PIVOTAL ROLE OF THE UNISA COUNCIL IN CORPORATE GOVERNANCE

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Abstract

There have been calls the world over for academic institutions to adopt corporate forms of management. Unisa Council declared its commitment to corporate governance in the Annual report 2009. This study aims to determine whether Unisa Council activities and decisions comply with corporate governance as per the *King III Code* and identify any area(s) of improvement. Case study research was undertaken to investigate compliance with the principles of good governance as recommended in the Code. A checklist was used to collect data from university documents and this data was analysed by pattern matching. Unisa performance was then compared with that of University of KwaZulu-Natal. Unisa Council performed 91% of recommended practices and thereby complied with 87% of principles of good governance as per the *King III Code* on Corporate Governance. Unisa did not comply with three principles and neither complied nor not-complied with five principles as the level of performance of corresponding recommended practices was below the threshold of 75%.

UKZN achieved 91% performance of the recommended practices and thereby obtained 87% compliance. The study also showed that practicing corporate forms of management to improve academic governance does not necessarily relegate academic interest to lower levels. This means that these institutions delivered on their mandate from the *Higher Education Act, 1997* (as amended). Unisa and UKZN are primarily public institutions of higher education and not profit driven, despite them embracing corporate forms of management.

Keywords: Corporate governance, Academic institution, Academic governance, Unisa Council, UKZN Council, King III Code, Higher Education Act, 1997 (as amended), Compliance.

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CHAPTER 1

Scope of the study

1.1 Introduction

The Unisa Council, through its *Statement on Corporate Governance* contained in the Annual Report 2009, declares its commitment to good corporate governance as recommended in the *King III Report on Corporate Governance*. This commitment is further underscored by the institution's *Corporate Governance Manual 2005 (Revised, 2010)*, aimed at informing the university community of corporate governance. Unisa is a public higher education institution legislated by the *Higher Education Act of 1997* (as amended). As an academic institution, Unisa is recognised as a national resource, which should contribute directly to general economic development and social welfare, Ncayiyana and Hayward (1999: 4). Unisa is therefore, not a business entity. This is pointed out in the Corporate Governance Manual and by Ncayiyana and Hayward, (1999: 4).

In certain countries, universities were urged to embrace a more corporate form of management and thereby deal adequately with the demands of a knowledge society (Henkel, 2007:89). Ncayiyana and Hayward (1994) and the Unisa Council maintain that Unisa should adopt corporate governance, despite being a non-commercial enterprise. Other commentators strongly opposed this notion, arguing the inappropriateness of corporate governance as a model of governance in an academic institution. They pointed out that the primary functions of the two types of entities differ sharply because a commercial entity needs to create wealth for its shareholders, whilst an academic institution's is teaching, research and serving the needs of society.

Despite the concern from some quarters, there has been gravitation towards this direction. Australian universities have heeded the calls according to

Harman and Treadgold (2007:13), adopting a governance model closely aligned with business corporations to achieve greater efficiency and accountability and well managed financial and human resources. Toma (2007:68) reiterates the same trend in the US, where power has shifted away from faculty towards managers in the governance of higher education institutions. In South Africa, the *Higher Education Act, 1997* (as amended) designates the Council of a public higher education institution as the supreme governing body of such institution. The Council is responsible for quality education and research, the institution's financial affairs, general reputation and standing within the country and internationally. Therefore, the Council is the focal point of governance within the university.

Traditionally, academic institutions have enjoyed academic freedom and sovereignty. This entailed academic rights of self-governance and non-intervention. Recently, "knowledge societies" (which insist that a university is embedded in society and should therefore, contribute directly to general economic and social welfare), threaten academic freedom, (Henkel, 2007). In Britain, the widely held view is that"... scientific knowledge can no longer be regarded as the concern primarily of academic organisations", (Henkel, 2007). This view emanates from the premise that theoretical knowledge drives technological advance and innovation, which in turn, result in national economic growth.

The dawn of the 21st century has seen unprecedented corporate collapses in the United States (US) - (Enron, World Com), Health and Racquet (Leisure Net) in South Africa, and elsewhere in the world. These corporate failures and the recent global financial crisis resulted in public dissatisfaction and lack of trust in corporations. Loud calls came from NGOs, activists and those not benefiting from the current economic order, for a change in the conduct of corporations, (Waddock and McIntosh, 2009:296). Visser (2009:1) argued that the corporate failures largely ensued from poor governance practices. These groups bemoan incongruence between the interests of those charged with organisational governance and various stakeholders.

Consequently, various initiatives such as the *Sarbanes-Oxley Act* (SOX) in the US, *King Commission on Corporate Governance* in South Africa and the *Organisation for Economic and Development* (OECD) in the UK, were set up to enforce good corporate governance in the global economy (Visser, 2009). *The Cadbury Report* (1992) describes corporate governance as the system by which organisations are directed and controlled. *The King III Code* which replaced earlier *King I & II Codes*, was published in September 2009 as a result of the new *Companies Act no. 71 of 2008* and changes in international governance trends (Institute of Directors, 2009).

The *King III Report* comprises a code of principles and practices based on an *apply or explain* approach. This means that the board, or those charged with governance of an entity, could decide to apply the recommendation differently or apply another practice and still achieve the objective of overarching corporate governance principles such as fairness, accountability, responsibility and transparency, (Institute of Directors, 2009). The code principles are such that every entity, whether in the public, private sector, or non-profit sector, can apply them to achieve good governance. Though the Report uses terminology such as *company*, *board*, and *directors*, it also refers and applies to the functional responsibilities of those charged with governance in any entity, even if different terminology is used, (Institute of Directors, 2009).

The concepts of leadership and corporate citizenship are cornerstones of the *King III Report* (Institute of Directors, 2009). Citizens are morally committed to contribute to common good with an expectation to benefit in the end, (Jeurissen, 2004:88). Jeurissen asserts that the metaphor of corporate citizenship implies the same basis for corporations as well. Social movements demand corporations to contribute extensively to public good, such as a clean environment, the provision of health care or the quality of neighbourhood, (Grit, 2004:98). Corporations are expected to go beyond philanthropy and volunteerism to consider the impact of business operations on stakeholders and the environment. However, it will take great leadership to harmonise business and society interests, (Darigan and Post, 2009). They state that it requires leaders who can identify challenges and opportunities as well as recognise the pivotal role of business in this process. This breed of leaders wants first, to serve other people's highest priorities, (Waddock and McIntosh, 2009). These leaders need to develop a new mind-set and reflect on the consequences and implications of their decisions. Waddock and McIntosh (2009) add that such leaders need to value relationships, shared power, co-operation and collaboration to bridge the gap between business and societies.

Unisa council's expressed commitment to corporate governance appears to be in line with calls around the world for academic institutions to adopt corporate forms of management. Corporate governance will - according to existing literature - help plug the gap between management and all stakeholders. This gap represents one of the causal factors of recent corporate collapses around the globe. Unisa council is charged with governance of the institution by the *Higher Education Act, 1997* (as amended) and therefore, a custodian of corporate governance. Its decisions and activities should therefore, line up with its commitment and comply with the principles of corporate governance as set out in the *King III Code*. This involves performing the recommended practices of good governance embodied in the code. The council's commitment should be underscored by visible manifestation, such as structures in place, documents and management policies of good governance. The question of supporting this commitment has resulted in the problem that this study investigated: Whether Unisa council's decisions and activities comply with the *King III Code* on corporate governance.

1.2 Problem statement

The current information era reinforces knowledge as the driving force behind global economic and social prosperity (Henkel, 2007:89). Societies demand universities - as centres of higher education and research - to become socially useful. Universities have engaged in commercial activities, including forging strategic alliances and contractual relationships with the private sector. These alliances increase their financial resources following new challenges such as reduced public funding, increasing operating cost and increased competition (from both existing competitors and new entrants). Consequently, these institutions adopted a revenue-driven and market responsive approach to deal with this spate of new challenges. It has therefore, become necessary for academic institutions to start adopting corporate forms of management to enhance accountability.

The researcher believes that such forms of governance should feature good governance, sustainability and corporate citizenship, to be more accountable to societal needs. In the South African higher education landscape, the burden of governance resides within the realm of the Council as legislated by the *Higher Education Act, 1997* (as amended) and the institutional statute. It then follows that the Council, as custodians of corporate governance, should lead this process, and ensure it is embedded within the institutional system of governance. The Council has a duty of care to attain quality of teaching and research, adequate staff and student participation and good governance, (Goedegebuure & Hayden, 2007:50).

This study therefore, investigated whether the Unisa Council adheres to the principles of Corporate Governance as outlined in the *King III Report*. This involved evaluation of Council activities and performance against the principles of good governance as per the *King III Report*. The researcher broke down the evaluation into the following nine research questions, in line with the *King III Code* principles:

- **Did the council comply with the principle of ethical leadership and corporate citizenship?**
- **Did the council comply with the principle of the role and function of the board and directors? (Board and directors mean council and members respectively).**
- **Did the audit committee perform its oversight role effectively?**
- **Did the council comply with the principle of risk governance?**
- **Did the council comply with the principle of the governance of information technology (IT)?**
- **Did the council comply with laws, rules, codes and standards?**
- **Was there an effective audit function (IA) at Unisa?**
- **Did the council manage relationships with stakeholder groupings effectively?**
- **Did the council produce a sustainability report (triple-bottom reporting)?**

The performance of Unisa Council was then compared with that of University of KwaZulu-Natal (UKZN) Council to determine any similarities or differences in the governance model. The aim of the comparison was not to consider Unisa in isolation but, to relate its governance to another institution in South Africa. UKZN unlike Unisa, is a residential university based in Kwa-Zulu Natal province.

1.2.1 Motivation for the research

The Council is charged with the governance of an academic institution as legislated by the Act. It thus follows that the Unisa council is responsible for good governance in the university as custodians of governance. Unisa Council, in the Annual Report 2009, expressed commitment to the *King Code*. It should therefore, provide collaborative and integrated leadership that minds the consequences of their actions and activities on others because of its commitment. The *King III Report* recommends that directors should consider the impact of their decisions and company operations on the community and environment, (Institute of Directors, 2009). Waddock and McIntosh (2009) related /referred to this understanding as the essence of wisdom. Businesses have been urged to strive to serve the interests and expectations of all stakeholders and not only focus on shareholders. The Institute of Directors (2009) advocates an "inclusive approach of governance".

1.2.2 Importance of the research

The inclusive approach will enable the Unisa Council to foster an effective relationship among all the role players (Council, the University community and the community at large) as stipulated by the *Higher Education Act, 1997* (as amended). The Council will also achieve the institutional mission, vision as well as the needs of its community. Taylor (2000: 111) wrote that according to Carver (1990a) and Bradshaw et al (1992), modern research has demonstrated a strong relationship between strategic planning and organisational effectiveness. The *King III Report* stresses that there is always a link between good corporate governance and the law. The Council of a public higher education institution is required by the Act to provide the Minister (of Higher Education) with an annual report on overall governance of the University and audited financial statements. The evaluation of the Council's compliance with the *King III Code* will help identify good corporate governance practices and areas that need improvement.

1.2.3 Research objectives

The research aimed to investigate whether the Unisa council adhered to the principles of Corporate Governance as outlined in the *King III Report*. This included determining any similarities or differences in the Unisa governance model and that of University of KwaZulu-Natal (UKZN).

1.3 Research methodology

Salkind (2006:2) describes research as"...a process through which new knowledge is discovered". Salkind (2006:2) continues, "research is work based on work of others", as researchers review work already done to provide a basis for the subject of their research.

This study employed a case study methodology to gather empirical evidence regarding compliance of the Unisa Council activities and decisions, with the principles of corporate governance as per the *King III Report*. This involved collecting data from various documents such as the *Annual report 2009*, *Corporate Governance Manual* and the *Strategic Plan 2015.* The researcher then checked the data against all the principles and corresponding recommended practices set out in the *King III* Code. This pattern matching was performed to identify links between Unisa governance and the code, *i.e.* compliance or apparent compliance. In addition, the study included a comparative analysis of Unisa governance and that of UKZN to have a view of governance practices at Unisa in relation to another academic institution's activities.

CHAPTER 2

Literature study

2.1 Evolution of Corporate Governance

In this chapter, the researcher examined the corporate form of business in an attempt to examine the origin of corporate governance, its *raison d'être* and its principles. Since literature on the development of corporations often focuses on developed economies such as England and the United States of America (USA), this study briefly explored the origin of corporate governance in these economies. The researcher examined significant reports such as the *Cadbury report* (United Kingdom) and the *King III Code* (South Africa) to discuss the evolution of a corporate governance system in these countries. The origin of an academic institution, academic freedom and academic governance were also discussed to understand the loud calls for these institutions to embrace corporate forms of management.

Corporate governance is defined by the OECD (2004) as"a set of relationships between a company's management, its board, its shareholders and other stakeholders". The definition has continued to evolve against the backdrop of corporate crises and issues to encompass the whole process of managing a business (Grant, 2003:925). Public interest in the discourse of corporate governance intensified in the 1990's, following a number of corporate failures in the world. Goedegebuure and Hayden (2007) attributed the collapse of Enron to the failure of corporate governance, arguing that corporate structures were not at fault, but the values and behaviour of the individuals operating within them.

The proponents of the *inclusive governance* approach complain that managers focus on maximizing shareholders' wealth at the expense of other economic and social interests (stakeholders and environment). Friedman (1970) retorts that managers are employees of business owners, which should conduct the business according to the owners' wishes. Current literature in corporate governance reiterates the need for structural and behavioural change in corporate structures. In this dissertation, the researcher discussed the agency theory in an attempt to examine the origin of corporate governance, its *raison d'être* and its principles. However, one cannot begin to discuss the development of corporate governance without examining the corporate form of business.

2.1.1 Origin of a corporate form of business

According to Grant (2003), corporations originated in England in the nineteenth century. Corporations were accorded a right to engage in business to derive a profit. Legislation was passed, giving shareholders limited liability for the actions of corporations. This legislation effectively designated a corporation as a legal persona and thus protected the shareholders' personal assets from the consequences of the corporation. Grant explains that the system of free enterprise and capitalism accelerated the growth of corporations in the USA. During the industrial revolution, the growth of these entities fuelled the need for capital and led to a marked change in the ownership structure. Companies (both public and privately owned) grabbed the opportunity to raise capital through the public sale of stock resulting in widely held ownership. At the turn of the twentieth century, companies featured passive business owners, separate from executive management.

The arms-length ownership of business hit Britain much later, as the founding family retained significant influence in companies, (Cheffins, 2001). Share offerings to the public diluted family control, resulting in *Berle-Means corporations*. Berle and Means (1932) noted that dispersion of share ownership resulted in the loss of control by shareholders, as ownership was separated from control, (Aglietta & Reberioux, 2005:23). The separation of ownership and control meant that only managers with business credentials were hired to run the corporations. The financial muscle or family connection was no longer a prerequisite to run a corporation. The corporate form allowed individuals to consolidate their resources to earn profit. However, as corporations grew, future business activities were financed through retained earnings or borrowings. Therefore, a corporation became a legal owner of capital assets entrusted to managers (Grant, 2003). Since a corporation is by law a legal entity separate from its owners and managers, it must comply with the law(s) that established it.

2.1.2 Agency relationship

The system of separate ownership and control created a power struggle between owner and management. In a Berle-Means corporation, corporate power rests with management, creating an agency relationship. An agency relationship is a contract that confers some decision-making authority to the agent by the principal(s) to perform some service on their behalf, (Grant, 2003). Corporate managers are therefore, agents for owners and should always strive to achieve owners' interests. In reality, managers do not always act in the best interest of the owners, resulting in agency problems.

Cheffins (2001) underlines widespread shareholding as the source of *agency cost* for investors. Insufficient financial stake generally discourages shareholders from actively participating in the affairs of the corporation. This lack of interest allows management scope to further their personal interests. It is therefore, important that agency problems are managed effectively for the sustainability of a corporation. Aligning management interests with those of owners are achieved when the investor, management and board of directors of a company, communicate effectively, (Grant, 2003).

2.1.3 Developments: Corporate governance system

The twentieth century was - according to Grant (2003) - abuzz with activity to develop a corporate governance system to resolve agency issues. A legislation and regulatory framework was laid down in the US, to make the corporate responsible to its shareholder. He quotes a ruling by the Supreme Court of Massachusetts in 1881, which restricted corporate activities to the objective that the corporation was established for. This implied that managers should primarily create profits for owners.

The US stock market crashes in 1929 and 2001 raised the ire of investors who protested against mismanagement, exorbitant packages paid to executives, and misleading accounting policies (Grant, 2003). There were calls to protect investors from what was described as "gross lack of morality" on the part of corporate management (Grant, 2003:927). Consequently, the *Securities Act* (1933 & 1934) laid down regulations that stipulated registration with the *Securities and Exchange Commission* (SEC), full financial disclosure and audited financial statements, in a bid to prevent false and misleading statements. In 2002, Congress passed *The Sarbanes-Oxley Act* to instil the ideals of corporate governance into the US system. This Act aims to protect investors by making provision for accurate and reliable corporate disclosure. It stipulates new measures such as stringent requirements for auditor independence, increased corporate responsibility for financial reports and stiff penalties for securities fraud. Law protects potential investors and gives them confidence to participate in public share offerings, (Cheffins, 2001). The 2008 global economy meltdown wreaked havoc in the US economy and decimated the Lehman Brothers. It lends credence to calls for a new approach, which should go beyond corporate laws and consider the impact of business activities and decisions on society and the environment.

Friedman (1990) believed that a company should be run solely in the interest of its general shareholders and there should be no state interference with corporations, lest they fail to uphold the charter of profitability. Friedman's contention is consistent with the property and nexus-of-contracts theories which maintain that shareholders as capital providers and bearers of residual risk are ultimate beneficiaries in a corporate form of organisation (Mason, Kirkbride & Bryde, 2007:287). According to Mason *et al*, corporate governance research produced three theories to explain the concept of an organisation, *viz.* property, nexus-of-contracts and the third conception, which views an organisation as a social institution. Stohl and Townsley (2007) criticise the primacy of profitability, and describe it as "short-term thinking" which disregards the impact of business activities and decisions on other stakeholders (society and environment).

Aglietta & Reberioux (2005) disagree with the notion that a firm's primary objective is to maximise profit. The notion that profits compensate shareholders as capital providers for the risk assumed, emanates from capitalism. The two authors first describe the listed company (managerial firm), as the means of production, which pays the residual earnings to the shareholders as dividends. They argue that these earnings are paid as dividends to shareholders - and maybe employees if they are part of an incentive scheme - or reinvested. Profit therefore, belongs to the corporation (Bernstein, 1969) and is not reserved for the exclusive remuneration of shareholders, (Aglietta & Reberioux). In conclusion, the principle of profit maximisation does not imply that the firm must be conducted in the exclusive interest of its shareholders. In agreement, Berle and Means (1967) argued that established companies are sustained more by retained earnings, external borrowings and market share, than capital inflows from them (Grant, 2003). This therefore, means that shareholders cannot claim to be sole creators of corporations.

Continuing with the case for other stakeholders, Aglietta & Reberioux (2005) maintain that the risk component of the profitability argument does not hold water, because the law incorporating companies, stipulates limited liability for shareholders. Therefore, the liability of shareholders to losses sustained by a company is limited to the value of their capital contributions. In addition, the potential to trade stock in the equity markets provides shareholders with an avenue to exit and diversify their risk. This reduction in risk incurred by shareholders fuel the scepticism of these authors about the validity of risk as justification for the profit argument. Their argument succeeds in raising the need to broaden the approach of corporate management and does not necessarily discount the shareholders' interests. Besides, one cannot disregard the fact that shareholders put their resources together to conduct a business and therefore are entitled to profits generated.

The third view argues that a broader spectrum of business constituents (stakeholders) other than shareholders must be considered in decision-making, (Mason et al. 2007). These include parties affected by corporate activity with or without financial interest in the company. The stakeholder theory advocates proper stakeholder management as organisations exist as part of society (not isolated). The board of directors and managers should communicate openly and honestly with stakeholders and have leverage to pursue stakeholders' interests most effectively. Importantly, managers should be held accountable for their actions. Mason et al (2007) advise that the degree of stakeholder inclusion and involvement in board decisions should be determined by value adding potential to the *organisation*. Similarly, Young and Thyil (2008:95) criticise corporate governance for focusing largely on achieving financial goals and compliance with codes of practice and neglecting critical relationships with other stakeholders and well as neglecting long-term shareholder value.

Young and Thyil (2007) doubt the ability of corporate accountability laws to restore the moral fibre in the corporate world. Companies should incorporate ethics as a significant component of culture, values and decision-making. They should therefore link ethics to social responsibility and stakeholders. This is underscored by the third principle of the Australian Stock Exchange (ASX) Corporate Governance Council (2003):

- To "actively promote ethical and responsible decision making",
- "...and clarify the standards of ethical behaviour required of company directors and key executives.
- "Encourage the observance of those standards..."

Organisations should develop a culture of ethics, empower employees to raise ethical concerns and reward ethical behaviour. Ethics is "concerned with moral philosophy, values and norms of behavior that guide a corporation's behavior within society", (Young & Thyil, 2008). Organisations should therefore, link ethics to social responsibility and stakeholders. Legal strictures are considered as minimum standard only, which may limit the corporation's ability to be socially responsible, (Seeger and Hipfel, 2007:164). Ethics on the other hand, sets aspiration standards and thus complement the law.

2.1.4 Summary of corporate governance principles

Taylor (2000:109) summarised literature on corporate governance by examining nine principles of good organisational governance:

Knowing what governance is

Bohen (1995) defines governance as "the responsibility and accountability for the overall operation." The board (of one type or another) is always charged with such responsibility and governance. Taylor (2000) lists the following as a board's responsibilities:

- Developing corporate policies and plans.
- Monitoring and measuring organisational performance against those policies and plans.
- Acting as a voice of the ownership of an organisation.

Taylor (2000) cites Sinclair's (1996) explanation of the role of a Canadian hospital board, which was identified as threefold. First, the board has to determine the hospital's mission and vision, values and policies. In addition, it should ensure that the corporation's affairs are in good order, and that it meets the community needs. Finally, the board should hire a competent Chief Executive Officer (CEO) who will manage the hospital according to the purpose, goals, objectives, values and policies as determined by the board, (Taylor, 2000).

Achievement of strategic ends

The board should develop a strategic plan to achieve the organisational performance objectives. Modern research has shown a strong relationship between strategic planning and organisational effectiveness. Carver (1990a) emphasises that the board should in its strategic plan, clearly define quantifiable performance objectives to hold the CEO accountable for achievement thereof.

Board - CEO relationship

This is considered as the key relationship in the organisation as it is the focal point of governance. Carver (1990a) suggests the CEO and board of directors should develop a governance partnership. The CEO is appointed by the board and therefore accountable only to the board, (Taylor, 2007).

Unity of direction

Taylor (2007) refers to Fayol's (1949) original principles of management which observed that "the high performing organisation had only one board of governance, one chief executive and one strategic plan, mission or vision at any one time". Taylor considers it imperative that the CEO and the board should work in unison in the pursuit of a common goal with common motives, values and purposes and thereby achieve a strategic alignment.

Unity of command

Existing research indicates that the decision-making process should flow vertically from the top to the bottom of an organisation. This premise cautions that any violation thereof creates confusion, instability and anarchy in the long run, (Anderson, 1984).

Unity of accountability/responsibility

Anderson (1984) maintains that subordinates are responsible for their performance to their supervisors and *vis-à-vis* themselves, (Taylor 2007). This will improve performance as everyone is held accountable for the exercise of authority in executing his or her duties.

Ownership needs

A board of directors perform an oversight role in the interest of the owners of an organisation. The board and its CEO need to identify their organisation's key stakeholders and communicate in a strategic fashion with their owner communities to satisfy the new demands of governance, (Taylor, 2007).

Self-improvement

Board members should have expertise in business management, financial analysis and strategic planning to perform optimally. Competent members are quick students.

Understanding the cost of governance

Carver (1990b) lists cost involved in governance as

- board members' opportunity cost
- direct board meeting expense
- the cost of staff supporting board activities
- the cost associated with errors made by boards, and
- the cost of ineffectively structured governance-management-organisation relationships.

An effective board will try to minimise these costs and avoid some of them altogether. Carver (1990a) considers the cost of staff time spent in board support activities as the largest on-going cost of governance. Taylor (2007) also discussed five generic benchmarks of excellence in governance in the realm of organisational governance.

Clearly articulated mission and vision

The boards and CEOs of top performing organisations understand and pursue their mission and core business activities as a unit. This practice enables these organisations to evaluate their performance against the set objectives and goals.

Achievement-oriented culture

Well-governed organisations inculcate a culture that promotes and facilitates achievement, (Taylor, 2007). This is facilitated by setting up quantifiable performance indicators for an effective CEO who then champions this achievement-oriented culture.

Leadership partnership

Arrington et al (1995) asserts that well governed organisations often have a strong CEO / board partnership that effectively communicates with all the stakeholders, (Taylor, 2007).

Focus on improvement

The boards of excellence continually assess and improve their governing processes to achieve the performance goals.

Boards are a workable size

Top performing boards usually comprise between seven and 15 members and tend to remain focused on the system and their role in it, (Taylor, 2007).

2.2 Cadbury Report: Corporate Governance

Similar to the United States, the United Kingdom (UK) experienced corporate collapses that reflected unethical conduct on the part of corporate management. These varied from simple theft of savers' funds by chief executives, to more complex cases of theft of over £1 billion in employee pension funds, (Boyd 1996:168). According to Boyd, these corporate collapses together with payment of high salaries and bonuses to some corporate managers (often by financially distressed companies), necessitated mechanisms to deter and detect fraud in the business community. Consequently, in May 1991, a Cadbury Committee was set up in response to the unethical scandals in business. The Cadbury Committee posited that the underlying cause of corporate ills in the UK was the "classic governance structure", (Boyd 1996:170). It thus produced a Code of Best Practice embodying recommended practices for corporate governance. These are the main elements of the Cadbury Code recommendations:

Separation of the Role of CEO and Chairperson - the Code advocates that the CEO and the board chairperson should have separate responsibilities and where the chairperson is the chief executive as well, the deputy chairperson should be independent of the company.

Nomination of Directors - there should be a nomination committee that comprises of a majority of non-executive directors to nominate directors and make recommendations to the board.

The need for Outside Directors - the Code recommends that a board should comprise of at least three non-executive directors and create audit and remuneration committees that should include wholly or mainly non-executive directors.

The Independence of Outside Directors - the majority of non-executive directors should be independent. An independent director does not have shareholding in the company and / or business involvement with the company.

Rotation of directors - executive directors cannot serve for more than three years without shareholders' approval.

Pay and Bonuses - the board should annually disclose directors' remuneration, stock options, salaries and performance-bonuses separately.

Nomination and independence of the Auditor - there is no prescribed process for appointing an external auditor. The Code, however, requires that fees paid to auditors for non-audit work should be disclosed in the annual report.

Flow of information to the Board - the board is responsible for the company's strategy.

