

ENHANCEMENTS TO THE REGULATIONS FOR REPORTING BY PUBLIC HIGHER EDUCATION INSTITUTIONS

1. INTRODUCTION

Reporting by public higher education institutions is regulated and prescribed in the *Regulations for by Higher Education Institutions* which were drafted in terms of the Higher Education Act 101 of 1997. This Regulation is underpinned by governance and management principles as outlined in the King 111 Report on Corporate Governance.

However section 4(3)(b) of the Public Audit Act 25 of 2004 (PAA) prescribes that the Auditor –General may audit and report on accounts, financial statements and financial management of any other entity funded from the National Revenue Fund and which is authorised in terms of any legislation to receive money for a public purpose. The AGSA has opted not to audit public higher education institutions and therefore would not have audited their performance. The Public Audit Act requires that the auditors of public higher education institutions include in their audit reports opinions or conclusions on reported performance information.

2. BACKGROUND

In terms of section 20 (4) of the Higher Education Act 101 of 1997, every public higher education institution established, deemed to have been established or declared as a public higher education institution under the Higher Education Act, is a juristic person. For this reason the *Regulations for Reporting by Higher Education Institutions* requires from a council and management of a public higher education

institution to exercise their fiduciary and managerial responsibilities in a transparent manner, implement systems that will ensure good corporate governance and to give regular account of the results of exercising their delegated powers.

Therefore the *Regulations for Reporting by Higher Education Institutions* issued in terms of the Higher Education Act 101 of 1997, requires that all public higher education institutions submit annual reports to the Department of Higher education and Training within six months after the end of the financial year, that is on or before 30 June after the end of the financial year to which the annual report relates

This Regulation also requires that public higher education institutions reports among other things on the achievements of strategic and predetermined objectives and assessment of the achievement thereof, budget planning, and risk assessment. Most public higher education institutions are not reporting consistently and comprehensively on these aspects.

The King Report on Governance (King 111) which has been adopted in developing the Reporting Regulations by Higher Education Institutions stresses the need for good corporate governance and accountability and therefore there should be procedures in place to ensure that universities complies accordingly

The Auditor-General of South Africa (AGSA) has a statutory discretion to audit public higher education institutions in terms of the Constitution of the Republic of South Africa, 1996 and the PAA. While the AGSA has opted not to perform the audits of these institutions, the PAA and the AGSA directive set out certain requirements that the public higher education institutions should comply with. These requirements include matters relating to the appointment of the auditors and the content of the auditor's report.

Sections 25 and 26 of the PAA provide that the appointment and discharge of auditors must be made in consultation with the AGSA.

Section 28 of the PAA requires that the report of the auditor must reflect such opinions and statements as may be required by any legislation applicable to the auditee, but must reflect at least an opinion or conclusion on –

- The financial statements of the institution;
- The institution’s compliance with any applicable legislation relating to financial matters, financial management and other related matters; and
- The reported information relating to the performance of the auditees against predetermined objectives.

For the financial year ending 31 December 2011, it is a requirement that all public higher education institutions should ensure compliance with this legislation. However, the reporting of predetermined objectives is a process of consultation through a discussion on a reporting framework.

3. PROBLEM STATEMENT

The current Regulation was primarily aimed at giving guidance on how the annual report of a University should be prepared. Provided to guidelines is a monitoring mechanism such as quarterly reporting.

There is currently inconsistent reporting, incomprehensive reporting and lack of coverage by higher education institutions in their annual reports particularly in the areas of performance reporting of achievement of predetermined objectives, performance evaluation, budget control and risk management. The Regulations also lack a monitoring mechanism.

The Public Audit Act requires the auditors of public higher education institutions, who are not the AGSA in this case to include in their audit reports opinions or conclusions on reported performance information.

4. PURPOSE OF THE DOCUMENT

The document is intended to provide:

- A reporting framework on aspects as stipulated in *the Regulations for Reporting by Public Higher Education Institutions* with regard to the setting of predetermined objectives, performance evaluation, budgeting, and risk assessment to improve the reporting by public higher education institutions.

- It is also intended to ensure compliance with the Public Audit Act 25 of 2004 which requires among other things that the achievements of the predetermined objectives become a focus of annual audit of public higher education institutions. In addition the auditors of public higher education institutions should include in their audit reports opinions or conclusions on reported performance information.

5. PROPOSED PLANNING FRAMEWORK

A framework for planning, monitoring, evaluation is proposed. The proposed framework will form part of *the Regulations for Reporting by Public Higher Education Institutions* as it gives effect to the requirements in the Regulations. The proposed framework will not necessarily give rise to new requirements but rather seeks to give effect to some aspects in the Regulation where ambiguity existed resulting in poor reporting. It is neither the intention to replace processes currently in place at universities. Should it become necessary however to give more details on the processes for whatever reasons the Department will in consultation with the higher

education sector further develop the proposed framework to provide more details to enhance compliance. Therefore detailed processes will be provided should the need arise.

