

# Annual Financial Statements

31 March 2007

## Introduction

The maintaining of accounting and other records, as well as an effective system of internal control, is the responsibility of the Council's CEO. In the opinion of the Council of the HSRC this requirement has been complied with.

The preparation of financial statements that fairly present the state of affairs of the HSRC as at year-end and the operating results for the year is the responsibility of the Council of the HSRC. The Auditors are expected to report on the Annual Financial Statements. The HSRC's Annual Financial Statements are prepared on the basis of the accounting policies set out therein. These policies have been complied with on a continuous basis.

## Approval and post-balance sheet events

The Council of the HSRC approved the 2006/07 Annual Financial Statements set out on pages 150 to 181 on 31 May 2007. In the Council's opinion the Annual Financial Statements fairly reflect the financial position of the HSRC at 31 March 2007 and the results of its operations for the period then ended. No material facts or circumstances have arisen between the date of the balance sheet and the date of approval, which affect the financial position of the HSRC as reflected in these Financial Statements.

The Council is of the opinion that the HSRC is financially sound and operates as a going concern, and it has formally documented the facts and assumptions used in its annual assessment of the organisation's status.



**Professor GJ Gerwel**  
*Chairperson: HSRC Council*



**Dr O Shisana**  
*President and CEO*

Pretoria  
31 May 2007

# Report of the Auditor-General

to Parliament on the Financial Statements of the Human Sciences Research Council  
for the year ended 31 March 2007

## Report on the Financial Statements

### Introduction

1. I have audited the accompanying financial statements of the Human Sciences Research Council which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 150 to 181.

### Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and section 13(3) of the Human Sciences Research Council Act, 1968 (Act No. 23 of 1958). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 13(3) of the Human Sciences Research Council Act 1968 (Act No. 23 of 1968), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and *General Notice 647 of 2007* issued in *Government Gazette No 29919 of 25 May 2007*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Basis of accounting

8. The public entity's policy is to prepare financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice and in the manner required by the PFMA, as set out in page 154 to 158 of the financial statements.

# Report of the Auditor-General

to Parliament on the Financial Statements of the Human Sciences Research Council  
for the year ended 31 March 2007

## Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the Human Sciences Research Council as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999)

## Other matters

I draw your attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

10. **Non-compliance with legislation**

Adequate systems of supply chain management policies, processes and internal controls have been developed; however, several instances of non-compliance with these policies and processes have been noted.

11. **Matters of governance**

There was inadequate monitoring of controls to ensure that all policies and procedures were adhered to at all times.

12. **Special investigations completed during the year**

An investigation was conducted into a deposit and refund fraud relating to the Telkom account. The Human Sciences Research Council was defrauded of an amount of R50 790.

13. **Special investigations in progress**

A forensic audit is in progress to establish the nature and amount of payroll fraud involving third party payment.

A forensic investigation, within the SAHA research programme, is in progress with respect to travel claims.

## Other reporting responsibilities

### Reporting on performance information

14. I have audited the performance information as set out on pages 145 to 149.

### Responsibilities of the accounting authority

15. The accounting authority has additional responsibilities as required by section 55(2) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

### Responsibility of the Auditor-General

16. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and *General Notice 647 of 2007* issued in *Government Gazette No. 29919 of 25 May 2007*.
17. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
18. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

# Report of the Auditor-General

to Parliament on the Financial Statements of the Human Sciences Research Council  
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## Audit findings

19. I have not observed any matter that requires inclusion in my opinion.

## Appreciation

20. The assistance rendered by the staff of the Human Sciences Research Council during the audit is sincerely appreciated.



**AH Muller** for Auditor-General

Pretoria

31 July 2007



**A U D I T O R - G E N E R A L**

# Council's report

for the period ending 31 March 2007

## 1. Mandate and objectives of the Human Sciences Research Council

The mandate of the Human Sciences Research Council (HSRC) is derived from the Human Sciences Research Act, 1968, No. 23 of 1968, as amended.

The following summarise some of the main functions of the Council provided in the Act:

- (a) to undertake or cause to be undertaken research on behalf of the state or any person or authority;
- (b) to advise the Minister with respect to the undertaking and promotion of social scientific research and its utilisation for the benefit of the country;
- (c) to effect coordination of research;
- (d) to cooperate with departments of state, institutions of higher education, training colleges, schools and other persons and authorities for the promotion and conduct of research;
- (e) to cooperate with persons and authorities in other countries conducting or promoting research in the human sciences; and
- (f) to publish or cause to be published the results of research.

The Act also mandates the HSRC to undertake contract research on any subject in the field of the human sciences and to charge fees for research conducted or services rendered.

The previous two Council's Reports (covering the periods 2004/05 and 2005/06) made mention of progress made with the redrafting of the 1968 Human Sciences Research Act. A draft Bill prepared by the Department of Science and Technology (DST) was reviewed, with inputs from the Council and other internal and external stakeholders of the HSRC, towards the end of 2004/05. This draft, which draws on the recommendations of the HSRC Institutional Review undertaken in 2003, focuses more specifically on the public purposes of the HSRC and is in keeping with the current legislative framework within which the Council operates. During 2006/07, the refinement of the draft Bill received ongoing attention. On 6 December 2006, Cabinet approved the Human Sciences Research Council Bill, thereby signalling that the legislative process to approve a new HSRC Act would start during 2007.

## 2. Governance of the HSRC

### 2.1 The Council

Strictly speaking, 'the HSRC' or 'Council' refers to the group of up to ten people, including a chairperson, appointed for a period of four years by the Minister of Science and Technology. Appointees have distinguished themselves in the field of the human sciences or possess special qualifications in relation to some aspect of the functions of the Council. The Council appoints the President and Chief Executive Officer (CEO) of the HSRC, on a five-year contract, and she or he serves as a further, *ex officio* member on the Council.

In terms of Section 49 of the Public Finance Management Act (PFMA), No. 1 of 1999, as amended, the Council of the HSRC is the accounting authority of the organisation.

More colloquially, and in this report, 'the HSRC' is taken to refer to the wider organisation – including permanent and short-term employees working in various locations – and 'the Council' to the abovementioned group of people, who are the governing body of the wider HSRC.

The Council receives its annual Parliamentary grant through, and also reports to, the DST.

# Council's report *continued*

for the period ending 31 March 2007

## 2.2 Members of the Council

Section 4(3) of the Human Sciences Research Act stipulates that 'members of the council shall be persons who have distinguished themselves in the field of the human sciences or possess special qualifications in relation to some aspect of the functions of the council'. In 2004 the Minister of Science and Technology appointed a new Council following due consultation and approval by the South African Cabinet. The four-year term of office of the new Council started on 1 November 2004 and expires on 31 October 2008.

Members of the Council during the 2006/07 period were:

Professor GJ Gerwel (*Chair*)

Ms N Gasa

Dr P Gobodo-Madikizela

Mr T Makwetu

Professor WE Morrow

Mr ME Motala

Mrs P Ntombela-Nzimande

Mr SM Pityana

Mr MV Sisulu

Professor EC Webster

Dr O Shisana (*ex officio as President and CEO of the HSRC*)

With the exception of Dr Shisana who serves as an *ex officio* member in her capacity as President and CEO of the HSRC, all other members of the Council are deemed to be 'independent non-executive directors' of the HSRC, as defined for state-owned enterprises (SOEs) in the September 2002 Protocol on Corporate Governance in the Public Sector: A non-executive director is a person who has not been employed by the SOE in any executive capacity for the preceding three financial years; and is, in relation to the SOE, not a significant supplier or customer, has no significant contractual relationship and is not a professional advisor, other than in his capacity as a director.

There was no need for induction or formal continuous education in the case of Council members during the year under review.

The Council met on 25 May 2006, 24 August 2006, 23 November 2006 and 22 February 2007.