Expanding the Scope of auditing - the auditors should report on non-financial issues such as the effectiveness of the internal control system and compliance with the *Cadbury Code*. (Source: Cadbury Report (UK), 1996)

Boyd (1996:172) maintains that there was much discontent with the Code, as compliance therewith is voluntary. The Cadbury committee does not favour legislation and external regulation, as it believes that shareholders as owners of these companies should enforce compliance. The London Stock Exchange however, requires listed firms to issue an annual statement of compliance with the Cadbury Code. Though the large outcry was against a lack of code's enforcement, the potential of imprisonment did not deter corporate managers from committing fraud. The Code detractors question the effectiveness of structural mechanisms advocated by the Cadbury Code in "...preventing future abuses of corporate power by an intimidating corporate boss", Boyd (1996:173). Boyd continues that the scandal at British Airways and the financial fiasco at the Queens Moat House in 1993 did little to convince these critics otherwise. The Cadbury Committee recognizes the challenge of having a foolproof system. The other criticism of the Code was its failure to make a distinction between large and small listed firms, as the latter could find it a costly exercise to comply with the Code, which might deter some from listing. The Code was also criticised for focusing only on financial aspects of corporate governance. The Code merely mentions the importance of companies to develop a code of ethics and fails to discuss non-financial aspects of corporate governance.

2.3 The King III Code

The dawning of the new dispensation in South Africa was preceded by major social and political transformation, (Naidoo, 2002:10). According to Naidoo, the Institute of Directors of Southern Africa led the formation of the King Committee, which was - amongst others - tasked with the investigation of good practice concerning the responsibilities of directors and auditors, financial reporting and accountability of companies in South Africa. This resulted in the creation of the standards of governance (*King I & II Codes* in 1994 and 2002 respectively) which applied to Johannesburg Stock Exchange (JSE) listed companies and other defined entities. These companies were required to disclose in their financial statements whether they complied with the Code and explain any areas of non-compliance. The *King II Code* encouraged companies to go beyond reporting on financial performance, by considering social, health, ethical and environmental issues - "triple bottom line reporting". This requirement is in line with the corporate governance literature that implored companies to consider the impact of their activities and decisions on society and the environment. The *King II Code* revised the *King I* recommendations and became effective from 1 March 2002, replacing the earlier report, (Naidoo, 2002).

The Code's fundamental principles included fairness, transparency, responsibility and accountability, which are universally applicable. The *King III Code* which supersedes the earlier codes (*King I & II* respectively), was released in 2009 as a consequence of the new *Companies Act no.71 of 2008* and new developments in the international governance realm, (Institute of Directors, 2009). The Institute of Directors points out the primary focus of *King III* as integrated reporting, which encompasses the following: the impact of the company operations (both positive and negative) on the community it serves during the current year and how it "intends to enhance those positive aspects and eradicate or ameliorate the negative aspects in the year ahead". The philosophy of the code comprises leadership, sustainability and corporate citizenship as cornerstones.

The Code maintains the following:

- Good governance requires effective leadership; such leadership should have morals and ethical values (responsibility, accountability, fairness and transparency).
- Sustainability - companies and directors should consider the impact of their decisions and operations on the community and environment.
- Corporate citizenship - a company is a legal persona and should operate in a sustainable manner, (Institute of Directors, 2009).

The *King III Report* cites a number of international developments that underscore the growing significance of sustainability issues:

- The United Nation's Global Compact and the Principles for Responsible Investment.
- The German Commercial Code stipulates that companies should demonstrate that it integrates corporate social responsibility (CSR) in company activities.
- The Swedish and Norwegian governments require companies to disclose sustainability issues in line with Global Reporting Initiative (GRI) G3 Guidelines.
- In 2008, the United Kingdom included CSR in its Companies Act, to raise the importance of ethical, social and environmental issues.

In 2008, the South African Department of Environmental Affairs and Tourism developed a long-term mitigation scenario about climate change.

The *King III Code* incorporates alternative dispute resolution (ADR) as an important element of good governance to preserve business relationships, (Institute of Directors, 2009). The Institute of Directors promotes mediation and if it fails, advocates expedited arbitration when a dispute arises.

2.4 Governance of universities

In South Africa, universities are established in terms of section 20 of the Higher Education Act 1997 (as amended) as public institutions tasked primarily with providing higher education. This means that these institutions are not revenue driven, but are expected to largely contribute to social welfare and general national economic development. However, the contemporary university is confronted with a number of new challenges such as economic and political pressures, which threaten its sustainability. Dwindling state funding forced academic institutions worldwide to seek alternative financial sources to augment their financial resources. These institutions are implored to generate income from the private sector and thereby reduce their financial dependency on the state, (Henkel, 2007:92).

Universities now vigorously pursue strategic partnerships with the private sector in research, teaching and training to derive financial sustainability. Such relationships often require delicate management as the parties thereto inherently differ in purpose. Consequently, academic institutions need fancy footwork to strike a balance between achieving financial stability and their primary purpose of teaching, research and public service. This revenue driven and market responsive approach seems to lend credence to suggestions that a university should be managed in a similar way to a business. The rationale is that old forms of governance are ineffective and inefficient. In Australia, the White Paper (Dawkins, 1988) characterised the 'old' governance forms as obsolete and advocated the efficient and effective corporate model, (Harman and Treadgold, 2007:14).

These suggestions, however, should be considered in the light of ubiquitous public dissatisfaction and lack of trust in corporations. The public around the world has attributed recent corporate failures to poor governance practices and demands change in the conduct of corporations. Furthermore, there are concerns that the business model could relegate basic academic decisions to lower levels and put focus on revenue generation and market criteria - a phenomenon termed *academic capitalism* (Toma, 2007). The researcher therefore explored the arguments and counter arguments for the corporate model against the notion of traditional academic governance. This involved a discussion of factors advanced in existing literature that could help academic institutions survive the new challenges.

2.4.1 Academic institutions

An academic institution was traditionally accorded rights of self-governance and non-intervention in its knowledge development and transmission, (Henkel, 2007). This academic autonomy comprised individual academic autonomy and institutional self-governance. Henkel quotes Berdahl (1999) in that an individual scholar is "… free in his/her teaching and research to pursue truth wherever it seems to lead without fear of sanction." This freedom therefore, protected scholars from possible sanctioning by sectarian, political, or economic interests, (Henkel, 2007). This autonomy emanated from the value attached to knowledge produced and advanced.

In South Africa, there was no standard form of governance in the higher education prior to the new political dispensation in 1994, (Ncayiyana and Hayward, 1999). The apartheid rule afforded white institutions substantial autonomy with much power vested in the vice chancellor. Governance was largely based on the British model, featuring governing boards (the Councils) that comprised members from the state and community, (Ncayiyana and Hayward, 1999). Faculty, administration and broader university community were not represented in the Council and thus not part of decision-making. In contrast, the government controlled black academic institutions to restrict black education as engendered by the apartheid rule. This subsequently proved to be problematic as it led to continual student and staff uprising, Ncayiyana and Hayward (1999).

Toma (2007) contends that in the US higher education, academic autonomy is not absolute but relative, as institutions need to balance autonomy with public accountability. US academic institutions have a shared governance tradition, which features multiple level decision making. Faculties deal with academic decisions while administration performs daily management activities, leaving accountability and stewardship to the governing board, (Duderstadt, 2009:140). Faculty governance entails authority within the academic unit, (a department, school or college level where the chair of the department or dean exercises authority) and the university-wide faculty governance that deals with institution-wide debates, e.g. the advisory role of the senate, (Duderstadt, 2009).

Shared governance caused clashes between faculty and corporate cultures, which manifested in competition for power among the three key groups at the university - the trustees, administration and faculties, (Toma, 2007). Other authors contend that shared governance impairs flexibility within institutions and stifles rapid decision-making, (Toma, 2007). The cause of disagreement is the reliance of shared governance on broad consultation and consensus decision-making. This is one feature that many commentators blame for the inability of universities to cope with the fast-paced changes in their environments.

The late twentieth century presented academic institutions with a plethora of changes in their external environment. These included, amongst others, globalisation, knowledge economy, technology, expansions in tertiary education, and intrusion of market forces into the sector as the institution faces new challenges. South African universities also had to contend with socio-economic transformation issues with the new democratic dispensation. The universities have to increase access by previously disadvantaged groups as enshrined in the new South African constitution. There are complaints that weaknesses in the current governance structures - faculties tend to waste time, guard turf or lack managerial expertise - render these institutions incapable to adapt, (Burgan, 2004). Consequently, there are suggestions that the governance of higher education should be revamped to manage the interplay with these external factors.

As mentioned earlier on, a contemporary university needs to seek out new sources of funding, respond to increased competition and cater for various students, to remain sustainable. In the same way, universities are embedded in community; any decision taken, will affect the broader community that the institution serves. It then follows that a university should adopt a *customer-oriented* approach in its outlook, (Duderstadt, 2009). This complex situation resembles what corporations deal with all the time to remain sustainable. The danger of business-like universities is the tendency to have decreased faculty roles and increased reliance on rational management which results in distrust and dysfunction, (Toma, 2007). This effect ensues from so-called "academic capitalism" which downplays the significance of core academic activities.

In business, key decisions are made as and when necessary to respond to market forces, whether to grab new opportunities or meet customer needs. The essence of traditional academic governance, which protects individual freedom and promotes broader participation in decision-making, could be hindering universities to cope with fast-paced and profound changes affecting higher education, (Duderstadt, 2009). It is suggested that those charged with accountability and stewardship of the university should be taken to task for their decisions, (Duderstadt, 2009).

Duderstadt (2009) shares Collis' (2009) sentiments that faculty members tend to be individualistic in their outlook and thereby cripple university-wide governance. They mention that faculty members may not commit to broad institutional goals that are not in harmony with personal ambitions. The conflict of interest of the role players in academic governance deals shared governance a hard blow. This problem is exacerbated by academic freedom and tenure, which insulate faculty members from possible recourse for their actions. Duderstadt (2009) believes that faculty members are not conversant with externalities such as economic, social and technological forces beyond the campus. The opposing view maintains that faculty members should spend their time productively on teaching and research, rather than play an advisory role to the administration and governing board.

The information era brought along new changes, that increases complexity in higher education, (Collis, 2006). Student composition changed due to increased adult education and reduced full-time enrolment. Corporate training conducted outside universities expanded as well. The use of computers in higher education attracted new personnel such as PC technicians. On-line education revolutionised the way of teaching courses. The above factors dramatically influenced traditional core activities, pushing universities to extend their horizons and thereby, perform non-traditional activities, (Collis, 2006). Consequently, the sources of revenue had to be diversified to meet the new demands, requiring complex management. For instance, the research and development funds brought in increased involvement of the private sector, which often imposes to universities the research agendas they will support, (Henkel, 2007).

The Carnegie Commission (1973) defined governance in tertiary education as "the structure and processes of decision making", Collis (2009). It therefore, does not pertain to daily management or administrative activities of the institution. Collis (2009) lists a number of responsibilities that according to the Carnegie Commission Report - the governing board should perform:

- To safeguard, or hold in "trust", the institution's mission and long run welfare.
- To buffer the university from its external constituencies.
- To oversee fiscal integrity and financial solvency.
- To stand as final arbiter of internal disputes among stakeholders.
- To act as an "agent of change" by enunciating major policy standards and long-range plans.
- To select, monitor and review the president and the overall administrative structure of the institution.

In an effort to show problems in academic governance, Collis (2009) enunciated five reasons that contrast with the private sector:

- The primary purpose of an academic institution includes teaching, research and public service. There is no single predominant goal - unlike the private sector where creating wealth for shareholders, directs a firm behaviour, (Collis, 2009).
- It is hard to appraise the performance of a university, as there is no output measure. In the absence of a quantitative measure, it becomes hard for those charged with the governance of an academic institution to assess its performance.
- The governing bodies of these institutions comprise various constituencies (faculty, administration, students, alumni, public funders, communities, etc.) with diverse agendas and diverse interests. This goal divergence tends to impede decision-making. This mirrors the notion of problematic cultural differences raised by detractors of shared governance.
- Each constituency has veto power, in that it can choose not to implement the governing body's agenda. This would create serious problems for a governing body that seeks to reach unanimous decisions.

Unlike the private sector, universities have no hierarchical control, resulting in difficulties implementing a governing body's directives. Administrators have no recourse against a faculty who may object to policies set by the governing body. Yet, all employees in the private sector are subject to employment contracts, which oblige them to respect policies or values of the firm, (Collis, 2009).

In this study project, the above factors are considered as structural differences between public and private institutions' governance, rather than deficiencies in academic governance. These do not begin to justify the calls for universities to be managed as businesses. Collis (2009) believes that the arguments are generally applicable to all institutions though specific deficiencies may vary among countries. Academic institutions, as all other organisations (whether public or private) are confronted with a dynamic external environment, which requires effective and swift responses. The intrusion of market forces on the higher education sector and increased competition, mean that it cannot be business as usual in these institutions.

This study then proceeded to deal with suggestions advanced in existing literature to improve academic governance. The suggestions, likely to intensify on-going debate in academic governance, should help ameliorate areas of weaknesses while preserving important academic traditions and values, (Duderstadt, 2009).

Universities should move swiftly in adapting to the rapidly changing societal needs. They must have small governing boards (more or less 12 members), which comprise outsiders with diverse skills and not just business people and be encouraged to independently set an agenda, (Toma, 2007). In support, Duderstadt (2009) calls for members that possess the necessary expertise and experience, with a primary focus on the institution's interest and the community it serves. The members should have expertise in areas such as business practice, finance or legal matters and be held liable for their decisions or university performance. One could argue that similar fashioned governing boards could not save corporations such as Enron and Health and Racquet. Dreier (2005) responds that governing boards should embrace the principles of the Sarbanes-Oxley legislation written in response to the corporate failures, (Toma, 2007).

In 1995, the US Association of Governing Boards of universities and colleges (AGB), made a number of recommendations to address the quality and effectiveness of governing boards, (Duderstadt, 2009). The AGB recommended that a governing board should comprise at least 15 members who have verifiable experience with large organisations in finance, social and political spheres. It would be desirable that they have experience or show interest in higher education. The AGB noted that board service should be limited to a single term to pre-empt campaigning for future appointment, (Duderstadt, 2009). Collis (2009) believes that a governing board should have freedom to set its agenda and determine the strategic direction as it is entrusted with the accountability and stewardship of the university.

Duderstadt (2009) suggests that a faculty should be provided with executive rather than merely advisory authority to encourage active participation of leading faculty members in university service. Effective faculty governance will resolve the lack of alignment between administration and faculty interests. Duderstadt believes that such authority will develop a sense of institutional loyalty and service in the faculty. The traditional culture of consensus decision-making should be changed as it hinders universities in responding to fast-paced changes confronting academic governance. Faculties should not get involved in areas where their competence is not sought though, cautions Duderstadt (2009). In the same vein, academic leaders should have authority to take actions whether at departmental chair or senate level. It is emphasised that authority commensurate with its responsibilities, brings about effective leadership.

The factors between the private sector and universities (public institutions), listed by Collis (2009), signal the fundamental differences between the two and if anything, raise questions about the suggestions to run higher education as a business. One of the basic tenets of corporate governance is to minimise the agency problem, the divergence of interests between the principal (shareholders) and the agent (managers). Corporate boards are required to comprise independent and non-executive directors to govern effectively. Collis (2009) maintains that this is already the case in higher education as trustees are mainly outsiders. The Carnegie Commission (1973) went further and discouraged the faculty and students from serving on the governing board to avoid gravitation toward their interests.

Corporate governance codes such as the *Cadbury report* and the *King III Code* on corporate governance, recommend that the roles of chairperson of the board and the CEO should be separated. The higher education sector is ahead here, as the governing board appoints the CEO and, does not serve on the board, Collis (2009). In the private sector, the remuneration of managers is often linked with the performance of an organisation (say, market share price) to synchronise their goals with organisational objectives. This would be very hard to achieve in higher education, as universities lack a quantitative measure of output to reward. Higher education should learn from the private sector in this regard so that academic core activities and values permeate every sphere of university governance.

In the discussion, the researcher dealt with the concept of corporate governance regarding its origin, development and the need for corporations to adopt the system. Finally, a summary of its principles as put forward by existing literature was given. The history of corporations dealing with the formation of a Berle-Means corporation first in the US during the industrial revolution and then in the UK during the late twentieth century was discussed to explain the origin of corporate governance. Then, the discussion on agency theory explained the need for the alignment of owners and management interests. Various events in the US such as stock market crashes, corporate failures, institutional investor vigilance and legal and regulatory framework all influenced the evolution of the concept of corporate governance. The stakeholder theory was briefly touched on, to discuss the importance of extending corporate governance beyond the financial focus and compliance with practice codes, by integrating corporate social responsibility (CSR) activities. The researcher also dealt with the principles contained in the *Cadbury report* and the *King III Code*, as the two codes set a framework for corporate governance systems in these countries.

What emanates from the discussion above is that the contemporary university faces a wholesale of challenges presented by the information era. The ability to adapt quickly could lead to sustainability of these institutions. The new spate of challenges elicited calls to improve academic governance. The debate that ensued is characterised by suggestions of corporate forms of management in academic institutions. It is imperative though, that those areas of weaknesses in academic governance, should be identified and measures developed to ameliorate these and lastly, to also consolidate compliance with the *King Code*. Universities might benefit from adopting good governance practices from the private sector in the quest to improve their governance. Recent corporate failures indicated problems in the way corporations are run. This implies that blindfold implementation of the corporate model of governance in academic institutions could have unintended effects. Collis (2009) stretches this notion by suggesting that governance is not the issue here, rather institutional strategy. A proper strategic fit brings about effective governance. In the light of stiff competition, universities should differentiate their offerings and thereby focus on specific consumer needs. This will result in a wide variety of high-quality options available for society.

CHAPTER 3

Research design and methodology

3.1 Introduction

In chapter 1 the researcher examined the origin and philosophy of corporate governance by discussing the agency theory, an examination of the corporate form of business through a brief exploration of the origin of corporates in two developed economies, namely England and the USA. The researcher also investigated academic governance in an attempt to establish whether there is a case in calling for universities to adopt corporate forms of govemance. This chapter discusses the research methodology employed to achieve the objectives of the study.

3.2 Research design

The study sought to investigate whether the Unisa Council complied with the principles of corporate govemance as set out in the *King III Code* on corporate governance. The researcher employed a case study research methodology and used a checklist to gather empirical evidence regarding the Unisa Council's performance and activities during the year ended 31 December 2009. This method was appropriate as it enabled the researcher to understand governance at Unisa and it determined performance or non-performance of recommended practices.

Case study research comes in handy when one undertakes an in-depth inquiry of an area of interest, (Noor, 2008:1602). The researcher collected data from university documents such as the Annual report (2009), Corporate Governance Manual and Strategic Plan (2009) - secondary data to answer research questions.

3.3 Case study

A case study is described as qualitative research that examines intensely, a particular participant or small group and drawing conclusions only about that participant or group <www.gslis.utexas.edu/~ssoy/usesusers/l391d1b.htm>. Yin (1994) contends that case studies are typically used:

- To answer questions such as "how" or "why",
- when the researcher has little control over the events, and
- there is a contemporary focus within a real life context

In contrast to quantitative methods, a case study is not concerned with central tendency and therefore incapable of providing a generalised conclusion, (Tellis, 1997). Yin (1994) rejected such criticism from the case study detractors, by emphasising that a case needs to meet its established objective. He continued that a case study achieves the three tenets of qualitative research namely, describing, understanding and explaining.

Case studies can have single or multiple-case designs. As multiple cases replicate the pattern-matching, results are strengthened and thereby consolidate the robustness of the theory, Tellis (1997). Yin (1994) explained that regardless of the case study design employed, generalisation of results should be theory-related and not statistical. According to Tellis, case study methodology was employed to investigate the effects of community-based prevention programmes. These studies explained the conditions through the eyes of the "actors" far beyond the quantitative statistical results.

The basic tenet of case studies is a focus on a holistic understanding of activities of actors in a social situation and should therefore always have boundaries. Tellis (1997) states that all major case study researchers including Yin, Stake, Feagin, alluded to the fact that case study research is not a sampling research and consequently researchers should be driven by what can be learned in the study when selecting cases, Yin (1994). The unit of analysis is thus fundamental in the case study. While the case represents the interest topic in the study, a unit of analysis is the actual source of information whether an individual, *organisationa*l document or an artefact, (Yin, 1994). Use of multiple sources of data ensures triangulation (accuracy and alternative explanations). Yin explains that triangulation confirms the validity of processes.

Case study researchers can choose to use one or several methods to collect data - single or multi-modal methods. For instance, Tellis (1997) quoted a study carried out on a first year graduate student's initiation into an academic writing programme. The researchers observed the subject and collected linguistic data to evaluate the student's performance. There are - according to Tellis - six types of data collected in case studies; documents; archival records; interviews; direct observation; participant observation and artefacts. Use of multiple sources of data could render a case study more convincing and accurate. Cross-checking data from different sources involves increased analysis, verifying and confirming such data www.gslis.utexas.edu/~ssoy/usesusers/l391d1b.htm.

Yin (1994) presented two general analytic strategies; namely theoretical propositions and case description. The former analyses the evidence based on such propositions, while case description organises the case study in terms of the general characteristics and relations of the case in question, Tellis (1997) Researchers are advised to employ an analytic technique as part of the general analytic strategy:

- Pattern matching – involves comparing an empirical pattern with a predicted one and when the patterns coincide, internal validity is increased. Note that the predicted pattern must be defined prior to data collection in the case of a descriptive study. For an explanatory study, patterns may be traced to the dependent or independent variables.

- Explanatory building – a researcher uses case study data to build an explanation of the case and identify causal links.
- Time analysis – identifying a theoretical trend of an event prior to the investigation and thereafter compare this trend with the trend of empirical data points.

Yin (1994) put forward four principles that will ensure high quality analysis:

- Show that the analysis relied on all the relevant evidence.
- Include all major rival interpretations in the analysis.
- Address the most significant aspect of the case study.
- Use the researcher's prior, expert knowledge to further the analysis.

3.4 Research Instrument

The researcher employed a checklist, to gather evidence of Council performance and activity compliance with principles of good corporate governance, in line with the *King III Report*. The checklist comprised all the principles of good governance and recommended practices, as set out in the King III Code. The checklist was compiled after reviewing the existing literature on good practices in corporate, to ensure significant issues were not left out. The literature effectively provided a theoretical framework to assess whether the Council applied the *King III Code* principles. The checklist therefore, included all the principles in the Code, to have a holistic approach. The Institute of Directors (2009) maintains that all the principles have equal significance and together as a unit, provide a holistic approach to governance.

The researcher employed desktop research to provide answers to the checklist. Published reports such as the Annual Report, Strategic Plan document and Corporate Governance Framework Manual were used to seek verifiable, reliable and accurate information, which is open for public consumption. The data used, was clearly not the researcher's views, but rather his interpretation of published information regarding compliance with the ***King III Code***.

A checklist is an information aid tool, which ensures consistency and completeness when performing a task. It can simply be a ***to do list*** or a schedule outlining tasks to be performed according to a reference such as time or other factors. A checklist is often used in the industry to check process compliance, code standardisation and error prevention, among others, <**http://en.wikipedia.org/wiki/Ethics**>.

This study sought to determine whether the Unisa Council complied with the principles of good governance as recommended in the *King III Code* on corporate governance. It then undertook a comparative analysis of Unisa Council's performance and activities with those of the University of KwaZulu-Natal (UKZN) to determine whether another South African university embraced corporate governance as well. UKZN, though not a comprehensive open distance learning (ODL) institution, runs certain distance learning programmes and aspires "to be the premier university of African scholarship", (Source: *Strategic Plan*, 2007-2016). Unisa is a comprehensive distance education institution that aspires to be "... the African university in the service of humanity," (Source: *Strategic Plan* 2015).

Purposive sampling allows cases to be selected for specific purposes – because they have particular characteristics, Patton (1990). It is described as non-probability sampling which entails judgment and targets a particular group of people. Purposive sampling is easy to undertake and often used in qualitative research. The disadvantage is its potential for inaccuracy in the researcher's criteria and resulting sample selections. Purposive sampling is popular with marketing researchers as it typically starts with a purpose in mind and subsequently only people of interest are targeted, Patton (1990).

3.5 Data analysis

Raw data was examined to find linkages between what the Unisa Council was or was not doing regarding the recommendations of the *King III Code* and pinpoint the outcomes in relation to the research questions. The researcher compared the data with individual practices recommended, to determine compliance with the principles of good governance. Yin (1994) contends that internal validity is enhanced when the empirical pattern coincides with the predicted one.

The Council complied with the Code if the recommended practices of a principle as recommended in the Code, were significantly performed. Compliance or non- compliance with a principle, was a function of percentage performance of the respective recommended practices.

Partial performance was not regarded as compliance and recorded where material aspects of the practice were not performed. Partial performance recognised the institution's plans or existing measures to adhere to a principle. However, where a principle did not apply to the university based on its form of establishment and consequently not applied, this was not judged as non-compliance. It was also not considered when collating the number of performances for aggregation.

Finally, compliance with a principle was determined regarding percentage performance (the number of recommended practices performed relative to the total number of recommendations). Compliance with the Code was determined by the number of principles adhered to, in relation to the total number of the principles as per the Code. The Institute of Directors (2009) maintains; "each principle is of equal importance and together forms a holistic approach to governance".

3.6 The checklist questions

3.5.1 Ethical leadership and corporate citizenship

Socrates, a Greek philosopher, maintained that "(t)he truly wise man will know what is right, do what is good, and therefore be happy", <http://en.wikipedia.org/wiki/Ethics>. He posited that people would automatically do what is good if they have the knowledge of what is right. Agents calling for change in corporations, regarded gross lack of morals on the part of corporate management as the major cause for corporate failure. It was argued that corporate structures were not at fault, but the values and behaviour of the individuals operating within them, (Goedegebuure & Hayden (2007). Schemes such as off-balance sheet debt, capitalisation of corporate expenses, millionaire severance packages for executives and disposal of stock at peak value immediately before their sharp decline, marked corporate scandals such as Enron, WorldCom, Inc. and K-Mart in the USA, (Grant, 2003).

Many researchers therefore implored organisations to integrate ethics in corporate culture, values and decision-making. Young and Thyil (2008) believe a holistic, that incorporates behavioural and multi-disciplinary perspectives, could help restore the moral fibre in the corporate world. The behaviour of corporate management mentioned above, is described by Aristotle's virtuous ethics as the conflict of interest that typify human condition, Dawson, 2005:59). Aristotle promoted moderate virtue where "...virtue denotes doing the right thing, to the right person, at the right time, to the proper extent, in the correct fashion, for the right reason', <http://en.wikipedia.org/wiki/Ethics>. Virtuous traits would therefore guide managers to pursue appropriately balanced action in such circumstances. According to Dawson (2005), virtues include respect, trust, fairness, tolerance, loyalty, courage, honesty and integrity. Dawson (2005), applying virtuous ethics in his work on business ethics and work ethic, posits that businesses need to value quality human relationships to create ethical behaviour. He quotes Hegel (1967)'s ethical theory in that ethical behaviour ensues from a culture that marries the goals of management and workers. This results in ethical business outcomes and good relationships between all stakeholders. Empowering workers, by allowing them freedom of creativity in their activities, results in self-actualization.

