

Balance Sheet

as at 31 March 2001

	Notes	2001 R'000	2000 R'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	2	38 629	68 454
Investments	3	-	3 172
<i>Current assets</i>			
Inventories	4	1 532	1 310
Trade and other receivables		7 077	4 052
Prepayments		1 591	993
Cash and cash equivalents		24 907	3 927
Total assets		73 736	81 908
Funds and liabilities			
<i>Funds</i>			
Income funds		15 268	(5 213)
Capital funds		37 581	66 937
Deferred income		1 047	1 516
<i>Current liabilities</i>			
Trade and other payables	5	19 840	18 668
Total funds and liabilities		73 736	81 908

Income Statement

for the year ended 31 March 2001

	Notes	2001 R'000	2000 R'000
Revenue	6	84 292	79 654
Other operating income	7	5 521	7 336
Administrative costs	8	(42 318)	(60 867)
Other operating costs	9	(27 014)	(25 677)
Surplus for the year		<u>20 481</u>	<u>446</u>

Statement of

Changes in Equity

for the year ended 31 March 2001

R'000	Income funds	Own risk insurance fund	Capital funds	Deferred income	Total
Balance at 31 March 1999	(6 086)	400	66 964	2 747	64 025
Allocated to income during the year	–	–	–	(1 685)	(1 685)
Net surplus/(deficit) for the year	473	–	(27)	–	446
Portion of parliamentary grant utilised to acquire depreciable fixed assets for the year	–	–	–	454	454
Balance at 31 March 2000	(5 613)	400	66 937	1 516	63 240
Allocated to income during the year	–	–	–	(1 235)	(1 235)
Net surplus for the year	20 481	–	–	–	20 481
Revaluation of land and buildings	–	–	(29 356)	–	(29 356)
Portion of parliamentary grant utilised to acquire depreciable fixed assets for the year	–	–	–	766	766
Balance at 31 March 2001	14 868	400	37 581	1 047	53 896

Notes to the Annual Financial Statements

Annual Financial Statements 31 March 2001

1. Accounting policy

The financial statements have been prepared on the historical cost basis in accordance with the policies below, which have been consistently applied in all material respects with the previous financial year, except where otherwise indicated.

1.1 Acknowledgement of income in general

Income is recognised on the accrual basis. Income that resulted from the rendering of services is acknowledged at the stage of completion, determined according to the percentage of work carried out in relation to the total project.

1.2 Parliamentary grants received

1.2.1 Baseline grant

Parliamentary grants are accounted for in the period to which each grant relates.

1.2.2 Grants for depreciable and non-depreciable assets

Depreciable assets

Parliamentary grants in respect of depreciable assets are allocated to income over the period of and in proportion to the depreciation, which is written off against such assets. The balance of the parliamentary grant not recognised in the income statement is disclosed as deferred income. (Refer to Note 1.7.)

Non-depreciable assets

Parliamentary grants in respect of non-depreciable assets are allocated to income when received. A corresponding amount is then transferred from income funds to capital funds as an appropriation of accumulated funds per income statement. (Refer to Note 1.10.)

1.3 Fixed assets and depreciation

Freehold land and buildings and art works are regarded as investments, are not depreciated and are carried at revaluation value.

A valuation of freehold land and buildings will be done every three years on long-term assumptions based on the income capitalisation method, in other words the market value is determined from the ability of the property to produce a rental income, taking into account the expenses to produce the rental income, capitalised at a market-related rate, taking into account the risk, age and condition of the property with existing buildings.

Any surpluses or shortages that occur due to the professional revaluation of land and buildings are directly allocated to capital funds. Valuation surpluses realised with the sales of land and buildings are reallocated from the capital fund to the income statement.

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All other fixed assets are stated at cost and depreciated on the straight line basis over the estimated useful lives.

The annual depreciation rates applied to the various categories of fixed assets are:

Motor vehicles	25%
Office furniture	20%
Computer and other equipment	33,3%
Library books and manuscripts	33,3%

1.4 Inventories

Inventories are valued at the lower of cost price or net realisable value. The net realisable value is the net of the selling price, during normal business, less any completion costs or selling costs. Raw materials and consumable stock are valued at the weighted average cost of material.

