

REPORT OF THE AUDIT COMMITTEE MEMBERS

Annual Financial Statements of the South African Qualifications Authority (SAQA)

The Audit Committee consists of the members listed hereunder and meets at least four (4) times per annum as per its approved terms of reference. During the current year six (6) meetings were held.

Name	Number of meetings attended
Mr K Mockler (Chairperson)	6/6
Ms M du Toit	6/6
Mr M Nefumbada	2/6
Dr G Els	2/6
Mr D Adler	4/6
Ms A Vieira	3/3

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38 (1)(a) of the PFMA and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as per its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control is effective and has been adequate during the year as the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, the matters of emphasis and management letter of the Auditor-General have not reported any significant or material non-compliance with prescribed policies and procedures. The annual risk assessment for the Authority was finalised during the year.

Management quarterly reports

The Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Officer and the Authority during the year under review, as required by the Act.

Evaluation of financial statements

The Audit Committee has:

- reviewed and discussed with the Auditor-General and the Accounting Officer the audited Annual Financial Statements to be included in the Annual Report;
- reviewed the Auditor-General's management letter and management response;
- reviewed changes in accounting policies and practices;
- reviewed significant adjustments resulting from the audit; and
- evaluated the Annual Financial Statements and recommends that they be adopted.



K G Mockler

Chairperson: Audit Committee
Pretoria

DATE: 15 July 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 54 to 69, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 13 of the South African Qualifications Authority Act, 1995 (Act No. 58 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the South African Qualifications Authority (SAQA) at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999).

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matter:


4.1 Going concern

Regarding the entity's ability to continue its operations in the near future, SAQA has sufficient funding and reserves to fund its operations for the twelve months ending 31 March 2006.

There are conditions indicating the existence of an uncertainty, which may cast doubt on SAQA's ability to continue as a going concern in the long run.

5. APPRECIATION

The assistance rendered by the staff of the South African Qualifications Authority during the audit is sincerely appreciated.



N Puren for Auditor-General

Pretoria

26 July 2005

The members have pleasure in presenting their report for the year ended 31 March 2005.

Donor contribution

Donor support continued to play a significant role in the realisation of SAQA's achievements. The members are grateful for the contributions to the Authority by the donor partners during the year:

	Deferred Income - Revenue				Accounts Receivable	
	1 April 2004	Debtor Adjustment	Current year income	Current year expenditure/ release	31 March 2005	31 March 2005
	R	R	R	R	R	R
CEEQ	174,769	-	-	31,155	143,614	-
Danish International Development Agency	97,620	-	-	97,620	-	-
Department of Arts, Culture, Science and Technology	212,256	-	-	92,349	119,907	-
Department of Education	-	-	5,000,000	-	5,000,000	-
DIDTETA	-	-	87,719	49,000	38,719	-
ETDP SETA	400,000	(400,000)	-	474,278	-	474,278
European Union	1,399,728	(379,417)	13,984,912	15,005,223	-	-
FASSET	-	-	131,579	131,579	-	-
H&W SETA	(65,035)	-	260,320	445,285	-	250,000
Independent Electoral Commission	250,000	-	-	212,223	37,777	-
ISETT SETA	-	-	105,263	105,263	-	-
Joint Education Trust	1,431,743	-	841,810	1,483,673	789,880	-
LG&W SETA	-	-	43,860	43,860	-	-
NACWC	-	-	1,500,000	1,500,000	-	-
National Skills Fund	-	-	16,800,000	-	16,800,000	-
Pan South African Language Board	158	-	317,544	317,702	-	-
Services SETA	407,970	-	-	309,767	98,203	-
	4,309,209	(779,417)	39,073,007	20,298,977	23,028,100	724,278

Accrued Interest Held				
	1 April 2004	Current year interest	Current year release	31 March 2005
	R	R	R	R
European Union	6,182,596	519,041	6,540,674	160,963
Joint Education Trust	8,666	73,144	81,810	-
	6,191,262	592,185	6,622,484	160,963

Deferred Income - Capital				
	1 April 2004	Current year expenditure	Current year release	31 March 2005
	R	R	R	R
Canadian International Development Agency	18,668,187	-	3,733,637	14,934,550
Department of Education	4,834,121	546,076	468,705	4,911,492
European Union	5,349,049	339,692	657,887	5,030,854
Joint Education Trust	64,271	-	24,225	40,046
	28,915,628	885,768	4,884,454	24,916,942

Going concern

The Authority believes that SAQA will continue to be a going concern for the financial year ahead. Accordingly, it continues to adopt the going concern basis in preparing the financial statements. In arriving at this view, the Authority took into account the current sound financial position.