The Australian Stock Exchange (ASX) Council Corporate Governance Council (2003) also recommends that corporations and directors should develop and promote standards that guide ethical and responsible decision-making, (Young and Thyil, 2008). Businesses operate in society and as a result are urged to contribute positively to society. Existing literature suggest that corporate social responsibility (CSR) should be integrated in a firm's overall strategy and include social and environmental issues. Organisations should harmonise business and society interests, because business and society prosperity are interlinked; "doing well" connects with "doing good", (Darigan and Post, 2009:42).
The researcher considers an ethical leadership as essential in inculcating a culture of ethics in an organisation. In addition, leaders need to dig deep in their moral values to consider the value in bridging the gap between business and society. This basis therefore, informs the testing of compliance with the principle of *ethical leadership and corporate citizenship.*

3.5.2 Boards and directors

The need to manage the agency problem brought about the theory of corporate governance. The primary focus of corporate governance is the alignment of management and shareholder interest. A board of directors therefore, performs an oversight role in the interest of an organisation's owners. The board is consequently the supreme body charged with responsibility and governance of the overall operation, (Taylor, 2000). Taylor, in summarising the literature of corporate governance, lists the following as a board's responsibilities:

- Developing corporate policies and plans.

- Monitoring and measuring *organisational* performance against those policies and plans.
- Acting as a voice of the ownership of an *organisation*.

The researcher considered these three responsibilities important to test compliance with the above second principle in the King III Code: ***the role and function of the board and directors. The test dealt with the responsibility and accountability of the board.***

3.5.3 Audit committees

In response to US stock market crashes, institutional investors pressured companies to protect their interest and put forward the following corporate governance measures: corporate boards should comprise of independent members, annual appraisal of board performance and regular board meetings, (Grant, 2003). The Sarbanes-Oxley Act (2002) stipulates that auditors should report directly to the audit committee. The objective is to make companies produce accurate financial statements and impose penalties for board misconduct. It is clear that the audit board committee has an oversight role over the corporate audit function. The audit committee is an important one, as it seeks to ensure the integrity of information (both financial and non-financial) provided to stakeholders. Hence, the determination of whether ***the audit committee performs its oversight role effectively.***

3.5.4 The governance of risk

Corporate governance literature maintains that the board should develop a strategic plan, to achieve organisational performance objectives. Management experts suggest that organisations need to identify, monitor and effectively manage all the risks pertaining to their businesses in long-term planning. Since forward-looking is often hindered by uncertainty, the management of risk becomes crucial. As the body charged with governance of an entity, the board is responsible for governance of risk. ***The researcher considered the effectiveness of risk governance principle, as vital.***

3.5.5 The governance of information technology

Corporations operate in an information era where information technology (IT) is essential in deriving a competitive edge. Companies have made huge investments in IT, which require effective management to sustain these entities. It is therefore, a business imperative that there is effective IT governance to achieve *organisational* objectives. As the board is responsible and accountable for the overall operation, the *King III Code* recommends that the board is responsible for IT governance. The testing of compliance with ***effective IT governance*** is therefore logical.

3.5.6 Compliance with laws, rules, codes and standards

Corporations are legislated as legal persona, separate from their owners and managers. Grant (2003) maintains that, as companies grow, they generate profits to sustain themselves and thereby become legal owners of capital assets, entrusted to managers. Corporations therefore, should comply with the legal and regulatory framework. It is the duty of those charged with governance of the entity, to ensure such compliance. **As a result, the researcher included this principle in testing whether Unisa Council complies with the *King III Code.***

3.5.7 Internal audit (IA)

According to corporate governance theory, the board of directors serve to reduce the agency problem. Friedman (1970) argued that business should be conducted according to the owners' desires. Internal audit (IA) is one of the tools recommended by corporate governance theory to achieve this role. As the audit committee is responsible for all assurance activities, the IA falls within its ambit. It is therefore, important that an entity establish the internal audit function: ***Is there an effective IA function at Unisa.***

3.5.8 Governing stakeholder relationships

It is often suggested that managers focus on maximising shareholders' wealth at the expense of other stakeholders and the environment. There are other parties affected by corporate activity with or without financial interest in the company. The theory of corporate governance, recommends that these stakeholders must be considered in decision-making, (Mason et al, 2007). The board of directors and managers are urged to communicate openly and honestly with the stakeholders and should be allowed to pursue stakeholders' interest effectively. It is therefore, important to determine ***whether the Unisa Council manages relationships with stakeholder groups effectively.***

3.5.9 Integrated reporting and disclosure

Sustainability issues are receiving increased attention around the world, as evidenced by various countries such as Germany, Sweden and Norway; requiring companies to disclose these issues in accordance to the Global reporting Initiative (GRI) G3 guidelines, (Institute of Directors, 2009). The GRI provides a framework that can be used by companies to measure and report their economic, environmental and social performance, (GRI, 2006). The United Nations Global Compact (UNGC) principles on environment, recommend the following:

- Businesses should support a precautionary approach to environmental challenges.
- Businesses should undertake initiatives to promote greater environmental responsibility.
- Businesses should encourage the development and diffusion of environmentally friendly technologies.

(Source: Unisa Annual Report, 2009)

Did Unisa council produce an annual sustainability report (Triple-bottom reporting)?

3.7 Limitations

The use of secondary data meant that the study could not obtain the views of Council members regarding compliance of council decision-making and activities with the ***King III Code***. Although published reports on Unisa governance, represented communication by the Council, members' response would have provided invaluable information about their perspective of corporate governance in the institution. In addition, the inability to obtain data from the internal sources at UKZN, limited the test of compliance somehow. Had the study included other stakeholders such as academic and non-academic staff, students and other interested parties, it could have benefitted from independent, yet relevant perspectives. The use of multiple sources of information (multi-modal method) could have enhanced triangulation.

The researcher discussed the research design and the methodology employed to solve the research problem. The research design served as a conceptual framework and action plan that allowed conclusions to be linked to the research questions. The checklist was developed based on good governance as advanced by existing literature and recommended corporate governance principles as set out in the *King III Code*. Data representing the number of recommended practices performed by the Council and principles complied with, was presented and analysed in Chapter 3.

CHAPTER 4

Empirical results

4.1 Introduction

In chapter three, the researcher discussed the research methodology and explained the research instrument. In this chapter, the researcher presented the findings in terms of the research questions.

The findings correspond to the ***King III Code** and* were presented in a tabulated form (***Tables A and B***), derived from a checklist (***Annexure A and B***). The list showed whether the Unisa Council performed the recommended practices set out in the *King III Code* and thereby complied or did not, with the principles of good corporate governance, as per the Code.

The table comprised six main columns: ***principles***; a ***total number of recommended practices for each principle***; ***percentage performance*** (number of practices performed / total number of practices). The findings were then matched with each principle, to answer the research questions, as the questions were based on the main principles of the code.

Compliance or non-compliance with the *King III Code* was considered in terms of the total number of principles complied with, with the principles viewed as a unit. There were two sets of data, the Unisa set ***(Table A)*** and that of the University of KwaZulu-Natal (UKZN) (***Table B)*** respectively.

4.2 Findings

Table A: Unisa performance

(Sources: Unisa Annual Report 2009; Unisa Strategic Plan 2015)

Principle	**Total Number of recommended practices**	**% Practiced**	**% Not Practiced**	**Compliance**	**Non-Compliance**
The board should provide effective leadership based on an ethical foundation.	11	11	0	Yes	No
The board should ensure that the company is and is seen to be a responsible corporate citizen.	6	5	1	Yes	No
The board should ensure that the company's ethics are managed effectively	8	7	1	Yes	No
The board should act as the focal point for and custodian of corporate governance	4	4	0	Yes	No
The board should appreciate that strategy, risk, performance and sustainability are inseparable	4	4	0	Yes	No
The board and its directors should act in the best interests of the company.	4	4	0	Yes	No
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	4	4	0	Yes	No
The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	7	4	3	No	No
The board should appoint the chief executive officer and establish a framework for the delegation of authority	5	5	0	Yes	No
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	9	9	0	Yes	No
Directors should be appointed through a formal process	3	3	0	Yes	No
The induction of and ongoing training and development of directors should be conducted through formal processes	4	4	0	Yes	No
The board should be assisted by a competent, suitably qualified and experienced company secretary	13	13	0	Yes	No
The evaluation of the board, its committees and the individual directors should be performed every year	5	4	1	Yes	No
The board should delegate certain functions to	9	9	0	Yes	No

well-structured committees but without abdicating its own responsibilities					
Companies should remunerate directors and executives fairly and responsibly	4	4	0	Yes	No
Companies should disclose the remuneration of each individual director and certain senior executives	6	2	4	No	Yes
The board should ensure that the company has an effective and independent audit committee	4	4	0	Yes	No
Audit committee members should be suitably skilled and experienced independent non-executive directors	7	7	0	Yes	No
The audit committee should be chaired by an independent non-executive director	2	2	0	Yes	No
The audit committee should oversee integrated reporting	7	2	5	No	YeS
The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	2	2	0	Yes	No
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	2	2	0	Yes	No
The audit committee should be responsible for overseeing of internal audit	3	3	0	Yes	No
The audit committee should be an integral component of the risk management process	5	5	0	Yes	No
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	6	6	0	Yes	No
The audit committee should report to the board and shareholders on how it has discharged its duties	7	7	0	Yes	No
The board should be responsible for the governance of risk	9	9	0	Yes	No
The board should determine the levels of risk tolerance	3	3	0	Yes	No
The risk committee or audit committee should assist the board in carrying out its risk responsibilities	6	6	0	Yes	No
The board should delegate to management the responsibility to design, implement and monitor the risk management plan	3	3	0	Yes	No
The board should ensure that risk assessments are performed on a continual basis	7	7	0	Yes	No
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	1	1	0	Yes	No
The board should ensure that management considers and implements appropriate risk responses	2	1	1	No	No
The board should ensure continual risk monitoring by management	2	2	0	Yes	No
The board should receive assurance regarding the effectiveness of the risk management process	2	2	0	Yes	No

The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	2	1	1	No	No
The board should be responsible for information technology (IT) governance	5	5	0	Yes	No
IT should be aligned with the performance and sustainability objectives of the company	2	2	0	Yes	No
The board should delegate to management the responsibility for the implementation of an IT governance framework	4	2	2	No	No
The board should monitor and evaluate significant IT investments and expenditure	2	2	0	Yes	No
IT should form an integral part of the company's risk management	2	2	0	Yes	No
The board should ensure that information assets are managed effectively	4	4	0	Yes	No
A risk committee and audit committee should assist the board in carrying out its IT responsibilities	4	4	0	Yes	No
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	8	8	0	Yes	No
The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	2	2	0	Yes	No
Compliance risk should form an integral part of the company's risk management process	2	2	0	Yes	No
The board should delegate to management the implementation of an effective compliance framework and processes	9	7	2	Yes	No
The board should ensure that there is an effective risk based internal audit	7	7	0	Yes	No
Internal audit should follow a risk based approach to its plan	5	5	0	Yes	No
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	6	6	0	Yes	No
The audit committee should be responsible for overseeing internal audit	7	6	1	Yes	No
Internal audit should be strategically positioned to achieve its objectives	5	5	0	Yes	No
The board should appreciate that stakeholders' perceptions affect a company's reputation	3	3	0	Yes	No
The board should delegate to management to proactively deal with stakeholder relationships	5	4	1	Yes	No
The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	1	1	0	Yes	No
Transparent and effective communication with stakeholders is essential for building and	4	3	1	Yes	No

maintaining their trust and confidence					
The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	2	1	1	No	No
The board should ensure the integrity of the company's integrated report	5	4	1	Yes	No
Sustainability reporting and disclosure should be integrated with the company's financial reporting	4	3	1	Yes	No
Sustainability reporting and disclosure should be independently assured	3	1	2	No	Yes
Aggregate (recommended practices)	***289***	***260***	***29***	***0***	***0***
Total % Performance/non-performance	***100***	***91***	***9***	***Yes:53***	***Yes:3***
				No:8	***No:58***
Number of principles	***61***	***100***			
Compliance	***53***	***87%***			
Non-compliance	***3***	***5%***			
Neither compliance/non-compliance	***5***	***8%***			

Table B: UKZN performance

(Sources: UKZN Annual report 2009; UKZN Strategic Plan 2007 - 2016)

Principle	Total Number of recommended practices	% Practiced	% Not Practiced	Compliance	Non- Compliance
The board should provide effective leadership based on an ethical foundation.	11	11	0	Yes	No
The board should ensure that the company is and is seen to be a responsible corporate citizen.	6	6	0	Yes	No
The board should ensure that the company's ethics are managed effectively	8	7	1	Yes	No
The board should act as the focal point for and custodian of corporate governance	4	4	0	Yes	No
The board should appreciate that strategy, risk, performance and sustainability are inseparable	4	4	0	Yes	No
The board and its directors should act in the best interests of the company.	4	4	0	Yes	No
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	4	4	0	Yes	No
The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	7	4	3	No	No
The board should appoint the chief executive officer and establish a framework for the delegation of authority	5	5	0	Yes	No
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	9	9	0	Yes	No
Directors should be appointed through a formal process	3	3	0	Yes	No
The induction of and ongoing training and development of directors should be conducted through formal processes	4	4	0	Yes	No
The board should be assisted by a competent, suitably qualified and experienced company secretary	13	13	0	Yes	No

The evaluation of the board, its committees and the individual directors should be performed every year	5	4	1	Yes	No
The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	9	9	0	Yes	No
Companies should remunerate directors and executives fairly and responsibly	4	4	0	Yes	No
Companies should disclose the remuneration of each individual director and certain senior executives	6	3	3	No	No
The board should ensure that the company has an effective and independent audit committee	4	4	0	Yes	No
Audit committee members should be suitably skilled and experienced independent non-executive directors	7	7	0	Yes	No
The audit committee should be chaired by an independent non-executive director	2	2	0	Yes	No
The audit committee should oversee integrated reporting	7	2	5	No	Yes
The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	2	2	0	Yes	No
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	2	2	0	Yes	No
The audit committee should be responsible for overseeing of internal audit	3	3	0	Yes	No
The audit committee should be an integral component of the risk management process	5	5	0	Yes	No
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	6	6	0	Yes	No
The audit committee should report to the board and shareholders on how it has discharged its duties	7	7	0	Yes	No
The board should be responsible for the governance of risk	9	9	0	Yes	No
The board should determine the levels of risk tolerance	3	3	0	Yes	No
The risk committee or audit committee should assist the board in carrying out its risk responsibilities	6	6	0	Yes	No
The board should delegate to management the responsibility to design, implement and monitor the risk management plan	3	3	0	Yes	No

The board should ensure that risk assessments are performed on a continual basis	7	7	0	Yes	No
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	1	1	0	Yes	No
The board should ensure that management considers and implements appropriate risk responses	2	1	1	No	No
The board should ensure continual risk monitoring by management	2	2	0	Yes	No
The board should receive assurance regarding the effectiveness of the risk management process	2	2	0	Yes	No
The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	2	1	1	No	No
The board should be responsible for information technology (IT) governance	5	5	0	Yes	No
IT should be aligned with the performance and sustainability objectives of the company	2	2	0	Yes	No
The board should delegate to management the responsibility for the implementation of an IT governance framework	4	2	2	No	No
The board should monitor and evaluate significant IT investments and expenditure	2	2	0	Yes	No
IT should form an integral part of the company's risk management	2	2	0	Yes	No
The board should ensure that information assets are managed effectively	4	4	0	Yes	No
A risk committee and audit committee should assist the board in carrying out its IT responsibilities	4	4	0	Yes	No
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	8	8	0	Yes	No
The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	2	2	0	Yes	No
Compliance risk should form an integral part of the company's risk management process	2	2	0	Yes	No
The board should delegate to management the implementation of an effective compliance framework and processes	9	8	1	Yes	No

The board should ensure that there is an effective risk based internal audit	7	7	0	Yes	No
Internal audit should follow a risk based approach to its plan	5	5	0	Yes	No
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	6	6	0	Yes	No
The audit committee should be responsible for overseeing internal audit	7	6	1	Yes	No
Internal audit should be strategically positioned to achieve its objectives	5	5	0	Yes	No
The board should appreciate that stakeholders' perceptions affect a company's reputation	3	3	0	Yes	No
The board should delegate to management to proactively deal with stakeholder relationships	5	4	1	Yes	No
The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	1	1	0	Yes	No
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	4	3	1	Yes	No
The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	2	1	1	No	No
The board should ensure the integrity of the company's integrated report	5	4	1	Yes	No
Sustainability reporting and disclosure should be integrated with the company's financial reporting	4	3	1	Yes	No
Sustainability reporting and disclosure should be independently assured	3	1	2	No	Yes
Aggregate (recommended practices)	***289***	***263***	***26***	***Yes:53***	***Yes:2***
Total % Performance/non-performance	***100***	***91***	***9***	***No:8***	***No:59***
% Performance	***100%***	***91%***	***9%***	***No:8***	***No:59***
Number of principles	***61***	***100***			
Compliance	***53***	***87%***			
Non-compliance	***2***	***3%***			
Neither compliance/non-compliance	***6***	***10%***			

4.3 Discussion of the findings

(i) Did the Unisa council comply with the principle of ethical leadership and corporate citizenship?

Principle	**Total Number of recommended practices**	**% Practiced**
<u>Ethical leadership and corporate citizenship</u>		
The board should provide effective leadership based on an ethical foundation.	11	100 (11/11)
The board should ensure that the company is and is seen to be a responsible corporate citizen.	6	83 (5/6)
The board should ensure that the company's ethics are managed effectively.	8	100 (7/8)

(Sources: Unisa Annual report 2009; Unisa Strategic Plan 2015)

(i) Did the UKZN council comply with the principle of ethical leadership and corporate citizenship?

Principle	Total Number of recommended practices	% Practiced
Ethical leadership and corporate citizenship		
The board should provide effective leadership based on an ethical foundation.	11	100 (11/11)
The board should ensure that the company is and is seen to be a responsible corporate citizen.	6	100 (6/6)
The board should ensure that the company's ethics are managed effectively	8	88 (7/8)

(Sources: UKZN Annual report 2009; Strategic Plan 2007 - 2016)

There are three main principles under this heading with 25 recommended practices in total. Unisa Council performed 23 of these, achieving a percentage performance of 92. Though four practices were partial, this performance is above the threshold of 75%. ***There is therefore compliance with these principles.***

The counterpart - UKZN, performed 24 practices achieving 96% performance, which indicates compliance. This means that the two institutions integrated ethics into their operations and decision-making. This is encouraged by existing literature to restore moral fibre in the corporate world (Young & Thyil, 2008). Though these institutions are not corporate, this practice shows their commitment to adopt corporate governance to achieve their strategic objectives. This is no indication of deficient academic governance but rather, a reflection of the value systems of these universities.

Areas of non-compliance

The two universities did not practice the following:

- Measuring the level of ethical performance in the university.
- Disclose ethical performance annually to ensure strict adherence to ethical standards at all times.
- Developing quantifiable corporate citizenship programmes.

The above non-compliance does not reflect disapproval of corporate governance by these institutions. This could be attributed to the lack of processes and not the will to make these disclosures. UKZN is engaged in various social initiatives such as reducing poverty and building projects, food and clean water supply in Africa. As with Unisa, there needs to be measurable formal programmes to strengthen their activities.

(ii) Did the Unisa council comply with the principle of the role and function of the board and directors?

Principle	**Total Number of recommended practices**	**% Practiced**
<u>Role and function of the board</u>		
The board should act as the focal point for and custodian of corporate governance	4	100 (4/4)
The board should appreciate that strategy, risk, performance and sustainability are inseparable	4	e

The board and its directors should act in the best interests of the company.	4	100 (4/4)
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	4	100 (4/4)
The board should elect a chairperson of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	7	57 (4/7)
The board should appoint the chief executive officer and establish a framework for the delegation of authority.	5	100 (5/5)
Composition of the board		
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	9	100 (9/9)
Board appointment process		
Directors should be appointed through a formal process.	3	100 (3/3)
Director development		
The induction of and on-going training and development of directors should be conducted through formal processes.	4	100 (4/4)
Company secretary		

The board should be assisted by a competent, suitably qualified and experienced company secretary.	13	100 (13/13)
Performance assessment		
The evaluation of the board, its committees and the individual directors should be performed every year.	5	80 (4/5)
Board committees		
The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	9	100 (9/9)
Remuneration of directors and senior executives		
Companies should remunerate directors and executives fairly and responsibly.	4	100 (4/4)
Companies should disclose the remuneration of each individual director and certain senior executives.	6	33 (2/6)

(ii) Did the UKZN council comply with the principle of the role and function of the board and directors?

Principle	Total Number of recommended practices	% Practiced
Role and function of the board		
The board should act as the focal point for and custodian of corporate governance.	4	100 (4/4)
The board should appreciate that strategy, risk, performance and sustainability, are inseparable.	4	100 (4/4)
The board and its directors should act in the best interest of the company.	4	100 (4/4)
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	4	100 (4/4)
The board should elect a chairperson of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	7	57 (4/7)
The board should appoint the chief executive officer and establish a framework for the delegation of authority.	5	100 (5/5)
Composition of the board		

The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	9	100 (9/9)
Board appointment process		
Directors should be appointed through a formal process.	3	100 (3/3)
Director development		
The induction, on-going training and development of directors should be conducted through formal processes.	4	100 (4/4)
Company secretary		
The board should be assisted by a competent, suitably qualified and experienced company secretary	13	100 (13/13)
Performance assessment		
The evaluation of the board, its committees and the individual directors should be performed every year.	5	80 (4/5)
Board committees		
The board should delegate certain functions to well-structured committees, but without abdicating its own responsibilities.	9	100 (9/9)
Remuneration of directors and senior executives		
Companies should remunerate directors and executives fairly and responsibly.	4	100 (4/4)

Companies should disclose the remuneration of each individual director and certain senior executives.	6	50 (3/6)

This heading comprises 14 principles with 81 recommended practices. Since the Council is responsible for the governance of the institution, the focus lies on the responsibilities and duties of the Council, its composition, council committees, remuneration and performance. All the practices but eight were performed, with twelve partially giving 90% performance. ***This indicated compliance with the principles. UKZN Council followed suit with a 91% performance from 74 recommended practices achieved.***

This compliance is consistent with the principles of good governance advanced in the existing literature. The councils at these universities assumed full responsibility and governance of the operations. The performance of these university councils shows that practicing good corporate governance do not detract from the primary activities of teaching, research and serving the community. This also proves the strength of academic governance because these councils first comply with the *Higher Education Act, 1997* (as amended) and the respective Institutional Statutes. The role, composition and functioning of these councils are consistent with existing literature in corporate governance.

Areas of non- compliance

These universities did not evaluate the performance of individual members and council committees, simply because the council evaluates the performance of the council as a whole. The board of directors should act in unison in the pursuit of a common goal, (Taylor, 2007).

Non-disclosure of sustainability issues in the integrated report could be attributed to the nature of universities, which makes it hard for these institutions to articulate such issues as they do not manufacture or produce any goods that for instance could produce fumes, refuse or waste leading to pollution of the environment. There are, however, plans to develop an environmental policy framework in both these institutions to address sustainability issues.

(iii) Did the Unisa audit committee perform its oversight role effectively?

Principle	**Total Number of recommended practices**	**% Practiced**
Audit committees		
The board should ensure that the company has an effective and independent audit committee.	4	100 (4/4)
Membership and resources of the audit committee		
Audit committee members should be suitably skilled and experienced independent non-executive directors.	7	100 (7/7)
The audit committee should be chaired by an independent non-executive director	2	100 (2/2)
Responsibilities of the audit committee		
The audit committee should oversee integrated reporting.	7	29 (2/7)
The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	2	100 (2/2)
Internal assurance providers		
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance	2	100 (2/2)

function.		
The audit committee should be responsible for overseeing of internal audit.	3	100 (3/3)
The audit committee should be an integral component of the risk management process.	5	100 (5/5)
External assurance providers		
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	6	100 (6/6)
Reporting		
The audit committee should report to the board and shareholders on how it has discharged its duties.	7	100 (7/7)

(iii) Did the UKZN audit committee perform its oversight role effectively?

Principle	**Total Number of recommended practices**	**% Practiced**
Audit committees		
The board should ensure that the company has an effective and independent audit committee.	4	100 (4/4)
Membership and resources of the audit committee		
Audit committee members should be suitably skilled and experienced independent non-executive directors.	7	100 (7/7)
The audit committee should be chaired by an independent non-executive director	2	100 (2/2)
Responsibilities of the audit committee		
The audit committee should oversee integrated reporting.	7	29 (2/7)
The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	2	100 (2/2)
Internal assurance providers		
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	2	100 (2/2)

The audit committee should be responsible for overseeing of internal audit.	3	100 (3/3)
The audit committee should be an integral component of the risk management process.	5	100 (5/5)
External assurance providers		
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	6	100 (6/6)
Reporting		
The audit committee should report to the board and shareholders on how it has discharged its duties.	7	100 (7/7)

The ten principles of this heading focus on the combined assurance function that is the responsibility of the audit committee. Unisa Council performed 40 out of 45 recommended practices, which translate to ***89% performance and thus compliance***. This compliance shows the practice of corporate governance by Unisa. The audit committee is a council committee established to help the council discharge its duties of governance and accountability. This demonstrates that academic institutions could emulate good corporate management practices.

However, practices not performed in 2009, related to sustainability reporting. The Council therefore, does not comply with the principle that ***the audit committee should oversee sustainability reporting***. This topic received substantial attention internationally, as evidenced by certain European governments requiring their companies to disclose sustainability issues in terms of the Global Reporting Initiative (GRI) G3 Guidelines. The university realises the significance of disclosing sustainability issues as evidenced by its embracing of the ten universal principles of the United Nations Global compact principles, which include the environment.

UKZN achieved exactly the same results at 89% performance, indicating compliance. This institution has undertaken various significant initiatives underlying its commitment to sustainability issues (***see Annexure B***). Similarly, to Unisa, ***sustainability issues were not reported.*** See the discussion under the role and function of the board above.

Areas of non-compliance

The members of the audit committees at these institutions are not all financially literate. The US Association of Governing Boards (AGB) of universities recommended that members should have verifiable experience in finance and social spheres to improve the quality and effectiveness of the board. The lack of financial expertise in the audit committees does not reflect aversion to corporate governance. This is evidenced by a declaration of the commitment to good corporate governance principles in the annual reports of these universities. These university councils have an abundance of skills in council members, management and experts and therefore are not hampered in any way. This is underscored by the percentage performance of the recommended practices under this principle heading.

The audit committees did not oversee the sustainability report in the integrated report because such report was not produced. Again, refer to the discussion under the role and function of the board above.

(iv) Did the Unisa council comply with the principle of risk governance?

Principle	**Total Number of recommended practices**	**% Practiced**
<u>The board's responsibility for risk governance</u>		
The board should be responsible for the governance of risk.	9	100 (9/9)
The board should determine the levels of risk tolerance.	3	100 (3/3)
The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	6	100 (6/6)
Management's responsibility for risk management		
The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	3	100 (3/3)
Risk assessment		
The board should ensure that risk assessments are performed on a continual basis.	7	100 (7/7)
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	1	100 (1/1)
Risk response		

The board should ensure that management considers and implements appropriate risk responses.	2	50 (1/2)
Risk monitoring		
The board should ensure continual risk monitoring by management.	2	100 (2/2)
Risk assurance		
The board should receive assurance regarding the effectiveness of the risk management process.	2	100 (2/2)
Risk disclosure		
The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	2	50 (1/2)

(iv) Did the UKZN council comply with the principle of risk governance?