1.5 Operating leases

Lease agreements are classified as operating leases where substantially all the risks and rewards incident to ownership remain with the lessor. Lease income is recognised on a straight-line basis over the lease term. Costs incurred in earning lease income are charged against income. Initial direct costs incurred specifically to obtain the operating lease are written off immediately. (Refer to Note 10.)

1.6 Pension fund

Pensions are provided for employees by means of three separate pension funds to which contributions are made. With regard to the Human Sciences Research Council Pension Fund (HSRCPF) and with effect from 1 April 1992 previous and current service costs and adjustments, based on experience and additional funding for retired employees, are acknowledged in the income statement as soon as the liability is known. With regard to the Associated Institutions Pension Fund (AIPF) and the Temporary Employees Pension Fund (TEPF), only the Council's contributions to the pension funds are recognised in the income statement.

1.7 Deferred income

Parliamentary grants in respect of depreciable assets are allocated to income over the period of and in proportion to the depreciation, written off against such assets. The balance of parliamentary grants not recognised in the income statement is disclosed as deferred income. (Refer to Note 1.2.2.)

1.8 Foreign currency transactions

Transactions in foreign currencies are accounted for at the rate of exchange ruling on the date of the transaction. Liabilities in foreign currencies are accounted for at the rate of exchange ruling at the balance sheet date, or at the forward rate determined in forward exchange contracts. Exchange differences arising from conversion are recognised in the income statement in the period in which they occur.

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1.9 Post-retirement medical aid benefits

The HSRC provides for post-retirement medical aid benefits to eligible employees and pensioners. Past service cost and current service costs are, where appropriate, periodically actuarially calculated and are recognised as a staff expenditure. (Refer to Note 12.)

1.10 Capital funds

Prior to 1 April 1991 the cost of assets acquired during a year was recognised in the income statement in the year of acquisition and a capital reserve was created. As from 1 April 1991 this policy has been discontinued in respect of assets acquired after 31 March 1991. As from 1 April 1993 parliamentary grants in respect of non-depreciable assets are allocated to income when they are received. A corresponding amount is then transferred from income funds to capital funds as an appropriation of accumulated funds per income statement. (Refer to Note 1.2.2.)

1.11 Revenue

Revenue comprises the net invoiced value of research and other services excluding value-added tax and includes the annual parliamentary grant, royalties and rentals. (Refer to Note 6.)

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Annual Financial Statements 31 March 2001

2. Property, plant and equipment	2001 R'000	2000 R'000
Freehold land and buildings		
Pretorius Street, Pretoria: Stand 3242, situated at 134 Pretorius Street, Pretoria, held under Transfer Deed No. T55312/1980.		
At cost in 1980	1 078	1 078
Improvements 1981-1993	63 182	63 182
Improvements 1997	96	96
	<u>64 356</u>	<u>64 356</u>
Less: Revaluation of buildings	(29 356)	-
Valuation value	<u>35 000</u>	<u>64 356</u>
<p>A valuation was carried out by an independent external valuator, Fenwick Valuations, on 28 March 2000 to determine the open market value between a willing seller and a willing buyer as on the date of valuation. Stand 3242 Pretoria, Pretoria Central Business District, was valued at R35 million.</p>		
<p>Riviera, Pretoria: Portion 58 (a portion of Portion 14), of the farm Rietfontein 321, measuring 2,3371 hectares, and the remaining portion of Stand 233, measuring 7 189 square metres, Registration division JR, Transvaal, situated at 185 Rose Street, Riviera, Pretoria. Held under Transfer Deed Nos. T48957/91 and T52936/93.</p>		
At cost in 1980	84	84
Improvements 1981-1993	2 282	2 282
Improvements 1997	6	6
	<u>2 372</u>	<u>2 372</u>
<p>Revaluation of this property is still in process.</p>		
Total freehold land and buildings	<u>37 372</u>	<u>66 728</u>
Art works		
Opening at cost	209	236
Disposals	-	(27)
Closing at cost	<u>209</u>	<u>209</u>