However, the initial projections for the funding requirements for the 2006/2007 financial year is R63m and there has been an indication that government will, in terms of its Medium-term expenditure estimates, provide R33,991,000. The Authority is pursuing the matter with the Ministers of Education and Labour to ensure that with the ending of donor funding of SAQA's core functions, the mandate of SAQA will be fully funded by government from the 2006/2007 financial year onwards.

Post balance sheet event

No material events have occurred since the end of the financial year to the date of this report.

Property, Plant and Equipment

There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year. Capital expenditure for the year amounted to R885,736 (2004: R5,755,181). Details are contained under note 4 to the financial statements.

Remuneration

The remuneration of the Chairperson is determined by the Minister of Education, with the concurrence of the Minister of Finance. A portion of the remuneration of Dr Mokubung Nkomo and Professor Shirley Walters is paid to their employers, the University of Pretoria and the University of the Western Cape, respectively. Allowances paid to other non-executive members of the Authority are determined by the Authority.

Remuneration and allowances paid to members of the Authority for the year under review were as follows:

	Attendance	Other services		Travel costs	TOTAL
	fees	Paid to Employer	Paid to Member	Paid to Member	
	R	R	R	R	R
Executive					
Mr S Isaacs			758,971		758,971
Non-Executive					
Dr M Nkomo		69,042	26,052	3,537	98,631
Prof S Walters		23,931	47,863		71,794
Mr K Mockler	21,987		91,450	25,888	139,325
Mr D Adler	23,451			6,334	29,785
Ms A Vieira	11,227			358	11,585
Ms S Steenekamp				4,350	4,350
Mr D George				1,004	1,004
Ms M van Rooyen				746	746
Mr E de Klerk				1,828	1,828
Mr D Nkosi				2,342	2,342
TOTAL	56,665	92,973	924,336	46,387	1,120,361

The service contract with the Executive Officer was extended for a further five years expiring on 28 February 2007. This extension is considered by the Authority to be appropriate because SAQA is still developing to full maturity and a change at this stage would, in the view of the Authority, inhibit that development. To transform education and training in a country is very difficult and complicated. In the opinion of the Authority this transformation will be achieved quicker by retaining the services of the Executive Officer until 28 February 2007.

Auditors

The Auditor-General will continue in office in accordance with section 13(1) of the South African Qualifications Authority Act.

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2005**

Annual Financial Statements of the South African Qualifications Authority (SAQA)

		2005	2004
	Note	R	R
Revenue	2.	50,140,457	39,112,459
Less: Operating Expenses	3.	48,457,941	40,786,178
		1,682,516	(1,673,719)
Interest Income		515,915	492,203
Surplus/(Deficit) for the year		2,198,431	(1,181,516)

**BALANCE SHEET
AS AT 31 MARCH 2005**

Annual Financial Statements of the South African Qualifications Authority (SAQA)

	Note	2005 R	2004 R
Assets			
Non-Current Assets			
Property, Plant and Equipment	4.	26,104,499	30,225,582
Current Assets			
Inventories	5.	109,188	69,581
Accounts Receivable	6.	1,949,843	1,271,466
Prepaid Expenses		104,549	126,785
Cash and Cash Equivalents	7.	30,370,425	14,189,593
Total Assets		58,638,504	45,883,007
Equity and Liabilities			
Equity			
Reserves		5,630,009	3,431,578
Retained Income		5,630,009	3,431,578
Non-Current Liabilities			
Deferred Income - Long-Term Assets	8.	20,156,382	24,031,173
Current Liabilities			
Trade and Other Payables		3,745,683	7,928,497
Deferred Income	8.	27,860,589	9,258,699
Provisions	9.	1,245,841	1,233,060
Total Equity and Liabilities		58,638,504	45,883,007

STATEMENT OF CHANGES IN EQUITY

Annual Financial Statements of the South African Qualifications Authority (SAQA)

	Note	Retained Income R
Balance at 31 March 2003 as restated		4,613,094
Balance as previously reported		33,065,274
Change in Accounting Policy	18.	(28,452,180)
Net Deficit for the 2004 Year		(1,181,516)
Balance at 31 March 2004 as restated		3,431,578
Balance as previously reported		32,665,177
Change in Accounting Policy	18.	(28,915,629)
Restatement of Comparative Figures	19.	(317,970)
Net Surplus for the 2005 Year		2,198,431
Balance at 31 March 2005		5,630,009