Principle	**Total Number of recommended practices**	**% Practiced**
The board's responsibility for risk governance		
The board should be responsible for the governance of risk.	9	100 (9/9)
The board should determine the levels of risk tolerance.	3	100 (3/3)

The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	6	100 (6/6)
Management's responsibility for risk management		
The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	3	100 (3/3)
Risk assessment		
The board should ensure that risk assessments are performed on a continual basis.	7	100 (7/7)
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	1	100 (1/1)
Risk response		
The board should ensure that management considers and implements appropriate risk responses.	2	50 (1/2)
Risk monitoring		
The board should ensure continual risk monitoring by management.	2	100 (2/2)
Risk assurance		
The board should receive assurance regarding the effectiveness of the risk management process.	2	100 (2/2)
Risk disclosure		

The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	2	50 (1/2)

There are ten principles, which recommend 37 practices to deal with the risk management process in the institution. Unisa Council performed 35 of these practices achieving 95% performance. ***There is therefore, compliance with these principles. UKZN achieved compliance as well at 95% performance.*** Risk governance forms part of the operation's governance. Proponents of corporate governance in academic institutions, blame the inability of academic governance to identify challenges in time and respond thereto swiftly. In this area, corporations demonstrated deftness, to survive global competition. Increased competition, ever decreasing state funding and demanding societies caught universities off guard. Corporate governance principles advise organisations to identify, monitor and manage risks that could negatively influence their strategies. This compliance shows that academic institutions could benefit from this principle in responding to economic and political pressures, (Grant, 2003).

Areas of non-compliance

Both these institutions did not set an annual risk tolerance level. They also did not disclose unusual or unexpected risks identified. There are plans and activities to perform these recommended practices.

(v) Did the UNISA council comply with the principle of information technology (IT)?

Principle	**Total Number of recommended practices**	**% Practiced**
The governance of information technology		
The board should be responsible for information technology (IT) governance.	5	100 (5/5)
IT should be aligned with the performance and sustainability objectives of the company.	2	100 (2/2)
The board should delegate to management, the responsibility for the implementation of an IT governance framework.	4	50 (2/4)
The board should monitor and evaluate significant IT investments and expenditure.	2	100 (2/2)
IT should form an integral part of the company's risk management.	2	100 (2/2)
The board should ensure that information assets are managed effectively.	4	100 (4/4)
A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	4	100 (4/4)

(v) Did the UKZN council comply with the principle of the governance of information technology (IT)?

Principle	Total Number of recommended practices	% Practiced
The governance of information technology		
The board should be responsible for information technology (IT) governance.	5	100 (5/5)
IT should be aligned with the performance and sustainability objectives of the company.	2	100 (2/2)
The board should delegate to management the responsibility for the implementation of an IT governance framework.	4	50 (2/4)
The board should monitor and evaluate significant IT investments and expenditure.	2	100 (2/2)
IT should form an integral part of the company's risk management.	2	100 (2/2)
The board should ensure that information assets are managed effectively.	4	100 (4/4)
A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	4	100 (4/4)

This heading comprises seven principles embodying 23 recommended practices of which 21 was performed. ***Unisa achieved a 91% performance and thus complied with the principles of governing IT***. UKZN performance mirrors that of Unisa at 91% performance.

This compliance proves the commitment of the two institutions to corporate governance with no dire consequences to teaching and research. These institutions are on course with their respective strategies.

Areas of non-compliance are minimal and these universities are addressing these.

(vi) Did the Unisa council comply with laws, rules, codes and standards?

Principle	Total Number of recommended practices	% Practiced
Compliance with laws, rules, codes and standards		
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	8	100 (8/8)
The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	2	100 (2/2)
Compliance risk should form an integral part of the company's risk management process.	2	100 (2/2)
The board should delegate to management, the implementation of an effective compliance framework and processes.	9	78 (7/9)

(vi) Did the UKZN council comply with laws, rules, codes and standards?

Principle	*Total Number of recommended practices*	*% Practiced*
Compliance with laws, rules, codes and standards		
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	8	100 (8/8)
The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	2	100 (2/2)
Compliance risk should form an integral part of the company's risk management process.	2	100 (2/2)
The board should delegate to management the implementation of an effective compliance framework and processes.	9	89 (8/9)

The five principles under this heading have 21 recommended practices. There is ***compliance,*** as only two practices were not performed resulting in a 90% performance. There was 95% performance at UKZN, derived from 20 recommended practices. The council therefore ***complied with the principles of compliance with laws, rules, codes and standards.*** There are other mechanisms in place that achieve the effect of the five principles not complied with. The discussion above under IT governance applies here as well.

(vii) Was there an effective audit function (IA) function at Unisa?

Principle	**Total Number of recommended practices**	**% Practiced**
The need for and role of internal audit		
The board should ensure that there is an effective, risk-based internal audit.	7	100 (7/7)
Internal audit's approach and plan		
Internal audit should follow a risk-based approach to its plan.	5	100 (5/5)
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	6	100 (6/6)
The audit committee should be responsible for overseeing internal audit.	7	86 (6/7)
Internal audit's status in the company		
Internal audit should be strategically positioned to achieve its objectives.	5	100 (5/5)

(vii) Was there an effective audit function (IA) function at UKZN?

Principle	Total Number of recommended practices	% Practiced
<u>The need for and role of internal audit</u>		
The board should ensure that there is an effective risk based internal audit.	7	100 (7/7)
Internal audit's approach and plan		
Internal audit should follow a risk based approach to its plan.	5	100 (5/5)
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	6	100 (6/6)
The audit committee should be responsible for overseeing internal audit.	7	86 (6/7)
Internal audit's status in the company		
Internal audit should be strategically positioned to achieve its objectives.	5	100 (5/5)

The internal audit function, a component of the combined assurance, plays a key role in evaluating the institutional internal control system and risk management. This function is controlled by five principles with 30 recommended practices. 29 practices were performed, achieving 97% performance and ***compliance with the principles for the internal audit function.*** There was 97% performance at UKZN as well.

Areas of non-compliance

Despite the good result for the internal audit function, the two institutions did not subject this function to an independent review. This is a very important practice in that it influences the effectiveness of the internal control system and risk management. This failure reflects on the internal processes and structures, and not the inappropriateness of corporate governance as a model of governance for universities. However, the 97% performance and compliance indicate the significance attached to the IA function by the two institutions.

(viii) Did the Unisa council manage relationships with stakeholder groupings effectively?

Principle	**Total Number of recommended practices**	**% Practiced**
Governing stakeholder relationships		
The board should appreciate that stakeholders' perceptions affect a company's reputation.	3	100 (3/3)
The board should delegate to management to proactively deal with stakeholder relationships.	5	80 (4/5)
The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	1	100 (1/1)
Transparent and effective communication with stakeholders is essential for building and maintaining	4	75 (3/4)

their trust and confidence.		
Dispute resolution		
The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	2	50 (1/2)

(viii) Did the UKZN council manage relationships with stakeholder groupings effectively?

Principle	**Total Number of recommended practices**	**% Practiced**
<u>**Governing stakeholder relationships**</u>		
The board should appreciate that stakeholders' perceptions affect a company's reputation.	3	100 (3/3)
The board should delegate to management to proactively deal with stakeholder relationships.	5	80 (4/5)
The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	1	100 (1/1)

Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	4	75 (3/4)
Dispute resolution		
The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	2	50 (1/2)

This principle encourages management to take cognisance of the impact of their decisions and business activities on all parties with an interest in an organisation. There are five components of this principle with 15 practices recommended by the *King III* Code. The Unisa Council performed all the practices but three, resulting in a percentage ***performance of 80% and therefore compliance. UKZN performed 12 practices to achieve compliance.***

Existing literature strongly criticises the failure by organisations to consider the impact of their activities and decisions on other stakeholders (society and the environment), (Stohl et al (2007). In addition, there are calls that academic institutions are embedded in society and should therefore serve their needs. Stakeholder theory bemoans the primacy of profit making in companies and describe it as capitalist short-term thinking. Compliance here reflects the core activity of academic institutions to serve the community. These two universities have gone beyond complying with board composition and regulatory framework, which is a source of criticism of corporate governance. This also reflects the focus of the *King III Code*, which requires that entities manage stakeholder relationships effectively. Corporate governance complements academic governance here, dispelling the notion of capitalist universities advanced by detractors of corporate forms of management in universities.

Areas of non-compliance

Non-compliance relates to the non-inclusion of external disputes in the dispute resolution process of these two institutions. King III promotes the alternate dispute resolution (ADR) which employs mediation in avoiding or resolving disputes effectively and efficiently. UKZN should also develop an integrated communication and marketing strategy.

(ix) Did the Unisa council produce a sustainability report (integrated reporting and disclosure)?

Principle	**Total Number of recommended practices**	**% Practiced**
Transparency and accountability		
The board should ensure the integrity of the company's integrated report.	5	80(4/5)
Sustainability reporting and disclosure should be integrated with the company's financial reporting.	4	75 (3/4)
Sustainability reporting and disclosure should be independently assured.	3	33 (1/3)
Aggregate	**284**	**258**
Total % Performance	**100**	**91**

(ix) Did the UKZN council produce a sustainability report (integrated reporting and disclosure)?

Principle	**Total Number of recommended practices**	**% Practiced**
Transparency and accountability		
The board should ensure the integrity of the company's integrated report.	5	80 (4/5)
Sustainability reporting and disclosure should be integrated with the company's financial reporting.	4	75 (3/4)
Sustainability reporting and disclosure should be independently assured.	3	33 (1/3)
Aggregate	**284**	**258**
Total % Performance/non-performance	**100**	**91**

As mentioned under the principle heading of ***Audit committees*** above, sustainability issues received enormous attention internationally. Unisa did not produce a sustainability report in 2009, as the institution was still busy with its framework policy. There are three principles with 12 recommended practices of which only five practices were performed, giving 66% performance. Similarly, UKZN achieved 66% performance and ***therefore did not comply with the principles of sustainability issues.***

Areas of non-compliance

Unisa Council did not take adequate steps to ensure the integrity of the sustainability report. The council did not produce an integrated sustainability report in the year ended 31 December 2009. Without the report, it was impossible to examine steps taken to ascertain its integrity. There was, however, evidence of existing plans to integrate sustainability issues with university operations. The adoption of the UNGC principles indicates the willingness and movement towards dealing actively with environmental performance by the university. Similarly, UKZN engaged in certain initiatives geared towards sustainability issues but did not develop an integrated sustainability report.

4.4 Holistic view

This study evaluated Unisa council's decision and activity compliance with individual principles, based on the performance of recommended practices embodied in the principles, to answer the nine research questions. The study could not stop there though, because the principles are all equally significant and as a unit, provide a holistic approach to governance, (Institute of Directors, 2009). Therefore, the researcher considered the total number of recommended practices performed and thereby the total number of principles complied with in relation to all the principles as in the *King III Code*. Unisa ***substantially*** complied with all the principles but ***integrated reporting and disclosure. Substantial compliance*** means; where a principle is considered as a number of recommended practices, ***three quarters or 75%*** of such number (in total) is performed, whereas performance ***less than 75%*** indicated non-compliance. Partial compliance, recorded where a recommended practice's material aspects were not performed, was viewed as non-compliance. Unisa council performed ***260 out of 289 recommended practices*** and complied with ***53 out of 61 principles*** of good governance as per the *King III Code*. This constituted a ***total percentage performance of 91% and 87% total compliance with the principles (see Annexure C.)***

UKZN followed suit with 91% performance and 87% compliance (see Annexure D).

CHAPTER 5

Summary, conclusion and recommendations

5.1 Introduction

The main aim of this study was to determine whether the Unisa Council adheres to the principles of corporate governance in their activities and decision-making, as set out in the *King III Code* on Corporate Governance. This involved answering nine research questions formulated in terms of principles of good governance practice as set out in the code. A checklist was employed to determine first, compliance with the principles of good governance based on the performance of recommended practices outlined by the principles and secondly, with the whole code. The researcher collected data from university documents such as the 2009 Annual Report, Corporate Governance Manual and Strategic plan to determine compliance or non-compliance. Corporate Governance in Unisa was also compared with University of KwaZulu-Natal, to have a balanced perspective.

In this chapter, the researcher consolidated the main findings of the literature review and empirical research to draw conclusions of the study. In addition, there was a discussion of recommendations to improve governance at Unisa.

5.2 Literature review

5.2.1 Evolution of Corporate Governance

In the literature study, the researcher discussed the origin and evolution of corporate governance, its *raison d'être* and principles, by examining the corporate form of business. Governance is described as "the responsibility and accountability for the overall operation", (Taylor, 2000). One, therefore, needs to understand the *overall* *operotion* in order to examine its *governonce.* Existing literature shows that corporations originated in England during the nineteenth century, (Grant, 2003). These corporations were accorded a legal persona status by law, thereby granting shareholders limited liability for the actions of corporations. The industrial revolution In the United States of America gave impetus to the metamorphosis of these corporations into *Berle-Meons corporotions*, which brought about a power struggle between owner and management. These companies now featured passive business owners, separate from executive management. This disconnection resulted in agency problems, as corporate managers do not always act in the best interest of the owners (Cheffins, 2001).

The twentieth century was marked by great activity to develop a corporate governance system to resolve agency issues (Grant, 2003). Following stock market crashes and corporate failures in the United States of America, institutional investor vigilance strengthened and demanded effective protection for the investor from unethical practices by management. Legislation (the *Securities Act,* 1933 & 1934) and regulatory framework (*The Sorbones-Oxley Act*) were laid down, to make corporate managers responsible and align owner and management interests. The researcher further examined significant reports, such as the *Codbury report* (United Kingdom) and the *King III Code* (South Africa) to discuss the evolution of a corporate governance system in these countries. These reports produced Codes of Best Practice, embodying recommended practices for corporate governance. The codes were meant to detect and deter fraud in the business environment.

The 1990 corporate failures in the global economy intensified public interest in the discourse of corporate governance. There were calls for a new approach, which was to go beyond corporate laws and consider the impact of business activities and decisions on society and the environment. The notion that a firm's primary objective is to maximise profit for shareholders, as maintained by Friedman (1990), was rejected as "short-term thinking" that disregards the impact of business activities and decisions on other stakeholders (society and environment) (Stohl, Stohl and Townsley, 2007). The 2008 global economy meltdown, which wreaked havoc in the United States of America economy and decimated Lehman Brothers, lends credence to calls for an *inclusive approach.*

The researcher also mentioned that corporate governance research produced three theories to explain the concept of an organisation, *viz.* property, nexus-of-contracts and the third model, which views an organisation as a social institution (Mason, Kirkbride & Bryde, 2007:287). The theories of property and nexus-of-contracts are consistent with Friedman's contention in that, shareholders as capital providers and bearers of residual risk are ultimate beneficiaries in a corporate form of organisation (Mason *et al*). The third view argues that there are other stakeholders (other than shareholders), that are affected by corporate activity, with or without financial interest in the company. Therefore, there should be proper stakeholder management, as organisations exist as part of society (not isolated). Critics bemoan the fact that corporate governance focuses largely on achieving financial goals and compliance with codes of practice, neglecting critical relationships with other stakeholders (Young and Thyil, 2008:95). Companies are urged to include ethics in their culture, values and decision-making in order to restore the moral fibre in the business environment.

5.2.2 Academic Governance

The origin of an academic institution, academic freedom and academic governance were also discussed, to understand the need (if any) for these institutions to embrace corporate forms of management. In South Africa, universities are regarded as public institutions, tasked primarily with providing higher education, (*section 20 of the Higher Education Act 1997 (as amended)*). This means that these institutions are not revenue driven, but are expected to largely contribute to social welfare and general national economic development. Academic institutions have always enjoyed autonomy (rights of self-governance and non-intervention), which emanated from the value attached to knowledge produced and advanced (Henkel, 2007). In United States of America higher education, there is relative academic autonomy, as institutions need to balance autonomy with public accountability (Toma, 2007). These academic institutions have a shared governance tradition; faculties deal with academic decisions, while administration performs daily management activities, leaving accountability and stewardship to the governing board (Duderstadt, 2009:140). Here in South Africa, governance was largely based on the British model, featuring governing boards (the Councils) that comprised members from the state and community (Ncayiyana and Hayward, 1999). The broader university community, including faculties and administration, were not represented in the Council and were not part of decision-making. In contrast, the government controlled black academic institutions to restrict black education as engendered by the apartheid rule.

The modern university faces a number of new challenges, such as economic and political pressures, which threaten its sustainability. Worldwide, academic institutions are encouraged to generate income from the private sector, thereby reducing their financial dependency on the state (Henkel, 2007:92). Universities have consequently undertaken strategic partnerships with the private sector in research, teaching and training, to derive financial sustainability. These new challenges warranted that universities adopt a revenue-driven and market responsive approach in order to manage these partnerships. Many commentators blame factors inherent in academic governance, such as the reliance of shared governance on broad consultation and consensus decision-making, for the inability of universities to cope with the fast-paced changes in their environments. Burgan (2004) maintains that weaknesses in the current governance structures - faculties tend to waste time, guard turf or lack managerial expertise - render these institutions incapable to adapt.

Consequently, there are suggestions that a university should be managed in a similar fashion to a business, thereby managing the interplay with the external factors. The rationale is that *old* forms of governance are ineffective and inefficient (Harman and Treadgold, 2007:14). The advocates of corporate management in academic institutions argue that information era factors including, but not limited to increased adult education, reduced full-time enrolment, use of computers and online education, require complex management. These suggestions should be considered with caution considering recent corporate failures, which have been attributed to poor governance practices. Furthermore, there are concerns that the business model could relegate basic academic decisions to lower levels and put focus on revenue generation and market criteria - a phenomenon termed *academic capitalism* (Toma, 2007). This implies that blindfold implementation of the corporate model of governance in academic institutions, could have unintended effects. This study then proceeded to examine suggestions advanced in existing literature, to help ameliorate areas of weakness, while preserving important academic traditions and values (Duderstadt, 2009):

- Universities must have small governing boards (more or less 12 members), which comprise outsiders with diverse skills, not just business people and be encouraged to set an agenda independently (Toma, 2007).
- The governing boards should embrace the principles of the Sarbanes-Oxley legislation, written in response to corporate failures, (Toma, 2007).
- A governing board should have freedom to set its agenda and determine strategic direction, as it is entrusted with the accountability and stewardship of the university, (Collis, 2009).
- Faculties should have executive, rather than merely advisory authority to encourage the active participation of leading faculty members in university service (Duderstadt, 2009).

5.3 Empirical results

(a) Ethical leadership and corporate citizenship

Unisa has ethical leadership and good corporate citizenship. It achieved 92% performance for this principle heading and compliance with the King III Code. The Council set a tone of ethical culture in the institution by adopting a Code of Conduct and Ethics that outlines high standards of integrity, behaviour and ethics. This code will promote an ethical corporate culture because all university stakeholders have to adhere to the ethical standards in all business activities. It was read and signed by all Council members, management and employees, to declare commitment to the university's ethical standards. Unisa integrated social and environmental issues with the institution's activities and decision-making. The upcoming Corporate Citizenship statement and an Environmental Sustainability Plan will help promote sustainability at the university.

Areas of improvement:

- The council needs to develop a mechanism to measure the level of ethical performance in the university and disclose such performance annually in the integrated report, to ensure strict adherence to ethical standards at all times.
- In addition, it should develop measurable corporate citizenship programmes, continuously evaluate these programmes and report thereon in the Corporate Citizenship statement.
- This effectively mirrors their counterpart, UKZN - which engaged in various social initiatives such as reducing poverty and building food and clean water supply in Africa.
- As with Unisa, there has to be measurable formal programmes to strengthen these activities.

(b) Unisa Council performed its role and function effectively.

Its 90% performance of the recommended practices indicated compliance with the Code (UKZN: 91%). Unisa Council is the focal point of governance in the university as shown by the following:

- Developed a strategy (Strategic plan 2015) and plan to achieve the strategic goals (Strategy and Planning Coordination Committee).
- Inculcated an ethical culture in the university (Code of Ethics).
- Integrated social and environmental issues in the university activities (an academic signatory of the UNGC).
- Declared the institution's commitment to comply with the King Code on Corporate Governance, in the Annual Report 2009.
- Created various sub-committees (Audit & Risk, IA, Remuneration & Selection) to help discharge the Council responsibilities.
- Maintaining sound financial planning and reporting.
- Publish a report on financial performance of the university as required by statute.

Areas of improvement:

Unisa should improve its compliance by practicing the following:

- Evaluate the performance of the individual Council members and committees.
- Produce a sustainability report in the integrated report.

UKZN is in a similar position as Unisa regarding the role and function of the governing body.

(c) The audit committee performed its oversight role effectively.

- Compliance with King Code
- 89% performance of recommended practices (UKZN: 89%)

The audit committee reported on the performance of its duties in the integrated report, which included the following:

- Overseeing financial reporting, the IA function and external auditors.
- Evaluation and management of internal financial controls and IT risks.
- Provides accurate and reliable information about the financial position of the university.

Areas of improvement*:*

- Audit committee members should all possess financial expertise as recommended by the King III Code.
- The council should produce an annual integrated sustainability report.
- The audit committee should oversee the sustainability report to ensure its integrity.

The findings showed the same position at UKZN as well.

(d) There is effective governance of risk at Unisa.

- Compliance with King Code
- Performance percentage of 95

Risk management is integrated with daily management activities. All potential risks are continuously identified, monitored and appropriate mitigating actions taken.

Areas of improvement:

- The Council should set an annual risk tolerance level.
- The council should report unusual or unexpected risks identified in the university during the year.

UKZN had similar findings in this regard.

(e) There is effective IT governance at Unisa.

- Compliance with King Code
- 91% performance (UKZN: 91%)

There were adequate controls over IT systems and competent ICT staff managed data.

Areas of improvement:

- The council should develop a back-up system to facilitate data recovery in case of a disaster.
- The council should obtain an annual independent review on compliance with applicable IT laws.
- There should be an information system policy framework in place.

UKZN is in a similar position.

(f) There is effective compliance with all applicable laws, rules, codes and standards at Unisa.

- Compliance with King Code
- 90% performance (UKZN: 95%)

The Risk, Ethics and Control Committee (REC) ensured compliance with the regulatory framework. The Internal Audit and the Risk management committee are responsible for identifying risks related to compliance. The audit committee performed an assessment of the extent of compliance and reported on its effectiveness to the Council.

Areas of improvement:

The Council should enhance the mechanisms to update council members on latest developments in the legal/regulatory framework.

(g) There is an effective risk based internal audit function at Unisa.

- Compliance with King Code
- 97% performance (UKZN: 97%)

The IA committee evaluates the operation of the internal control and risk management system in the university in compliance with the IA Standards and the Code of Ethics. This committee reports all its observations and recommendations to Management and Council. The audit committee reported on the effectiveness assessment of the internal control and risk management system in the annual report.

Areas of improvement:

- The IA audit function should be subjected to an independent quality review.

The above analysis also applies to UKZN.

(h) Unisa Council manages relationships with stakeholder groupings effectively.

- Compliance with King Code
- 80% performance (UKZN: 80%)

The Council manages relationships with stakeholders through a representative stakeholder structure (Institutional Forum). There is an integrated communication plan involving various methods such as publications (annual report, research report) and media events (seminars, workshops *etc.)* to communicate effectively with the stakeholders.

Areas of improvement:

- Though there is a dispute resolution process (ADR), the Council should extend this process to accommodate external disputes as well.

- UKZN should also develop an integrated communication and marketing plan to enhance communication with stakeholders.

(i) Unisa Council did not take adequate steps to ensure the integrity of the sustainability report.

- Non- compliance
- 66% performance (less than 75% threshold)

Unisa did not produce an integrated sustainability report in the year ended 31 December 2009. Without the report, it was impossible to examine steps taken to ascertain its integrity. There was however, evidence of existing plans to integrate sustainability issues with university operations. The adoption of the UNGC principles, indicates the university's willingness and movement towards dealing actively with environmental performance.

Similarly, UKZN engaged in certain initiatives geared towards sustainability issues but did not develop an integrated sustainability report.

5.4 Conclusions

The study sought to determine whether Unisa Council adhered to the principles of good corporate governance as recommended in the *King III Code* on Corporate Governance. The empirical study showed that the Council complied with all the Code principles except one, that of ***Integrated Reporting and Disclosure.*** The Council performed ***260 of 289*** recommended practices ***(91%)*** and thereby complying with ***53 out of 61*** principles ***(87% compliance)*** of good governance as per the *King III Code* on Corporate Governance. Unisa ***did not comply with three principles*** and ***neither complied nor not-complied with five principles,*** as the level of performance of the corresponding recommended practices was below the ***threshold of 75%.***

In addition, the comparison with another South African University, UKZN demonstrated similarities between the two institutions about their embracing of corporate governance in pursuit of their respective strategic goals. This institution achieved 91% performance of the recommended practices and thereby obtained 87% compliance.

The study also showed that practicing corporate forms of management to improve academic governance does not necessarily relegate academic interests to lower levels. This means that these institutions delivered on their mandate from the *Higher Education Act, 1997* (as amended). Unisa and UKZN are first public institutions of higher education and not profit driven despite them embracing the corporate forms of management.

5.5 Areas for further research

- **Integrated Reporting and Disclosure for academic institutions**

The study showed that both Unisa and UKZN fell short in reporting on sustainability issues. Further studies should be conducted to determine ways to improve the sustainability reporting in academic institutions.

- **Survey of Council members**

Council members' responses would have provided invaluable information about their perspective on corporate governance in the institution. A further study can be conducted by interviewing all 12 Council members to determine whether Council activities and decisions comply with principles of good governance, as recommended by the *King III Code*. The study could be expanded to include other stakeholders such as academic and non-academic staff, students and other interested parties. This could provide independent, yet relevant perspectives.