## 2.3 Responsibilities of the Council

### 2.3.1 General

The PFMA requires organisations funded with public money to formalise delegations from the accounting authority to appropriate senior managers in the organisation. The Council approved written delegations to the CEO on 15 August 2002. These in turn provide the framework for delegations from the CEO to the executive directors (EDs), which were approved on 29 May 2003. The onward delegations from the EDs to directors and other senior levels of staff were approved on 20 May 2004. Following internal restructuring during 2005/06, existing delegations were updated to provide for new post descriptions such as that of Chief Operating Officer (COO). These amendments were approved at the Council meeting of 9 February 2006. Following further refinements, the most recent version of the delegations was approved by Council, by means of electronic communication agreed to in advance, on 31 March 2006.

The HSRC is listed as a national public entity under Schedule 3A of the PFMA. This classification is aligned with the public-purpose mandate of the HSRC.

# Council's report *continued*

for the period ending 31 March 2007

## **2.3.2 Shareholder's Compact**

Although this is not specifically required of governing bodies of public entities listed under Schedule 3A of the PFMA, Cabinet recommended that the HSRC should also conclude a Shareholder's Compact with its executive authority. A Shareholder's Compact between the Council of the HSRC and the Minister of Science and Technology was signed in May 2006.

This Compact represents the agreement between the executive authority (Minister) and the accounting authority (Council) and is a reflection of the expectations of each party, expressed in terms of outcomes and outputs that need to be achieved. Expectations in relation to the performance of the HSRC are informed by its mandated objectives, as well as strategic objectives and performance targets outlined in its three-year strategic plan and the business plan for 2006/07. A framework for regular reporting and a schedule containing a list of supporting documents to be submitted to DST are also included in the Compact.

Council is satisfied that the HSRC complied with the requirements of implementing and managing the Shareholder's Compact. It wishes to place on record its appreciation for the way in which the Minister and DST proceeded to honour all undertakings made in the Compact by the executive authority.

## **2.3.3 New policy on governance standards for SETIs**

A new policy on governance standards for science, engineering and technology institutions (SETIs) was introduced by DST during 2006/07. This policy calls for increased interactions between the executive authority and the accounting authority of a science council. To achieve this end a Chairpersons' Forum, a Chief Executive Officers' (CEOs') Forum and a Chief Financial Officers' Forum were established. Meetings called by the DST were duly attended, and matters of common concern were identified to inform planning for future engagements.

## **2.3.4 Going concern status of the HSRC**

On the basis of the annual financial statements for 2006/07 and information regarding the forthcoming financial year, the Council has every reason to believe that the HSRC will remain a going concern:

- It continues to receive substantial Parliamentary grant funding. Its Parliamentary allocation increased from R107,5 million for 2006/07 to R160,4 million (inclusive of VAT and an allocation towards infrastructure) for 2007/08. According to current MTEF projections, this is set to increase slightly to a total of R161,2 million (inclusive of VAT and an allocation towards infrastructure) for 2008/09. The projected MTEF allocation for 2009/10 is lower, at R153,9 million (inclusive of VAT), since no provision is made for an infrastructure allocation for that year.
- In terms of funding for 2006/07, the HSRC has succeeded in raising a total amount of R245,5 million, the highest amount it has ever achieved. This amount was made up of external research income, other external income, and income from the Parliamentary grant (baseline funding plus ring-fenced funding). Once again the HSRC has demonstrated its ability to secure substantial funding from a range of external sources, to supplement funding from its Parliamentary grant.
- By mid-May 2007, the HSRC had already secured almost R90 million, some 64% of its external target of R141 million for the 2007/08 budget year. If other sources of funding, notably the Parliamentary grant allocation, are added to this amount, the total income secured to date for 2007/08 is R224 million, or 79,4% of the total income budget of R282 million for the year.
- The HSRC continues to receive rental income from the Department of Public Works, for part of the Pretoria office building.
- The statement of financial position reflects total assets of the organisation at 31 March 2007 as R156,4 million. Total current assets, at R67,0 million, exceeded its current liabilities of R62,3 million. The current ratio is then 1,07 which means that the HSRC had R1,07 in current assets to cover every R1 in current liabilities.

# Council's report *continued*

for the period ending 31 March 2007

- The HSRC has continued to manage its cash flow better by accelerating collection from trade and other receivables since 2005/06. In addition, the volume of trade and other receivables has grown from 2005/06 to 2006/07, indicating an increase in external income.

## 2.4 Sub-committees

On 31 March 2007 the Council had four sub-committees: an Executive Committee, a Human Resources and Remuneration Committee, a Research Committee and an Audit Committee. It is envisaged that a separate Finance Committee will be established during 2007/08 to work alongside the Audit Committee that will then become the Audit and Risk Committee, and that a Governance Committee may be established once the new HSRC Act has been promulgated.

### 2.4.1 Executive Committee

The Executive Committee comprised the following members:

Professor GJ Gerwel (*Chair*)

Mr SM Pityana (*Chair of the Audit Committee*)

Dr P Gobodo-Madikizela (*Chair of the Research Committee*)

Dr O Shisana (*President and CEO*)

It was not necessary for the Executive Committee to meet during the year under review.

### 2.4.2 Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee comprised the following members:

Professor GJ Gerwel (*Chair*)

Mr ME Motala

Mrs P Ntombela-Nzimande

Professor EC Webster

Dr O Shisana (*President and CEO*)

The Human Resources and Remuneration Committee met on 25 May 2006, 24 August 2006, 23 November 2006 and 22 February 2007.

### 2.4.3 Research Committee

The Research Committee comprised the following members:

Dr P Gobodo-Madikizela (*Chair*)

Professor GJ Gerwel

Ms N Gasu

Professor WE Morrow

Mr ME Motala

Mr SM Pityana

Mr MV Sisulu

Professor EC Webster

Dr O Shisana (*President and CEO*)

Professor Morrow, in his capacity as Council member and member of the Research Committee, attended and contributed to the HSRC strategic planning *lekgotla* on 13 and 14 November 2006.

Members of the Research Committee also participated in the 2006 Social Sciences Conference, which was held from 27 to 29 September 2006.



# Council's report *continued*

for the period ending 31 March 2007

## 2.4.4 Audit Committee

The members of the HSRC Audit Committee are appointed for a calendar year. During 2006/07 the Audit Committee comprised two specialist external members and three members of the Council.

The specialist members were:

Mr RJ Page-Shipp

Ms R Xaba

The members of the Council on the Audit Committee were:

Mr SM Pityana (*Chair, from 16 November 2006*)

Mr T Makwetu (*Chair, until November 2006*)

Professor WE Morrow

Dr O Shisana (*President and CEO*)

The Audit Committee functions in accordance with the PFMA and associated Treasury regulations. The Audit Committee also functions as the Finance Committee of the HSRC, which is reflected in its formal terms of reference (Audit and Finance Committee Charter), adopted on 27 January 2005 in accordance with the requirements of the King II Report. The committee structures its activities and reporting according to a comprehensive planned schedule, with target dates. It reviews the following documents, and reports on them to the ensuing meetings of the Council:

- annual internal audit plan
- the external audit plan
- periodic internal audit reports
- the proposed budget for the year
- quarterly and annual financial statements
- quarterly compliance reports to DST in terms of the PFMA
- debtors' reports
- the annual external audit report of the HSRC.

The Audit Committee submits a summary of its activities to the Council on a regular basis. It also submits a report of its work for inclusion in the HSRC Annual Report.

The Audit Committee met on 11 May 2006, 25 July 2006, 16 November 2006 and 15 February 2007.

In addition to reviewing periodic internal audit reports and monitoring progress with the implementation of any recommendations for follow-up action that had been identified and approved, the Audit Committee is also responsible for monitoring the scope and effectiveness of the outsourced internal audit function.