CASH FLOW STATEMENT

Annual Financial Statements of the South African Qualifications Authority (SAQA)

	Note	2005 R	2004 R
Cash (Outflow)/Inflow from Operating Activities	10.	17,066,568	(16,880,605)
Government Grant received		26,646,000	11,270,000
Donor Funding received		33,993,607	3,582,974
Cash received from Customers		3,549,572	3,177,509
Cash Payments to Suppliers and Employees		(47,638,526)	(35,403,291)
Net Cash Flow from Operating Activities		16,550,653	(17,372,808)
Interest received		515,915	492,203
Cash Outflow from Investing Activities		(885,736)	(5,755,181)
Acquisition of Assets			
Additions	4.	(885,736)	(5,755,181)
Net Increase/ (Decrease) in Cash and Cash Equivalents		16,180,832	(22,635,786)
Cash and Cash Equivalents at Beginning of Year		14,189,593	36,825,379
Cash and Cash Equivalents at End of Year	7.	30,370,425	14,189,593

1. Accounting policies

1.1 Statement of Compliance

The following are the principal accounting policies used by the Authority, which are consistent with those of the previous year, except for the accounting policy relating to government grants for the purchase of property, plant and equipment, refer to note 18, and comply with South African Statements of Generally Accepted Accounting Practice and the Public Finance Management Act, Act 1 of 1999 as amended.

1.2 Basis of preparation

The financial statements are prepared on the historical cost basis.

1.3 Revenue recognition

Revenue is recognised in the income statement on the deferred income basis.

Accreditation fees

Accreditation fees are recognised when they become receivable.

Donor funding of projects

Donor funds are accounted for as revenue in the financial statements only when the funds have been disbursed in cash. All deferred income on approved projects at year-end in respect of funds under management are accounted for as commitments.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received. Government grants are recognised as income over the periods necessary to match them to the related costs on a systematic basis.

Government grants received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognised as income in the period in which they become receivable.

Government grants received for the acquisition of long term assets are initially recorded as deferred income and are recognised as income on a systematic and rational basis over the useful life of the assets in line with the depreciation rates used.

Interest

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the entity.

Rental income

Rental income is recognised when due and payable by tenants.

Evaluation fees

Evaluation fees are recognised when the evaluation reports are delivered.

1.4 Property, Plant and Equipment

All property, plant and equipment is initially recorded at cost. Property, plant and equipment are subsequently shown at their cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses (deficits) arising on disposal of property, plant and equipment are credited (charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

The Authority regularly maintains the property, plant and equipment in such a way that it does not incur any further costs for restoration expenses.

Depreciation on property, plant and equipment is written off using the straight-line method over the estimated useful life of the assets.

Buildings	5%
Computer Equipment	33%
Motor Vehicles	20%
National Learners' Records Database	
Software and Hardware	15%
Office Furniture and Equipment	20%
Assets with a purchase price of less than R1 000 are written off to the income statement on purchase.	

1.5 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction cost. Subsequent to initial recognition these instruments are measured at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses. Financial assets and liabilities are accounted for at trade date.

Trade and other receivables

Trade and other receivables originated by SAQA are stated at fair value less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Gains and losses on subsequent measurement

Gains and losses arising from a change in fair value of financial instruments that are not part of a hedging relationship are included in net surplus or deficit in the period in which the change arises.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when SAQA has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying assets are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.7 Impairment

The carrying amounts of the Authority's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows from the assets are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflow that is largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

1.8 Inventories

Inventories which consist of stationery, are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition, and is determined using the first-in, first-out method. Obsolete, redundant and slow moving inventory is identified on a regular basis and are written down to their estimated net realisable values.

1.9 Employee Benefits

Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount that SAQA has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts on current wage and salary rates.

Retirement benefits

SAQA contributes to a defined contribution plan. The contributions are charged against income as incurred.

1.10 Provisions

Provisions are recognised when SAQA has a present legal or constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

1.11 Cash and cash equivalents

Cash and cash equivalents consist of the balance on the current and call investment accounts and the cash on hand.

1.12 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in the current year. Refer to note 19 for information on adjustments to comparative figures.

