

Dear Colleagues

In October 2018, it was highlighted that there is responsibility and accountability that comes with funding that circulates in and out of the University of Cape Town (UCT). Since then, the Internal Audit Department highlighted and escalated instances of weaknesses in internal controls to Executive Management and University Audit Committee (UAC). In addition, several external audits and reviews have shown that there has been a lack of adherence to the universities' policies when using funds, be it research grants or funds from the general operating budget.

The UAC has placed the onus on Executive Management to explore other mechanisms for improving the control environment around the use of resources at UCT. Although the University is doing well with the management of resources received, there are several isolated cases that have the potential to derail the good work and contribution that UCT makes in the country, on the continent and internationally.

It is important to remember that as a public university, UCT is partially state funded which means it has a responsibility to ensure that taxpayers funds are used for budgeted and work-related purposes. On an annual basis, we provide written assurances to several government departments, most notably the Department of Higher Education and Training (DHET) that the University has effective, efficient, transparent financial management, risk management and internal control systems in place. In addition to public funds, UCT also receives funding from other entities including international and local funders, donors, corporates, alumni and other parties who all require assurances that their funds will be used for the intended purposes.

The responsibility that comes with the assurances we provide requires us to take extra measures to ensure that we safeguard the resources entrusted on the University. This means that we must review our procurement processes on a regular basis to ensure that these policies have been adhered to. Where staff have been found to have either misused or abused the resources under their control, disciplinary action has been taken and, if found guilty, staff have been dismissed.

It must be reiterated that UCT has zero tolerance for all fraudulent and corrupt activities. This is in line with the [UCT Fraud and Corruption Prevention Policy](#) that was approved by Council in 2017. The policy applies to all staff, students, vendors and other parties linked to UCT. In addition to the above policy, there is an external Whistle-Blowing Hotline, which has made management aware of instances of corruption and fraud that were not detected by our internal controls. We are very grateful to the individuals who have made use of the hotline to alert management to these instances. Combatting fraud and corruption is not only Executive Management's responsibility but requires all of us to play a part in ensuring that UCT lives up to its reputation as a university taking public accountability seriously.

For most of our procurement, we rely on the use of purchase order processes that sometimes are time-consuming especially when staff/researchers require some goods and services urgently for the department or projects they may be involved in. This means that the Purchasing Cards (PCards) become extremely helpful under those circumstances. However,

staff using PCards do not always adhere to the limits and responsibility that comes with the use of the PCards resulting in adverse internal or external audit findings.

In the last two months, the Executive Director of Finance has sent to all PCard users a regular update to submit outstanding documentation in support of expenditure incurred on a timely basis. Failure to do so will result in the PCard being blocked. From 1 August 2019, any PCards that have been blocked will remain blocked until all transactions have been allocated to a fund. These blocked cards will only be unblocked by exception after thorough due diligence by the Executive Director of Finance.

As an additional measure to improving and detecting instances of potential fraud, the services of a forensic audit firm have been sought to conduct random audits on a selected number of PCards. The process of selecting the cards has been entrusted to the service provider and all details of UCT PCards have been provided to the service provider to make their own selection about PCards that will be reviewed for further analysis. The purpose of the review is to use data analytics to identify any weaknesses that may not have been picked up through the normal management controls. If your PCard is selected for review that you cooperate with the service provider so as to assist the University in strengthening our internal controls.

The UAC has adopted the recommendations of Internal Audit and entrusted Executive Management to develop a UCT Fraud Escalation Protocol/Plan. The draft Fraud Escalation Plan is currently being finalised by the Finance Department and will be shared with all stakeholders once approved by the relevant governance structures. Should you be aware of any instances of potential fraud or corruption in your Faculty/Department, please refer the matter to the Executive Director of Finance for a detailed review.

we must all work together to ensure that UCT maintains its stellar reputation and ability to ensure resources are spent for the right reasons. Should you require further clarity, please feel free to contact the [Executive Director of Finance](#).