5.1 Reporting on predetermined objectives and performance assessment

As per definition stated in the Public Audit Act 25 of 2004, this relate to objectives in the strategic plan of the University. In relation to the current strategic mandate of the Department of Higher Education and Training this relates to Outcome 5 of the Medium Term Strategic Framework (MTSF), with specific reference to Output 4 and Output 5.

The Regulations for Annual Reporting by Higher Education Institutions requires that the report of the Chairperson of Council as well as the report of the Vice-Chancellor on management and administration should include a statement of self-assessment of the achievement of the Principal and council in attaining the objectives set for the period under review with a summary of realised achievements. The Reporting Regulations also requires that governance, management, and financial reports must reflect the extent to which an institution's objectives in terms of its vision, mission, and strategic targets have been achieved.

The Regulation also requires that the structures of governance and management account to both the internal and external stakeholders in a consistent manner. There must therefore be systems in place for measuring university performance against predetermined objectives

The following shortcoming and weakness currently exists in the systems with regard to reporting by public higher education institutions:

- Most public higher education institutions have not been comprehensively reporting on predetermined objectives as well as strategic objectives and the extent to which they were achieved. There was inconsistency on how the information was presented making it difficult for the Department of Higher Education and Training to assess performance by higher education institutions. The manner of reporting at present makes it almost impossible to compare the information across the sector on a consistent basis.

- There is currently no effective mechanism in place for assessing the actual performance by public higher education institutions against predetermined objectives and agreed upon targets and there are no adequate processes in place for engagements and discussing performance by public higher education institutions. The annual report currently submitted to the Department is not adequate for the purpose of performance evaluation as it is not so much objectives based.

In order to address these shortcomings the following reporting framework is proposed:

5.2 The predetermined objectives will include amongst others the following:

- The Ministerial approved enrolments and graduate outputs targets as agreed underpinning outcome 5 of the Medium Term Strategic Framework (MTSF)
- Efficiency and infrastructure development objectives
- Research development objectives
- Teaching development objectives
- Access provided through foundation provision
- Clinical training objectives
- Allocation and utilisation of NSFAS

- Operationalizing effective management and services in relation to multi - campus

5.3 PERFORMANCE PLAN

- a) A public higher education institution must prepare a Performance Plan in the prescribed format for approval by the Department in order to regularize the reporting of public higher education institutions.

- b) A Performance Plan must—
 - i. cover a period of five years and be consistent with goals and objectives as stated in a public higher education institution's strategic plan;

 - ii. include the predetermined objectives and outcomes identified as agreed between a public higher education institution and the Department.

 - iii. include the key performance measures, key performance indicators and performance targets for assessing a public higher education institution's performance in delivering the desired outcomes and objectives;

 - iv. include cash flow projections of revenue and expenditure for the following three years;

 - v. includes a public higher education institution's projected budget for the following three financial years;

 - vi. include proposed borrowings for the following year;

- vii. include a risk register which documents the identified risks; the likelihood of any such risks occurring; assessment of the identified risks' potential impact and the measures put in place to mitigate the risk.
 - viii. form the basis for the annual report of a public higher education institution;
 - ix. be updated annually;
- c) The Performance Plan must be submitted to the Department on or before 31 August of each year to allow for further engagement between the two parties.
 - d) The Department should approve the Performance Plan on or before 30 October where after it should be signed on or before 30 November by the Chairperson of Council on behalf of a public higher education institution and approved by the Minister on behalf of the Department.
 - e) Council should not approve deficit budget, where projected expenditure is above three percent of total income, unless the Department first endorses such a budget after engagement with and motivation by a public higher education institution concerned..

5 QUARTERLY REPORTING

- a) In order to facilitate effective in year performance monitoring, evaluation and corrective action, a public higher education institution must establish procedures for quarterly reporting and assessment with regard to implementation and achievements of predetermined objectives including financial management.
- b) The quarterly report should include information in relation to the financial health of the institution in respect of the financial year under review as well as progress made and expenditure in relation to the predetermined objectives.

- c) Council must review the process and should submit to the Department, 60 days after the end of each quarter, the quarterly reports and a statement signed by the Chairperson of Council and Vice-Chancellor, confirming that Council has reviewed the quarterly reports as well as highlighting areas of concerns if any. This should be accompanied by cash flow statement and an abridged income statement.
- d) After analysing the financial statements or other information submitted by a public higher education institution, the Department may call for more information from identified institution allowing a reasonable timeframe to submit such requested information after discussion thereof with the identified institution.

6 ANNUAL REPORT

- a) A public higher education institution must on or before 30 June of each year submit three hard copies and an electronic version of its annual report in respect of the previous financial year on the prescribed format indicating among other things the extent to which the objectives as set out in the performance plan have been met.
- b) The performance report should be signed by the Chairperson of Council and the Vice-Chancellor. Procedures should be established for engagement between the Department and a public higher education institution in relation to the performance as reported in the annual reports.