

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

Report of the Audit Committee Members

Report of the Auditor-General

Accounting Authority Report

Statement of Financial Performance for the Year Ended 31 March 2006

Statement of Financial Position as at 31 March 2006

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Report of the Audit Committee Members

Introduction

The Committee comprises non-executive members, one being a member of the Authority. The Executive Officer and representatives of the external and internal auditors also attend meetings by invitation. The external and internal auditors meet regularly, separately, with the Committee, without the presence of Management. Both auditors have unrestricted access to the Committee and its Chairman.

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 main responsibilities of the Committee are set out on page 37. In addition, the Audit Committee fulfils the role of Risk Management Committee. It monitors compliance with the risk management strategy through periodic review of risk reports by Management and reviews the risk assessment of the Authority annually. Minutes of the meetings of the Committee are made available to all members of the Authority.

The effectiveness of internal control

As mentioned in paragraph 5 of the Auditor-General's report, the system of control over projects recording, reporting, and monitoring was not consistently applied. Management is in the process of rectifying the situation.

Appropriate steps have been taken to deal with all other inadequacies in the system of internal control as reported by the internal and external auditors.

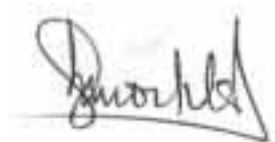
Management quarterly reports

The Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Officer 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.
- Evaluated the Annual Financial Statements and recommends that they be adopted.



K G MOCKLER
Chairperson: Audit Committee
Pretoria

Date: 31 July 2006



Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN QUALIFICATIONS AUTHORITY (SAQA) FOR THE YEAR ENDED 31 MARCH 2006

1. Audit assignment

The financial statements as set out on pages 45 to 58, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 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 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 International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in terms of Government Gazette no. 28954 of 23 June 2006. 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.

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

3. Basis of accounting

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1.1 to the financial statements.

4. Audit opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of South African Qualification Authority at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1.1 to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

5. Emphasis of matter

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

5.1 System of internal controls over projects

The allocation of expenses and revenues on projects undertaken in partnership with third parties reflected differences which have been communicated to management for follow up and rectification. The root cause for the aforementioned is that the system of controls over projects recording, reporting and monitoring was not consistently applied.

6. Appreciation

The assistance rendered by the staff of SAQA during the audit is sincerely appreciated.



GO Randall
for Auditor-General
Pretoria
31 July 2006



Accounting Authority Report

SAQA is a statutory body established by an Act of Parliament. The Act which established it is The South African Qualifications Act No 58 of 1995. In terms of the Public Finance Management Act (PFMA) SAQA is a schedule 3 A National Public Entity and is listed under that Schedule to the Act. SAQA is the accounting authority for the activities of the entity.

Nature of Entity

The Authority is a public enterprise domiciled in South Africa.

Donor / Projects

Donor / Project 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 for the year:

	Deferred Income - Revenue				Accounts	Accounts
	1 April	Refundable	Current	Current	Receivable	Payable
	2005	to donor /	Year	Year	31 March	31 March
	adjustments	Income	Expenditure /	2006	2006	
			Release			
	R	R	R	R	R	R
<u>Donors</u>						
CIDA	10,200	(10,200)	4,297,926	(4,297,926)	0	0
European Union	0	(331,843)	4,060,758	(3,728,915)	0	331,843
Joint Education Trust - (DANIDA)	789,880	(369,931)	324,300	(744,249)	0	369,931
	800,080	(711,974)	8,682,984	(8,771,090)	0	701,774
<u>Projects</u>						
Department of Arts						
Culture Science and						
Technology	119,907	0	0	(119,907)	0	0
DIDTETA	38,719	(38,719)	0		0	38,719
Education Training and						
Development Practices						
SETA	(474,278)	0	1,956,000	(1,031,722)	450,000	0
H&W SETA	(250,000)	0	585,000	(607,526)	0	(272,526)
Independent Electoral						
Commission	37,777	0	0	(37,777)	0	0
ISETT SETA	0	0	500,000	(134,638)	365,362	0
National Skills Fund	16,800,000	0	0	(16,800,000)	0	0
TETA SETA	0	0	1,395,000	(104,033)	1,290,967	0
Services SETA	98,203	(27,669)	0	(70,534)	0	27,669
	16,370,328	(66,388)	4,436,000	(18,906,137)	2,106,329	(272,526)
	17,170,408	(778,362)	13,118,984	(27,677,227)	2,106,329	(272,526)