Notes to the Annual Financial Statements

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2. Property, plant and equipment (continued)	2001 R'000	2000 R'000
Motor vehicles		
Opening net carrying amount	13	52
Gross carrying amount	253	253
Accumulated depreciation	(240)	(201)
Disposals and adjustments	(9)	-
Depreciation for the year	(4)	(39)
Closing net carrying amount	-	13
Gross carrying amount	142	253
Accumulated depreciation	(142)	(240)
Office furniture		
Opening net carrying amount	57	88
Gross carrying amount	2 491	2 887
Accumulated depreciation	(2 434)	(2 799)
Additions	5	-
Disposals and adjustments	-	(4)
Depreciation for the year	(25)	(27)
Closing net carrying amount	37	57
Gross carrying amount	2 399	2 491
Accumulated depreciation	(2 362)	(2 434)
Computer and other equipment		
Opening net carrying amount	1 387	2 532
Gross carrying amount	13 056	14 123
Accumulated depreciation	(11 669)	(11 591)
Additions	734	423
Disposals and adjustments	(11)	(179)
Depreciation for the year	(1 148)	(1 389)
Closing net carrying amount	962	1 387
Gross carrying amount	13 416	13 056
Accumulated depreciation	(12 454)	(11 669)
Library books and manuscripts		
Opening net carrying amount	60	75
Gross carrying amount	4 655	4 624
Accumulated depreciation	(4 595)	(4 549)
Additions	27	31
Depreciation for the year	(38)	(46)
Closing net carrying amount	49	60
Gross carrying amount	4 682	4 655
Accumulated depreciation	(4 633)	(4 595)

Notes to the Annual Financial Statements

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	2001 R'000	2000 R'000
2. Property, plant and equipment (continued)		
Total fixed assets		
Carrying amount at beginning of year	68 454	69 711
Additions	766	454
Revaluations	(29 356)	–
Disposals	(20)	(210)
Depreciation	(1 215)	(1 501)
Carrying amount at end of year	<u>38 629</u>	<u>68 454</u>

3. Investments

On 31 March 2000 the HSRC had R3,172 million with FBC Fidelity Bank which was placed under curatorship on 25 October 1999. The investment bore interest at market-related rates, the interest of which was payable to the HSRC on request. The full amount of R3,172 million was repaid during 2000/01.

4. Inventories

Merchandise	1 487	1 266
Consumables	45	44
	<u>1 532</u>	<u>1 310</u>

5. Trade and other payables

Trade creditors	7 465	2 873
Rent deposits received	116	116
Income received in advance	725	1 198
Provision – Staff leave and bonuses	3 058	2 872
Provision – Severance packages	6 295	9 282
Sundry creditors	2 181	2 327
	<u>19 840</u>	<u>18 668</u>

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	2001 R'000	2000 R'000
6. Revenue		
Parliamentary grant	61 921	65 650
Contract income	16 453	5 976
Commercial services	5 328	5 448
Other income	590	2 580
Bad debts received	2	9
Other income	588	2 571
	84 292	79 654
7. Other operating income		
Investment income	2 282	1 744
Rent received	3 063	5 455
Profit from sales	176	137
Property, plant and equipment	174	109
Inventories	2	28
	5 521	7 336
8. Administrative costs		
Staff costs	32 179	40 060
Retirement benefit cost	3 678	5 070
Defined contribution plan	3 529	4 799
Defined benefit plan	149	271
Post-retirement medical benefit	1 291	1 986
Severance packages	5 170	13 751
Overprovision in previous year	(942)	4 295
Previous year provision	(9 382)	(1 622)
Payments on previous year provision	8 440	5 917
AIPF provision	612	74
AIPF payment	12	74
AIPF provision on payment due	600	-
Provision for retrenchments 2001	5 500	9 382
	42 318	60 867

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9. Other operating costs	Notes	2001 R'000	2000 R'000
Audit fees		210	413
Current year provision		354	412
Previous year under/(over) provision		(144)	1
Maintenance		636	695
Travel and subsistence costs		1 970	2 132
General operating costs		8 528	8 886
Work contracted out		8 536	5 615
Depreciation of fixed assets		1 215	1 501
Motor vehicles		4	39
Office furniture		25	27
Computer and other equipment		1 148	1 389
Library books and manuscripts		38	46
Consumable goods		2 609	1 215
Rent of equipment		1 525	1 048
Professional and consultation fees		93	159
Cost of passing certain assets and liabilities of CSD to NRF	14	-	1 691
Other expenditure		1 692	2 322
Provision bad debts		(83)	15
Bad debts written off		31	371
Other expenditure		1 744	1 936
		27 014	25 677

10. Operating lease

The HSRC has leased office space to the South African Local Government Association (SALGA) at 134 Pretorius Street, Pretoria for a period of 60 months, effective from 1 June 1999. The lease payment is currently R37 299 per month. There is an escalation clause of 10% per year in the contract. The lease agreement is renewable at the end of the lease term.