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ANNEXURE A - Unisa Council Checklist

Checklist employed in testing adherence of Unisa Council to *King III Code* on Corporate Governance

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
1. Ethical leadership and corporate citizenship				
Responsible leadership	1.1 The board should provide effective leadership based on an ethical foundation	Ethical leaders should:		
		1.1.1. direct the strategy and operations to build a sustainable business;	Yes	The Council developed the Unisa Strategic Plan 2015 which clearly outlines the institution's vision and mission statement, strategic goals and a vehicle to achieve these
		1.1.2. consider the short- and long-term impacts of the strategy on the economy, society and the environment;	Partial	Unisa is a signatory to the United Nations Global Compact (UNGC) which advocates ten universal principles based on human rights, labour standards, the environment and anti- corruption. In integrating these principles with its activities, Unisa identified necessary amendments in its procedures, processes and systems. This is in pursuit of its goal to build a sustainable future for next generations.
		1.1.3. do business ethically;	Yes	In 2009, Unisa Council approved the Code of Ethics and Conduct which sets out high standards of integrity, behaviour and ethics that

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
				all university stakeholders should oblige with in all business activities. During the year 2010, all Council members, management and employees read and signed the Code confirming their commitment to the university ethical standards. The university has introduced an anonymous ethics hotline to report unethical conduct.
		1.1.4. do not compromise the natural environment;	Partial	Unisa has planned environmental initiatives to better manage energy, carbon, waste minimisation and recycling. Though committed to sustainability (as the UNGC signatory), there are no concrete policies and steps taken to sustain the environment.
		1.1.5. take account of the company's impact on internal and external stakeholders.	Yes	There is an independent and representative stakeholder structure, the Institutional Forum (IF) which provides a consultative platform that provides a platform for divergent views on topical matters and seeks to derive convergence and consensus in the general academic community.
The board's responsibilities		1.1.6. be responsible for the strategic direction of the company and for the control of the company	Yes	The Council developed the Strategic Plan 2015 and conducts regular review and evaluation thereof on an annual basis. The Council as legislated by the Higher Education Act, governs the institution and is clearly separate from the executive management of the university.
		1.1.7. set the values to which the company will adhere formulated in its code of conduct;	Yes	The Code of Ethics and Conduct entails values of high standards of integrity, behaviour and ethics which should be obliged with by stakeholders in all business activities.
		1.1.8. ensure that its conduct and that of management aligns to the values	Yes	Adherence to the Code is monitored by governance and management processes of the

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		and is adhered to in all aspects of its business;		university.
		1.1.9. promote the stakeholder-inclusive approach of governance.	Yes	Employees are represented in the Bargaining Forum and other various institutional committees. Through the concept of Baithuti Pele (student is first), students are represented and participate in the governance processes of the university. The Institutional Forum plays an advisory role to the Council on matters relating to race, gender and disability.
Ethical foundation		The board should:		
		1.1.10. ensure that all deliberations, decisions and actions are based on the four values underpinning good governance; and	Yes	Unisa values of integrity, social justice and fairness and, excellence mirror the universal values of good governance, *namely;* fairness, accountability, responsibility and transparency.
		1.1.11. ensure that each director adheres to the duties of a director	Yes	The Council organises Induction and Information workshops to ensure new and existing council members understand their roles and responsibilities. Council members have to adhere to ethical standards of the university as well.
	1.2. The board should ensure that the company is and is seen to be a responsible corporate citizen	The board should:		
		1.2.1. consider not only on financial performance but also the impact of the company's operations on society and the environment;	Partial	Unisa is a signatory of the voluntary UNGC which focuses on building a sustainable future for the next generations.
		1.2.2. protect, enhance and invest in the wellbeing of the economy, society	Partial	Unisa's mission statement alludes to responding to the diverse needs of the society by providing

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		and the environment;		quality academic and career-focused learning opportunities. Also, to engage with stakeholders and other partners in contributing to the general welfare of society. As indicated in 1.1.4 above, there are no concrete policies and steps regarding sustaining the environment.
		1.2.3. ensure that the company's performance and interaction with its stakeholders is guided by the Constitution and the Bill of Rights;	Yes	The institution's Code of Ethics and Conduct is based on the values of human dignity, integrity, social justice and fairness embodied in this country's Constitution.
		1.2.4. ensure that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good corporate citizenship;	Partial	The Code of Ethics and Conduct is used to engender an ethical corporate culture.
		1.2.5. ensure that measurable corporate citizenship programmes are implemented; and	No	See 1.2.6. below
		1.2.6. ensure that management develops corporate citizenship policies.	Yes	Unisa is working on its corporate citizenship statement which will articulate intended programmes. Also, it is integrating the UNGC principles and good corporate governance into its activities to become a good corporate citizen.
	1.3. The board should ensure that the company's ethics are managed effectively	The board should ensure that:		
		1.3.1. it builds and sustains an ethical corporate culture in the company;	Yes	The Code of Ethics and Conduct will help promote and engender an ethical corporate culture in the university.
		1.3.2. it determines the ethical standards which should be clearly articulated and ensures that the	Yes	The Code of Conduct outlines the high standards of integrity, behaviour and ethics for all university stakeholders. Compliance with these standards

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		company takes measures to achieve adherence to them in all aspects of the business;		is monitored by governance and management processes of the university.
		1.3.3. adherence to ethical standards is measured;	No	Though compliance is monitored, the level of ethical performance is not measured.
		1.3.4. internal and external ethics performance is aligned around the same ethical standards;	Yes	Stakeholders (internal and external groupings) have to adhere to the Code in all business activities.
		1.3.5. ethical risks and opportunities are incorporated in the risk management process;	Yes	The Risk, Ethics and Controls Committee is responsible for the risk management process.
		1.3.6. a code of conduct and ethics-related policies are implemented;	Yes	Unisa has a Code of Ethics and Conduct in place.
		1.3.7. compliance with the code of conduct is integrated in the operations of the company; and	Yes	Compliance with the Code is monitored by governance and management processes of the university.
		1.3.8. the company's ethics performance should be assessed, monitored, reported and disclosed.	Partial	The level of ethical performance was not disclosed in the Annual Report 2009.
2. Boards and directors				
Role and function of the board	2.1. The board should act as the focal point for and custodian of corporate governance	The board should:		
		2.1.1. have a charter setting out its responsibilities;	Yes	The Council is responsible for governance of Unisa as per the Higher Education Act (the Act). Also, it and its sub-committees have clear and specific terms of reference and roles and functions.

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		2.1.2. meet at least four times per year;	Yes	The Council met four times in 2009 (in March, June, November and December 2009).
		2.1.3. monitor the relationship between management and the stakeholders of the company; and	Yes	The IF provides a platform for the wide university community to discuss pertinent issues. The Council is represented in this body which plays an advisory role thereto.
		2.1.4. ensure that the company survives and thrives.	Yes	Unisa is a going concern and exercises sound financial management. This is evidenced by an operating surplus generated in 2008 and 2009 successively.
	2.2. The board should appreciate that strategy, risk, performance and sustainability are inseparable	The board should:		
		2.2.1. inform and approve the strategy;	Yes	Unisa developed the Strategic Plan 2015 to move beyond the pre- 2006 merger.
		2.2.2. ensure that the strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its stakeholders;	Yes	The Unisa Strategic Plan 2015 is informed by the institution's mission and vision statements.
		2.2.3. satisfy itself that the strategy and business plans are not encumbered by risks that have not been thoroughly examined by management; and	Yes	The risk management process is part of daily management activities. The Risk, Ethics and Controls committee is responsible for managing risk and report to the Council.
		2.2.4. ensure that the strategy will result in sustainable outcomes taking account of people, planet and profit.	Partial	The sustainability and transformation issues have been integrated into the Strategic Plan 2015. However, there is no formal policy framework on sustainability.
	2.3. The board should provide	Refer principle 1.1	Yes	

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
	effective leadership based on an ethical foundation			
	2.4. The board should ensure that the company is and is seen to be a responsible corporate citizen	Refer principle 1.2	Partial	
	2.5. The board should ensure that the company's ethics are managed effectively	Refer principle 1.3	Yes	
	2.6. The board should ensure that the company has an effective and independent audit committee	Refer to chapter 3	Yes	
	2.7. The board should be responsible for the governance of risk	Refer to chapter 4	Yes	
	2.8. The board should be responsible for information technology (IT) governance	Refer to chapter 5	Yes	
	2.9. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Refer to chapter 6	Yes	
	2.10. The board should ensure that there is an effective risk-based internal audit	Refer to chapter 7	Yes	
	2.11.The board should appreciate that stakeholders'	Refer to chapter 8	Yes	

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
	perceptions affect the company's reputation			
	2.12. The board should ensure the integrity of the company's integrated report	Refer to chapter 9	Partial	
	2.13. The board should report on the effectiveness of the company's system of internal controls	Refer to chapters 7 and 9	Yes	
	2.14. The board and its directors should act in the best interests of the company.	2.14.1. The board must act in the best interests of the company.	Yes	The Council adheres to high standards of integrity, behaviour and ethics as prescribed in the university Code of Ethics and Conduct.
		2.14.2. Directors must adhere to the legal standards of conduct.	Yes	Council members read and signed the university's Code of Ethics and Conduct, confirming their commitment thereto.
		2.14.3. Directors or the board should be permitted to take independent advice connection with their duties following an agreed procedure.	Partial	Though there is no agreed procedure regarding independent advice, the Council organised meetings and workshops during which members were addressed by internal and external speakers on latest strategic developments.
		2.14.4. Real or perceived conflicts should be disclosed to the board and managed.	Yes	The Code of Ethics and Conduct contains a declaration of interest which should be signed to manage potential conflicts.
		2.14.5. Listed companies should have a policy regarding dealing in securities by directors, officers and selected employees.	Not applicable	
	2.15. The board should consider business rescue proceedings or other	The board should ensure that:		

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
	turnaround mechanisms as soon as the company is financially distressed as defined in the Act			
		2.15.1. the solvency and liquidity of the company is continuously monitored;	Yes	The Council is required by the Act to report annually the financial position and performance to the Minister. The Finance and Investment committee is responsible for monitoring the institution's financial health.
		2.15.2. its consideration is fair to save a financially distressed company either by way of workouts, sale, merger, amalgamation, compromise with creditors or business rescue;		See 2.15.3. below
		2.15.3. a suitable practitioner is appointed if business rescue is adopted; and		In terms of the Act, the Minister may in consultation with the Council, appoint an administrator to assume activities of the Council or appoint an independent assessor to investigate any financial irregularities or maladministration in the university.
		2.15.4. the practitioner furnishes security for the value of the assets of the company.		See 2.15.3. above
	2.16. The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	2.16.1. The members of the board should elect a chairman on an annual basis.	Partial	The Institutional Statute (IS) authorises the Council to elect a chairperson every two years.
		2.16.2. The chairman should be	Yes	The IS stipulates that the chairperson should be

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		independent and free of conflict upon appointment.		external to the university (may not be an employee or student of the university).
		2.16.3. A lead independent director should be appointed in the case where an executive chairman is appointed or where the chairman is not independent or conflicted.	Not applicable	See 2.16.2 above
		2.16.4. The appointment of a chairman, who is not independent, should be justified in the integrated report.	Not applicable	See 2.16.2 above
		2.16.5. The role of the chairman should be formalised.	Yes	The chairman has a clear role and function and, terms of reference. The chairman is responsible for the overall leadership and functioning of the Council.
		2.16.6. The chairman's ability to add value, and his performance against what is expected of his role and function, should be assessed every year.	Partial	The performance of Council as a whole (and not individual members) is assessed.
		2.16.7. The CEO should not become the chairman until 3 years have lapsed.	No	The Principal and Vice-Chancellor serves as the CEO and has its term of office. It is therefore unlikely that the VC may become the chairman.
		2.16.8. The chairman together with the board, should consider the number of outside chairmanships held.	No	There is no policy over outside chairmanships held.
		2.16.9. The board should ensure a succession plan for the role of the chairman.	No	There lacks a formal succession plan
	2.17. The board should appoint the chief executive	The board should:		

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
	officer and establish a framework for the delegation of authority			
		2.17.1. appoint the CEO;	Yes	The Principal and Vice-Chancellor is appointed by and accountable to the Council.
		2.17.2. provide input regarding senior management appointments;	Yes	The Council has authority to appoint senior management.
		2.17.3. define its own level of materiality and approve a delegation of authority framework;	Yes	The Council has authority to establish Council committees and determine composition and functions thereof.
		2.17.4. ensure that the role and function of the CEO is formalised and the performance of the CEO is evaluated against the criteria specified; and	Yes	The institution's Integrated performance management system is linked to its strategic objectives. The Principal's performance is assessed annually.
		2.17.5. ensure succession planning for the CEO and other senior executives and officers is in place.	Partial	It is the Council's responsibility to provide for the succession of senior management. However, there is no policy in place.
Composition of the board	2.18. The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	The board should:		
		2.18.1. The majority of board members should be non-executive directors.	Yes	60% of the Council membership comprises persons external to the university, as prescribed by the Act..
		2.18.2. The majority of the non-executive directors should be independent.	Yes	See 2.18.1. above

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		2.18.3. When determining the number of directors serving on the board, the knowledge, skills and resources required for conducting the business of the board should be considered.	Yes	The Act stipulates that Council members should have the necessary knowledge and experience to serve a public higher education institution and, act in its best interests. The Council members possess expertise in the fields of higher education, governance, entrepreneurship, human capital and finance.
		2.18.4. Every board should consider whether its size, diversity and demographics make it effective.	Yes	The Council composition represents race, gender and disability requirements as per the Act.
		2.18.5. Every board should have a minimum of two executive directors of which one should be the CEO and the other the director responsible for finance.	Partial	The Principal and the deputy Vice-Chancellor are members of the Council as stipulated by the Institutional Statute.
		2.18.6. At least one third of the non-executive directors should rotate every year.	Yes	Non-executive members are rotated in a staggered fashion.
		2.18.7. The board, through its nomination committee, should recommend the eligibility of prospective directors.	Yes	The Executive Committee, a Council sub-committee make recommendations to the Council.
		2.18.8. Any independent non-executive directors serving more than 9 years should be subjected to a rigorous review of his independence and performance by the board.	Yes	The Institutional Statute limits the term of non-executive members to two terms.
		2.18.9. The board should include a statement in the integrated report regarding the assessment of the independence of the independent non-	Yes	Unisa, through the Statement on Corporate Governance, presented the composition of the Council and its committees and independence of non-executive members.

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		executive directors.		
		2.18.10. The board should be permitted to remove any director without shareholder approval.	Not applicable	
Board appointment process	2.19 Directors should be appointed through a formal process	2.19.1. A nomination committee should assist with the process of identifying suitable members of the board.	Yes	The Executive Committee performs this role. It should be noted that some Council members are elected by academic and non- academic employees or nominated by the SRC.
		2.19.2. Background and reference checks should be performed before the nomination and appointment of directors.	Yes	This forms part of the nomination process.
		2.19.3. The appointment of non-executive directors should be formalised through a letter of appointment.	Partial	There is no formal procedure
		2.19.4. The board should make full disclosure regarding individual directors to enable shareholders to make their own assessment of directors.	Not applicable	
Director development	2.20. The induction of and on-going training and development of directors should be conducted through formal processes	The board should ensure that:		
		2.20.1. a formal induction programme is established for new directors;	Yes	There is a Council Induction workshop.
		2.20.2. inexperienced directors are developed through mentorship programmes;	Partial	The Information workshop is aimed at enhancing the members understanding of their roles and functions, the higher education landscape, Unisa

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
				internal structure and processes.
		2.20.3. continuing professional development programmes are implemented; and	Partial	See 2.20.2 above
		2.20.4. directors receive regular briefings on changes in risks, laws and the environment.	Yes	This is achieved through scheduled meetings and workshops at which internal and external speakers address members on issues such as transformation, economic sustainability and corporate governance.
Company secretary	2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary	2.21.1. The board should appoint and remove the company secretary.	Yes	The Registrar performs the role of a company secretary and, is appointed by the Council.
		2.21.2. The board should empower the individual to enable him to properly fulfil his duties.	Yes	The Principal has authority to assign assistance to the Secretary when necessary.
		The company secretary should:		
		2.21.3. have an arms-length relationship with the board;	Yes	The Registrar is not a member of the Council.
		2.21.4. not be a director of the company;	Yes	See 2.21.3. above
		2.21.5. assist the nominations committee with the appointment of directors;	Yes	The Registrar serves as the secretary for all council committees.
		2.21.6. assist with the director induction and training programmes;	Yes	The Secretary has a responsibility to assist with the administration of the Council.
		2.21.7. provide guidance to the board	Yes	See 2.21.6. above

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		on the duties of the directors and good governance;		
		2.21.8. ensure board and committee charters are kept up to date;	Yes	The terms of reference for all Unisa committees are reviewed annually.
		2.21.9. prepare and circulate board papers;	Yes	The Secretary ensures that all Council members receive an agenda and relevant documentation at least seven days in advance of a meeting.
		2.21.10. elicit responses, input, feedback for board and board committee meetings;	Yes	See 2.21.6 above
		2.21.11. assist in drafting yearly work plans;	Yes	Assists the Chairperson
		2.21.12. ensure preparation and circulation of minutes of board and committee meetings; and	Yes	See 2.21.9 above
		2.21.13. assist with the evaluation of the board, committees and individual directors	Yes	See 2.21.6 above
Performance assessment	2.22 The evaluation of the board, its committees and the individual directors should be performed every year	2.22.1. The board should determine its own role, functions, duties and performance criteria as well as that for directors on the board and board committees to serve as a benchmark for the performance appraisal.	Yes	The Council is responsible for governance of the institution as stipulated by the Act. The Council assesses its performance and committees annually.
		2.22.2. Yearly evaluations should be performed by the chairman or an independent provider.	Yes	Evaluation of Council performance was performed by the Institute of Directors and the School of Business Leadership respectively.
		2.22.3. The results of performance evaluations should identify training needs for directors.	Yes	There is a comprehensive programme of engagement with Council members to derive excellent governance at Unisa.
		2.22.4. An overview of the appraisal	No	This was not done in 2009.

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		process, results and action plans should be disclosed in the integrated report.		
		2.22.5. The nomination for the re-appointment of a director should only occur after the evaluation of the performance and attendance of the director	Yes	Performance influences re-appointment of Council members.
Board committees	2.23. The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	2.23.1. Formal terms of reference should be established and approved for each committee of the board.	Yes	The Council sets clear terms of reference and roles and functions for each sub-committee.
		2.23.2. The committees' terms of reference should be reviewed yearly.	Partial	This forms part of the annual performance appraisal.
		2.23.3. The committees should be appropriately constituted and the composition and the terms of reference should be disclosed in the integrated report.	Partial	Council committees have been constituted as specified by the Institutional statute. The institution's Corporate Governance Manual sets out clearly the committees' terms of reference. The Annual Report 2009 broke down the composition of various Council committees and roles and functions thereof respectively.
		2.23.4. Public and state-owned companies must appoint an audit committee.	Yes	There is an Audit and Risk Management Committee at Unisa. There is a charter that spells out its terms of reference, role and function and composition.
		2.23.5. All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation.	Yes	See 2.23.4. above

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		2.23.6. Companies should establish risk, nomination and remuneration committees.	Yes	Audit and Risk management Committee; Remuneration Committee; Executive Committee (serves as the nomination committee).
		2.23.7. Committees, other than the risk committee, should comprise a majority of non-executive directors of which the majority should be independent.	Yes	The Act stipulates that at least 50% of Council committees members should be independent and non-executive.
		2.23.8. External advisers and executive directors should attend committee meetings by invitation.	Yes	The Council often invites internal and external speakers to address members on strategic developments.
		2.23.9. Committees should be free to take independent outside professional advice at the cost of the company subject to an approved process being followed.	Yes	Normal procurement policy is followed in such cases.
Group boards	2.24. A governance framework should be agreed between the group and its subsidiary boards	2.24.1. Listed subsidiaries must comply with the rules of the relevant stock exchange in respect of insider trading.	Not applicable	
		2.24.2. The holding company must respect the fiduciary duties of the director serving in a representative capacity on the board of the subsidiary.	Not applicable	
		2.24.3. The implementation and adoption of policies, processes or procedures of the holding company should be considered and approved by the subsidiary company.	Not applicable	
		2.24.4. Disclosure should be made on the adoption of the holding company's policies in the	Not applicable	

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		integrated report of the subsidiary company.		
Remuneration of directors and senior executives	2.25. Companies should remunerate directors and executives fairly and responsibly	2.25.1. Companies should adopt remuneration policies aligned with the strategy of the company and linked to individual performance.	Yes	There is an Integrated Performance Management system linked to the institution's strategic objectives.
		2.25.2. The remuneration committee should assist the board in setting and administering remuneration policies.	Yes	There is a set remuneration policy for Council members and senior executives.
		2.25.3. The remuneration policy should address base pay and bonuses, employee contracts, severance and retirement benefits and share-based and other long-term incentive schemes.	Yes	As above. However, there are no share-based payments and long-term incentives schemes.
		2.25.4. Non-executive fees should comprise a base fee as well as an attendance fee per meeting.	Yes	Council members receive only an honorarium for meeting attendance.
	2.26. Companies should disclose the remuneration of each individual director and certain senior executives	The remuneration report, included in the integrated report, should include:		
		2.26.1. all benefits paid to directors;	Partial	The Annual Report 2009 included a disclosure of compensation paid to executive staff as a note to the annual financial statements. The amounts paid to Council members were not disclosed.
		2.26.2. the salaries of the three most highly-paid employees who are not directors;	Yes	See 2.26.1. above
		2.26.3. the policy on base pay;	No	

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		2.26.4. participation in share incentive schemes;	Not applicable	
		2.26.5. the use of benchmarks;	No	
		2.26.6. incentive schemes to encourage retention;	Not applicable	
		2.26.7. justification of salaries above the median;	No	
		2.26.8. material payments that are ex-gratia in nature;	Not applicable	
		2.26.9. policies regarding executive employment; and	No	Not disclosed in the Annual Report 2009.
		2.26.10. the maximum expected potential dilution as a result of incentive awards.	Not applicable	
	2.27. Shareholders should approve the company's remuneration policy	2.27.1. Shareholders should pass a non-binding advisory vote on the company's yearly remuneration policy	Not applicable	
		2.27.2. The board should determine the remuneration of executive directors in accordance with the remuneration policy put to shareholder's vote	Not applicable	
3. Audit committees				
	3.1. The board should ensure that the company has an effective and independent audit committee	3.1.1. Listed and state-owned companies must establish an audit committee.	Not applicable	
		3.1.2. All other companies should	Yes	The Council approved the Audit and Risk

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation.		Management Committee and defined its terms of reference and, its role and function.
		3.1.3. The board should approve the terms of reference of the audit committee.	Yes	See 3.1.2. above
		3.1.4. The audit committee should meet as often as is necessary to fulfil its functions but at least twice a year.	Yes	The Audit and Risk Management Committee met five times in 2009.
		3.1.5. The audit committee should meet with internal and external auditors at least once a year without management being present.	Partial	The internal and external auditors attended all the committee's meetings.
Membership and resources of the audit committee	3.2. Audit committee members should be suitably skilled and experienced independent non-executive directors	3.2.1. All members of the audit committee should be independent non-executive directors.	Yes	This is a statutory requirement
		3.2.2. The audit committee should consist of at least three members.	Yes	Comprises at least seven members.
		3.2.3. The chairman of the board should not be the chairman or member of the audit committee.	Yes	The chairperson is not a member of the audit committee.
		3.2.4. The committee collectively should have sufficient qualifications and experience to fulfil its duties.	Partial	Though the members have skills and experience, they are not necessarily financial literate.
		3.2.5. The audit committee members should keep up-to-date with developments affecting the required skill-set.	Partial	The Council Information workshops are aimed at keeping Council and committee members abreast of latest developments relevant to Council operations.
		3.2.6. The committee should be	Yes	The committee's terms of reference provide for

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		permitted to consult with specialists or consultants subject to a board-approved process.		consultation in the expedition of its role and function.
		3.2.7. The board must fill any vacancies on the audit committee.	Yes	The audit committee account to the Council.
	3.3. The audit committee should be chaired by an independent non-executive director	3.3.1. The board should elect the chairman of the audit committee.	Yes	It is the responsibility of the Council to appoint the chairman and deputy-chairperson from the independent non-executive members.
		3.3.2. The chairman of the audit committee should participate in setting and agreeing the agenda of the committee	Yes	The chairperson is tasked with the effective functioning of the committee.
		3.3.3. The chairman of the audit committee should be present at the AGM.	Not applicable	
Responsibilities of the audit committee	3.4. The audit committee should oversee integrated reporting	3.4.1. The audit committee should have regard to all factors and risks that may impact on the integrity of the integrated report.	Partial	Unisa did not produce the sustainability report.
		3.4.2. The audit committee should review and comment on the financial statements included in the integrated report.	Yes	The audit committee reviewed and approved the financial statements in the 2009 report.
		3.4.3. The audit committee should review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information.	No	See 3.4.1. above
		3.4.4. The audit committee should recommend to the board to engage an	No	See 3.4.1. above

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		external assurance provider on material sustainability issues.		
		3.4.5. The audit committee should consider the need to issue interim results.	No	Interim results are not produced at Unisa.
		3.4.6. The audit committee should review the content of the summarised information.	No	See 3.4.5. above
		3.4.7. The audit committee should engage the external auditors to provide assurance on the summarised financial information.	No	See 3.4.5. above
	3.5. The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	3.5.1. The audit committee should ensure that the combined assurance is received is appropriate to address all the significant risks facing the company.	Yes	The Internal audit function and external auditors provide the combined assurance over the risk management process.
		3.5.2. The relationship between the external assurance providers and the company should be monitored by the audit committee.	Yes	The Audit and Risk Management Committee oversees the activities of the external auditors.
Internal assurance providers	3.6. The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	3.6.1. Every year a review of the finance function should be performed by the audit committee.	Yes.	The annual financial review was performed by the Finance and Investment committee, a Council committee responsible for financial control and administration.
		3.6.2. The results of the review should be disclosed in the integrated report.	Yes	The Annual Report 2009 included a financial review.
	3.7. The audit committee should be responsible for	3.7.1. The audit committee should be responsible for the appointment,	Partial	The Audit and Enterprise Risk Management Committee is responsible for overseeing the

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
	overseeing of internal audit	performance assessment and/or dismissal of the CAE.		internal audit function and assessing its performance. Appointment and dismissal of the CAE is handled by the selection committee.
		3.7.2. The audit committee should approve the internal audit plan.	Yes	It is the role of the audit committee to review the scope, focus and effectiveness of the internal audit function.
		3.7.3. The audit committee should ensure that the internal audit function is subject to an independent quality review as and when the committee determines it appropriate.	Yes	The internal audit function is subject to an independent review and the results thereof are reported to the audit committee.
	3.8. The audit committee should be an integral component of the risk management process	3.8.1. The charter of the audit committee should set out its responsibilities regarding risk management.	Yes	The Audit and Enterprise Risk Management Committee is responsible for monitoring and managing all areas of risks.
		3.8.2. The audit committee should specifically have oversight of:		This requirement is specifically catered for in the terms of reference and role and function of the Audit and Enterprise Risk management committee.
		3.8.2.1. financial reporting risks;	Yes	See 3.8.2. above
		3.8.2.2. internal financial controls;	Yes	See 3.8.2. above
		3.8.2.3. fraud risks as it relates to financial reporting; and	Yes	See 3.8.2. above
		3.8.2.4. IT risks as it relates to financial reporting.	Yes	See 3.8.2. above
External assurance providers	3.9. The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The audit committee:		

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		3.9.1. must nominate the external auditor for appointment;	Yes	See 3.8.2. above
		3.9.2. must approve the terms of engagement and remuneration for the external audit engagement;	Yes	See 3.8.2. above
		3.9.3. must monitor and report on the independence of the external auditor;	Yes	See 3.8.2. above
		3.9.4. must define a policy for non-audit services provided by the external auditor and must approve the contracts for non-audit services;	Yes	See 3.8.2. above
		3.9.5. should be informed of any Reportable Irregularities identified and reported by the external auditor; and	Yes	See 3.8.2. above
		3.9.6. should review the quality and effectiveness of the external audit process.	Yes	See 3.8.2. above
Reporting	3.10. The audit committee should report to the board and shareholders on how it has discharged its duties	3.10.1. The audit committee should report internally to the board on its statutory duties and duties assigned to it by the board.	Yes	The audit committee is accountable to the Council.
		3.10.2. The audit committee must report to the shareholders on its statutory duties:	Yes	The Audit and Enterprise Risk Management Committee reported on its role, function and performance in the Annual Report 2009.
		3.10.2.1. how its duties were carried out;	Yes	See 3.10.2. above
		3.10.2.2. if the committee is satisfied with the independence of the external auditor;	Yes	See 3.10.2. above
		3.10.2.3. the committee's view on the financial statements and the	Yes	See 3.10.2. above

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		accounting practices; and		
		3.10.2.4. whether the internal financial controls are effective.	Yes	See 3.10.2. above
		3.10.3. The audit committee should provide a summary of its role and details of its composition, number of meetings and activities, in the integrated report.	Yes	See 3.10.2. above
		3.10.4. The audit committee should recommend the integrated report for approval by the board.	Yes	See 3.10.2. above
4. The governance of risk				
The board's responsibility for risk governance	4.1. The board should be responsible for the governance of risk	4.1.1. A policy and plan for a system and process of risk management should be developed.	Yes	There is an Enterprise Risk Management Policy Framework which integrates risk management into the daily activities of the institution.
		4.1.2. The board should comment in the integrated report on the effectiveness of the system and process of risk management.	Yes	The effectiveness of the risk management process was reported in the Annual Report 2009 through Report on assessment of exposure to risk and risk management.
		4.1.3. The board's responsibility for risk governance should be expressed in the board charter.	Yes	Unisa Corporate Governance manual expressly states that the Council is responsible for risk management and internal control. Also, in terms of the Institutional Statute the Council's terms of reference include risk governance.
		4.1.4. The induction and on-going training programmes of the board should incorporate risk governance.	Yes	The emphasis of the Council Induction and Information Workshops is the due cognisance of various mandated responsibilities of Council.
		4.1.5. The board's responsibility for risk governance should manifest in a	Yes	The Council approved the Enterprise Risk Management Policy Framework.