Further to a PFMA compliance review undertaken by KPMG in 2004/05, the development of a revised Code of Ethics remained on the agenda. This matter was finalised when requirements for the Shareholder's Compact entered into between the HSRC Council and the Minister of Science and Technology, were dealt with. A Code of Business Ethics for the HSRC, plus a framework for the related register of interests were developed and subsequently approved by Council. These will be implemented and updated on a regular basis.

During 2006/07 it was approved that the Audit and Finance Committee of Council would be divided into two committees, namely an Audit and Risk Committee and a Finance Committee.

# Council's report *continued*

for the period ending 31 March 2007

Under the guidance of the Audit Committee, a first strategic assessment of the HSRC's risk areas was conducted in 2001/02. The new internal audit service provider, KPMG, assisted the HSRC during 2005/06 in identifying and prioritising strategic risks, and developing a structured plan for implementing effective and ongoing risk management in the organisation. The Council approved the resultant risk policy framework for the HSRC at its meeting on 9 February 2006, as recommended by the Audit Committee. At a key workshop facilitated by internal audit in 2005/06, executive management identified, assessed and ranked the risks that needed to be managed to achieve the mission and strategic goals of the HSRC. For 2006/07 these were:

- information technology (IT)-related risks
- negative cash flow
- fraud and corruption
- public image risks
- availability of suitably skilled staff
- supply chain management.

With specific reference to the above risks, the following received attention during 2006/07:

- The implementation of the recommendations of an earlier IT audit was monitored on a quarterly basis. A draft IT strategy document was completed in February 2006, following which a consultative process started with a view to submitting the IT strategy to the Council in May 2006. Feedback on the management of IT services that were outsourced in the course of 2005/06 also received attention. Although the selection of key risks for 2007/08 has not yet been finalised, evidence of growing confidence in the organisation's IT capacity is to be found in the much lower priority now given by executive management to this risk.
- A number of measures aimed at improving cash flow management were implemented during 2006/07. These proved to be successful: there was no stage during the year that the HSRC's cash resources were at a level low enough to cause concern. Moreover, the organisation finished the year with cash in hand of R29,3 million.
- In accordance with the requirements of the PFMA, a high-level fraud prevention plan, with an associated implementation framework, was approved by the Council in May 2005. This plan continued to be put into operation by the HSRC. During 2006/07, the internal audit service provider of the HSRC was requested to develop a more detailed action plan with time frames, to put into operation the Council-approved fraud prevention plan. The purpose of this assignment was to provide the HSRC with a comprehensive anti-fraud strategy and prevention plan, including a whistle-blowing policy and mechanism, a fraud risk register and action plans to address identified fraud risks. Aspects of the assignment were completed and implemented during 2006/07. A whistle-blowing policy, which makes provision for anonymous hotlines operated by an independent service provider, was approved by Council in February 2007. The comprehensive fraud prevention strategy, which includes a detailed implementation action plan, is expected to be approved by Council in May 2007.
- Following concerted efforts to engage with stakeholders ranging from decision-makers in government and in Parliament to higher education institutions during 2006/07, a situation has been reached that 'public image' was no longer rated by management as a significant risk. It is acknowledged that the status enjoyed by the HSRC also rests on its ability to perform outstandingly not just in respect of earnings or publications but across the broad range of dimensions that jointly make up its PAITECS commitments. This matter receives ongoing management attention.
- Of the top-ranking risks that were prioritised for attention in 2006/07, only one – the availability of suitably skilled staff – remains, by consensus, a major concern. The approach adopted to manage this risk has focused on improving the ability of the HSRC to attract and then to develop and retain such staff. A number of initiatives related to this risk received attention during the year, including the commissioning of a survey to

# Council's report *continued*

for the period ending 31 March 2007

benchmark salaries in the HSRC against universities, science councils, the public sector at large, the private sector and the national labour market. The results of this survey indicated gaps at most skills levels in the organisation, and a programme aimed at eliminating these gaps over a three-year period commenced with the negotiated implementation of salary adjustments as of 1 April 2007. Other initiatives undertaken in 2006/07 included the first phase of a leadership development programme, gender sensitivity training for more than half of the staff, and further steps to reduce the pressure to earn external income. New, non-remuneration-based measures to help the HSRC to become an 'employer of choice' are to be investigated in 2007/08.

- A supply chain management (SCM) framework was implemented and reviewed on a regular basis.

The day-to-day supervision of risk management in the HSRC is the task of the Chief Risk Officer (CRO). Since the formal establishment of the risk management function early in 2006, the Chief Operating Officer/Chief Financial Officer (COO/CFO) has acted as CRO. On the appointment of an Executive Director: Finance (expected in mid-2007), which will in effect separate the roles of COO and CFO, the role of CRO and, with it, supervision of the risk management function and of the Risk Compliance Officer (RCO) will pass to the ED: Finance.

## 2.5 Research Ethics Committee

The Council approved the establishment of a Research Ethics Committee (REC) in 2002. The mandate of the REC is to review all HSRC research proposals from the perspective of research ethics. The REC aims to promote a culture of ethical conduct and research integrity in the HSRC, and reports annually to the Council.

The REC was reconstituted in November 2005 and its members appointed for a three-year term of office that will end on 31 October 2008. It has seven external members and 18 internal representatives from the research programmes and cross-cutting units (some attending on a rotation basis). The committee is empowered to recognise the authority of ethics committees at other institutions to approve proposals on behalf of the HSRC where necessary. Proposals that are submitted by researchers who are not affiliated with the HSRC may also be reviewed on request. In such instances, the ethical review is undertaken according to approved conditions, and a predetermined fee is payable. The REC began functioning in 2003 and successfully applied to the US Office of Research Protections for Federalwide Assurance within its first year of operation. Its Institutional Review Board status (Federalwide Assurance FWA 00006347 posted at <http://ohrp.cit.nih.gov/search/asearch.asp>) remains valid.

In the financial year under review the REC met ten times and considered some 75 new project proposals and an additional eight extensions. Of the new applications, some 64 had been approved by May 2007, some following the incorporation of feedback from the committee and resubmission. All the applications for extension of studies were approved.

During 2006/07 the external REC members were:

- Professor Doug Wassenaar – School of Psychology, University of KwaZulu-Natal, Pietermaritzburg (*Chairperson*)
- Dr Mantoa Mokhachane (*Vice-chairperson*) – Chris Hani Baragwanath Hospital, Soweto
- Professor Peter Cleaton-Jones – Steve Biko Centre for Bioethics, University of the Witwatersrand
- Dr Jerome Singh – Centre for the AIDS Programme of Research in South Africa (CAPRISA), Doris Duke Medical Research Centre, Nelson R Mandela School of Medicine, University of KwaZulu-Natal, Durban
- Ms Ann Strode – Faculty of Law, University of KwaZulu-Natal, Pietermaritzburg
- Ms Anne Pope – Department of Private Law, University of Cape Town
- Dr Reidar Lie – Professor of Bioethics, NIH Department of Bioethics, University of Bergen, Norway

# Council's report *continued*

for the period ending 31 March 2007

## 2.6 Council members' remuneration

Council members who are not HSRC staff members or government officials receive honoraria for the services they render to the Council in accordance with the relevant determination by the National Treasury.

Non-HSRC members of the Audit Committee are reimbursed on an hourly claims basis, according to professional fee schedules.

Where Council members are requested to provide additional advisory services to the HSRC on the basis of their professional areas of expertise, they are reimbursed in accordance with the professional advisory fees recommended by the Auditor-General. These services include requests for a Council member to serve on interview panels for executive directors (EDs) of the HSRC, in accordance with an agreement reached with the union (the Public Service Association) in 1998. During 2003/04, and prior to her becoming a member of the HSRC Council, Ms N Gasa was appointed as lead consultant for an HSRC contract project dealing with women's role in transforming South Africa. Payments made for this service during 2006/07 are reflected in Note 6 of the audited annual financial statements. The project concerned was completed in December 2006.