	Accrued Interest Held			
	1 April	Current Year	Current Year	31 March
	2005	Interest	Release	2006
	R	R	R	R
European Union	160,963	76,233	0	237,196
	160,963	76,233	0	237,196



	Deferred Income - Capital			
	1 April 2005 R	Current Year Expenditure R	Current Year Release R	31 March 2006 R
Canadian International Development Agency	14,934,549	0	3,733,637	11,200,912
Department of Education	4,911,492	3,412,934	877,939	7,446,487
European Union	5,030,854	308,849	609,512	4,730,191
Joint Education Trust - (DANIDA)	40,046	0	24,226	15,820
	24,916,941	3,721,783	5,245,314	23,393,410

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.

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. Revenue from operating leases has been recognised in accordance with IAS 17-Leases

Capital Expenditure for the year amounted to R 3,737,709.21 (2005: R 885,736)

Details are contained under Note 4 to the Financial Statements

Risk Management

The Authority is responsible for the process of risk management and for establishing risk and control policies and communicating them throughout SAQA.

The Authority, through the Audit Committee and using the internal auditors, ensures that there is an on-going process for identifying, evaluating and managing the significant risks faced by SAQA.

This process was in place for the year under review and up to the date of approval of the annual report and financial statements.

There is an effective system of internal controls in place to mitigate the significant risks faced by SAQA to an acceptable level. Such a system is designed to manage, rather than eliminate, the risk of failure or to maximise the opportunity to achieve business objectives. This can only provide reasonable, but not absolute assurance.

There is a documented and tested process in place that will allow SAQA to continue its critical business processes in the event of a disastrous incident impacting on its activities.

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 Professor Shirley Walters is paid to her employer, the University of the Western Cape. 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 Fees	Other Services Paid to employer	Paid to Member	Travel costs Paid to Member	TOTAL
Executive					
Mr S Isaacs			808,689		808,689
Non-Executives					
Prof S Walters	-	60,134	120,268	3,790	184,192
Mr DL Nkosi	-	-	-	5,482	5,482
Mr E de Klerk	-	-	-	9,030	9,030
Ms R Rajab	-	-	-	6,481	6,481
Ms S Nomvete	9,516	-	-	3,903	13,419
Mr J Pillay	-	-	-	1,505	1,505
Ms A Vieira	18,080	-	-	584	18,664
Ms M van Rooyen	-	-	-	5,104	5,104
Mr J Cooke	-	-	-	1,500	1,500
	27,596	60,134	928,957	37,379	1,054,066

In addition, Note 3 to the Financial Statements discloses emoluments paid to senior management of the Authority during the period 1 April 2005 to 31 March 2006

Financial Statements

The Authority is responsible for ensuring that financial statements are prepared based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The financial statements are prepared in accordance with accounting standards as set out in note 1.1 to the financial statements.

Auditors

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

The Auditor-General expresses an opinion on the financial statements. The audit has been performed in terms of section 188 of the Constitution of the Republic of South Africa Act 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No 25 of 2004) and section 13(1) of the South African Qualifications Authority Act 1995 (Act no 58 of 1995). The audit is conducted in accordance with International Standards on Auditing.

The audit includes a consideration of the system of internal financial controls and a test of transactions to enable the Auditor-General to report on the fairness of presentation of the financial performance, financial position and cash flow of SAQA.