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		documented risk management policy and plan.		
		4.1.6. The board should approve the risk management policy and plan.	Yes	See 4.1.5. above
		4.1.7. The risk management policy should be widely distributed throughout the company.	Yes	The policy is included in the institution's Corporate Governance manual and the intranet.
		4.1.8. The board should review the implementation of the risk management plan at least once a year.	Yes	The Audit and Enterprise Risk Management Committee continuously reviews the risk management reports and reports to the Council.
		4.1.9. The board should ensure that the implementation of the risk management plan is monitored continually.	Yes	See 4.1.8. above
	4.2. The board should determine the levels of risk tolerance	4.2.1. The board should set the levels of risk tolerance once a year.	Partial	Though there is no set tolerance level at Unisa, the Enterprise Risk Management Committee has the responsibility to identify and monitor all risks pertinent to the university in terms of a rating based on the quality of control, severity and probability of occurrence, thereby ranking risks and setting priorities.
		4.2.2. The board may set limits for the risk appetite.	Yes	See 4.2.1. above
		4.2.3. The board should monitor that risks taken are within the tolerance and appetite levels.	Partial	See 4.2.1. above
	4.3. The risk committee or audit committee should assist the board in carrying out its risk responsibilities	4.3.1. The board should appoint a committee responsible for risk.	Yes	The Audit and Enterprise Risk Management Committee.
		4.3.2. The risk committee should:		

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		4.3.2.1. consider the risk management policy and plan and monitor the risk management process;	Yes	The Audit and Enterprise Risk Management Committee is responsible for the risk management process. It reviews the risk management reports and reports on key risks facing the university and planned mitigation procedures to the Council.
		4.3.2.2. have as its members executive and non-executive directors, members of senior management and independent risk management experts to be invited, if necessary;	Yes	As per the Institutional Statute, the committee comprises independent non-executive members. Certain senior management members and external auditors are invited to attend the meetings as advisors.
		4.3.2.3. have a minimum of three members; and	Yes	It has seven members.
		4.3.2.4. convene at least twice per year.	Yes	It met five times during 2009.
		4.3.3. The performance of the committee should be evaluated once a year by the board.	Yes	The committee reports on its performance to the Council during Council meetings.
Management's responsibility for risk management	4.4. The board should delegate to management the responsibility to design, implement and monitor the risk management plan	4.4.1. The board's risk strategy should be executed by management by means of risk management systems and processes.	Yes	Management is tasked by Council to design, implement and monitor the risk management process and, integrate it into daily management activities of the institution.
		4.4.2. Management is accountable for integrating risk in the day-to-day activities of the company	Yes	See 4.4.1 above
		4.4.3. The CRO should be a suitably experienced person who should have access and interact regularly on strategic matters with the board and/or appropriate board committee and	Yes	The Director of Enterprise Risk Management interacts with executive management.

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		executive management.		
Risk assessment	4.5. The board should ensure that risk assessments are performed on a continual basis	4.5.1. The board should ensure effective and on-going risk assessments are performed.	Yes	All risks pertinent to the university are identified and monitored in terms of a rating based on the quality of control, severity and probability of occurrence, thereby ranking risks and setting priorities. The university has outlined all significant risks (safety, health, security and risk financing) in a key risk register and operational plan, and established management structures to focus thereon.
		4.5.2. A systematic, documented, formal risk assessment should be conducted at least once a year.	Yes	See 4.5.1. above
		4.5.3. Risks should be prioritised and ranked to focus responses and interventions.	Yes	See 4.5.1. above
		4.5.4. The risk assessment process should involve the risks affecting the various income streams of the company, the critical dependencies of the business, the sustainability and the legitimate interests and expectations of stakeholders.	Yes	See 4.5.1. above
		4.5.5. Risk assessments should adopt a top-down approach.	Yes	The Council approved the Enterprise Risk Management Policy Framework. The Audit and Enterprise Risk Management Committee is responsible for the risk management process and accountable to the Council. Management is tasked by Council to integrate the risk management process with daily management activities of the university and report thereon to

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
				the Council.
		4.5.6. The board should regularly receive and review a register of the company's key risks.	Partial	See 4.5.1. above
		4.5.7. The board should ensure that key risks are quantified where practicable.	Yes	See 4.5.1. above
	4.6. The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	4.6.1. The board should ensure that a framework and processes are in place to anticipate unpredictable risks.	Yes	The integrated process of enterprise-wide risk management is geared for unpredictable risks.
Risk response	4.7. The board should ensure that management considers and implements appropriate risk responses	4.7.1. Management should identify and note in the risk register the risk responses decided upon.	Yes	The risk register sets out major risks and approved action thereto.
		4.7.2. Management should demonstrate to the board that the risk response provides for the identification and exploitation of opportunities to improve the performance of the company	No	The risk management process focuses only on identifying and responding to the risks.
Risk monitoring	4.8. The board should ensure continual risk monitoring by management	4.8.1. The board should ensure that effective and continual monitoring of risk management takes place.	Yes	The Council has delegated this function to Management (management created the Risk, Ethics and Controls Committee)
		4.8.2. The responsibility for monitoring should be defined in the risk management plan.	Yes	Outlined in the Enterprise Risk Management Policy Framework

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
Risk assurance	4.9. The board should receive assurance regarding the effectiveness of the risk management process	4.9.1. Management should provide assurance to the board that the risk management plan is integrated in the daily activities of the company.	Yes	The Director of Enterprise Management oversees this process and interacts with executive management.
		4.9.2. Internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management to the board.	Partial	The Internal Audit reported its observations on the system of internal controls to the Council. The Audit and Enterprise Risk Management Committee, through its report on exposure to risk and risk management, reported on the effectiveness of the risk management process in the Annual Report 2009.
Risk disclosure	4.10. The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	4.10.1. Undue, unexpected or unusual risks should be disclosed in the integrated report	No	Such disclosure was not made in the Annual Report 2009.
		4.10.2. The board should disclose its view on the effectiveness of the risk management process in the integrated report.	Yes	See 4.9.2 above
5. The governance of information technology				
	5.1. The board should be responsible for information technology (IT) governance	5.1.1. The board should assume the responsibility for the governance of IT and place it on the board agenda.	Yes	The ICT Committee (a Council committee) oversees and monitors all strategic and governance matters related to IT operations.
		5.1.2. The board should ensure that an IT charter and policies are established and implemented.	Partial	The development of IT policy is currently underway.

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		5.1.3. The board should ensure promotion of an ethical IT governance culture and awareness and of a common IT language.	Partial	See 5.1.2. above
		5.1.4. The board should ensure that an IT internal control framework is adopted and implemented .	Partial	There is in place an adequate system of internal controls that includes data privacy protection and optimal back-up systems that address IT risks.
		5.1.5. The board should receive independent assurance on the effectiveness of the IT internal controls.	Partial	Independent assurance is provided by the internal audit function and the work of external auditors on general IT controls.
	5.2. IT should be aligned with the performance and sustainability objectives of the company	5.2.1. The board should ensure that the IT strategy is integrated with the company's strategic and business processes.	Partial	The ICT Steering Committee was established in 2009 with the aim to integrate IT strategy with the Strategic Plan 2015.
		5.2.2. The board should ensure that there is a process in place to identity and exploit opportunities to improve the performance and sustainability of the company through the use of IT.	Partial	See 5.2.1. above
	5.3. The board should delegate to management the responsibility for the implementation of an IT governance framework	5.3.1 Management should be responsible for the implementation of the structures, processes and mechanisms for the IT governance framework.	Partial	The ICT Steering Committee will give effect to the IT governance framework.
		5.3.2 The board may appoint an IT steering committee of similar function to assist with its governance of IT.	Yes	The ICT Committee is responsible for all strategic and governance matters related to IT operations.
		5.3.3 The CEO should appoint a Chief Information Officer responsible for the management of IT.	No	There is no Chief Information Officer.
		5.3.4 The CIO should be a suitably	No	See 5.3.3. above

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		qualified and experienced person who should have access and interact regularly on strategic IT matters with the board and/or appropriate board committee and executive management.		
	5.4. The board should monitor and evaluate significant IT investments and expenditure	5.4.1 The board should oversee the value delivery of IT and monitor the return on investment from significant IT projects.	Partial	IT investments are subject to the strict university tender procedures and have to be approved by the Finance and Investment Committee (Council sub-committee).
		5.4.2 The board should ensure that intellectual property contained in information systems are protected.	Partial	There are measures in place to ensure data privacy protection.
		5.4.3 The board should obtain independent assurance on the IT governance and controls supporting outsourced IT services.	Not applicable	The university ICT department provides IT services in the institution.
	5.5. IT should form an integral part of the company's risk management	5.5.1 Management should regularly demonstrate to the board that the company has adequate business resilience arrangements in place for disaster recovery.	Partial	The ICT department runs full back-ups to facilitate disaster recovery.
		5.5.2 The board should ensure that the company complies with IT laws and that IT related rules, codes and standards are considered.	Partial	All information systems have been designed and implemented in terms of Accepted Standards (defined and documented) to derive efficiency, effectiveness, reliability and adequate levels of security.
	5.6. The board should ensure that information assets are managed effectively	5.6.1. The board should ensure that there are systems in place for the management of information which should include information security,	Partial	There exists a data privacy and information security policies.

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		information management and information privacy.		
		5.6.2. The board should ensure that all personal information is treated by the company as an important business asset and is identified.	Partial	Unisa has a system of internal control to minimise the risk of fraud and error when transacting with staff and third parties.
		5.6.3. The board should ensure that an Information Security Management System is developed and implemented.	Partial	See 5.6.1. above
		5.6.4. The board should approve the information security strategy and delegate and empower management to implement the strategy.	Partial	Though there exists no formal information security strategy, the ICT department implements data privacy and information security policies.
	5.7. A risk committee and audit committee should assist the board in carrying out its IT responsibilities	5.7.1. The risk committee should ensure that IT risks are adequately addressed.	Partial	The Audit and Enterprise Risk management Committee is responsible for identifying and managing all risks in the university. However, IT risks are not adequately addressed until the IT governance policy framework is fully established.
		5.7.2. The risk committee should obtain appropriate assurance that controls are in place and effective in addressing IT risks.	Partial	Independent assurance is provided by the internal audit function and the work of external auditors on general IT controls.
		5.7.3. The audit committee should consider IT as it relates to financial reporting and the going concern of the company.	Partial	See 5.7.1. above
		5.7.4. The audit committee should consider the use of technology to improve audit coverage and efficiency.	Partial	See 5.7.1. above

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
6. Compliance with laws, rules, codes and standards				
	6.1. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	6.1.1. Companies must comply with all applicable laws.	Yes	Unisa has been legislated by the Higher Education Act and must comply with it. As a juristic person, Unisa must comply with the applicable legal and regulatory framework.
		6.1.2. Exceptions permitted in law, shortcomings and proposed changes expected should be handled ethically.	Yes	The Code of Conduct and Ethics sets out ethical standards to be complied with in all business activities.
		6.1.3 Compliance should be an ethical imperative.	Yes	See 6.1.2. above
		6.1.4 Compliance with applicable laws should be understood not only in terms of the obligations that they create, but also for the rights and protection that they afford.	Yes	Financial rules have been designed to ensure compliance with all applicable laws.
		6.1.5 The board should understand the context of the law, and how other applicable laws interact with it.	Yes	The Council have available legal expertise from members and knowledgeable senior management members (as advisors).
		6.1.6 The board should monitor the company's compliance with applicable laws, rules, codes and standards.	Yes	The Council has two committees which assist with compliance with all applicable laws, rules, codes and standards at Unisa: the Risk, Ethics and Control Committee (REC) deals with compliance with the regulatory framework while, the Internal Audit and the Risk management are tasked with identifying risks related to compliance. The audit committee performs assessment of the extent of compliance and

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
				reports on its effectiveness to the Council.
		6.1.7 Compliance should be a regular item on the agenda of the board.	Partial	The audit committee reports on the effectiveness of compliance to the Council.
		6.1.8 The board should disclose details in the integrated report on how it discharged its responsibility to establish an effective compliance framework and processes.	Partial	The Council has disclosed in the Annual Report 2009 a list of relevant laws that the university complies with
	6.2. The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	6.2.1 The induction and on-going training programmes of directors should incorporate an overview of and any changes to applicable laws, rules, codes and standards.	Partial	New Council members are familiarised with the higher education landscape, the institutional structure and their roles and responsibilities during the induction programme. Also, the Registrar (serves as the Council Secretary) informs these members with the applicable legal and regulatory framework.
		6.2.2 Directors should sufficiently familiarise themselves with the general content of applicable laws, rules, codes and standards to discharge their legal duties.	Partial	The Council set up Induction and Information workshops to ensure Council members are up to speed with all relevant matters.
	6.3. Compliance risk should form an integral part of the company's risk management process	6.3.1 The risk of non-compliance should be identified, assessed and responded to through the risk management processes.	Partial	The risk management process is overseen by the Audit and Enterprise Risk Management Committee which, reports on its effectiveness to the Council.
		6.3.2 Companies should consider establishing a compliance function.	Partial	The Risk, Ethics and Controls Committee (REC), a management committee designs, implements and monitors the risk management process.
	6.4. The board should delegate to management the implementation of an effective compliance framework and	6.4.1 The board should ensure that a legal compliance policy, approved by the board, has been implemented by management.	No	A legal compliance policy does not exist.

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
	processes			
		6.4.2 The board should receive assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards.	Partial	See 6.3.1. above
		6.4.3 Compliance with laws, rules, codes and standards should be incorporated in the code of conduct of the company.	Partial	The Code of Conduct and Ethics promotes an ethical corporate culture in the university.
		6.4.4 Management should establish the appropriate structures, educate and train, and communicate and measure key performance indicators relevant to compliance.	Partial	Through the Risk, Ethics and Controls committee.
		6.4.5 The integrated report should include details of material or often repeated instances of non-compliance by either the company or its directors in their capacity as such.	No	No disclosure of material instances of non-compliance was made in the Annual Report 2009.
		6.4.6 An independent, suitably skilled compliance officer may be appointed.	Partial	The Executive Director of Internal Audit performs this role.
		6.4.7 The compliance officer should be a suitably skilled and experienced person who should have access and interact regularly on strategic compliance matters with the board and/or appropriate board committee and executive management.	Partial	See 6.4.6. above
		6.4.8 The structuring of the compliance function, its role and its position in terms of reporting lines should be a	Partial	See 6.4.6. above

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		reflection of the company's decision on how compliance is to be integrated with its ethics and risk management.		
		6.4.9. The compliance function should have adequate resources to fulfil its function.	Partial	See 6.4.6. above
7. Internal audit				
The need for and role of internal audit	7.1. The board should ensure that there is an effective risk based internal audit	7.1.1. Companies should establish an internal audit function.	Yes	There is an independent internal audit that reports to the audit committee
		7.1.2. Internal audit should perform the following functions:		
		7.1.2.1 evaluate the company's governance processes;	Yes	The IA evaluates the operation of the internal control and risk management system in the university and reports all its observations and recommendations to Management and Council. Internal audit performs its duties in compliance with the IIA Standards and the Code of Ethics. The IA is independent of management and reports its performance to the audit committee.
		7.1.2.2. perform an objective assessment of the effectiveness of risk management and the internal control framework;	Yes	See 7.1.2.1. above
		7.1.2.3. systematically analyse and evaluating business processes and associated controls; and	Yes	See 7.1.2.1. above
		7.1.2.4. provide a source of information as appropriate, regarding instances of fraud, corruption, unethical behaviour	Yes	See 7.1.2.1. above

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		and irregularities.		
		7.1.3. An internal audit charter should be defined and approved by the board.	Yes	The Internal Audit function is specified in the IA charter approved by the Council.
		7.1.4. The internal audit function should adhere to the IIA Standards and code of ethics.	Yes	See 7.1.2.1. above
Internal audit's approach and plan	7.2. Internal audit should follow a risk based approach to its plan	7.2.1. The internal audit plan and approach should be informed by the strategy and risks of the company.	Yes	The internal audit approach considers strategic objectives and risks, controls and assessment of its adequacy and efficiency.
		7.2.2. Internal audit should be independent from management.	Yes	The internal audit function is independent of management and, reports to the Council.
		7.2.3. Internal audit should be an objective provider of assurance that considers:		
		7.2.3.1. the risks that may prevent or slow down the realisation of strategic goals;	Yes	See 7.1.2.1. above
		7.2.3.2. whether controls are in place and functioning effectively to mitigate these; and	Yes	See 7.1.2.1. above
		7.2.3.3. the opportunities that will promote the realisation of strategic goals that are identified, assessed and effectively managed by the company's management team.	Yes	Management implements the IA recommendations to address any control deficiencies and take advantage of opportunities to improve the internal control system.
	7.3. Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	7.3.1 Internal audit should form an integral part of the combined assurance model as internal assurance provider.	Yes	The internal audit and external auditors provide the combined assurance.
		7.3.2 Internal controls should be	Partial	External auditors consider and assess internal

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		established not only over financial matters, but also operational, compliance and sustainability issues.		controls over non-financial matters as well.
		7.3.3 Companies should maintain an effective governance, risk management and internal control framework.	Partial	The Enterprise Risk management framework employs an enterprise-wide risk management process. The internal audit function focuses on the internal control system.
		7.3.4 Management should specify the elements of the control framework.	Partial	The components have not been formally specified.
		7.3.5 Internal audit should provide a written assessment of the system of internal controls and risk management to the board.	Partial	The Audit and Enterprise Risk Management Committee included the Report on exposure to risk and risk management in the Annual Report 2009.
		7.3.6 Internal audit should provide a written assessment of internal financial controls to the audit committee.	Partial	This was done to the extent of specific issues raised by external auditors.
	7.4. The audit committee should be responsible for overseeing internal audit	7.4.1 The internal audit plan should be agreed and approved by the audit committee.	Yes	The internal audit plan was approved by the Audit and Enterprise Risk Management Committee.
		7.4.2 The audit committee should evaluate the performance of the internal audit function.	Partial	The Audit and Enterprise Risk management Committee reviews the scope, focus and effectiveness of the internal audit function.
		7.4.3 The audit committee should ensure that the internal audit function is subjected to an independent quality review.	No	See 7.4.2. above
		7.4.4. The CAE should report functionally to the audit committee chairman.	Yes	Terms of reference of the Internal audit
		7.4.5. The audit committee should be responsible for the appointment,	Yes	The Audit and Enterprise Risk Management Committee is responsible for overseeing the

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		performance assessment and dismissal of the CAE.		internal audit function and assessing its performance. Appointment and dismissal of the CAE is handled by the selection committee.
		7.4.6. The audit committee should ensure that the internal audit function is appropriately resourced and has appropriate budget allocated to the function.	Yes	See 7.4.5. above
		7.4.7. Internal audit should report at all audit committee meetings.	Yes	The IA reports to the audit committee.
Internal audit's status in the company	7.5. Internal audit should be strategically positioned to achieve its objectives	7.5.1. The internal audit function should be independent and objective.	Yes	The IA charter specifies its independence and objectivity. The internal audit is independent of management and reports to the audit committee.
		7.5.2. The internal audit function should report functionally to the audit committee.	Yes	See 7.5.1. above
		7.5.3. The CAE should have a standing invitation to attend executive committee meetings.	Yes	The CAE attends all the meetings of the Executive management Committee.
		7.5.4. The internal audit function should be skilled and resourced as is appropriate for the complexity and volume of risk and assurance needs.	Yes	The IA staff have the necessary competence to carry out the internal audit function.
		7.5.5. The CAE should develop and maintain a quality assurance and improvement programme.	Yes	The Internal Audit performs its duties in compliance with the IIA Standards and the Code of Ethics.
8. Governing stakeholder relationships				
	8.1. The board should	8.1.1. The gap between stakeholder	Yes	Unisa engages all stakeholders through the

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
	appreciate that stakeholders' perceptions affect a company's reputation	perceptions and the performance of the company should be managed and measured to enhance or protect the company's reputation.		Institutional Forum to promote debate and consensus on topical issues in the general academic community. Unisa also seeks feedback from the stakeholders through various mechanisms such as communication and marketing activities to address their needs.
		8.1.2 The company's reputation and its linkage with stakeholder relationships should be a regular board agenda item.	Partial	The Council recognises engagement with stakeholders as a strategic imperative. This is underlined in its co-operative governance policy.
		8.1.3 The board should identify important stakeholder groupings.	Yes	Stakeholders are broadly considered as internal and external groupings.
	8.2. The board should delegate to management to proactively deal with stakeholder relationships	8.2.1 Management should develop a strategy and formulate policies for the management of relationships with each stakeholder grouping.	Partial	There is no formal stakeholder policy on managing stakeholder relationships. Unisa however, has developed an integrated communication plan involving various methods to communicate effectively with the stakeholders: Publications (Annual Report, Research Report); Media events such as seminars, workshops, etc.
		8.2.2 The board should consider whether it is appropriate to publish its stakeholder policies.	No	See 8.2.1. above
		8.2.3 The board should oversee the establishment of mechanisms and processes that support stakeholders in constructive engagement with the company.	Partial	See 8.2.1. above
		8.2.4 The board should encourage shareholders to attend AGM's.	Not applicable	
		8.2.5 The board should consider not only formal, but also informal,	Partial	See 8.2.1. above

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		processes for interaction with the company's stakeholders.		
		8.2.6 The board should disclose in its integrated report the nature of the company's dealings with stakeholders and the outcomes of these dealings.	Partial	The Council has indirectly alluded to stakeholders relationships through the Report on the Institutional Forum in the Annual Report 2009.
	8.3. The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	8.3.1 The board should take account of the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of the company.	Partial	Practices such as the Institutional Forum and the integrated Communication Plan underscore the importance of stakeholder relationships to the Council
	8.4. Companies should ensure the equitable treatment of shareholders	8.4.1 There must be equitable treatment of all holders of the same class of shares issued.	Not applicable	
		8.4.2. The board should ensure that minority shareholders are protected.	Not applicable	
	8.5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	8.5.1. Complete, timely, relevant, accurate, honest and accessible information should be provided by the company to its stakeholders whilst having regard to legal and strategic considerations.	Partial	Integrated communication plan
		8.5.2. Communication with stakeholders should be in clear and understandable language.	Partial	See 8.2.1. above
		8.5.3. The board should adopt communication guidelines that support a responsible communication programme.	Partial	See 8.2.1. above
		8.5.4. The board should consider disclosing in the integrated report the	No	No such disclosure was made in the Annual Report 2009

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		number and reasons for refusals of requests of information that were lodged with the company in terms of the Promotion of Access to Information Act, 2000.		
Dispute resolution	8.6. The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	8.6.1. The board should adopt formal dispute resolution processes for internal and external disputes.	Partial	The institution's mediation and resolution process does not extend to external disputes.
		8.6.2. The board should select the appropriate individuals to represent the company in ADR.	No	The Institutional Forum advises the Council on mediation and dispute resolution.
9. Integrated reporting and disclosure				
Transparency and accountability	9.1. The board should ensure the integrity of the company's integrated report	9.1.1. A company should have controls to enable it to verify and safeguard the integrity of its integrated report.	Partial	There is a strong indication of controls over reporting of financial performance issues, the accounting and internal control system, and operational and administrative matters. There is established policy framework over these matters. Reporting of social and sustainability issues is still inadequate.
		9.1.2. The board should delegate to the audit committee to evaluate sustainability disclosures	No	No sustainability reporting yet.
		The integrated report should:		
		9.1.3. be prepared every year;	Yes	Unisa prepares an Annual report
		9.1.4. convey adequate information regarding the company's financial and sustainability performance; and	Partial	See 9.1.1. above

CHECKLIST: UNISA				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		9.1.5. focus on substance over form.	Partial	The financial issues that are covered in the integrated report comply with the International Financial Reporting standards.
	9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	9.2.1. The board should include commentary on the company's financial results.	Yes	The annual report 2009 included the Financial review section.
		9.2.2. The board must disclose if the company is a going concern.	Yes	This was covered in the financial review section.
		9.2.3. The integrated report should describe how the company has made its money.	Yes	See 9.2.2. above
		9.2.4. The board should ensure that the positive and negative impacts of the company's operations and plans to improve the positives and eradicate or ameliorate the negatives in the financial year ahead are conveyed in the integrated report.	No	Unisa did not produce the sustainability report.
	9.3 Sustainability reporting and disclosure should be independently assured	9.3.1. General oversight and reporting of sustainability should be delegated by the board to the audit committee.	No	See 9.2.4. above
		9.3.2. The audit committee should assist the board by reviewing the integrated report to ensure that the information contained in it is reliable and that it does not contradict the financial aspects of the report.	Partial	The Council declared its responsibility of financial statements and other information in the Annual Report 2009.
		9.3.3. The audit committee should oversee the provision of assurance over sustainability issues.	No	See 9.2.4. above

ANNEXURE B - UKZN Checklist

Checklist employed in testing adherence of UKZN Council to *King III Code* on Corporate Governance

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
1. Ethical leadership and corporate citizenship				
Responsible leadership	1.1 The board should provide effective leadership based on an ethical foundation	Ethical leaders should:		
		1.1.1. direct the strategy and operations to build a sustainable business;	Yes	In its statement on corporate governance in the Annual Report 2009, the Council declared its responsibility of the overall strategic direction of the institution. The Council has established Strategic Plan 2007- 2016 in line with the university mission and vision.
		1.1.2. consider the short- and long-term impacts of the strategy on the economy, society and the environment;	Partial	UKZN has undertaken various sustainability initiatives: a programme to alleviate poverty and increase food and clean water supply in Africa; "Green" building to sustain rural livelihoods. The institution has committed itself to redress the disadvantages, inequities and imbalances of the past.
		1.1.3. do business ethically;	Yes	UKZN has pledged to abide by highest ethical standards and educate society about sound ethical practice. The university has developed a Code of Ethics that controls the institution in

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
				engagements with all its stakeholders (internal and external). Council members and the Executive have signed declarations to acknowledge and uphold the Code at all times. This move will help engender an ethical culture in the institution.
		1.1.4. do not compromise the natural environment;	Partial	UKZN has embraced sustainability development as shown by its "Green" initiatives ("Green" building). There is however no clear policy framework on protecting the environment.
		1.1.5. take account of the company's impact on internal and external stakeholders.	Yes	The university has created the Institutional Forum to engender a culture of debate and engagement in the institution. UKZN set up a Governance and Academic Freedom Committee (GAFC) which welcomes all stakeholders' views in the debate about academic freedom in the university.
The board's responsibilities		1.1.6. be responsible for the strategic direction of the company and for the control of the company	Yes	See 1.1.1 above. The Council is in terms of the Higher Education Act (the Act) the supreme body of governance in the university.
		1.1.7. set the values to which the company will adhere formulated in its code of conduct;	Yes	The Code of Ethics should be acknowledged and upheld at all times. It controls the institution in engagements with all its stakeholders.
		1.1.8. ensure that its conduct and that of management aligns to the values and is adhered to in all aspects of its business;	Yes	The Code of Conduct re-enforces the need to conduct the affairs of the university with integrity and ethically. It should always be upheld.
		1.1.9. promote the stakeholder-inclusive approach of governance.	Yes	The university has adopted the values of broad and inclusive participation, democratic representation, accountability, and transparency to entrench governance in the institutional culture.