## 2.7 Council members' interest in contracts

No contracts involving Council members' interest were entered into in the year under review.

## 2.8 Losses, irregularities and other matters

Losses or irregularities are referred to in Section 55(2)(b) of the PFMA, and defined in the Materiality Framework developed and agreed in terms of Treasury Regulation 28.1.5:

The Framework, adopted by the Council on 29 May 2003, contains detail on fiduciary duties of the accounting authority in terms of Section 50 of the PFMA, matters that must be reported in the Annual Report and Financial Statements (Section 55) and information to be submitted to the accounting authority (Section 54). In terms of Section 55, matters that must be reported on in the Annual Report and Financial Statements, the following were specified:

- (i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. Materiality is defined as follows: In terms of losses through criminal conduct, any identified loss should be reported. Losses through irregular, fruitless, and/or wasteful expenditure should be reported if the combined total exceeds the planning materiality figure used for the year under review, in this case R0,68 million or 0,25% of the overall budget for 2006/07;
- (ii) any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure;
- (iii) any losses recovered or written off;
- (iv) any financial assistance received from the state and commitments made by the state on its behalf; and
- (v) any other matters that may be prescribed.

During March 2007, it was reported to the CEO that payments normally made by the HSRC's payroll office to certain third parties had not been received by the parties concerned. While the problem reported turned out to be relatively straightforward to resolve, the investigation into the reasons for the breakdown revealed a number of additional problems relating both to systems and to capacity that required attention. To assess the extent of the problems and to gain insight into their causes, a comprehensive exercise was launched, going back to 2005. One of the preliminary findings was the discovery of a number of transactions that had taken place without the necessary authorisation. Having voluntarily written and signed a statement to acknowledge this lack of authorisation, the payroll officer in question was dismissed, and a charge was laid with the SA Police Service.

# Council's report *continued*

for the period ending 31 March 2007

A forensic audit has subsequently commenced to establish the nature and extent of the fraud and to help further in identifying the deficiencies that enabled it to take place. The dismissed officer, who was released on bail, has undertaken to assist in this exercise.

Following discovery of the fraud, the payroll function was transferred from Human Resources (HR) to Finance, while the CEO has directed that the necessary control systems be established in HR as a matter of urgency.

The HSRC is satisfied that it has reliable measures in place to swiftly detect and address any such occurrences. These are reflected in its financial policies and procedures, and the ongoing process of revising and improving policies and procedures. A number of workshops with staff members took place during 2006/07 to help identify and address further possible fraud risks, and the Council-approved anti-fraud plan and implementation framework was further developed, communicated and implemented during the year.

## 2.9 Judicial proceedings filed during the year

Two judicial matters relating to the HSRC were dealt with during the year. In the first, judgement was passed in the High Court in favour of the HSRC in respect of a long-running dispute over the retrenchment of a former senior employee during restructuring in 2001/02. In the second, the state commenced the prosecution on four counts of fraud of a former employee who was dismissed in 2004/05. The case is still *sub judice*.

## 2.10 Review of the Human Sciences Research Council

### 2.10.1 The 2003 Institutional Review

The report of the 1997/98 System-wide Review of science councils and national research facilities in the country recommended that institutional reviews be undertaken on a five-yearly cycle to evaluate progress and implementation of earlier recommendations. During 2003/04 the DST entrusted to the Council the responsibility of providing terms of reference for and overseeing the process of an independent institutional review of the HSRC. The duly appointed Institutional Review Panel submitted their report to the Council in November 2003, following which the report was published and widely distributed for public comment.

Several high-level proposals and recommendations were made, addressing matters such as the following:

- engaging with stakeholders on the role and public purposes of the HSRC, towards incorporating these in a new Act to be prepared in conjunction with the DST;
- institutionalising and systematising its numerous collaborations with research partners, especially in higher education institutions;
- further extending its outreach into the rest of Africa through projects and organisational partnerships, under the New Partnership for Africa's Development (NEPAD) rubric;
- deepening and widening transformation in the organisation and its research activities, taking into account gender, disability and race and marginalised communities and individuals;
- improving its management information systems and updating its policies and procedures, and providing support to staff in relation to external earnings pressures; and
- addressing issues of data preservation, intellectual property and information sharing.

The recommendations of the Review Panel, and the Council's response to these recommendations, fed into the subsequent strategic planning process of the HSRC. In February 2004, the Council approved an ongoing process for implementing the main recommendations of the Review which was initially led by 13 task teams. These task teams progressed with putting in place plans for implementing recommendations, and the Council received regular reports on this progress at its quarterly meetings.

# Council's report *continued*

for the period ending 31 March 2007

The Council's report for 2005/06 contains reference to a new strategic plan, performance objectives and institutional objectives that were introduced, adopted and implemented after the current President and CEO had taken office on 1 August 2005. The recommendations of the 2003 Review Panel were incorporated into the new strategic approach and business plan of the HSRC, as illustrated in the table below. Section 3 of this Council's Report provides more detail on organisational developments during 2006/07, also in relation to strategic objectives that had been set for the year.

**Table 1: Progress made with the implementation of recommendations of the 2003 Institutional Review Panel**

High-level recommendation	2004 task team	New strategic priority under PAITECS	2006/07 business plan objective
Engaging with stakeholders on the role and public purposes of the HSRC, towards incorporating these in a new Act	<ul style="list-style-type: none"> <li>• New legislation for the HSRC</li> </ul>	<ul style="list-style-type: none"> <li>• Public purpose</li> </ul>	<ul style="list-style-type: none"> <li>• To consolidate and strengthen the public-purpose research activities of the HSRC</li> </ul>
Institutionalising and systematising the numerous collaborations with research partners, especially in higher education institutions	<ul style="list-style-type: none"> <li>• Developing more productive relationships with higher education institutions (HEIs)</li> <li>• Taking forward the Science and Technology for Poverty Reduction (SATPOR) initiative</li> </ul>	<ul style="list-style-type: none"> <li>• Public purpose</li> <li>• Africa focus</li> <li>• Implementation networking</li> <li>• Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• To contribute to prioritised policy issues of national importance through the introduction of a cross-cutting policy unit</li> </ul>
Further extending outreach into the rest of Africa through projects and organisational partnerships, under the New Partnership for Africa's Development (NEPAD) rubric	<ul style="list-style-type: none"> <li>• Assisting NEPAD</li> </ul>	<ul style="list-style-type: none"> <li>• Africa focus</li> <li>• Transformation</li> </ul>	<ul style="list-style-type: none"> <li>• To strengthen research collaboration and network activities in partnership with institutions and individuals in other parts of Africa</li> </ul>
Deepening and widening transformation in the organisation and its research activities, taking into account gender, disability and race and marginalised communities and individuals	<ul style="list-style-type: none"> <li>• Research quality, impact and implementation</li> <li>• Balance between scholarly and earnings work</li> <li>• Foregrounding gender, race and disability</li> <li>• Building networks with collaborators and stakeholders in marginalised communities; promoting access by such communities to the HSRC's research capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Public purpose</li> <li>• Implementation networking</li> <li>• Transformation</li> <li>• Excellence</li> <li>• Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• To increase the relevance, utilisation and potential impact of human and social science research by means of implementation networks</li> <li>• To contribute to human capital development in the human and social sciences through the consolidation and expansion of research internship and fellowship programmes</li> <li>• To accelerate transformation in the HSRC, with particular reference to African representation in senior research and management positions</li> </ul>

