

**The University of Cape Town Academics' Union
Annual Financial Statements
for the year ended 31 December 2019**

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Annual Financial Statements for the year ended 31 December 2019**

Index

The reports and statements set out below comprise the annual financial statements presented to the members:

Index	Pages
Independent Auditor's Report	2 - 3
Office-bearers' Responsibilities and Approval	4
Office-bearers' Report	5
Statement of Financial Position	6
Statement of Comprehensive Income	7
Statement of Changes in Reserves	8
Statement of Cash Flows	9
Accounting Policies	10 - 11
Notes to the Annual Financial Statements	12 - 13
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Income Statement	14

Independent Auditor's Report

To the members of The University of Cape Town Academics' Union

Opinion

We have audited the annual financial statements of The University of Cape Town Academics' Union set out on pages 6 to 13, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present, in all material respects, the financial position of The University of Cape Town Academics' Union as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Note 1 to the annual financial statements and has complied with relevant provisions of its constitution relating to financial matters, as required in accordance with section 98(2) of the Labour Relations Act, 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Financial Statements* section of our report. We are independent of the union in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting

Without modifying our unqualified opinion above, we draw attention to Note 1 of the annual financial statements, which describes the basis of accounting. The annual financial statements are prepared in accordance with management's own accounting policies to satisfy the financial information needs of the members. As a result, the annual financial statements may not be suitable for another purpose.

Other information

The office-bearers are responsible for the other information. The other information comprises the office-bearers' report as required by the Labour Relations Act, 1995 and the supplementary information set out on page 14. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an opinion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibility for the annual financial statements

The office-bearers are responsible for the preparation and fair presentation of the annual financial statements on the basis of accounting as set out in Note 1 to the financial statements, and for such internal control as the office-bearers determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the office-bearers are responsible for assessing the union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the office-bearers either intend to liquidate the union or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the office-bearers.
- Conclude on the appropriateness of the office-bearers' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the body corporate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Furthermore, we communicate with the office-bearers regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nolands Inc
Registered Auditors
Practice Number: 900583e
Per: Craig Stansfield CA(SA), RA
Director

Cape Town
14 August 2020

**The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019**

Office-bearers' Responsibilities and Approval

The office-bearers are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements materially present the state of affairs of the union as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Note 1 to the annual financial statements. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Note 1 to the annual financial statements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The office-bearers acknowledge that they are ultimately responsible for the system of internal financial control established by the union and place considerable importance on maintaining a strong control environment. To enable the office-bearers to meet these responsibilities, the office-bearers set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the union and all employees are required to maintain the highest ethical standards in ensuring the union's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the union is on identifying, assessing, managing and monitoring all known forms of risk across the union. While operating risk cannot be fully eliminated, the union endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The office-bearers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Although the office-bearers are primarily responsible for the financial affairs of the union, they are supported by the union's external auditors.

The external auditors are responsible for independently auditing and reporting on the union's annual financial statements. The annual financial statements have been examined by the union's external auditors and their report is presented on pages 2 and 3.

The annual financial statements set out on pages 5 to 14, which have been prepared on the going concern basis, were approved by the office-bearers and were signed on their behalf by:

Office-bearer

Office-bearer

Cape Town
14 August 2020

**The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019**

Office-bearers' Report

The office-bearers submit their report for the year ended 31 December 2019.

1. Review of activities

Main business and operations

The union is engaged in advancing and protecting the interests of the University of Cape Town academic staff.

The operating results and state of affairs of the union are fully set out in the attached annual financial statements and do not in their opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after the reporting period

The office-bearers are not aware of any matter or circumstance of a material nature arising since the end of the financial year.

4. Office-bearers

The office-bearers of the union at the date of this report were as follows:

Name

K Mout (President)
T Low (Vice-president)
M Massyn (Treasurer)
T Gebbie
N Fischer
A Lilley
S Mowla
C Swart
M Tanner
S Yacoob

5. Auditors

Nolands Inc will continue in office for the next financial period.