	2005 R	2004 R
2. Revenue		
Donor Funding	45,912,508	35,575,470
- National Department - Government Grant - Revenue	21,099,924	10,958,053
- National Department - Government Grants Amortised	468,705	395,420
- Extra Budgetary Institutions (SETAs)	2,181,306	366,060
- International Institutions - Revenue	16,246,822	17,881,186
- International Institutions - Grants Amortised	4,415,751	4,406,405
- Non-Financial Public Enterprise	1,500,000	1,568,346
Evaluation Fees	2,146,565	2,025,859
Holograms	(25,000)	87,795
National Learners' Records Database	318,534	251,119
Q-Africa Conference	754,741	238,635
Rent	838,719	664,183
SETAs' funding of Expenses	-	171,044
Sundry	194,390	98,354
	50,140,457	39,112,459

3. Operating Expenses

	2005	2004
	R	R
Audit Fee	298,562	197,715
Audit	298,562	197,715
Authority Members' Remuneration		
Executive Officer	758,971	667,000
- remuneration	681,079	605,957
- contribution to pension fund	77,892	61,043
Non-Executives	361,390	447,010
Chairperson	166,888	121,214
- paid to employer		
- paid for travel on SAQA business	3,537	38,995
Members	56,665	82,977
- attendance at meetings		
- other services	134,300	203,824
Other Executives' Remuneration		
Deputy Executive Officer	602,892	527,166
- remuneration	537,985	476,503
- contribution to pension fund	64,907	50,663
Director: Standards Setting	523,768	490,389
- remuneration	467,812	443,426
- contribution to pension fund	55,956	46,963
Director: Quality Assurance	431,512	435,215
- remuneration	390,897	394,524
- contribution to pension fund	40,615	40,691
Director: Human Resources	153,178	431,877
- remuneration	142,301	390,276
- contribution to pension fund	10,877	41,601
Director: Information Technology	341,584	383,961
- remuneration	308,016	351,189
- contribution to pension fund	33,568	32,772
Director: Finance and Administration	528,983	465,000
- remuneration	475,643	419,554
- contribution to pension fund	53,340	45,446
Director: Strategic Support	315,078	-
- remuneration	283,035	-
- contribution to pension fund	32,043	-
Director: National Learners' Records Database	383,247	-
- remuneration	340,806	-
- contribution to pension fund	42,441	-
Depreciation	4,968,317	4,869,295
Building	524,430	477,605
Computer Equipment	420,536	360,015
Motor Vehicles	15,938	24,520
NLRD	3,733,637	3,733,638
Office Furniture and Equipment	273,776	273,517
Loss on disposal of property, plant and equipment	38,502	-
Operating lease charges	407,520	362,647
Personnel expenses (excludes executives listed above)	14,976,814	14,118,642
Other operating expenses	23,367,623	17,390,261
	48,457,941	40,786,178

4. Property, Plant and Equipment

	Cost	2005 Accumulated depreciation	Carrying value	Cost	2004 Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Land and Buildings	11,009,795	1,128,035	9,881,760	10,992,573	603,605	10,388,968
Computer Equipment	3,674,255	3,004,367	669,888	3,113,296	2,593,572	519,724
Motor Vehicles	105,409	105,409	-	169,159	124,659	44,500
NLRD Software	26,135,462	11,200,912	14,934,550	26,135,462	7,467,275	18,668,187
Office Furniture and Equipment	2,512,164	1,893,863	618,301	2,224,290	1,620,087	604,203
	43,437,085	17,332,586	26,104,499	42,634,780	12,409,198	30,225,582

Reconciliation of the movement of the book value of Property, Plant and Equipment.

Current Year

	Carrying value 1 April 2004	Additions	Disposals	Depreciation	Carrying value 31 March 2005
	R	R	R	R	R
Land and Buildings	10,388,968	17,222	-	524,430	9,881,760
Computer Equipment	519,724	580,640	9,940	420,536	669,888
Motor Vehicles	44,500	-	28,562	15,938	-
NLRD Software	18,668,187	-	-	3,733,637	14,934,550
Office Furniture and Equipment	604,203	287,874	-	273,776	618,301
	30,225,582	885,736	38,502	4,968,317	26,104,499

Previous Year

	Carrying value 1 April 2003	Additions	Disposals	Depreciation	Carrying value 31 March 2004
	R	R	R	R	R
Land and Buildings	5,825,259	5,041,314	-	477,605	10,388,968
Computer Equipment	642,244	237,495	-	360,015	519,724
Motor Vehicles	5,270	63,750	-	24,520	44,500
NLRD Software	22,401,825	-	-	3,733,638	18,668,187
Office Furniture and Equipment	465,098	412,622	-	273,517	604,203
	29,339,696	5,755,181	-	4,869,295	30,225,582

SAQA acquired the land and buildings at 1067 Arcadia Street, Hatfield, Pretoria, Erf 637 Hatfield, on 1 October 2002 for R5,400,000.