# Council's report *continued*

for the period ending 31 March 2007

**Table 1: Progress made with the implementation of recommendations of the 2003 Institutional Review Panel (continued)**

High-level recommendation	2004 task team	New strategic priority under PAITECS	2006/07 business plan objective
Improving management information systems, updating policies and procedures, and providing support to staff in relation to external earnings pressures	<ul style="list-style-type: none"> <li>• Systems development</li> <li>• Professional development</li> <li>• Building project management capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Public purpose</li> <li>• Capacity building</li> <li>• Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• To retain and empower critical staff and skills in the HSRC</li> <li>• To ensure the financial sustainability of the HSRC</li> </ul>
Addressing issues of data preservation, intellectual property and information sharing	<ul style="list-style-type: none"> <li>• Communicating research findings</li> <li>• Intellectual property</li> </ul>	<ul style="list-style-type: none"> <li>• Public purpose</li> <li>• Implementation networking</li> <li>• Excellence</li> <li>• Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• To confirm the excellence of research work by emphasising peer-reviewed publications of scholarly articles by senior as well as emerging researchers</li> </ul>

## 2.10.2 The 2006 DST review of institutional review reports of science councils

During February 2006, a review panel was appointed by the DST to review the institutional review reports for various science, engineering and technology institutions (SETIs) developed in the period 2001 to 2004. This second 'wave' of institutional reviews was intended to assess the extent to which institutions have implemented the generic and specific recommendations of the 1997/98 System-wide SETI Review and to identify universal problems with implementation and the related implications for the governance of the science and technology system.

Members of the HSRC Council and executive management team met with the 2006 Review Team on 9 February 2006. Discussions during this meeting also focused on new strategic objectives for the HSRC and the SETI environment in general. The draft report of this team was discussed with members of the Committee of Heads of Organisations of Research and Technology (COHORT). The main findings and recommendations made by this team were in agreement with principles informing organisational governance as well as strategic planning of the HSRC, and Council has already responded positively to specific initiatives from the DST that were aimed at implementing recommendations regarding good governance at institutional as well as system-wide levels.

The first meeting of the CEOs' Forum, established in accordance with the new policy on governance standards for SETIs, took place on 20 March 2007. At this meeting, the report of the system-wide review team was discussed and it was agreed that the report would help to stimulate ideas on how to improve the performance and collaboration among science councils.

## 2.10.3 External review of research programmes in the HSRC

One of the undertakings listed in the Shareholder's Compact between the HSRC Council and its executive authority, the Minister of Science and Technology, is that the HSRC will ensure independent evaluations of projects, programmes or units within the institution and will make such results available to the executive authority. The executive management team of the HSRC, consisting of the CEO, COO and executive directors of the HSRC, developed guidelines for such programme or unit reviews during 2006/07, and agreed that the purpose of these reviews would be as follows:

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for the period ending 31 March 2007

- to provide an opportunity for the restatement of research programme mandates and objectives;
- to take stock of congruence with, and progress towards those objectives;
- to assess the relevance and effectiveness of the programmes;
- to assess the impact of the programme on public policy and the community, and stakeholder perceptions of the programme outputs;
- to evaluate the scientific rigour of the programme as measured by peer-reviewed publications output;
- to test alignment with HSRC objectives and priorities such as transformation, gender equity and capacity development; and
- to assess capacity to mobilise external resources.

Each external programme review would consist of two parts, namely programme self-evaluation and review by a panel of experts relevant to the programme in question. Such reviews were to be conducted every five years, unless special circumstances within a programme or the HSRC would require an earlier review. It was further agreed to adopt a staggered approach in respect of scheduling the reviews of programmes and units. The Child, Youth, Family and Social Development (CYFSD) research programme was the first HSRC programme to be evaluated in this way, and its review took place in February 2007.

The external review panel of CYFSD was headed by Professor Dan Ncayiyana, a distinguished scientist and advisor to the CEO of the HSRC. Other members represented national as well as international perspectives, namely:

Professor Alan Stein (University of Oxford)

Professor Wiseman Chirwa (University of Malawi)

Professor Lebo Moletsane (University of KwaZulu-Natal)

Professor Mahomed Seedat (University of South Africa)

The report of the review panel, once completed, will be considered by Council and the executive management of the HSRC, to identify appropriate responses to the recommendations. The report will also be submitted to the Minister and Department of Science and Technology. The next two research programmes to be evaluated, in 2007/08, will be Social Aspects of HIV/AIDS and Health (SAHA) and Democracy and Governance (D&G).

## 2.11 Self-assessment of performance

The Protocol on Corporate Governance was developed for public entities such as state-owned enterprises and national government business enterprises, to ensure adherence to requirements outlined in the King II Report. As a national public entity, the HSRC is not formally bound by all the provisions of the Protocol but nevertheless strives to adhere to the principles outlined in it. In terms of the Protocol, governing bodies should conduct regular self-assessments of their performance.

The HSRC Council did not conduct a formal self-assessment of its performance during 2006/07. However, the information contained in this section (Section 2) of the Council's Report provides evidence of the fact that Council does reflect on its performance in accordance with the typical sets of questions contained in self-assessment instruments for boards of directors of public companies, viz:

- composition of the Council
- Council sub-committees
- meetings of the Council
- Council mandate



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- orientation and continuing education of Council members
- code of business conduct and ethics
- nomination and selection of Council members
- compensation of Council members
- assessment of Council performance, including assessment of the performance of individual Council members.

The Minister of Science and Technology is mandated to select and appoint members of the HSRC Council on a four-year term of office, following a broad consultative process. Any formal review of the size, mix of skills, expertise and experience in relation to the effective, efficient and accountable functioning of the Council thus needs to be undertaken in the context of the relevant legislation. Council is satisfied with its overall performance during 2006/07, as well as with the performance of each individual member of Council.

In addition, Council reports on a regular basis on the overall performance of the HSRC against performance objectives and targets, using key performance indicators developed for this purpose. Section 10 of this report contains an overview of such performance during 2006/07. Council will continue to report on performance against such objectives and targets in terms of the Shareholder's Compact entered into with the Minister of Science and Technology.

Although performance against such predetermined targets can be regarded as indicative of institutional performance, Council wishes to place on record that such performance measures provide but one perspective on the extent to which an organisation such as the HSRC, under the auspices of its Council, has responded to its public-purpose mandate. This full Council's Report for 2006/07 should therefore be regarded as further evidence of reflection on the performance of the HSRC Council during the year under review.

Council has played a crucial role in overseeing the ongoing transformation of the HSRC, with particular reference to strategic interventions made by new CEOs in 2000/01 and 2005/06. In addition to engaging with strategic issues during quarterly meetings of the Council and its sub-committees, Council members also attend important strategic planning meetings of the HSRC, for instance the annual researchers' conference and strategic planning *lekgotla*.

Examples of major contributions made by the HSRC Council during 2006/07 include:

- strategic engagement with the development of a new HSRC Bill;
- involvement in the development and successful implementation of the Shareholder's Compact between the HSRC Council and Minister of Science and Technology;
- adoption of a code of business ethics and register of interests;
- approval of the three-year strategic plan for 2007/08 to 2009/10 and the business plan for 2007/08, both of which are building on the new strategic direction embarked upon in 2005/06;
- monitoring of HSRC progress against stated objectives in the 2006/07 business plan;
- regular engagement, as part of the quarterly meeting schedule, with the research agendas of research programmes and cross-cutting units;
- the identification and approval of several new policies and procedures, particularly in relation to finances; and
- overseeing the implementation of an improved approach towards cash flow and debt management.