Fair Presentation

The Financial Statements fairly present the state of affairs of SAQA at 31 March 2006, the results of its operations, and cash flow information for the year then ended. These were signed by the Chairperson and the Executive Officer on behalf of the Authority on 28 July 2006.



Statement of Financial Performance

for the year ended 31 March 2006

	Notes	2006 R	2005 R
Revenue	2	66,618,879	50,140,457
Less: Operating expenses	3	<u>54,822,044</u>	<u>48,457,941</u>
		11,796,835	1,682,516
Financial Income - Interest		<u>2,246,901</u>	<u>515,915</u>
Surplus for the year		<u><u>14,043,736</u></u>	<u><u>2,198,431</u></u>

Statement of Financial Position

as at 31 March 2006

ASSETS		2006 R	2005 R
NON-CURRENT ASSETS		24,619,838	26,104,499
Property, plant and equipment	4	<u>24,530,669</u>	<u>26,104,499</u>
Operating lease income		89,169	0
CURRENT ASSETS		41,045,386	32,534,005
Inventories	5	<u>55,470</u>	<u>109,188</u>
Accounts receivable	6	5,830,498	1,949,843
Prepaid expenses		298,338	104,549
Cash and cash equivalents	7	<u>34,861,080</u>	<u>30,370,425</u>
TOTAL ASSETS		<u><u>65,665,224</u></u>	<u><u>58,638,504</u></u>
NET ASSETS AND LIABILITIES			
NET ASSETS		19,673,745	5,630,009
Accumulated surplus		<u>19,673,745</u>	<u>5,630,009</u>
NON-CURRENT LIABILITIES			
Deferred Income - Long-term assets	8	18,033,689	20,156,382
CURRENT LIABILITIES		27,957,790	32,852,113
Trade and other payables	9	<u>8,125,540</u>	<u>4,991,524</u>
Deferred income	8	<u>19,832,250</u>	<u>27,860,589</u>
TOTAL NET ASSETS AND LIABILITIES		<u><u>65,665,224</u></u>	<u><u>58,638,504</u></u>

Statement of Changes in Net Assets

for the year ended 31 March 2006

	Accumulated Surplus R
Balance at 31 March 2004	3,431,578
Surplus for the year	<u>2,198,431</u>
Balance at 31 March 2005	5,630,009
Surplus for the year	<u>14,043,736</u>
Balance at 31 March 2006	<u><u>19,673,745</u></u>

Cash Flow Statement

for the year ended 31 March 2006

	Notes	2006 R	2005 R
Cash flow from operating activities	10	8,228,364	17,066,568
Cash generated from operations		5,981,463	16,550,653
Government grant received		33,564,645	26,646,000
Donor funding received		8,682,984	14,826,722
Project funding received		4,436,000	19,166,885
Cash receipts from customers		6,582,556	3,549,572
Cash paid to suppliers and employees		(47,284,722)	(47,638,526)
Interest received		2,246,901	515,915
Cash outflow from investing activities		(3,737,709)	(885,736)
Acquisition of assets			
Acquisition of property, plant and equipment	4	(3,737,709)	(885,736)
Net increase in cash and cash equivalents		4,490,655	16,180,832
Cash and cash equivalents at 1 April		30,370,425	14,189,593
Cash and cash equivalents at 31 March	7	34,861,080	30,370,425



Notes to the Financial Statements

for the year ended 31 March 2006

The annual financial statements were authorised by for issue by members of SAQA on 28 July 2006

1. Accounting Policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP

GRAP 1: Presentation of financial statements
GRAP 2: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced Statement of GAAP

AC101: Presentation of financial statements
AC118: Cash flow statements
AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following significant changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends
Reporting date	Balance sheet date

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
 - (b) taxes and transfers payable;
 - (c) trade and other payables from non-exchange transactions
- must be presented separately on the statement of financial position

4. The amount and nature of any restrictions on cash balances is required to be disclosed

Paragraphs 11 – 15 of GRAP 1 have not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

SAQA recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefit embodied within the item will flow to SAQA and the cost can be measured reliably. All other costs are recognised in the statement of financial performance when incurred.