Future minimum lease payments	Up to 1 year		1 to 5 years	
	2001	2000	2001	2000
	R	R	R	R
	484 885	440 805	1 219 375	1 704 260

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The HSRC has leased office space to the Department of Public Works at 185 Rose Street, Riviera, Pretoria for a period of 60 months, effective from 1 August 1997. The lease payment is currently R138 882 per month. There is an escalation clause of 10% per year in the contract. The lease agreement is renewable at the end of the lease term.

Future minimum lease payments	Up to 1 year		1 to 5 years	
	2001	2000	2001	2000
	R	R	R	R
	1 955 454	1 777 686	672 187	2 627 641

The HSRC has leased office space to the Department of Public Works at 134 Pretorius Street, Pretoria for a period of 60 months, effective from 1 May 2001. The lease payment is currently R221 703 per month. There is an escalation clause of 8% per year in the contract. The lease agreement is renewable at the end of the lease term.

Future minimum lease payments	Up to 1 year		1 to 5 years	
	2001	2000	2001	2000
	R	R	R	R
	2 438 733	–	13 168 983	–
	<u>4 879 072</u>	<u>2 218 491</u>	<u>15 060 545</u>	<u>4 331 901</u>

11. Pension funds

Pension benefits are provided by membership of the Associated Institutions Pension Fund (AIPF), the Temporary Employees Pension Fund (TEPF) and the HSRC Pension Fund (HSRCPF). The AIPF and TEPF are controlled by the State which has assumed responsibility for the underfunded portions of these funds. The HSRCPF is a defined benefit and defined contribution plan that provides lump sum payments and pensions to retirees or their dependants, as well as death benefits. The HSRCPF is registered in terms of the Pension Fund Act 1956 as amended.

Effective from 1 September 1996, all employees in the employment of the HSRC prior to this date were given a choice of either remaining on the defined benefit funding method or switching over to the defined contribution funding method. New members after this date join on a defined contribution basis. All members but for fifty (50) converted to the defined contribution funding method.

The administration of the HSRCPF was transferred from Sanlam to ABSA Consultants and Actuaries (Pty) Ltd with effect from 1 July 1999. This change in administrator meant that the HSRCPF was changed from an insured fund to a privately administered fund.

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The HSRCPF, effective from 1 September 1999, introduced individual investment choices for the defined contribution members of the fund. This change in investment strategy meant that each member is entitled to the net investment return earned on the portfolio of his/her choice. Since the benefits of the defined benefit members are defined in the rules of the HSRCPF and are therefore not influenced by actual returns earned on investments, all assets of these members are currently invested in a balanced portfolio.

The third statutory actuarial valuation report of the HSRCPF was completed, effective from 1 September 2000. At the valuation date there was a total of 212 members in the HSRCPF, consisting of 194 defined contribution members, 11 defined benefit members, five members with paid-up benefits and two current pensioners.

For the purpose of the valuation, the assets in respect of the defined contribution members (194 members) were taken into account at full market value as these members are now entitled to the full market value investment return achieved under the HSRCPF after the implementation of investment choices. The total value placed on the assets in respect of the defined contribution members as at valuation date amounted to R30,834 million.

With regard to the members entitled to defined benefits under the HSRCPF (11 remaining members of the 50 who initially did not convert), assumptions were made on the expected experience of the HSRCPF in respects of deaths, withdrawals, rates of salary increase, early retirements as well as the expected yield on the assets of the HSRCPF and operational costs. These assumptions were used to calculate the discounted value of the accrued liabilities for all the defined benefit members of the HSRCPF as at the valuation date for comparison with the available assets of the HSRCPF. In respect of future service the same assumptions were used to calculate the discounted value of the liabilities for the defined benefit members, covering the whole of their expected period of membership of the HSRCPF. The accrued liabilities to these members as at the valuation date amounted to R1,204 million.

The accrued liability of the five members with paid-up benefits in the HSRCPF as at the valuation date amounted to R0,221 million. The accrued liability of the two members receiving current pensions in the HSRCPF as at the valuation date amounted to R0,182 million.