Matters remaining high on the agenda of the HSRC Council and management team include:

- the refinement and subsequent promulgation of a new HSRC Act, informed by careful consideration of the mandated objectives – or public purposes – of a new HSRC;
- active involvement in conducting and coordinating research, while developing new models of research collaboration in consultation with higher education institutions and other roleplayers in South Africa, other parts of Africa and abroad;

# Council's report *continued*

for the period ending 31 March 2007

- meaningful contributions to research capacity development at both individual and institutional level;
- transformation and empowerment of the workforce at all levels, so that disparities associated with race, gender and disability are eradicated;
- identifying and managing risks that could potentially affect the sustainability and reputation of the organisation;
- ongoing commitment to improving the quality and impact of its research, which includes continuing engagement on how to find the most appropriate indicators for research excellence;
- finding appropriate structures and approaches to maintain focused attention on the role and position of humanities research in the HSRC, and to accommodate emerging research issues of concern such as violent crime in the research agenda of the organisation; and
- finding and channelling the resources – human, capital and institutional – to achieve organisational objectives and meet national needs in a systematic and sustainable way.

These challenges have been put into operation in terms of strategic objectives for the HSRC, as outlined in its three-year strategic plan for 2007/08 and beyond, and in its business plan for 2007/08, and dedicated meetings of Council or its sub-committees.

## 2.12 Appreciation

The Council wishes to express its appreciation to Dr O Shisana, the President and CEO, for the way in which she is positioning the HSRC as a relevant, non-partisan, accountable and excellent research organisation that is dedicated to serve the research needs of the country and the broader development region, in collaboration with relevant research and development partners. With the support of her executive management team, she has embarked on a process of consolidation and further transformation within the HSRC to ensure institutional alignment with strategic objectives of the organisation, its shared vision and values, and the public-purpose mandate it serves.

The professional and critical support from the Department and Ministry of Science and Technology is highly valued. The engagement of members of the Portfolio Committee on Science and Technology, as well as other structures of legislative bodies with issues relevant to the work of the HSRC, is appreciated.

The effective and efficient functioning of the Council and its sub-committees is highly dependent on the quality of services rendered by its Secretariat. The highly competent and dedicated support from the Council Secretariat as well as from related management and support structures in the HSRC are gratefully acknowledged.

## 3. Organisational developments

### 3.1 New vision, strategic direction and priorities: PAITECS

The vision of the HSRC is as follows:

*'The HSRC intends to become a human and social sciences research council serving as a knowledge hub where public policy and discourse on current and future challenges for South Africa and the African continent are independently researched, analysed and informed, and where research-based solutions to human and social problems are developed.'*

Section 2.10, above, provides a summary of the main business objectives introduced in the three-year strategic plan for 2006/07 to 2008/09 and in the business plan for 2006/07. These business objectives are closely aligned with the recommendations of the 2003 Institutional Review Panel and were further informed by a detailed analysis of strengths, weaknesses, opportunities and threats in relation to the HSRC.

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The HSRC subsequently identified a number of strategy-critical or 'sentinel' performance indicators to be linked with key performance areas, to be associated with each of the major business objectives of the organisation. These were summarised and arranged under headings that formed the acronym PAITECS. Public purpose, Africa focus, Implementation networking, Transformation, Excellence, Capacity building, and Sustainability.

The strategic business objectives map onto sentinel PAITECS indicators, as follows:

**Table 2: HSRC business objectives and PAITECS indicators**

Performance area	Strategic business objective	Indicator
P Public purpose	To consolidate and strengthen public-purpose research activities of the HSRC	Percentage of all research projects that are conducted for the benefit of the public
	To contribute to prioritised policy issues of national importance through the introduction of a cross-cutting policy unit	
A Africa focus	To strengthen research collaboration and network activities in partnership with institutions and individuals in other parts of Africa	Percentage of all research projects with a budget of R1 million or above that are done collaboratively with African researchers in other parts of the continent
	Number of visiting research fellows from elsewhere in Africa at the HSRC	
I Implementation networking	To increase the relevance, utilisation and potential impact of human and social science research by means of implementation networks	Percentage of large research projects with implementation networks
T Transformation	To accelerate transformation in the HSRC, with particular reference to African representation in senior research and management positions	Percentage of all researchers at senior level (SRS and above) who are African
		Percentage of all researchers at senior level (SRS and above) who are coloured
		Percentage of all researchers at senior level (SRS and above) who are Indian
		Percentage of all researchers at senior level (SRS and above) who are white
	To retain and empower critical staff and skills in the HSRC	Attrition rate of permanent staff
		Percentage of staff trained in gender sensitivity
E Excellence	To confirm the excellence of research work by emphasising peer-reviewed publication of scholarly articles by senior as well as emerging researchers	Peer-reviewed publications in an internationally accredited scientific journal, per senior researcher (SRS and above)
		Peer-reviewed publications in a scientific journal per researcher (RS or lower)

# Council's report *continued*

for the period ending 31 March 2007

**Table 2: HSRC business objectives and PAITECS indicators (continued)**

Performance area	Strategic business objective	Indicator
C Capacity building	To contribute to human capital development in the human and social sciences through the consolidation and expansion of research internship and fellowship programmes	Number of interns (research trainees) enrolled in a Master's programme
		Number of interns (research trainees) enrolled in a PhD programme
		Number of post-doctoral fellowships (research associates)
S Sustainability	To ensure the financial sustainability of the HSRC	Percentage of grants that are extra-Parliamentary
		Percentage of all grants that are multi-year (at least three years)

Specific performance targets were set in relation to each of the sentinel performance indicators, and the extent to which these and other organisational performance targets have been met by the end of 2006/07 is reported on in Section 10 of this report. Section 3.3, below, provides an overview of how the strategic business objectives were operationalised and implemented during 2006/07.

## 3.2 Organisational structure

The organisational structure was realigned in 2005/06, to reflect the new strategic approach and objectives of the HSRC. At 31 March 2007, the structure of the HSRC reflected the following:

- five integrated research programmes (RPs), laying the foundation for HSRC work in undertaking, promoting and coordinating research in various problem-oriented research areas in the social sciences and the humanities. Through these programmes, the HSRC now provides single points of entry, with a critical mass of researchers for interdisciplinary, problem-oriented research in these areas;
- seven cross-cutting units, intended to help mobilise and coordinate the resources, knowledge and support required to address national and institutional priorities; and
- twelve functions in Support Services and the Office of the CEO, to help ensure that the organisational needs with relation to infrastructure, research capacity, stakeholder relations, sustainability, accountability and governance are met.