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 is charged to the statement of financial performance on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	20 years
Computer equipment	7 years
Motor vehicles	5 years
National Learners' Records Database software and hardware	7 years
Office furniture & equipment	5 years

Assets with a purchase price of less than R1 000 are written off to the statement of financial performance on purchase.

The residual value, if not insignificant, is reassessed annually

1.3 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 existing 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 written down to its estimated net realisable value.

1.4 Trade and other receivables

Trade and other receivables are stated at cost less impairment losses

1.5 Cash and cash equivalents

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

1.6 Impairment

The carrying amounts of SAQA's assets are reviewed at each statement of financial position 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 estimated future cash flows 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.

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

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 Provisions

Provisions are recognised in the statement of financial position when SAQA has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provision for onerous contracts is recognised when the expected benefits to be derived from the contract are lower than the unavoidable cost of meeting the obligation under the contract.

1.8 Trade and other payables

Trade and other payables are stated at fair value

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 statement of financial position date. The provisions have been calculated at undiscounted amounts on current wage and salary rates.

Defined contribution plans

Contributions are charged against income as incurred.



1.10 Revenue

Accreditation fees

Accreditation fees are recognised when they become receivable.

Evaluation fees

Evaluation fees are recognised when the evaluation reports are delivered.

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 the year-end in respect of funds under management are accounted for as commitments.

Government, donor and project grants

Any Government and International donor grant is recognised in the statement of financial position initially as deferred income when there is reasonable assurance that the conditions attached to it will be complied with and that the grant will be received.

Grants that compensate the entity for expenses or losses incurred are recognised as revenue in the statement of financial performance on a systematic basis in the same periods in which the expenses or losses are incurred. Grants for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the period in which they become receivable. Grants that compensate for the cost of an item of property, plant and equipment are recognised in the statement of financial performance on a systematic basis over the useful life of the item.

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 in the statement of financial performance on a straight-line basis over the period of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

1.11 Expenses

Payments made under operating leases are recognised in the statement of financial performance on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of financial performance as an integral part of the total lease expense.

1.12 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 are stated at their cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at reporting 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 statement of financial position 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.

	2006 R	2005 R
2. Revenue		
Grants	49,728,714	23,749,935
- Department of Education - grant revenue	29,151,711	21,099,924
- Department of Education - grants amortised	877,939	468,705
- Department of Labour - National Skills Fund	16,800,000	-
- Extra budgetary institutions - project revenue	2,899,064	2,181,306
Donors	12,336,373	22,162,573
- International institutions - revenue	7,968,998	16,246,822
- International institutions - grants amortised	4,367,375	4,415,751
- Non-financial public enterprise	-	1,500,000
Evaluation fees	2,881,124	2,146,565
Verification services	93,811	318,534
Q-Africa conference	213,037	754,741
Rent	1,189,312	838,719
Sundry	176,508	169,390
	66,618,880	50,140,457