Five of the retrenched staff members who were active members of the AIPF (pension fund) had not, at the time of their retrenchment, attained their normal pensionable age. The HSRC's liability in this regard is twofold, firstly for the difference in gratuity payable at pensionable date and, secondly, for the monthly pension amount payable from date of retrenchment until pensionable date. The total liability is calculated at approximately R2,318 million. Provision for the first payment due of approximately R0,600 million has been made in the 2000/01 financial statements. Provision for the remainder of the liability will be made annually in the budget of the HSRC.

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The actuary concluded that the current composition of the investments of the HSRCPF could be considered reasonable for the purpose of matching its liabilities and certified, that in his opinion, the HSRCPF at that point in time was in a financially sound condition. The actuarial valuation was submitted to the Registrar of Pension Funds.

12. Post-retirement medical benefits

An actuarial valuation of the cost of post-retirement medical benefits due to all employees, determined in April 1997, indicated a total liability of R22,2 million. As from 1 August 1997, post-retirement medical benefits are provided by membership of a Provision Fund (Fund) administered by Liberty Life of Africa Limited, Policy Number 232193. The Fund is actuarially valued every year after which benefit statements are provided to members showing their and the HSRC's contributions together with the interest earned.

The membership and funding of the Fund are as follows:

The HSRC, for members of staff older than 30 years of age on 1 August 1997 who belonged to the medical aid scheme and who selected the defined contribution basis of funding, pays an actuarially calculated lump sum as well as further monthly predetermined contributions into the individual member's accounts in the Fund. These monthly contributions are revised annually and, although likely to increase each year, the HSRC's maximum contribution increase is capped at 13% per year.

The HSRC, for members of staff younger than 30 years of age on 1 August 1997 who belonged to the medical aid scheme and who selected the defined contribution basis of funding, contributes a monthly amount of R300 on behalf of the member to the Fund. These monthly contributions are kept to the same level annually.

The value of the members' accounts in the Fund for both the above categories of members as at valuation date, 1 September 2000, amounted to R7 500 136,27.

The HSRC, for staff who did not belong to the medical aid scheme on 1 August 1997, contributes a monthly amount of R100 on behalf of the member to the Fund. These monthly contributions are kept to the same level annually. The value of the members' accounts in the Fund at valuation date, 1 September 2000, amounted to R49 342,64.

The HSRC, for staff who joined the service of the HSRC after 1 April 1998, irrespective of whether they joined the medical aid scheme or not, contribute a monthly amount of R100 per month on behalf of the member to the Fund. The value of the members accounts in the Fund at valuation date, 1 September 2000, amounted to R121 937,59.

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The lump sum, if applicable, and monthly contributions paid by the HSRC represents the HSRC's total obligation in this regard towards the members post-retirement medical costs. When the member leaves the service or dies while employed by the HSRC the contributions plus applicable growth are, according to a vesting scale, payable to the staff member.

A reserve account has been established in terms of the Fund. The account is maintained by contributions paid from time to time by the HSRC and may, subject to the approval of the administrator, management committee and the necessary approval of the Commissioner for Inland Revenue, be used to provide for an increase in the level of benefits on retirement, in retirement, on death or on withdrawal or to stabilise the cost of the HSRC of providing future benefits under the Fund. The value of the reserve account, at valuation date, 1 September 2000, was R785 002,11.

An actuarial valuation has been done of the HSRC's unfunded liability in respect of post-retirement health care for pensioners and their registered dependants on 31 July 1997 (101), and for those members of staff (currently five members) who chose to remain on the defined benefit basis. The total unfunded liability in respect of past service as at 31 March 2001 has been valued to be R4 420 000. The total liability is apportioned as follows: In-service (employee) members, R240 000 and continuation (retiree and widow) members, R4 180 000. The future-service cost, expected to accrue in respect of in-service members over the 12-month period following the valuation date, is R21 000. There are currently no long-term assets set aside off-balance sheet in respect of this liability.

This valuation was done on long-term actuarial key financial assumptions (discount rate and health care cost inflation rate), key demographic assumptions (average retirement age, continuation of membership at retirement, pre- and post-retirement mortality, and withdrawal from service), and key health care arrangement assumptions. The next valuation will be performed on 31 March 2003. (Refer to Note 1.9.)

13. Uncovered foreign currency monetary items

There were no significant foreign exchange currency transactions not covered by forward exchange contracts at the end of the year.