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
Ethical foundation		The board should:		
		1.1.10. ensure that all deliberations, decisions and actions are based on the four values underpinning good governance; and	Yes	As mentioned in 1.1.9. above, UKZN values include the universal values of good governance, namely; fairness, accountability, responsibility and transparency.
		1.1.11. ensure that each director adheres to the duties of a director	Yes	Council members have to act in good faith, serve the interests of the university, respect Council decisions and maintain confidentiality.
	1.2. The board should ensure that the company is and is seen to be a responsible corporate citizen	The board should:		
		1.2.1. consider not only on financial performance but also the impact of the company's operations on society and the environment;	Partial	UKZN has pledged to promote a culture of responsible, ethical and sustainable use of natural resources. Also, to support and contribute to general development and welfare of the wider community by generating and disseminating knowledge and, produce socially-responsible graduates.
		1.2.2. protect, enhance and invest in the wellbeing of the economy, society and the environment;	Yes	See 1.2.1. above. In 2009 the university raised R 118 million for various society upliftment projects and in partnership with the US based Howard Medical institute, established a tuberculosis and HIV Institute in the Nelson Mandela Medical School which will involve a significant investment of US$ 70 million in building and research studies.
		1.2.3. ensure that the company's performance and interaction with its stakeholders is guided by the Constitution and the Bill of Rights;	Yes	Strategic engagements are undertaken in the spirit of mutual respect, adding value and projecting a positive image. UKZN is committed to the highest standards of integrity, behaviour

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
				and ethics in dealing with its stakeholders.
		1.2.4. ensure that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good corporate citizenship;	Partial	See 1.2.3. above. UKZN's second strategic goal involves promoting and rewarding community engagement that adds value.
		1.2.5. ensure that measurable corporate citizenship programmes are implemented; and	Partial	See 1.2.6. below
		1.2.6. ensure that management develops corporate citizenship policies.	Yes	UKZN Strategic plan 2007- 2016 stipulates that the university will only engage in community initiatives that fall within its mission and vision, and local and national development imperatives; meet the interests and general welfare of the community; and finally, facilitate the generation and dissemination of knowledge by the university.
	1.3. The board should ensure that the company's ethics are managed effectively	The board should ensure that:		
		1.3.1. it builds and sustains an ethical corporate culture in the company;	Yes	The Code of Ethics and Conduct will help promote and engender an ethical corporate culture in the university.
		1.3.2. it determines the ethical standards which should be clearly articulated and ensures that the company takes measures to achieve adherence to them in all aspects of the business;	Yes	The Code of Conduct outlines the high standards of integrity, behaviour and ethics for all university stakeholders. The Code controls the university in its activities. The audit committee is responsible for monitoring the ethical conduct of the university, the Council and executive management.
		1.3.3. adherence to ethical standards is measured;	No	Though compliance is monitored, the level of ethical performance is not measured.
		1.3.4. internal and external ethics	Yes	Stakeholders (internal and external groupings)

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		performance is aligned around the same ethical standards;		have to adhere to the Code in all business activities.
		1.3.5. ethical risks and opportunities are incorporated in the risk management process;	Yes	The Risk, Ethics and Controls Committee is responsible for the risk management process.
		1.3.6. a code of conduct and ethics-related policies are implemented;	Yes	There is a Code of Ethics and Conduct in place.
		1.3.7. compliance with the code of conduct is integrated in the operations of the company; and	Yes	All business activities should be undertaken with integrity and ethically.
		1.3.8. the company's ethics performance should be assessed, monitored, reported and disclosed.	Partial	The level of ethical performance was not disclosed in the Annual Report 2009.
2. Boards and directors				
Role and function of the board	2.1. The board should act as the focal point for and custodian of corporate governance	The board should:		
		2.1.1. have a charter setting out its responsibilities;	Yes	The Council is responsible for governance of Unisa as per the Higher Education Act (the Act). Also, the Council and its standing committees have clear and specific terms of reference and roles and functions.
		2.1.2. meet at least four times per year;	Yes	The Council met eight times (five scheduled and three special meetings in 2009.
		2.1.3. monitor the relationship between management and the stakeholders of the company; and	Yes	The institution has inculcated an ethic of customer service to establish sound working relationships within and between supporting divisions, academic community, the student body

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
				and external stakeholders.
		2.1.4. ensure that the company survives and thrives.	Yes	The institution is a going concern and exercises sound financial management. It has generated an operating surplus in the past five years.
	2.2. The board should appreciate that strategy, risk, performance and sustainability are inseparable	The board should:		
		2.2.1. inform and approve the strategy;	Yes	UKZN has developed a Strategic Plan 2007-2016 to make it the Premier University of African Scholarship.
		2.2.2. ensure that the strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its stakeholders;	Yes	The Strategic Plan presents the mission and the vision of the university.
		2.2.3. satisfy itself that the strategy and business plans are not encumbered by risks that have not been thoroughly examined by management; and	Yes	The risk management process has been incorporated into the normal course of operations. part of daily management activities. Management has been tasked by Council to design, implement and monitor the risk management process.
		2.2.4. ensure that the strategy will result in sustainable outcomes taking account of people, planet and profit.	Partial	The university value framework alludes to ethical and sustainable use of natural resources and responsible community engagement. There is no formal policy framework on sustainability though.
	2.3. The board should provide effective leadership based on an ethical foundation	Refer principle 1.1	Yes	
	2.4. The board should ensure that the company is and is seen to be a responsible	Refer principle 1.2	Yes	

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
	corporate citizen			
	2.5. The board should ensure that the company's ethics are managed effectively	Refer principle 1.3	Yes	
	2.6. The board should ensure that the company has an effective and independent audit committee	Refer to chapter 3	Yes	
	2.7. The board should be responsible for the governance of risk	Refer to chapter 4	Yes	
	2.8. The board should be responsible for information technology (IT) governance	Refer to chapter 5	Yes	
	2.9. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Refer to chapter 6	Yes	
	2.10. The board should ensure that there is an effective risk-based internal audit	Refer to chapter 7	Yes	
	2.11.The board should appreciate that stakeholders' perceptions affect the company's reputation	Refer to chapter 8	Yes	
	2.12. The board should ensure the integrity of the company's integrated	Refer to chapter 9	No	

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
	report			
	2.13. The board should report on the effectiveness of the company's system of internal controls	Refer to chapters 7 and 9	Yes	
	2.14. The board and its directors should act in the best interests of the company.	2.14.1. The board must act in the best interests of the company.	Yes	The Code of Conduct requires Council members to act in good faith and serve the interests of the university .
		2.14.2. Directors must adhere to the legal standards of conduct.	Yes	Council members should (jointly and severally) observe the university ethical obligations when conducting business.
		2.14.3. Directors or the board should be permitted to take independent advice connection with their duties following an agreed procedure.	Partial	There is no agreed procedure regarding independent advice.
		2.14.4. Real or perceived conflicts should be disclosed to the board and managed.	Yes	The university ethical obligations require Council members and Executive management to disclose any significant interests in a register of contracts.
		2.14.5. Listed companies should have a policy regarding dealing in securities by directors, officers and selected employees.	Not applicable	
	2.15. The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	The board should ensure that:		
		2.15.1. the solvency and liquidity of the company is continuously monitored;	Yes	The Council is required by the Act to report annually the financial position and performance to

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
				the Minister. The Finance Committee is responsible for monitoring the University's financial position, the effectiveness of the treasury function and control systems.
		2.15.2. its consideration is fair to save a financially distressed company either by way of workouts, sale, merger, amalgamation, compromise with creditors or business rescue;		See 2.15.3. below
		2.15.3. a suitable practitioner is appointed if business rescue is adopted; and		In terms of the Act, the Minister may in consultation with the Council, appoint an administrator to assume activities of the Council or appoint an independent assessor to investigate any financial irregularities or maladministration in the university.
		2.15.4. the practitioner furnishes security for the value of the assets of the company.		See 2.15.3. above
	2.16. The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	2.16.1. The members of the board should elect a chairman on an annual basis.	Partial	The Institutional Statute (IS) authorises the Council to elect a chairperson every two years.
		2.16.2. The chairman should be independent and free of conflict upon appointment.	Yes	The IS stipulates that the chairperson should be external to the university (may not be an employee or student of the university).
		2.16.3. A lead independent director should be appointed in the case where	Not applicable	See 2.16.2. above

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		an executive chairman is appointed or where the chairman is not independent or conflicted.		
		2.16.4. The appointment of a chairman, who is not independent, should be justified in the integrated report.	Not applicable	See 2.16.2. above
		2.16.5. The role of the chairman should be formalised.	Yes	The chairman has a clear role and function and, terms of reference. The chairman is responsible for the overall leadership and functioning of the Council.
		2.16.6. The chairman's ability to add value, and his performance against what is expected of his role and function, should be assessed every year.	Partial	The performance of Council is assessed annually.
		2.16.7. The CEO should not become the chairman until 3 years have lapsed.	No	The Principal and Vice-Chancellor serves as the CEO and has its term of office. It is therefore unlikely that the VC may become the chairman.
		2.16.8. The chairman together with the board, should consider the number of outside chairmanships held.	No	There is no policy over outside chairmanships held.
		2.16.9. The board should ensure a succession plan for the role of the chairman.	No	There is no formal succession plan
	2.17. The board should appoint the chief executive officer and establish a framework for the delegation of authority	The board should:		
		2.17.1. appoint the CEO;	Yes	The Principal and Vice-Chancellor is appointed

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
				by and accountable to the Council.
		2.17.2. provide input regarding senior management appointments;	Yes	The Senior Appointments committee selects suitable candidates to fill executive positions.
		2.17.3. define its own level of materiality and approve a delegation of authority framework;	Yes	The Council has authority to establish Council committees and determine composition and functions thereof.
		2.17.4. ensure that the role and function of the CEO is formalised and the performance of the CEO is evaluated against the criteria specified; and	Yes	The institution's Integrated performance management system is linked to its strategic objectives. The Principal's performance is assessed annually.
		2.17.5. ensure succession planning for the CEO and other senior executives and officers is in place.	Partial	It is the Council's responsibility to provide for the succession of senior management. However, there is no policy in place.
Composition of the board	2.18. The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	The board should:		
		2.18.1. The majority of board members should be non-executive directors.	Yes	63% of the Council membership comprises persons external to the university, as prescribed by the Act..
		2.18.2. The majority of the non-executive directors should be independent.	Yes	See 2.18.1. above
		2.18.3. When determining the number of directors serving on the board, the knowledge, skills and resources required for conducting the business of	Partial	The Act stipulates that Council members should have the necessary knowledge and experience to serve a public higher education institution and, act in its best interests. The Council members

CHECKLIST : UKZN				
GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		the board should be considered.		possess knowledge, skill and experience in the Higher education that will benefit the institution.
		2.18.4. Every board should consider whether its size, diversity and demographics make it effective.	Yes	The Council composition represents race, gender and disability requirements as per the Act.
		2.18.5. Every board should have a minimum of two executive directors of which one should be the CEO and the other the director responsible for finance.	Partial	There are three executive members in the Council (includes Principal and the deputy Vice-Chancellor).
		2.18.6. At least one third of the non-executive directors should rotate every year.	Partial	There is no formal policy on rotation of members.
		2.18.7. The board, through its nomination committee, should recommend the eligibility of prospective directors.	Yes	The Council membership Committee recommends suitable candidates for Council approval.
		2.18.8. Any independent non-executive directors serving more than 9 years should be subjected to a rigorous review of his independence and performance by the board.	Yes	The Institutional Statute limits the term of non-executive members to two terms.
		2.18.9. The board should include a statement in the integrated report regarding the assessment of the independence of the independent non-executive directors.	Yes	UKZN presented a statement of Analysis of Membership, Representation on Major Committees of Council and Attendance Statistics in the Annual report 2009.
		2.18.10. The board should be permitted to remove any director without shareholder approval.	Not applicable	
Board appointment	2.19 Directors should be	2.19.1. A nomination committee should	Yes	The Council membership Committee performs

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
process	appointed through a formal process	assist with the process of identifying suitable members of the board.		this role. It should be noted that some Council members are elected by academic and non-academic employees or nominated by the SRC.
		2.19.2. Background and reference checks should be performed before the nomination and appointment of directors.	Yes	This forms part of the nomination process.
		2.19.3. The appointment of non-executive directors should be formalised through a letter of appointment.	Partial	There is no formal procedure
		2.19.4. The board should make full disclosure regarding individual directors to enable shareholders to make their own assessment of directors.	Not applicable	
Director development	2.20. The induction of and on-going training and development of directors should be conducted through formal processes	The board should ensure that:		
		2.20.1. a formal induction programme is established for new directors;	Yes	There is a Council Induction workshop.
		2.20.2. inexperienced directors are developed through mentorship programmes;	Partial	The Registrar provides administrative, secretarial and legal support to the Council to ensure effective and efficient operation.
		2.20.3. continuing professional development programmes are implemented; and	Partial	See 2.20.2. above
		2.20.4. directors receive regular briefings on changes	Yes	See 2.20.2. above

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		in risks, laws and the environment.		
Company secretary	2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary	2.21.1. The board should appoint and remove the company secretary.	Yes	The Registrar performs the role of a company secretary and, is appointed by the Council.
		2.21.2. The board should empower the individual to enable him to properly fulfil his duties.	Yes	The Principal has authority to assign assistance to the Secretary when necessary.
		The company secretary should:		
		2.21.3. have an arms-length relationship with the board;	Yes	The Registrar is not a member of the Council.
		2.21.4. not be a director of the company;	Yes	See 2.21.3. above
		2.21.5. assist the nominations committee with the appointment of directors;	Yes	The Registrar serves as the secretary for all council committees.
		2.21.6. assist with the director induction and training programmes;	Yes	The Secretary has a responsibility to assist with the administration of the Council.
		2.21.7. provide guidance to the board on the duties of the directors and good governance;	Yes	See 2.21.6. above
		2.21.8. ensure board and committee charters are kept up to date;	Yes	The terms of reference for all Council committees are reviewed annually.
		2.21.9. prepare and circulate board papers;	Yes	The Secretary ensures that all Council members receive an agenda and relevant documentation at least seven days in advance of a meeting.
		2.21.10. elicit responses, input,	Yes	See 2.21.6 above

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		feedback for board and board committee meetings;		
		2.21.11. assist in drafting yearly work plans;	Yes	Assists the Chairperson
		2.21.12. ensure preparation and circulation of minutes of board and committee meetings; and	Yes	See 2.21.9 above
		2.21.13. assist with the evaluation of the board, committees and individual directors	Yes	See 2.21.6 above
Performance assessment	2.22 The evaluation of the board, its committees and the individual directors should be performed every year	2.22.1. The board should determine its own role, functions, duties and performance criteria as well as that for directors on the board and board committees to serve as a benchmark for the performance appraisal.	Yes	The Council is responsible for governance of the institution as stipulated by the Act. The Council assesses its performance and committees annually.
		2.22.2. Yearly evaluations should be performed by the chairman or an independent provider.	Yes	The Council performance is assessed annually.
		2.22.3. The results of performance evaluations should identify training needs for directors.	Partial	The university performance management system is linked to training of staff.
		2.22.4. An overview of the appraisal process, results and action plans should be disclosed in the integrated report.	No	This was not done in 2009.
		2.22.5. The nomination for the re-appointment of a director should only occur after the evaluation of the performance and attendance of the director	Yes	Performance influences re-appointment of Council members.

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
Board committees	2.23. The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	2.23.1. Formal terms of reference should be established and approved for each committee of the board.	Yes	The Council sets clear terms of reference and roles and functions for each council committee.
		2.23.2. The committees' terms of reference should be reviewed yearly.	Partial	This forms part of the annual performance appraisal.
		2.23.3. The committees should be appropriately constituted and the composition and the terms of reference should be disclosed in the integrated report.	Yes	This was done through the statement of Analysis of Membership, Representation on Major Committees of Council and Attendance Statistics and the Council's statement on Corporate governance in the Annual Report 2009.
		2.23.4. Public and state-owned companies must appoint an audit committee.	Yes	There is an Audit and Risk Committee in the institution.
		2.23.5. All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation.	Yes	See 2.23.4. above
		2.23.6. Companies should establish risk, nomination and remuneration committees.	Yes	The Council has the Audit and Risk, Remuneration and Council membership committees.
		2.23.7. Committees, other than the risk committee, should comprise a majority of non-executive directors of which the majority should be independent.	Yes	All Council committees are formally constituted with specified terms of reference and in all cases comprise a majority of external members of Council.
		2.23.8. External advisers and executive directors should attend committee meetings by invitation.	Yes	The Council often invites internal and external speakers to address members on strategic developments.
		2.23.9. Committees should be free to	Yes	Normal procurement policy is followed in such

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		take independent outside professional advice at the cost of the company subject to an approved process being followed.		cases.
Group boards	2.24. A governance framework should be agreed between the group and its subsidiary boards	2.24.1. Listed subsidiaries must comply with the rules of the relevant stock exchange in respect of insider trading.	Not applicable	
		2.24.2. The holding company must respect the fiduciary duties of the director serving in a representative capacity on the board of the subsidiary.	Not applicable	
		2.24.3. The implementation and adoption of policies, processes or procedures of the holding company should be considered and approved by the subsidiary company.	Not applicable	
		2.24.4. Disclosure should be made on the adoption of the holding company's policies in the integrated report of the subsidiary company.	Not applicable	
Remuneration of directors and senior executives	2.25. Companies should remunerate directors and executives fairly and responsibly	2.25.1. Companies should adopt remuneration policies aligned with the strategy of the company and linked to individual performance.	Yes	There is an Integrated Performance Management system linked to the education and training.
		2.25.2. The remuneration committee should assist the board in setting and administering remuneration policies.	Yes	The Remuneration Committee is responsible for setting and monitoring the implementation of the remuneration policy.
		2.25.3. The remuneration policy should address	Yes	The remuneration committee has authority over service conditions as they relate to salaries and

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		base pay and bonuses, employee contracts, severance and retirement benefits and share-based and other long-term incentive schemes.		benefits. However, there are no share-based payments and long-term incentives schemes.
		2.25.4. Non-executive fees should comprise a base fee as well as an attendance fee per meeting.	Yes	Council members receive only an honorarium for meeting attendance.
	2.26. Companies should disclose the remuneration of each individual director and certain senior executives	The remuneration report, included in the integrated report, should include:		
		2.26.1. all benefits paid to directors;	Partial	The Annual Report 2009 included a disclosure of amounts paid to members for council and committee meetings attendance as a note to the annual financial statements.
		2.26.2. the salaries of the three most highly-paid employees who are not directors;	Yes	A disclosure relating to the remuneration of members of the Executive, Deans and other senior management staff as defined in the remuneration of members of the Executive, Deans and other senior management staff Statute of the University was made in the financial statements.
		2.26.3. the policy on base pay;	Yes	The note to the financial statements described an Annualised gross pay in relation to the remuneration of members of the executive, Deans and other senior management staff.
		2.26.4. participation in share incentive schemes;	Not applicable	
		2.26.5. the use of benchmarks;	No	
		2.26.6. incentive schemes to	Not applicable	

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		encourage retention;		
		2.26.7. justification of salaries above the median;	No	
		2.26.8. material payments that are ex-gratia in nature;	Not applicable	
		2.26.9. policies regarding executive employment; and	No	Not disclosed in the Annual Report 2009.
		2.26.10. the maximum expected potential dilution as a result of incentive awards.	Not applicable	
	2.27. Shareholders should approve the company's remuneration policy	2.27.1. Shareholders should pass a non-binding advisory vote on the company's yearly remuneration policy	Not applicable	
		2.27.2. The board should determine the remuneration of executive directors in accordance with the remuneration policy put to shareholder's vote	Not applicable	
3. Audit committees				
	3.1. The board should ensure that the company has an effective and independent audit committee	3.1.1. Listed and state-owned companies must establish an audit committee.	Not applicable	
		3.1.2. All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation.	Yes	The Council established the Audit and Risk Committee which operates in terms of a written charter, which spells out its terms of reference, role and function.
		3.1.3. The board should approve the	Yes	See 3.1.2. above

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		terms of reference of the audit committee.		
		3.1.4. The audit committee should meet as often as is necessary to fulfil its functions but at least twice a year.	Yes	The Audit and Risk Management Committee held four meetings in 2009 which were attended by internal and external auditors.
		3.1.5. The audit committee should meet with internal and external auditors at least once a year without management being present.	Partial	The internal and external auditors attended all the committee's meetings.
Membership and resources of the audit committee	3.2. Audit committee members should be suitably skilled and experienced independent non-executive directors	3.2.1. All members of the audit committee should be independent non-executive directors.	Yes	The audit committee comprises five members who are external to the university (neither employee or student).
		3.2.2. The audit committee should consist of at least three members.	Yes	Comprises five members.
		3.2.3. The chairman of the board should not be the chairman or member of the audit committee.	Yes	See 3.2.3. above
		3.2.4. The committee collectively should have sufficient qualifications and experience to fulfil its duties.	Partial	All the members have adequate skills and experience, and two of them are financial literate.
		3.2.5. The audit committee members should keep up-to-date with developments affecting the required skill-set.	Partial	The Registrar ensures that all council and committee members are updated on latest developments in matters pertinent to the Council operations.
		3.2.6. The committee should be permitted to consult with specialists or consultants subject to a board-approved process.	Yes	The committee's terms of reference provide for consultation in the expedition of its role and function.
		3.2.7. The board must fill any vacancies on the audit committee.	Yes	The committees account to the Council.

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	3.3. The audit committee should be chaired by an independent non-executive director	3.3.1. The board should elect the chairman of the audit committee.	Yes	It is the responsibility of the Council to appoint the chairman and deputy-chairperson from the independent non-executive members.
		3.3.2. The chairman of the audit committee should participate in setting and agreeing the agenda of the committee	Yes	The chairperson is tasked with the effective functioning of the committee.
		3.3.3. The chairman of the audit committee should be present at the AGM.	Not applicable	
Responsibilities of the audit committee	3.4. The audit committee should oversee integrated reporting	3.4.1. The audit committee should have regard to all factors and risks that may impact on the integrity of the integrated report.	Partial	Reporting and disclosure function falls within the scope of the audit committee. The Annual Report 2009 did not include the sustainability report.
		3.4.2. The audit committee should review and comment on the financial statements included in the integrated report.	Yes	The audit committee reviewed and approved the financial statements in the 2009 report.
		3.4.3. The audit committee should review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information.	No	The university did not produce the sustainability report in 2009.
		3.4.4. The audit committee should recommend to the board to engage an external assurance provider on material sustainability issues.	No	See 3.4.3. above
		3.4.5. The audit committee should consider the need to issue interim results.	No	Interim results were not produced in 2009.

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		3.4.6. The audit committee should review the content of the summarised information.	Not applicable	
		3.4.7. The audit committee should engage the external auditors to provide assurance on the summarised financial information.	No	See 3.4.5. above
	3.5. The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	3.5.1. The audit committee should ensure that the combined assurance is received is appropriate to address all the significant risks facing the company.	Yes	The Internal audit function and external auditors provide the combined assurance over the risk management process.
		3.5.2. The relationship between the external assurance providers and the company should be monitored by the audit committee.	Yes	The Audit and Risk Committee oversees the activities of the external auditors.
Internal assurance providers	3.6. The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	3.6.1. Every year a review of the finance function should be performed by the audit committee.	Yes	The annual financial review was performed by the Finance and Investment committee, a council sub-committee responsible for financial control and administration.
		3.6.2. The results of the review should be disclosed in the integrated report.	Yes	The Annual Report 2009 included a financial review.
	3.7. The audit committee should be responsible for overseeing of internal audit	3.7.1. The audit committee should be responsible for the appointment, performance assessment and/or dismissal of the CAE.	Partial	The Audit and Risk Committee is responsible for overseeing the internal audit function and assessing its performance. Appointment and dismissal of the CAE is handled by the Senior Appointments Committee.
		3.7.2. The audit committee should approve the internal audit plan.	Yes	It is the role of the audit committee to review the scope, focus and effectiveness of the internal

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				audit function.
		3.7.3. The audit committee should ensure that the internal audit function is subject to an independent quality review as and when the committee determines it appropriate.	Partial	The internal audit function is subject to an independent review and the results thereof are reported to the audit committee.
	3.8. The audit committee should be an integral component of the risk management process	3.8.1. The charter of the audit committee should set out its responsibilities regarding risk management.	Yes	The Audit and Risk Committee is responsible for monitoring and managing all areas of risks.
		3.8.2. The audit committee should specifically have oversight of:		This requirement is specifically catered for in the terms of reference and role and function of the Audit and Risk Committee.
		3.8.2.1. financial reporting risks;	Yes	See 3.8.2. above
		3.8.2.2. internal financial controls;	Yes	See 3.8.2. above
		3.8.2.3. fraud risks as it relates to financial reporting; and	Yes	See 3.8.2. above
		3.8.2.4. IT risks as it relates to financial reporting.	Yes	See 3.8.2. above
External assurance providers	3.9. The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The audit committee:		See 3.8.2. above
		3.9.1. must nominate the external auditor for appointment;	Yes	See 3.8.2. above
		3.9.2. must approve the terms of engagement and remuneration for the external audit engagement;	Yes	See 3.8.2. above
		3.9.3. must monitor and report on the	Yes	See 3.8.2. above

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GOVERNANCE ELEMENT	PRINCIPLE(S)	RECOMMENDED PRACTICE	COMPLIANCE	EXPLANATION
		independence of the external auditor;		
		3.9.4. must define a policy for non-audit services provided by the external auditor and must approve the contracts for non-audit services;	Yes	See 3.8.2. above
		3.9.5. should be informed of any Reportable Irregularities identified and reported by the external auditor; and	Yes	See 3.8.2. above
		3.9.6. should review the quality and effectiveness of the external audit process.	Yes	See 3.8.2. above
Reporting	3.10. The audit committee should report to the board and shareholders on how it has discharged its duties	3.10.1. The audit committee should report internally to the board on its statutory duties and duties assigned to it by the board.	Yes	The audit committee is accountable to the Council.
		3.10.2. The audit committee must report to the shareholders on its statutory duties:	Yes	The Audit and Risk Committee reported on its role, function and performance in the Annual Report 2009.
		3.10.2.1. how its duties were carried out;	Yes	See 3.10.2. above
		3.10.2.2. if the committee is satisfied with the independence of the external auditor;	Yes	See 3.10.2. above
		3.10.2.3. the committee's view on the financial statements and the accounting practices; and	Yes	See 3.10.2. above
		3.10.2.4. whether the internal financial controls are effective.	Yes	See 3.10.2. above
		3.10.3. The audit committee should provide a summary of its role and details of its composition, number of	Yes	See 3.10.2. above

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		meetings and activities, in the integrated report.		
		3.10.4. The audit committee should recommend the integrated report for approval by the board.	Yes	See 3.10.2. above
4. The governance of risk				
The board's responsibility for risk governance	4.1. The board should be responsible for the governance of risk	4.1.1. A policy and plan for a system and process of risk management should be developed.	Yes	There is a Risk and Compliance Function which integrates risk management into the daily activities of the institution.
		4.1.2. The board should comment in the integrated report on the effectiveness of the system and process of risk management.	Yes	The effectiveness of the risk management process was reported in the Annual Report 2009 through Report on Internal Controls and Risk management.
		4.1.3. The board's responsibility for risk governance should be expressed in the board charter.	Yes	The Council's terms of reference include the responsibility for risk management and internal control. The audit and risk committee is accountable to the Council for the oversight of the risk management process.
		4.1.4. The induction and on-going training programmes of the board should incorporate risk governance.	Yes	The emphasis of the Induction is the due cognisance of all the mandated responsibilities of Council.
		4.1.5. The board's responsibility for risk governance should manifest in a documented risk management policy and plan.	Yes	The Council approved the Enterprise Risk Management Framework as part of the risk and compliance function.
		4.1.6. The board should approve the risk management policy and plan.	Yes	See 4.1.5. above
		4.1.7. The risk management policy should be widely distributed throughout	Yes	The policy is included in the institution's intranet.