3. Operating expenses

Audit fee	373,564	298,562
Audit	373,564	298,562
Authority Members' remuneration		
Executive Officer	804,791	758,971
- remuneration	727,233	681,079
- contribution to retirement plan	77,558	77,892
Non-Executives	245,377	361,390
Chairperson		
- remuneration to chairperson	120,268	73,915
- remuneration to employer	60,134	92,973
- paid for travel on SAQA business	3,790	3,537
Members		
- attendance at meetings	27,596	56,665
- other services	33,589	134,300
Other executives' remuneration		
Deputy Executive Officer (appointed 1 Aug 2005)	429,316	602,892
- remuneration	387,270	537,985
- contribution to retirement plan	42,046	64,907
Director: Standards setting (became deputy EO on 1 Aug 2005)	190,721	523,768
- remuneration	172,939	467,812
- contribution to retirement plan	17,782	55,956
Director: Standards setting (appointed 6 Dec 2005)	138,640	-
- remuneration	130,003	-
- contribution to retirement plan	8,637	-
Director: Quality assurance (appointed 1 Aug 2005)	296,349	431,512
- remuneration	267,685	390,897
- contribution to retirement plan	28,664	40,615
Director: Human resources	397,653	153,178
- remuneration	359,715	142,301
- contribution to retirement plan	37,938	10,877
Director: Information technology	514,490	341,584
- remuneration	462,849	308,016
- contribution to retirement plan	51,642	33,568



Director: Finance and administration (resigned 31 Jul 2005)	207,772	528,983
- remuneration	189,125	475,643
- contribution to retirement plan	18,647	53,340
Director: Finance and administration (appointed 20 Jun 2005, resigned 31 Jan 2006)	348,013	0
- remuneration	316,557	0
- contribution to retirement plan	31,457	0
Director: Strategic support (resigned 31 Dec 2005)	418,680	315,078
- remuneration	378,547	283,035
- contribution to retirement plan	40,133	32,043
Director: National Learners Records Database	478,870	383,247
- remuneration	421,702	340,806
- contribution to retirement plan	57,168	42,441
Personnel Expenses (excluding executives listed above)	15,715,020	14,976,814
Wages and salaries	14,065,247	13,183,048
Compulsory statutory payments and social contributions	325,073	326,681
Contributions to retirement plan	1,324,700	1,467,085
Depreciation	5,311,539	4,968,317
Building	525,770	524,430
Computer equipment	834,586	420,536
Motor vehicles	-	15,938
NLRD	3,733,637	3,733,637
Office furniture and equipment	217,546	273,776
Loss on disposal of property, plant and equipment	0	38,502
Operating lease charges	327,851	407,520
Other operating expenses	28,623,397	23,367,623
	54,822,044	48,457,941

4. Property, plant & equipment

	2006			2005		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Land	515,455	0	515,455	515,455	0	515,455
Buildings	10,553,870	1,653,805	8,900,065	10,494,340	1,128,035	9,366,305
Computer equipment	7,215,522	3,838,953	3,376,569	3,674,255	3,004,367	669,888
Motor vehicles	105,409	105,409	0	105,409	105,409	0
NLRD software	26,135,462	14,934,549	11,200,913	26,135,462	11,200,912	14,934,550
Office furniture and equipment	2,649,076	2,111,409	537,667	2,512,164	1,893,863	618,301
	47,174,794	22,644,125	24,530,669	43,437,085	17,332,586	26,104,499

Reconciliation of the movement of the carrying value of Property, plant & equipment

Current year

	Carrying Value	Additions	Disposals	Depreciation	Carrying value
	1 April 2005			R	31 March 2006
	R	R	R	R	R
Land	515,455	0	0	0	515,455
Buildings	9,366,305	59,530	0	525,770	8,900,065
Computer equipment	669,888	3,541,267	0	834,586	3,376,569
Motor vehicles	0	0	0	0	0
NLRD software	14,934,550	0	0	3,733,637	11,200,913
Office furniture and equipment	618,301	136,912	0	217,546	537,667
	26,104,499	3,737,709	0	5,311,539	24,530,669

Previous year

	Carrying Value 1 April 2004 R	Additions R	Disposals R	Depreciation R	Carrying value 31 March 2005 R
Land	515,455	0	0	0	515,455
Buildings	9,873,513	17,222	0	524,430	9,366,305
Computer equipment	519,724	580,640	9,940	420,536	669,888
Motor vehicles	44,500	0	28,562	15,938	0
NLRD software	18,668,187	0	0	3,733,637	14,934,550
Office furniture and equipment	604,203	287,874	0	273,776	618,301
	<u>30,225,582</u>	<u>885,736</u>	<u>38,502</u>	<u>4,968,317</u>	<u>26,104,499</u>