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14. Passing of certain assets and liabilities of the Centre for the Evaluation of Educational Qualifications (CEEQ) to the South African Qualifications Authority (SAQA)

Effective from 1 April 1999 CEEQ, a business unit of the HSRC, engaged in the business of establishing the equivalence between foreign and South African educational qualifications, which business comprises the assets, the work-in-progress and the employees, but with the express exclusion of the liabilities and the debtors, was sold to SAQA for R1,00 (one rand).

In addition to writing off an amount of R0,032 million in the HSRC's 1999/00 financial statements with regard to the net value of assets transferred, the HSRC also undertook to pay the operational costs of CEEQ for a phasing-in period of three years from 1 April 1999, a total contractual liability of R2,357 million of which the final payment of R0,836 million will be paid during the 2001/02 financial year.

15. Contingent liabilities

The Council undertook a restructuring exercise during the previous financial year and retrenched a number of employees in the process. Some of the employees took legal action against the Council through the CCMA and a number of cases are still pending. No provision was made in this regard due to the fact that, based on the evidence when the financial statements were approved, Council was of the opinion that no future obligation would arise.

Cash Flow *Statement for the year ended 31 March 2001*

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	2001 R'000	2000 R'000
Cash flows from operating activities		
Net surplus	20 481	446
Adjustments for		
Deferred income	(469)	(1 231)
Depreciation	1 215	1 501
(Profit) on sale of property, plant and equipment	(176)	(137)
Investment income	(2 282)	(1 744)
Operating surplus/(shortage) before operating capital changes	18 769	(1 165)
Operating capital changes	(2 672)	3 147
(Increase)/Decrease in inventories	(221)	782
(Increase)/Decrease in trade and other receivables	(3 025)	1 837
(Increase) in prepayments	(598)	(740)
Decrease in trade payables	1 172	1 268
Cash generated by operating activities	16 097	1 982
Investment income	2 282	1 744
Net cash inflow from operating activities	18 379	3 726
Net cash outflows from investing activities	(766)	(454)
Additions to property, plant and equipment		
Office furniture	(5)	-
Computer and other equipment	(734)	(423)
Library books and manuscripts	(27)	(31)

Cash Flow *Statement for the year ended 31 March 2001*

Annual Financial Statements 31 March 2001

	2001 R'000	2000 R'000
Proceeds from the sale of property, plant and equipment	195	348
Decrease/(Increase) in investment	3 172	(3 172)
Net increase in cash and cash equivalents	20 980	448
Cash and cash equivalents at beginning of year	3 927	3 479
Cash on hand and balances with banks	3 927	2 251
Short-term investments	-	1 228
Cash and cash equivalents at end of year	24 907	3 927
Made up as follows:		
Cash on hand and balances with banks	24 907	3 927

Report of the

Audit Committee

of the Human Sciences Research Council (HSRC)

This report has been prepared according to the Treasury Regulations for public entities issued in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999), and promulgated in *Government Gazette* No. 21249 on 31 May 2000. The HSRC is listed as a national public entity in Schedule 3A of the Act.

The entity's accounting authority, the HSRC Council, appointed the present Audit Committee members on 16 November 2000. During the year under review the Audit Committee met on 10 April 2000, 11 May 2000, 9 November 2000 and 13 February 2001.

The Committee currently consists of Messrs S.A.H. Kajee (Chairperson and specialist member) and R.J. Page-Shipp (specialist member) and Ms N.N. Gwagwa (Council member). The accounting officer of the HSRC, Dr F.M. Orkin (CEO and Council member), is an ex-officio member of the Committee. There is currently a vacancy for a specialist member, as well as a Council member, on the Committee.

Persons in attendance at Committee meetings regularly include the Senior Internal Auditor, the Chief Financial Officer and representatives of the Office of the Auditor-General.

The Committee has reviewed the HSRC's annual financial statements for 2000/01 as audited by the Office of the Auditor-General and is satisfied that these statements are reasonable and accurate.

The Committee has also reviewed the reports of the Office of the Auditor-General and the Internal Audit Department, in the context of the Committee's understanding of the risks facing the entity, and is satisfied that the internal controls managing the major financial risks are effective.



S.A.H. KAJEE
Chair: HSRC Audit Committee
Pretoria, 31 July 2001