>-174</td>
</tr>
<tr>
<td>Profit on sale of investments</td>
<td>7</td>
<td>5,763</td>
<td>68</td>
<td>5,831</td>
</tr>
<tr>
<td>Impairment</td>
<td>7</td>
<td>-313</td>
<td>0</td>
<td>-313</td>
</tr>
<tr>
<td><strong>OPERATING SURPLUS</strong></td>
<td></td>
<td>119,958</td>
<td>15,487</td>
<td>135,445</td>
</tr>
</tbody>
</table>

**Note 1** Major items include Revenue from the Breakwater Lodge and Executive courses, Management Fee recouped from the Student Housing Sector and revenue from the University Traffic Office, including parking.

**Note 2** Vacation Accommodation, All Africa House and Staff housing revenues

**Note 3** Income from the General (Free) Endowment and the levy made on the distributions from the UCT Foundation (refer section 9.1)

**Note 4** Donations made towards Council initiated capital projects

**Note 5** Transfers include Council GOB revenue on Cost Recovery, offset by Councils contribution to individual research activities via the URC

**Note 6** Interest charged on monies lent from Council Free Cash to Capital Projects undertaken by the Student Housing Sector.

**Note 7** Income from investment activities relates to the University’s No.2 and No.3 portfolios more fully described in sections 9.2 and 9.3 above, PLUS the returns derived from the investment of the University’s Free Cash.
### DESIGNATED FUNDS (Note 1)

<table>
<thead>
<tr>
<th>All Amounts in R'000</th>
<th>Note</th>
<th>Investments 2009</th>
<th>Other 2009</th>
<th>Research 2009</th>
<th>Sub-Total 2009</th>
<th>Total 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recurrent Income</strong></td>
<td></td>
<td>71,195</td>
<td>182,963</td>
<td>726,126</td>
<td>909,089</td>
<td>980,284</td>
</tr>
<tr>
<td>State subsidies</td>
<td>2</td>
<td>0</td>
<td>34,052</td>
<td>0</td>
<td>34,052</td>
<td>34,052</td>
</tr>
<tr>
<td>State Research Grants (NRF etc.)</td>
<td></td>
<td>0</td>
<td>0</td>
<td>197,578</td>
<td>197,578</td>
<td>197,578</td>
</tr>
<tr>
<td>Sales &amp; Contract research</td>
<td></td>
<td>7,420</td>
<td>82,830</td>
<td>476,096</td>
<td>558,926</td>
<td>566,346</td>
</tr>
<tr>
<td>Transfer from endowed funds</td>
<td>3</td>
<td>363</td>
<td>27,515</td>
<td>0</td>
<td>27,515</td>
<td>27,878</td>
</tr>
<tr>
<td>Donations and gifts</td>
<td></td>
<td>63,412</td>
<td>38,566</td>
<td>52,452</td>
<td>91,018</td>
<td>154,430</td>
</tr>
<tr>
<td><strong>Recurrent Expenditure</strong></td>
<td></td>
<td>4,617</td>
<td>191,242</td>
<td>648,758</td>
<td>840,000</td>
<td>844,617</td>
</tr>
<tr>
<td>Personnel</td>
<td></td>
<td>272</td>
<td>65,584</td>
<td>257,357</td>
<td>322,941</td>
<td>323,213</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td></td>
<td>1,757</td>
<td>69,010</td>
<td>292,088</td>
<td>361,098</td>
<td>362,855</td>
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<tr>
<td>Bursaries</td>
<td></td>
<td>2,588</td>
<td>56,648</td>
<td>83,125</td>
<td>139,773</td>
<td>142,361</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td>0</td>
<td>0</td>
<td>16,188</td>
<td>16,188</td>
<td>16,188</td>
</tr>
<tr>
<td><strong>OPERATING SURPLUS</strong></td>
<td></td>
<td>66,578</td>
<td>-8,279</td>
<td>77,368</td>
<td>69,089</td>
<td>135,667</td>
</tr>
<tr>
<td><strong>Other Income – Net</strong></td>
<td></td>
<td>34,477</td>
<td>43,886</td>
<td>-9,866</td>
<td>34,020</td>
<td>68,497</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>5</td>
<td>50,740</td>
<td>1,441</td>
<td>7,941</td>
<td>7,382</td>
<td>58,122</td>
</tr>
<tr>
<td>Transfers (to)/from Council Controlled</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>10,375</td>
<td>10,375</td>
<td>10,375</td>
</tr>
<tr>
<td>Transfers between designated funds</td>
<td></td>
<td>-16,263</td>
<td>42,445</td>
<td>-26,182</td>
<td>16,263</td>
<td>0</td>
</tr>
<tr>
<td><strong>Non-Recurrent Items</strong></td>
<td></td>
<td>3,740</td>
<td>60</td>
<td>-622</td>
<td>-562</td>
<td>3,178</td>
</tr>
<tr>
<td>Profit/(Loss) on sale of fixed assets</td>
<td></td>
<td>0</td>
<td>0</td>
<td>-622</td>
<td>-622</td>
<td>-622</td>
</tr>
<tr>
<td>Profit on sale of investments</td>
<td>5</td>
<td>3,958</td>
<td>60</td>
<td>0</td>
<td>60</td>
<td>4,018</td>
</tr>
<tr>
<td>Impairment</td>
<td>5</td>
<td>-218</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-218</td>
</tr>
<tr>
<td><strong>OPERATING SURPLUS</strong></td>
<td></td>
<td>104,795</td>
<td>35,667</td>
<td>66,880</td>
<td>102,547</td>
<td>207,342</td>
</tr>
</tbody>
</table>