SAQA acquired the land and buildings at 1067 Arcadia Street, Hatfield, Pretoria, Erf 637 Hatfield, on 1 October 2002 for R5,400,000. Improvements to land and buildings to date amount to R5 669 325 (2005: R5 609 795)

		2006	2005
Cost price		5,400,000	5,400,000
Improvements	2002	551,259	551,259
	2003	0	0
	2004	5,041,314	5,041,314
	2005	17,222	17,222
	2006	59,530	0
		<u>11,069,325</u>	<u>11,009,795</u>

	2006 R	2005 R
5. Inventories		
The inventory consists of consumables that have been stated at cost.	<u>55,470</u>	<u>109,188</u>

6. Accounts receivable

Value added tax	0	578,435
Rent	26,699	18,704
Additional government grant due	5,000,000	-
Recoverable expenditure	803,799	1,352,704
	<u>5,830,498</u>	<u>1,949,843</u>

	2006 R	2005 R
7. Cash and cash equivalents		
Bank account balances	3,772,958	27,865,074
Petty cash	1,000	1,500
Corporation For Public Deposits	30,096,424	0
European Union bank balance	764,315	1,586,569
Danish International Development Agency (JET) bank balance	226,383	917,282
	<u>34,861,080</u>	<u>30,370,425</u>

The amounts reflected as European Union bank balance and the DANIDA (JET) bank balance held by SAQA are not available for SAQA's use as it is an amount dedicated to specific use specified by the European Union and DANIDA (JET).



8. Deferred Income

Long-Term

Deferred Income - Long-term assets

Department of Education grant		
Opening balance	4,911,492	4,834,121
Funds received during the year	3,412,934	546,076
Transferred to income	(877,939)	(468,705)
Closing balance	<u>7,446,487</u>	<u>4,911,492</u>
International governmental institutions		
Opening balance	20,005,449	24,081,508
Funds received during the year	308,849	339,692
Transferred to income	(4,367,375)	(4,415,751)
Closing balance	<u>15,946,923</u>	<u>20,005,449</u>
Total	<u>23,393,410</u>	<u>24,916,941</u>
Less: Short-term portion	<u>(5,359,721)</u>	<u>(4,760,559)</u>
Total Deferred income - long-term assets	<u>18,033,689</u>	<u>20,156,382</u>

Short-Term

Short-term portion of deferred income - long-term assets	5,359,721	4,760,559
Centre for the Evaluation of Educational Qualifications	1,366,200	143,614
Department of Arts Culture Science and Technology	0	119,907
Department of Education	11,000,000	5,000,000
DIDTETA	0	38,719
Education Training and Development Practices SETA	450,000	0
Holograms - QAD	0	71,930
Independent Electoral Commission	0	37,777
ISETT SETA	365,362	0
Joint Education Trust	0	789,880
TETA	1,290,967	0
NSF	0	16,800,000
Services SETA	0	98,203
	<u>19,832,250</u>	<u>27,860,589</u>

9. Trade and other payables

Trade payables	5,528,330	3,574,406
Short term employee accruals	1,411,638	987,082
VAT	153,863	0
Other	1,031,709	430,036
	<u>8,125,540</u>	<u>4,991,524</u>

2006

R

2005

R

10. Cash flow from operating activities

Reconciliation of surplus and cash flow generated by operating activities		
Surplus per statement of financial performance	14,043,736	2,198,431
Increase in receivables	(4,163,613)	(656,141)
(Increase) / decrease in inventories	53,718	(39,607)
Increase / (decrease) in payables	(7,017,016)	10,557,066
Surplus / deficit on disposal of property, plant and equipment	0	38,502
Non-cash items: depreciation	5,311,539	4,968,317
	<u>8,228,364</u>	<u>17,066,568</u>

11. Operating leases

Leases as lessee

SAQA leased 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 lessors. At 31 March 2006 SAQA had released itself from all lease obligations.