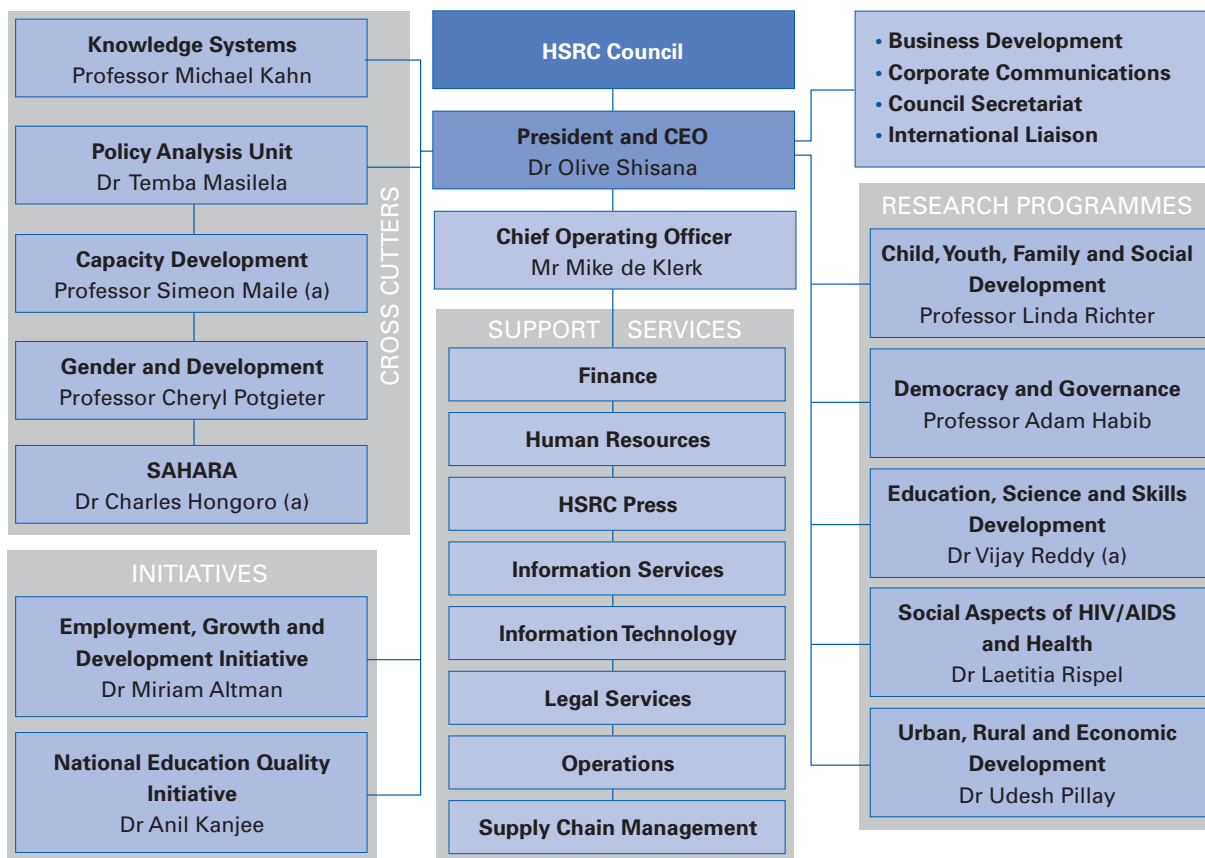
Changes in the organisational structure that took place between 31 March 2006 and 31 March 2007 evolved in the course of the year, as a result of the following:

- The Society, Culture and Identity (SCI) research programme was temporarily merged with the Democracy and Governance (D&G) research programme, following the resignation of the ED of the programme on 30 November 2006.
- The reporting lines and relationships between cross-cutting units were refined in the course of 2006/07, and following the appointment of the ED of the Policy Analysis Unit (PAU) on 1 July 2006.
- Two support functions were 'spun out' from the units where they were incubated. These include Legal Services, growing from a one-person function in the Business Development unit which focused on contract advisory and administrative services, and supply chain management, which was initially established with staff from the Finance directorate, but is required to function independently.

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Figure 1: Organisational structure of the HSRC, 31 March 2007



By 31 March 2007, the research portfolio and associated cross-cutting initiatives were arranged as follows:

Table 3: Research programmes and cross-cutters at 31 March 2007

<b>Five integrated research programmes:</b>			
Name of programme	Acronym	Executive director	Headed from
Child, Youth, Family and Social Development	CYFSD	Professor Linda Richter	Durban
Democracy and Governance	D&G	Professor Adam Habib	Pretoria
Education, Science and Skills Development	ESSD	Dr Vijay Reddy (acting)	Durban
Social Aspects of HIV/AIDS and Health	SAHA	Dr Laetitia Rispel	Pretoria
Urban, Rural and Economic Development	URED	Dr Udesch Pillay	Pretoria

# Council's report *continued*

for the period ending 31 March 2007

**Table 3: Research programmes and cross-cutters at 31 March 2007 (continued)**

<b>Seven cross-cutting units:</b>			
Name of unit	Acronym	Executive director/head	Headed from
Policy Analysis Unit, currently overseeing three other cross-cutting initiatives:	PAU	Dr Temba Masilela (from 1 July 2006)	Pretoria
<i>Capacity Development</i>	CD	Prof Simeon Maile (acting)	Pretoria
<i>Gender and Development</i>	G&D	Professor Cheryl Potgieter	Pretoria
<i>Social Aspects of HIV/AIDS Research Alliance</i>	SAHARA	Dr Charles Hongoro (acting)	Pretoria
Two national initiatives:			
<i>National Education Quality Initiative</i>	NEQI	Dr Anil Kanjee	Pretoria
<i>Employment, Growth and Development Initiative</i>	EGDI	Dr Miriam Altman	Pretoria
Knowledge Systems	KS	Professor Michael Kahn	Cape Town

More information on activities and achievements of research programmes and cross-cutting units is provided below, as well as elsewhere in the Annual Report of the HSRC.

### 3.3 Progress made with the implementation of the 2006/07 business plan

Council received and reviewed quarterly reports providing an overview of organisational developments that had specific relevance to the nine strategic business objectives listed in the 2006/07 business plan. These reports were also included with the quarterly financial and performance reports submitted to the Minister and Department of Science and Technology, in accordance with Treasury Regulations and requirements of the Shareholder's Compact.

The following provides a high-level overview of progress made in relation of each of the strategic business objectives during 2006/07:

#### 3.3.1 To consolidate and strengthen public-purpose research activities of the HSRC

*Performance indicators:*

See Section 6 for a consolidated report on performance against quantified indicators during 2006/07.

The relevant PAITECS indicator to measure quantifiable performance in this regard was

- Percentage of all research projects that are conducted for the benefit of the public (Indicator 1, Table 8)

Planned activities to support progress in relation to strategic business objective:

Planned activity	Progress made during 2006/07
Contributing to the process of discussing and finalising relevant aspects of the draft HSRC Bill, to reach agreement on mandated objectives and public purposes of the HSRC	<i>Achieved: The Bill was approved by Cabinet on 6 December 2006 and will enter the legislative process in 2007/08.</i>

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Planned activity	Progress made during 2006/07
<p>Prioritising research dealing with issues of national importance, including poverty reduction, service delivery, HIV/AIDS, education quality, employment and growth, social and political transformation, R&amp;D strategy support, by assigning research programmes or cross-cutting units as 'champions' or coordinators for these themes</p>	<p><i>Achieved:</i>  <i>With the support of a ring-fenced allocation, the Policy Analysis Unit (PAU) was established. The areas of specialisation of the team of senior research managers and directors appointed in the PAU are aligned with the identified priority areas of research, where they will play cross-cutting roles in coordinating research involving specialists within and outside the HSRC.</i></p> <p><i>Research programmes and cross-cutters in the HSRC were designated to champion these priority areas, as follows:</i></p> <ul style="list-style-type: none"> <li>• <i>Poverty reduction: URED</i></li> <li>• <i>Service delivery: URED</i></li> <li>• <i>HIV/AIDS: SAHA</i></li> <li>• <i>Education quality: NEQI</i></li> <li>• <i>Employment and growth: EGDl</i></li> <li>• <i>Social and political transformation: D&amp;G</i></li> <li>• <i>R&amp;D strategy support: KS</i></li> </ul>
<p>Supporting research in programmes that will track and monitor service delivery, and track the state of the HIV/AIDS epidemic in South Africa</p>	<p><i>Achieved:</i>  <i>Within URED, a directorate for infrastructure and service delivery research undertook and coordinated a number of projects dealing with aspects of service delivery in various areas.</i></p> <p><i>SAHA undertakes and supports research to track the state of HIV/AIDS prevalence in South Africa. Findings from two collaborative national HIV Prevalence, HIV Incidence, Behavioural Risks and Communication Surveys (2003 and 2005) helped government to target actions and to monitor the impact of the Comprehensive Plan for Management, Care and Treatment of HIV and AIDS. SAHA is currently preparing for the third national survey, with support obtained from the USA Centers for Disease Control and Prevention (CDC), and the involvement of the South African Presidency and all relevant government departments.</i></p>