The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019

Statement of Financial Position

Figures in Rand	Note(s)	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	2	<u>7</u>	<u>7</u>
Current Assets			
Cash resources	3	<u>4 563 837</u>	<u>3 852 246</u>
Total Assets		<u>4 563 844</u>	<u>3 852 253</u>
Equity and Liabilities			
Funds and reserves			
Accumulated surplus		<u>4 552 723</u>	<u>3 841 132</u>
Liabilities			
Current Liabilities			
Accounts payable	4	<u>11 121</u>	<u>11 121</u>
Total Equity and Liabilities		<u>4 563 844</u>	<u>3 852 253</u>

The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019

Statement of Comprehensive Income

Figures in Rand	Note(s)	2019	2018
Income	5	572 353	559 052
Other income		393 810	368 735
Operating expenses		(482 485)	(536 975)
Operating surplus	6	483 678	390 812
Investment revenue	7	227 913	160 363
Surplus before taxation		711 591	551 175
Taxation	8	-	-
Surplus for the year		711 591	551 175

The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019

Statement of Changes in Reserves

Figures in Rand	Accumulated surplus	Total equity
Balance at 01 January 2018	3 289 957	3 289 957
Surplus for the year	551 175	551 175
Balance at 01 January 2019	3 841 132	3 841 132
Surplus for the year	711 591	711 591
Balance at 31 December 2019	4 552 723	4 552 723

**The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019**

Statement of Cash Flows

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Cash generated from operations	9	483 678	390 814
Interest income		227 913	160 363
Net cash from operating activities		711 591	551 177
Net cash and cash equivalents movement for the year			
Cash and cash equivalents at the beginning of the year		3 852 246	3 301 069
Cash and cash equivalents at end of the year	3	4 563 837	3 852 246

The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with generally accepted accounting practice. The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the union; and
- the cost of the item can be measured reliably.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Depreciation method	Average useful life in years
Furniture and fixtures	Straight-line	6
Office equipment	Straight-line	3
Computer equipment	Straight-line	3

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Financial instruments

Initial recognition

The union classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the union's statement of financial position when the union becomes party to the contractual provisions of the instrument.

Accounts payable

These payables are initially measured at fair value; and are subsequently measured at cost.

The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.2 Financial instruments (continued)

Cash resources

The amounts disclosed under "*Cash resources*" represents the total of the amounts of money held on investment funds by the union.

1.3 Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Membership fees

Membership fees are recognised on the accrual basis.

Grant revenue

Grants are recognised when the union's right thereto has been established.

Investment income

Investment income is reported as income in the period that it is earned.

The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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2. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer equipment	18 791	(18 787)	4	18 791	(18 787)	4
Furniture and fittings	4 976	(4 974)	2	4 976	(4 974)	2
Office equipment	1 823	(1 822)	1	1 823	(1 822)	1
Total	25 590	(25 583)	7	25 590	(25 583)	7

Reconciliation of property, plant and equipment - 2019

	Opening balance	Closing balance
Computer equipment	4	4
Furniture and fittings	2	2
Office equipment	1	1
	7	7

Reconciliation of property, plant and equipment - 2018

	Opening balance	Closing balance
Computer equipment	4	4
Furniture and fittings	2	2
Office equipment	1	1
	7	7

3. Cash resources

Cash resources consist of:

Cash on hand	126	174
UCT operating funds	1 609 015	1 133 008
UCT investment funds	2 954 696	2 719 064
	4 563 837	3 852 246

4. Accounts payable

Accrued expense	11 121	11 121
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5. Income

Membership fees	572 353	559 052
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Membership fees currently represent contributions from members at 0.1% of cost of employment of each member.

The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
6. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Employee costs	453 017	425 792
Grants received	<u>(393 810)</u>	<u>(368 735)</u>
7. Investment income		
Interest received on investments	<u>227 913</u>	<u>160 363</u>
8. Taxation		
No provision for 2019 taxation has been made as the union has received tax exemption status from the South African Revenue Services.		
9. Cash generated from operations		
Surplus for the year	711 591	551 175
Adjustments for:		
Interest received	(227 913)	(160 363)
Changes in working capital:		
Accounts payable	-	2
	<u>483 678</u>	<u>390 814</u>

10. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

11. Events after the reporting period

The office-bearers are not aware of any matter or circumstance of a material nature arising since the end of the financial year.

The University of Cape Town Academics' Union
Annual Financial Statements for the year ended 31 December 2019

Detailed Income Statement

Figures in Rand	Note(s)	2019	2018
Income			
Membership fees		572 353	559 052
Other income			
Grants received from University of Cape Town		393 810	368 735
Investment income	7	227 913	160 363
		621 723	529 098
Operating expenses			
Auditors' remuneration		11 500	15 525
Computer expenses		5 768	3 671
Computer hardware		999	2 223
Consulting and professional fees		-	75 577
Entertainment and functions		7 914	9 852
General		173	1 047
Salaries		425 017	425 792
Stationery and books		718	903
Telephone, fax and postage		2 396	2 385
		482 485	536 975
Surplus before taxation		711 591	551 175
Taxation	8	-	-
Surplus for the year		711 591	551 175