	2005	2004
	R	R
5. Inventories		
The inventory consists of consumables that have been stated at cost. There has been no need for inventory to be written down to net realisable value.		
	109,188	69,581
6. Accounts Receivable		
Value Added Tax	578,435	350,982
Rent	18,704	36,965
Expenditure Recoverable from 3rd Parties	1,352,704	883,519
	1,949,843	1,271,466
7. Cash and Cash Equivalents		
Bank Account Balances	27,865,074	3,852,054
Petty Cash	1,500	1,500
European Union Bank Balance	1,586,569	8,923,115
Danish International Development Agency Bank Balance	917,282	1,412,924
	30,370,425	14,189,593
8. Deferred Income		
Long-Term		
Deferred Income - Long-term Assets		
National Department - Government Grant		
Opening Balance	4,834,121	4,917,594
Funds received during the year	546,076	311,947
Transferred to Income	(468,705)	(395,420)
Closing Balance	4,911,492	4,834,121
International Governmental Institutions		
Opening Balance	24,081,508	23,534,586
Funds received during the year	339,692	4,953,327
Transferred to Income	(4,415,751)	(4,406,405)
Closing Balance	20,005,449	24,081,508
Total before short-term	24,916,941	28,915,629
Less: Short-term Portion	(4,760,559)	(4,884,456)
Total Deferred Income - Long-term Assets	20,156,382	24,031,173
Short-Term		
Short-term Portion of Deferred Income - Long-term Assets	4,760,559	4,884,456
Centre for the Evaluation of Educational Qualifications	143,614	174,769
Danish International Development Agency	-	97,620
Department of Arts, Culture, Science and Technology	119,907	212,256
Department of Education	5,000,000	-
DIDTETA	38,719	-
ETDP SETA	-	400,000
European Union	-	1,399,727
Holograms - QAD	71,930	-
Independent Electoral Commission	37,777	250,000
Joint Education Trust	789,880	1,431,743
NSF	16,800,000	-
Pan South African Language Board	-	158
Services SETA	98,203	407,970
	27,860,589	9,258,699

9. Provisions

	2005	2004
	R	R
Opening Balance	1,233,060	328,230
Net movement for the year	12,781	904,830
Closing Balance	<u>1,245,841</u>	<u>1,233,060</u>

Provisions include amounts due to staff for leave, sick leave and bonuses as at the balance sheet date.

	Bonus	Leave	Sick Leave	NACWC Employee Benefits	Clearing and Suspense Accounts	Total
Opening Balance	212,206	557,858	306,968	176,775	(20,747)	1,233,060
Amount Utilised	(212,206)	(192,528)	(206,774)	-	20,747	(590,761)
	-	365,330	100,194	176,775	-	642,299
Additional Provisions	192,644	130,915	197,999	81,984	-	603,542
Closing Balance	<u>192,644</u>	<u>496,245</u>	<u>298,193</u>	<u>258,759</u>	<u>-</u>	<u>1,245,841</u>

The Authority expects that the bonus provision will be paid in full during December or at the termination of an employee's services. The other provisions will result in an outflow of resources over the course of the year based on the employee's leave and sick leave behaviour. Uncertainty exists as to the date when the leave will be taken and as to what the employee's remuneration rate will be at the time of taking the leave.

The Provisions have been raised based on the employees' remuneration rates at the year end date. The leave and bonus provisions have been provided for in full while the sick leave accrual has been based on the historical sick leave pattern of the employees.

10. Reconciliation of Surplus/(Deficit) and Cash Flow Generated by Operating Activities

	2005	2004
	R	R
Surplus/(Deficit) Per Income Statement	2,198,431	(1,181,516)
Increase in Receivables	(656,141)	(314,771)
(Increase)/Decrease in Inventories	(39,607)	8,100
Increase/(Decrease) in Payables	10,557,066	(20,261,713)
Profit/Loss on Disposal of Fixed Assets	38,502	-
Non-Cash items: Depreciation	4,968,317	4,869,295
Cash Inflow/(Outflow) Generated through Operating Activities	<u>17,066,568</u>	<u>(16,880,605)</u>

11. Operating Leases

SAQA leases photocopiers and printers on a full maintenance basis, including consumables, for three years. The leases expire on 30 August 2005 and 31 May 2006. SAQA does not have an option to acquire the assets at the termination of the lease. There are no escalation clauses or restrictions imposed by the leases.