Note 1  Designated funds exclude all Council controlled funds including any funds designated by Council for a specified purpose

Note 2  Designated state subsidies received for Clinical Training in Health Sciences

Note 3  This refers to the distributions from the Endowed Funds described in section 9.1

Note 4  Transfers include Councils contribution to individual research activities via the URC, offset by Councils GOB revenue on Cost Recovery

Note 5  Income from investment activities relates to the University’s No.2 and No.3 portfolios more fully described in sections 9.2 and 9.3 above.
UCT Planning & Budgeting process: Recurrent Educational Operations and Students Housing & Residence Life

- **Management Accounting Office**
  - Distributes budget guidelines & budget parameters.

- **University Finance Committee**
  - Considers internal inflation computations for the forthcoming year.

- **Deans / Exec Dirs./Finance Managers**
  - Develop and submit budgets.

- **Planning & Budgeting Working Group**
  - Reviews budgets (current & new activities) against parameters, overall affordability and alignment to institutional goals.

- **Deans / Exec Dirs./Finance Managers**
  - Budget revised and updated if required.

- **Senior Leadership Group**
  - Full day debate around budget priorities & new initiatives – Show and Tell meeting.

- **Student Representative Council**
  - Consulted regarding relevant matters, such as internal inflation.

- **University Council**
  - Reviews and approves budget.

- **University Finance Committee**
  - Budget approval/recommendation for University Council.

- **University Council**
  - Reviews and approves fees.

- **University Finance Committee**
  - Reviews budget update.
  - (1.) Fees listing approval/recommendation for Council.

- **Resource Allocation Committee**
  - Decision & prioritisation in terms of affordability within the context of the target mandate.

- **University Strategy Forum & University Finance Committee**
  - VC presents budget update.

- **University Finance Committee**
  - Considers MTBF and provides surplus target mandate.

- **University Finance Committee**
  - Reviews and approves fees.

- **University Council**
  - Reviews and approves fees.

- **Senior Leadership Group**
  - Full day debate around budget priorities & new initiatives – Show and Tell meeting.

- **Remuneration Committee**
  - Provides mandate for salary increases.

- **Student Representative Council**
  - Consulted regarding relevant matters, such as internal inflation.

- **University Council**
  - Reviews and approves budget.

- **University Finance Committee**
  - Budget approval/recommendation for University Council.

- **University Council**
  - Reviews and approves fees.

- **University Finance Committee**
  - Reviews budget update.
  - (1.) Fees listing approval/recommendation for Council.

- **Resource Allocation Committee**
  - Decision & prioritisation in terms of affordability within the context of the target mandate.

- **University Strategy Forum & University Finance Committee**
  - VC presents budget update.

- **University Finance Committee**
  - Considers MTBF and provides surplus target mandate.

- **University Finance Committee**
  - Considers MTBF and provides surplus target mandate.
CONTRACT PRE and POST- AWARD PROCESSES

OVERVIEW
FLOWCHART OF RESEARCH ACTIVITIES

Financial processing of research contracts
Setting up a research fund
Post-award contract processing
Managing research fund and project.
Invoicing and receipting payments

Deliverables are contractual requirements, generally in the form of financial and/or technical reports and/or tangible products.

Bridging finance is used in exceptional cases, to provide start up funds. Interest is charged from the date of withdrawal until the repayment date.

THE SPEND & CLAIM PROCESS:
The financial management of certain research agreements will require start-up budget. These financial processes only occur when UCT is expected to provide cover for the expenses and later claim the expenses from the funder. This process is known as spend and claim. The principal investigator or the department support staff must request budget from the Faculty Finance Office. This request is forwarded to the Finance Department, who approves and loads the budget request into the faculty control fund and then transferred to the research fund. To ensure an invoice is sent to the funder to recover the expenses, the principal investigator must complete an invoice requisition form (SD001) and forward to the finance faculty office for further processing. (For more details, see invoice requisition requests.)

Appendix C