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		the company.		
		4.1.8. The board should review the implementation of the risk management plan at least once a year.	Yes	The Audit and Risk Committee reviews the risk management reports and reports to the Council.
		4.1.9. The board should ensure that the implementation of the risk management plan is monitored continually.	Yes	See 4.1.8. above
	4.2. The board should determine the levels of risk tolerance	4.2.1. The board should set the levels of risk tolerance once a year.	Partial	The university's Finance committee has set an acceptable level of financial risk against which risks are assessed and quantified.
		4.2.2. The board may set limits for the risk appetite.	Yes	The Council has established a Risk and Compliance function to ensure that all risks are identified and mitigated against.
		4.2.3. The board should monitor that risks taken are within the tolerance and appetite levels.	Partial	See 4.2.1. above
	4.3. The risk committee or audit committee should assist the board in carrying out its risk responsibilities	4.3.1. The board should appoint a committee responsible for risk.	Yes	The Audit and Risk Committee is responsible for the risk management process.
		4.3.2. The risk committee should:		
		4.3.2.1. consider the risk management policy and plan and monitor the risk management process;	Yes	The Audit and Risk Committee is responsible for the risk management process. It reviews the risk management reports and reports on key risks facing the university and planned mitigation procedures to the Council.
		4.3.2.2. have as its members executive and non-executive directors, members of senior management and independent risk management experts	Yes	The committee comprises non-executive members and its meetings are attended by external and internal auditors and by appropriate members of executive and senior

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		to be invited, if necessary;		operational management.
		4.3.2.3. have a minimum of three members; and	Yes	It has seven members.
		4.3.2.4. convene at least twice per year.	Yes	It met four times during 2009.
		4.3.3. The performance of the committee should be evaluated once a year by the board.	Yes	The committee reports on its performance to the Council during Council meetings.
Management's responsibility for risk management	4.4. The board should delegate to management the responsibility to design, implement and monitor the risk management plan	4.4.1. The board's risk strategy should be executed by management by means of risk management systems and processes.	Yes	Management is tasked by Council to design, implement and monitor the risk management process and, integrate it into daily management activities of the institution.
		4.4.2. Management is accountable for integrating risk in the day-to-day activities of the company	Yes	See 4.4.1 above
		4.4.3. The CRO should be a suitably experienced person who should have access and interact regularly on strategic matters with the board and/or appropriate board committee and executive management.	Yes	The Director of Corporate Governance (currently serves the role) has direct access to the Council and the audit and Risk committee.
Risk assessment	4.5. The board should ensure that risk assessments are performed on a continual basis	4.5.1. The board should ensure effective and on-going risk assessments are performed.	Yes	The risk management process has been incorporated into normal business activities. The risk and compliance function has established an Enterprise risk management framework to monitor the process and provide the audit and risk committee with regular and independent assurance on the effectiveness of the university risk management process.
		4.5.2. A systematic, documented,	Yes	See 4.5.1. above

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		formal risk assessment should be conducted at least once a year.		
		4.5.3. Risks should be prioritised and ranked to focus responses and interventions.	Yes	The level of risk exposure and mitigating measures are based on established limits to the extent that risks can be assessed and quantified.
		4.5.4. The risk assessment process should involve the risks affecting the various income streams of the company, the critical dependencies of the business, the sustainability and the legitimate interests and expectations of stakeholders.	Yes	The university risk management process is embedded in the business and ensures that risk registers are maintained at Corporate level and for all academic and support sectors with a risk champion for each sector, and provide education and training on risk management throughout the organisation.
		4.5.5. Risk assessments should adopt a top-down approach.	Yes	The Council approved the Risk and Compliance function monitored by the Audit and Risk committee which, is responsible for the university risk management process and accountable to the Council. Management is tasked by Council to integrate the risk management process with daily management activities of the university and report thereon to the Council.
		4.5.6. The board should regularly receive and review a register of the company's key risks.	Partial	The Risk and Compliance function ensures that risk registers are maintained at the corporate level and for each of the academic and support sectors.
		4.5.7. The board should ensure that key risks are quantified where practicable.	Yes	Risks are assessed and quantified to determine the level of risk exposure where practical.
	4.6. The board should ensure that frameworks and methodologies are implemented to increase the	4.6.1. The board should ensure that a framework and processes are in place to anticipate unpredictable risks.	Yes	The integrated process of enterprise-wide risk management is aimed at all risks.

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	probability of anticipating unpredictable risks			
Risk response	4.7. The board should ensure that management considers and implements appropriate risk responses	4.7.1. Management should identify and note in the risk register the risk responses decided upon.	Yes	The risk register sets out key risks and approved action thereto.
		4.7.2. Management should demonstrate to the board that the risk response provides for the identification and exploitation of opportunities to improve the performance of the company	No	The risk management process focuses on identifying and responding to the risks.
Risk monitoring	4.8. The board should ensure continual risk monitoring by management	4.8.1. The board should ensure that effective and continual monitoring of risk management takes place.	Yes	The audit and risk committee receives regular and independent assurance on the effectiveness of the risk management process.
		4.8.2. The responsibility for monitoring should be defined in the risk management plan.	Yes	Outlined in the Enterprise Risk Management Framework
Risk assurance	4.9. The board should receive assurance regarding the effectiveness of the risk management process	4.9.1. Management should provide assurance to the board that the risk management plan is integrated in the daily activities of the company.	Yes	Management is responsible to the Council for designing, implementing and monitoring the risk management process.
		4.9.2. Internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management to the board.	Partial	The Internal Audit made representations on the system of internal controls and risk management to the Audit and Risk Committee, which through its report on internal control and risk management, reported on the effectiveness of the risk management process in the Annual Report 2009.

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Risk disclosure	4.10. The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	4.10.1. Undue, unexpected or unusual risks should be disclosed in the integrated report	No	This disclosure was not made in the Annual Report 2009.
		4.10.2. The board should disclose its view on the effectiveness of the risk management process in the integrated report.	Yes	See 4.9.2 above
5. The governance of information technology				
	5.1. The board should be responsible for information technology (IT) governance	5.1.1. The board should assume the responsibility for the governance of IT and place it on the board agenda.	Yes	The audit and risk committee oversees and monitors all strategic and governance matters related to IT operations.
		5.1.2. The board should ensure that an IT charter and policies are established and implemented.	Partial	There are established policies and procedures to protect university assets from unauthorised access or misappropriation and maintain proper accounting records.
		5.1.3. The board should ensure promotion of an ethical IT governance culture and awareness and of a common IT language.	Partial	See 5.1.2. above
		5.1.4. The board should ensure that an IT internal control framework is adopted and implemented .	Partial	There exists relevant controls and procedures to adequately address IT risks.
		5.1.5. The board should receive independent assurance on the effectiveness of the IT internal controls.	Partial	Independent assurance is provided by the internal audit function and the work of external auditors on general IT controls.

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	5.2. IT should be aligned with the performance and sustainability objectives of the company	5.2.1. The board should ensure that the IT strategy is integrated with the company's strategic and business processes.	Yes	The ICT aligned its infrastructure and hardware with the Strategic Plan objectives to provide innovative and high quality solutions and services.
		5.2.2. The board should ensure that there is a process in place to identity and exploit opportunities to improve the performance and sustainability of the company through the use of IT.	Yes	This is evidenced by achievements such as upgrade of voice over internet protocols (VOIP), provision of wireless network across lecture venues and increased bandwidth capacity which will result in innovative teaching, learning and research.
	5.3. The board should delegate to management the responsibility for the implementation of an IT governance framework	5.3.1 Management should be responsible for the implementation of the structures, processes and mechanisms for the IT governance framework.	Partial	The ICT division is responsible for implementing IT standards and procedures.
		5.3.2 The board may appoint an IT steering committee of similar function to assist with its governance of IT.	Partial	IT governance is part of the scope of the Audit and Risk committee.
		5.3.3 The CEO should appoint a Chief Information Officer responsible for the management of IT.	No	There is no Chief Information Officer.
		5.3.4 The CIO should be a suitably qualified and experienced person who should have access and interact regularly on strategic IT matters with the board and/or appropriate board committee and executive management.	No	See 5.3.3. above
	5.4. The board should monitor and evaluate significant IT investments and expenditure	5.4.1 The board should oversee the value delivery of IT and monitor the return on investment from significant IT	Partial	IT investments are subject to the strict university tender procedures and have to be approved by the Finance committee.

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		projects.		
		5.4.2 The board should ensure that intellectual property contained in information systems are protected.	Partial	There are accepted standards that are applied to control and guard the privacy of all data.
		5.4.3 The board should obtain independent assurance on the IT governance and controls supporting outsourced IT services.	Not applicable	The university ICT division provides IT services.
	5.5. IT should form an integral part of the company's risk management	5.5.1 Management should regularly demonstrate to the board that the company has adequate business resilience arrangements in place for disaster recovery.	Partial	The ICT department runs full back-ups to facilitate disaster recovery.
		5.5.2 The board should ensure that the company complies with IT laws and that IT related rules, codes and standards are considered.	Partial	This forms part of the mandate of the audit and risk committee. Also, the university has developed and documented accepted standards to control and manage the use of IT systems and information privacy.
	5.6. The board should ensure that information assets are managed effectively	5.6.1. The board should ensure that there are systems in place for the management of information which should include information security, information management and information privacy.	Partial	There exists the data privacy and information security policies.
		5.6.2. The board should ensure that all personal information is treated by the company as an important business asset and is identified.	Yes	See 5.6.1 above
		5.6.3. The board should ensure that an Information Security Management System is developed and	Partial	See 5.6.1 above

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		implemented.		
		5.6.4. The board should approve the information security strategy and delegate and empower management to implement the strategy.	Partial	The ICT division is responsible for implementing data privacy and information security policies.
	5.7. A risk committee and audit committee should assist the board in carrying out its IT responsibilities	5.7.1. The risk committee should ensure that IT risks are adequately addressed.	Partial	The Audit and Risk Committee is responsible for identifying and managing all risks in the university. However, UKZN needs to establish an IT governance policy framework to adequately address all IT risks.
		5.7.2. The risk committee should obtain appropriate assurance that controls are in place and effective in addressing IT risks.	Partial	Independent assurance is provided by the internal audit function and the work of external auditors on general IT controls.
		5.7.3. The audit committee should consider IT as it relates to financial reporting and the going concern of the company.	Partial	See 5.7.1. above
		5.7.4. The audit committee should consider the use of technology to improve audit coverage and efficiency.	Partial	See 5.7.1. above
6. Compliance with laws, rules, codes and standards				
	6.1. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	6.1.1. Companies must comply with all applicable laws.	Yes	UKZN is a public institution of higher education in terms of the Higher Education Act and, must comply with it. As a juristic person, UKZN must comply with the applicable legal and regulatory framework.

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		6.1.2. Exceptions permitted in law, shortcomings and proposed changes expected should be handled ethically.	Yes	The Code of Conduct spells out ethical standards to be complied with in all business activities.
		6.1.3 Compliance should be an ethical imperative.	Yes	See 6.1.2. above
		6.1.4 Compliance with applicable laws should be understood not only in terms of the obligations that they create, but also for the rights and protection that they afford.	Yes	Financial rules have been designed to ensure compliance with all applicable laws.
		6.1.5 The board should understand the context of the law, and how other applicable laws interact with it.	Yes	The Council have available legal expertise from members, the Registrar and knowledgeable senior management members (as advisors).
		6.1.6 The board should monitor the company's compliance with applicable laws, rules, codes and standards.	Yes	The Council has two committees which assist with compliance with all applicable laws, rules, codes and standards at Unisa: the Risk, Ethics and Control Committee (REC) deals with compliance with the regulatory framework while, the Internal Audit and the Risk management are tasked with identifying risks related to compliance. The audit committee performs assessment of the extent of compliance and reports on its effectiveness to the Council.
		6.1.7 Compliance should be a regular item on the agenda of the board.	Partial	The audit committee reports on the effectiveness of compliance to the Council.
		6.1.8 The board should disclose details in the integrated report on how it discharged its responsibility to establish an effective compliance framework and processes.	Yes	The Council has through the statement on internal control and risk management disclosed in the Annual Report 2009, reported on the effectiveness of the compliance function.
	6.2. The board and each	6.2.1 The induction and on-going	Partial	New Council members are familiarised with the

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	individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	training programmes of directors should incorporate an overview of and any changes to applicable laws, rules, codes and standards.		higher education landscape, the institutional structure and their roles and responsibilities during the induction programme. The Registrar (serves as the Council Secretary) ensures that Council members have an understanding of the applicable legal and regulatory framework.
		6.2.2 Directors should sufficiently familiarise themselves with the general content of applicable laws, rules, codes and standards to discharge their legal duties.	Partial	See 6.2.1. above
	6.3. Compliance risk should form an integral part of the company's risk management process	6.3.1 The risk of non-compliance should be identified, assessed and responded to through the risk management processes.	Partial	The Audit and Risk Committee oversees the risk management process in the university and reports on its effectiveness to the Council.
		6.3.2 Companies should consider establishing a compliance function.	Yes	The Corporate Governance monitors the compliance function which *inter alia*, educates and trains the whole institution in risk management.
	6.4. The board should delegate to management the implementation of an effective compliance framework and processes	6.4.1 The board should ensure that a legal compliance policy, approved by the board, has been implemented by management.	Partial	Part of the university risk management process.
		6.4.2 The board should receive assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards.	Partial	See 6.3.1. above
		6.4.3 Compliance with laws, rules, codes and standards should be incorporated in the code of conduct of	Yes	The Code of Conduct (embodies ethical standards) promotes an ethical corporate culture in the university.

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		the company.		
		6.4.4 Management should establish the appropriate structures, educate and train, and communicate and measure key performance indicators relevant to compliance.	Partial	This is achieved through the enterprise risk management framework.
		6.4.5 The integrated report should include details of material or often repeated instances of non-compliance by either the company or its directors in their capacity as such.	No	No disclosure of material instances of non-compliance was made in the Annual Report 2009.
		6.4.6 An independent, suitably skilled compliance officer may be appointed.	Partial	The Director of corporate governance performs this role.
		6.4.7 The compliance officer should be a suitably skilled and experienced person who should have access and interact regularly on strategic compliance matters with the board and/or appropriate board committee and executive management.	Partial	See 6.4.6. above
		6.4.8 The structuring of the compliance function, its role and its position in terms of reporting lines should be a reflection of the company's decision on how compliance is to be integrated with its ethics and risk management.	Partial	See 6.4.6. above
		6.4.9. The compliance function should have adequate resources to fulfil its function.	Partial	See 6.4.6. above
7. Internal audit				

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The need for and role of internal audit	7.1. The board should ensure that there is an effective risk based internal audit	7.1.1. Companies should establish an internal audit function.	Yes	There is an independent internal audit that reports to the audit committee
		7.1.2. Internal audit should perform the following functions:		
		7.1.2.1 evaluate the company's governance processes;	Yes	The IA evaluates the operation of the internal control and risk management system in the university and reports all its observations and recommendations to management, the Audit and Risk Committee and Council. Internal audit performs its duties in compliance with the acceptable standards and the institutional Code of Conduct. The IA is independent of management and reports its performance to the audit committee.
		7.1.2.2. perform an objective assessment of the effectiveness of risk management and the internal control framework;	Yes	See 7.1.2.1. above
		7.1.2.3. systematically analyse and evaluating business processes and associated controls; and	Yes	See 7.1.2.1. above
		7.1.2.4. provide a source of information as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.	Yes	See 7.1.2.1. above
		7.1.3. An internal audit charter should be defined and approved by the board.	Yes	The Internal Audit function is specified in the IA charter approved by the Council.
		7.1.4. The internal audit function should adhere to the IIA Standards and code of ethics.	Yes	See 7.1.2.1. above

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Internal audit's approach and plan	7.2. Internal audit should follow a risk based approach to its plan	7.2.1. The internal audit plan and approach should be informed by the strategy and risks of the company.	Yes	The internal audit approach considers strategic objectives and risks, controls and assessment of its adequacy and efficiency.
		7.2.2. Internal audit should be independent from management.	Yes	The internal audit function is independent of management and, reports to the Council.
		7.2.3. Internal audit should be an objective provider of assurance that considers:		
		7.2.3.1. the risks that may prevent or slow down the realisation of strategic goals;	Yes	See 7.1.2.1. above
		7.2.3.2. whether controls are in place and functioning effectively to mitigate these; and	Yes	See 7.1.2.1. above
		7.2.3.3. the opportunities that will promote the realisation of strategic goals that are identified, assessed and effectively managed by the company's management team.	Yes	Management implements the IA recommendations to address any control deficiencies and take advantage of opportunities to improve the internal control system.
	7.3. Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	7.3.1 Internal audit should form an integral part of the combined assurance model as internal assurance provider.	Yes	The internal audit and external auditors provide the combined assurance.
		7.3.2 Internal controls should be established not only over financial matters, but also operational, compliance and sustainability issues.	Partial	External auditors consider and assess internal controls over non-financial matters as well.
		7.3.3 Companies should maintain an effective governance, risk management and internal control	Partial	The Enterprise Risk management framework employs an enterprise-wide risk management process. The internal audit function focuses on

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		framework.		the internal control system.
		7.3.4 Management should specify the elements of the control framework.	Partial	The components have not been formally specified.
		7.3.5 Internal audit should provide a written assessment of the system of internal controls and risk management to the board.	Partial	The Audit and Risk Committee provided the Report on internal control and risk management in the Annual Report 2009.
		7.3.6 Internal audit should provide a written assessment of internal financial controls to the audit committee.	Yes	In 2009 the IA reported a number of deficiencies in key financial controls to management and the audit committee.
	7.4. The audit committee should be responsible for overseeing internal audit	7.4.1 The internal audit plan should be agreed and approved by the audit committee.	Yes	The internal audit plan was approved by the Audit and Risk Committee.
		7.4.2 The audit committee should evaluate the performance of the internal audit function.	Yes	The Internal Audit reports on its performance to the Audit and Risk Committee monitors the effectiveness of the internal audit function.
		7.4.3 The audit committee should ensure that the internal audit function is subjected to an independent quality review.	No	See 7.4.2. above
		7.4.4. The CAE should report functionally to the audit committee chairman.	Yes	Terms of reference of the Internal audit
		7.4.5. The audit committee should be responsible for the appointment, performance assessment and dismissal of the CAE.	Partial	The Audit and Risk Committee is responsible for overseeing the internal audit function and assessing its performance. Appointment and dismissal of the CAE is handled by the senior appointments committee.
		7.4.6. The audit committee should ensure that the internal audit function is appropriately resourced and has	Yes	See 7.4.5. above

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		appropriate budget allocated to the function.		
		7.4.7. Internal audit should report at all audit committee meetings.	Yes	The IA attends the audit committee meetings.
Internal audit's status in the company	7.5. Internal audit should be strategically positioned to achieve its objectives	7.5.1. The internal audit function should be independent and objective.	Yes	The IA charter specifies its independence and objectivity. The internal audit is independent of management and reports to the audit committee.
		7.5.2. The internal audit function should report functionally to the audit committee.	Yes	See 7.5.1. above
		7.5.3. The CAE should have a standing invitation to attend executive committee meetings.	Yes	The CAE attends all the meetings of the Executive management Committee.
		7.5.4. The internal audit function should be skilled and resourced as is appropriate for the complexity and volume of risk and assurance needs.	Yes	The IA staff have the necessary competence to carry out the internal audit function.
		7.5.5. The CAE should develop and maintain a quality assurance and improvement programme.	Yes	The Internal Audit performs its duties in compliance with the IIA Standards and the Code of Ethics.
8. Governing stakeholder relationships				
	8.1. The board should appreciate that stakeholders' perceptions affect a company's reputation	8.1.1. The gap between stakeholder perceptions and the performance of the company should be managed and measured to enhance or protect the company's reputation.	Partial	The university has created the Institutional Forum to facilitate and support the functioning of various groupings of the university community. UKZN set up a Governance and Academic Freedom Committee (GAFC) which welcomes all stakeholders' views in the debate about academic freedom in the university. The expectation gap is

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				however not measured.
		8.1.2 The company's reputation and its linkage with stakeholder relationships should be a regular board agenda item.	Partial	In terms of the strategic plan values, UKZN wants to build sustainable in-depth relationships with its stakeholders.
		8.1.3 The board should identify important stakeholder groupings.	Yes	Stakeholders are broadly considered as internal and external groupings.
	8.2. The board should delegate to management to proactively deal with stakeholder relationships	8.2.1 Management should develop a strategy and formulate policies for the management of relationships with each stakeholder grouping.	Partial	There is no formal stakeholder policy on managing stakeholder relationships. There are however initiatives such as the Joint Consultative Forum (which focuses on employer-employee relationships), the Joint Bargaining Forum and the ADR (alternative dispute resolution).
		8.2.2 The board should consider whether it is appropriate to publish its stakeholder policies.	No	See 8.2.1. above
		8.2.3 The board should oversee the establishment of mechanisms and processes that support stakeholders in constructive engagement with the company.	Partial	The Joint Consultative Forum works on the relationship between the university and recognised unions and the staff. The Joint bargaining forum provides a platform for collective bargaining on salary increases and conditions of service. The SRC partakes in student governance. the Institutional forum is a platform for all stakeholders to engage with the institution.
		8.2.4 The board should encourage shareholders to attend AGM's.	Not applicable	
		8.2.5 The board should consider not only formal, but also informal, processes for interaction with the company's stakeholders.	Partial	See 8.1.1. above

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		8.2.6 The board should disclose in its integrated report the nature of the company's dealings with stakeholders and the outcomes of these dealings.	Partial	The Council has discussed university engagements with all stakeholders in the Report on the Institutional Forum in the Annual Report 2009.
	8.3. The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	8.3.1 The board should take account of the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of the company.	Partial	Practices such as the university Collective Leadership concept and the Institutional forum underscore the importance of stakeholder relationships to the Council
	8.4. Companies should ensure the equitable treatment of shareholders	8.4.1 There must be equitable treatment of all holders of the same class of shares issued.	Not applicable	
		8.4.2. The board should ensure that minority shareholders are protected.	Not applicable	
	8.5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	8.5.1. Complete, timely, relevant, accurate, honest and accessible information should be provided by the company to its stakeholders whilst having regard to legal and strategic considerations.	Partial	Integrated communication plan
		8.5.2. Communication with stakeholders should be in clear and understandable language.	Partial	See 8.2.1. above
		8.5.3. The board should adopt communication guidelines that support a responsible communication programme.	Partial	See 8.2.1. above
		8.5.4. The board should consider disclosing in the integrated report the number and reasons for refusals of requests of information that were	No	No such disclosure was made in the Annual Report 2009

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		lodged with the company in terms of the Promotion of Access to Information Act, 2000.		
Dispute resolution	8.6. The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	8.6.1. The board should adopt formal dispute resolution processes for internal and external disputes.	Partial	The institution established the Alternative Dispute Resolution to implement effective and non-adversarial dispute resolution methods. However, this process does not extend to external disputes.
		8.6.2. The board should select the appropriate individuals to represent the company in ADR.	No	The Institutional Forum advises the Council on mediation and dispute resolution.
9. Integrated reporting and disclosure				
Transparency and accountability	9.1. The board should ensure the integrity of the company's integrated report	9.1.1. A company should have controls to enable it to verify and safeguard the integrity of its integrated report.	Partial	There is a strong indication of controls over reporting of financial performance issues, the accounting and internal control system, and operational and administrative matters. There is established policy framework over these matters. Reporting of social and sustainability issues is still inadequate.
		9.1.2. The board should delegate to the audit committee to evaluate sustainability disclosures	No	No sustainability reporting yet.
		The integrated report should:		
		9.1.3. be prepared every year;	Yes	The institution prepares an Annual report
		9.1.4. convey adequate information regarding the company's financial and sustainability performance; and	Partial	See 9.1.1. above
		9.1.5. focus on substance over form.	Partial	The financial issues reported in the integrated

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				report comply with the International Financial Reporting Standards.
	9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	9.2.1. The board should include commentary on the company's financial results.	Yes	The annual report 2009 included the Financial review which conveyed information on the university's financial operations, performance, cash flows and position as at year end.
		9.2.2. The board must disclose if the company is a going concern.	Yes	See 9.2.1. above
		9.2.3. The integrated report should describe how the company has made its money.	Yes	See 9.2.1. above
		9.2.4. The board should ensure that the positive and negative impacts of the company's operations and plans to improve the positives and eradicate or ameliorate the negatives in the financial year ahead are conveyed in the integrated report.	No	The university did not produce the sustainability report.
	9.3 Sustainability reporting and disclosure should be independently assured	9.3.1. General oversight and reporting of sustain-ability should be delegated by the board to the audit committee.	No	See 9.2.4. above
		9.3.2. The audit committee should assist the board by reviewing the integrated report to ensure that the information contained in it is reliable and that it does not contradict the financial aspects of the report.	No	See 9.2.4. above
		9.3.3. The audit committee should oversee the provision of assurance over sustainability issues.	No	See 9.2.4. above