	2005	2004
	R	R
Total future minimum lease payments under non-cancellable operating leases		
Not later than 1 year	193,464	382,145
Between 1 and 5 years	9,354	175,264
	202,818	557,409

12. Taxation

SAQA is exempt from income tax in terms of section 10 (1) cA of the Income Tax Act.

13. Financial Instruments

Exposure to credit risk arises in the normal course of SAQA's business. Exposure to currency and interest rate risk is minimal.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash handling purposes. At the balance sheet date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk management

SAQA manages liquidity risks by monitoring forecasted cash flows and ensuring that the necessary funds are available to meet any commitments which arise.

Fair values

The fair values of all financial instruments are substantially identical to carrying amounts reflected in the balance sheet.

14. Retirement benefit obligations

SAQA operates a defined contribution retirement plan covering all qualifying employees. The fund is governed by the Pension Funds Act, 1956 (Act No. 24 of 1956). The assets of the scheme are held in funds under the control of trustees, separately from those of SAQA. Scheme assets primarily consist of listed shares and property unit trusts, and fixed income securities.

The total cost charged to income of R1,800,832 (2004: R1,618,365) represents contributions payable to the scheme by the SAQA according to the rates specified in the rules of the scheme. As at 31 March 2005 all contributions had been paid over to the scheme.

15. Subsequent events

There were no subsequent events of any material significance after 31 March 2005.

16. Contingent liabilities/assets

The Authority is not aware of any contingent liabilities or assets that existed as at 31 March 2005.

17. Project commitments

The Authority has already committed to the following projects for the coming financial year:

Joint Education Trust SESD Project	789,880
European Union	3,883,956
Department of Education	5,000,000
National Skills Fund	16,800,000
Joint Implementation Projects with SETAs	1,106,887
	27,580,723

18. Change in Accounting Policy

During the current year under review, the Authority changed its accounting policy on the disclosure of Government Grants received for the acquisition of long-term assets to bring the policy in line with Statement of Generally Accepted Accounting Practice AC 134 (IAS 20) - *Accounting for Government Grants and Disclosure of Government Assistance*.

Previously the Authority accounted fully for such grants in the income statement when the acquisition of the long-term assets took place. The Authority has changed its accounting policy to now show grants received for the acquisition of long-term assets in a deferred income account. The grants are then recognised as income on a systematic and rational basis over the useful life of the assets according to the depreciation rates used.

The change in Accounting Policy has had the following effect on the presentation of the financial statements:

	2005 R	2004 R
Increase/(Decrease) in Net Surplus for the Year		
Government Grants Capitalised	(885,768)	(5,265,274)
Deferred Income Released	4,884,456	4,801,825
	3,998,688	(463,449)
Retained Income		
Restatement of opening balances in respect of prior year adjustment	(28,915,629)	(28,452,180)

19. Change in comparative figures

An error occurred in the presentation of the prior year's financial statements. Funds received from the Services SETA were erroneously included as income received from Holograms instead of being included in the Deferred Income account of Services SETA.

The change in the comparative figures due to the prior period error has had the following effect on the presentation of the financial statements:

	2005 R	2004 R
Decrease in Net Surplus for the Year		
Restatement of Income from Holograms	-	(317,970)
Increase in Deferred Income		
Restatement of Deferred Income: Services SETA	-	317,970
Retained Income		
Restatement of Opening Balance in Respect of Prior Year Error	(317,970)	-

20. Public Finance Management Act

The Authority is not aware of any material losses during the year from any criminal conduct and has not incurred any irregular or fruitless and wasteful expenditure during the financial year. It has therefore not had to carry out any criminal or disciplinary steps in light thereof.

During the 2005 financial year, the Authority wrote off accrued amounts of R42,224. These debts were initially raised when previous employees left the employ of the Authority without working their necessary notice period. In such cases, the Authority raises a debtor for the remuneration of the employee for that portion of their notice period that they did not serve. Any amount that is not recovered from the employee on termination of their services from any bonus or leave paid out is then required to be paid back to the Authority. Certain ex employees can no longer be contacted to recover the amounts outstanding and the amounts have thus been written off.

SAQA received R26,646,000 (2004: R11,270,000) from the government during the year of which R546,076 (2004: R311,947) was used for capital expenditure and R21,099,924 (2004: R10,958,053) for personnel and administration. R5,000,000 of the funds received has been deferred to the following financial year. No commitments were made on the government's behalf.