Total future minimum lease payments under non-cancellable operating leases

Not later than 1 year	0	193,464
Between 1 and 5 years	0	9,354
	0	202,818

Leases as Lessor

SAQA leases out offices in the Hatfield building under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

Less than one year	966,825	801,857
Between one and five years	1,310,179	2,277,004
More than five years	0	
	2,277,004	3,078,861
Operating lease accrual recognised	2,168,800	3,051,616
Amount to be recognised in future periods	108,204	27,245
	2,277,004	3,078,861

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 statement of financial position 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 statement of financial position.

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 statement of financial position.

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 fund are held in trust under the control of the umbrella Board of Trustees of the Orion Money Purchase Pension Fund (SA). Old Mutual is the fund underwriter. Fund assets consist primarily of monthly contributions paid over to the fund on behalf of the members by the participating employers. The underlying assets are invested in listed shares, fixed income securities, cash and deposits.

The total cost charged to income of R1,736,371 (2005: R1,800,832) represents contributions payable to the scheme by the SAQA according to the rates specified in the rules of the scheme.

As at 31 March 2006 all contributions had been paid over to the scheme.

15. Related Parties**15.1. Identity of related parties**

The entity has a related party relationship with public entities within the national sphere of government.

Transactions with members of SAQA consists of remuneration and is disclosed in Note 3 to the financial statements and the names are detailed in the Accounting Authority Report.



Transactions with the SAQA's principal departments and their public entities :

	Grant	Services Rendered
Department of Education	R 32,064,645.00	R 1,500,000.00
Department of Labour including the following public entities under its control:		
- Education Training and Development Practices SETA		1,956,000
- H&W SETA		585,000
- ISETT SETA		500,000
- TETA SETA		1,395,000
		R 4,436,000.00

Transactions with other Government Departments were not material.

15.2. Transactions with key management consisted of remuneration and is disclosed in note 3 to the financial statements.

16. Subsequent events

There were no subsequent events of any material significance after 31 March 2006.

17. Accounting estimates and judgments

After due consideration management believes that the accounting policies used are appropriate and estimates made are reasonable.

18. Investment Property

The Authority sub lets a portion of the Hatfield Forum West building but has decided not to treat this property as an investment property as the Authority occupies a significant portion of the building for administration purposes. Accordingly, the leased floor space is treated as an operating lease of property, plant and equipment.

19. Contingent Liabilities/Assets

The Authority is not aware of any contingent liabilities or assets that existed as at 31 March 2006.

20. Project Commitments

The Authority has already committed to the following projects for the coming financial year:	2006	2005
	R	R
Joint Education Trust (DANIDA) Support to Education & Skills Development Project	0	789,880
SAQA EU Project	0	3,883,956
Department of Education	11,000,000	5,000,000
Early Childhood Development	1,500,000	0
Program Implementation	9,500,000	5,000,000
Programme implementation - NSF	0	16,800,000
Joint Implementation Plans	2,106,329	1,106,887
	13,106,329	27,580,723

21. 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, unauthorised 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.

The Authority has assessed the levels of materiality to be

- any amount which arises from criminal conduct
- R10 000 and above which results from irregular, fruitless or wasteful expenditure caused by gross negligence; or
- R250 000 and above, being approximately 0,5% of gross revenue in respect of irregular, fruitless or wasteful expenditure caused by any other circumstance

SAQA received R33 564 645 (2005: R26 646 000) from the government during the year of which R3 412 934 (2005: R546 076) was used for capital expenditure and R29 151 711 (2005: R21 099 924) for personnel and administration. The funds deferred at year-end of R11 000 000 (2005: R5 000 000) consists of R6 500 000 received in the current year and R4 500 000 received in the prior year. No financial commitments were made on the government's behalf.