Selected example of impact: support for the National R&D Strategy

*KS, notably with the support of a ring-fenced grant to the value of R5,5 million earmarked for work of the Centre for Science, Technology and Innovation Indicators (CeSTII), provides strategic information to government to monitor progress in implementing the national R&D strategy. During 2006/07 it further undertook an Innovation Survey; participated in a contract project to prepare the business case for the new Foundation for Technological Innovation as mooted in the 2002 national R&D strategy, and played a major role in providing both data and analysis for the Organisation for Economic Co-operation and Development (OECD) Review of the South African System of Innovation that was tabled at the meeting of the OECD Committee on S&T Policy in March 2007.*

# Council's report *continued*

for the period ending 31 March 2007

## 3.3.2 To contribute to prioritised policy issues of national importance through the introduction of a cross-cutting policy unit

Planned activities to support progress in relation to strategic business objective:

Planned activity	Progress made during 2006/07
Establish a Policy Analysis Unit (PAU) to conduct national programme impact assessments related to key international development goals adopted by South Africa and the internationally community of which South Africa is a member	<p><i>Achieved:</i>  <i>Dr Temba Masilela took office as ED of the newly-established PAU on 1 July 2006. Eight new staff members were appointed, to manage, coordinate and undertake cross-cutting projects in areas of national, regional and international importance.</i></p>
<p>Ensure appropriate approaches to public participation and dissemination of research:</p> <ul style="list-style-type: none"> <li>• Create discussion forums to focus on critical societal issues of interest</li> <li>• Produce policy briefs, which are a synthesis of evidence generated from research</li> </ul> <p>Ensure that all research for the HSRC, which has impact on the public, is communicated to grass-roots organisations</p>	<p><i>Achieved:</i>  <i>The PAU will play a key role in coordinating the Management of Social Transformation (MOST) National Liaison Committee for South Africa, under the auspices of the South African National Commission for UNESCO. The establishment of networks to promote the interaction between social science researchers and policymakers is a key strategy of MOST.</i></p> <p><i>The HSRC Press granted free usage rights to 21 different non-profit institutions during 2006/07.</i></p> <p><i>The PAU, in conjunction with CYFSD and ESSD, launched a National Youth Initiative to host policy dialogues, produce policy briefs and conduct research where gaps are evident.</i></p> <p><i>Print and broadcast media coverage of HSRC research remains an effective vehicle of communicating findings to grass-roots organisations, also in languages other than English. The advertising value equivalent of free media coverage received by the HSRC in 2006/07 was R71,9 million.</i></p>
Consolidate a new initiative called Employment, Growth and Development Initiative (EGDI) to identify clear scenarios and strategies for unemployment reduction and employment creation, to contribute to government's strategy for accelerated and shared growth	<p><i>Achieved:</i>  <i>EGDI established a core research team to undertake initial research focusing on core elements of employment scenarios.</i></p> <p><i>An implementation network was established, including a working group of experts, and senior officials from government, trade unions, and business, and a reference group of business, union and government leaders.</i></p> <p><i>To support employment policy networking, a web-based network was established, a seminar series launched, frequent roundtable events hosted, and global outreach supported through presentations at international institutions.</i></p>



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Planned activities to support progress in relation to strategic business objective:

Planned activity	Progress made during 2006/07
Consolidate the National Education Quality Initiative (NEQI), to capitalise on regional collaboration to develop and evaluate a systems model for improving educational quality based on evidence	<p><i>Achieved:</i> NEQI continued with work on education quality indicators as well as universal access to primary education from the perspective of impact analysis and policy analysis work.</p> <p><i>In addition, NEQI has established and is leading a consortium of four education service providers in research aimed at assisting the Department of Education (DoE) to improve the quality of reading, writing and numeracy outcomes in South Africa. The five-year project is funded by the Royal Netherlands Embassy (RNE).</i></p>
Convene social science conference jointly with AISA and engage social scientists from universities and policymakers in establishing research priorities for social sciences, thus providing leadership on social science in South Africa	<p><i>Achieved:</i> The 2006 Social Sciences Conference took place from 27 to 29 September 2006, as a collaborative venture between the Africa Institute of South Africa (AISA), the Social Science Network of South Africa (SSNSA), and the HSRC. More than 200 delegates attended the conference. Funding to co-sponsor the conference was provided by the DST.</p>

### 3.3.3 To strengthen research collaboration and network activities in partnership with institutions and individuals in other parts of Africa

*Performance indicators:*

See Section 6 for a consolidated report on performance against quantified indicators.

Relevant PAITECS indicators, reflected in Table 8, are the following:

- Percentage of all research projects with a budget of R1 million or above that are done collaboratively with African researchers in other parts of the continent (Indicator 2); and
- Number of visiting research fellows from elsewhere in Africa at the HSRC (Indicator 3).

Planned activities to support progress in relation to strategic business objective:

Planned activity	Progress made during 2006/07
Establish an International Liaison Unit in the Office of the CEO	<p><i>Achieved:</i> A Director: International Liaison was appointed towards the end of 2005/06. An office was established in Cape Town, and systems for reporting and coordinating international visits introduced. During 2006/07, specific activities were prioritised to:</p> <ul style="list-style-type: none"> <li>• enhance HSRC involvement in bilateral science and technology agreements</li> <li>• support the implementation of memoranda of understanding with international partners</li> <li>• increase the visibility of the HSRC and HSRC research internationally, particularly in the US and Europe</li> <li>• support work in Africa and international engagement on social aspects of HIV/AIDS research</li> <li>• communicate regularly with the DST's International Cooperation and Resources section (particularly the directorate for Africa and Multilaterals) to enhance further planning and collaboration.</li> </ul> <p><i>In addition, and at the request of the DST, a senior HSRC staff member was appointed as National Contact Point (NCP) for the socio-economic sciences and humanities, to enhance South African involvement under this theme in the seventh European Union Framework Programme for Research.</i></p>

# Council's report *continued*

for the period ending 31 March 2007

Planned activity	Progress made during 2006/07
Collaborate with researchers across the African continent and create Africa-wide networks of research partners.	<i>Achieved: The emphasis on collaboration with researchers in other parts of Africa has led to the introduction of two new institutional performance targets under PAITECS, both of them requiring considerable efforts from researchers in the HSRC to achieve the reported levels of performance.</i>
Finalise the memorandum of understanding (MoU) with CODESRIA	<i>The MoU between CODESRIA and the HSRC was drafted, approved by both institutions and signed on 29 September 2006, the final day of the Social Sciences Conference, by Dr Olive Shisana (HSRC CEO) and Dr Adebayo Olukoshi (CODESRIA Executive Secretary). Areas of collaboration will focus on issues that face the continent as a whole, development of all-Africa networks, collaborative research projects, building capacity through exchange programmes and active collaboration between the publishing houses of the respective organisations with the publication, translation and dissemination of materials.</i>
Strengthen the Social Aspects of HIV/AIDS Research Alliance (SAHARA) as a vehicle to contribute to attainment of the Millennium Development Goal of halting and reversing the spread of HIV/AIDS by 2015	<i>Achieved: The SAHARA core office in South Africa as well as regional offices in Dakar, Senegal and Kisumu, Kenya have continued with coordination of the main programmatic activities, which include networking, coordinating and facilitating research activities and the identification of best practices, providing multi-media platforms for the exchange of information, and management of the SAHARA database and journal.  SAHARA has developed strategic partnerships with key bodies such as UNAIDS and NEPAD, the latter formalised through a MoU. These have significantly improved SAHARA's capacity in the implementation of its mission.  Collaborative research, conferences and planning workshops aimed at halting and reversing the spread of HIV/AIDS by 2015 address themes such as monitoring and evaluation, gender inequalities, male circumcision and vaccine research.</i>

### 3.3.4 To increase the relevance, utilisation and potential impact of human and social science research by means of implementation networks

*Performance indicators:*

See Section 6 for a consolidated report on performance against quantified indicators. The PAITECS indicator used to operationalise this objective was:

- Percentage of large research projects with implementation networks (Indicator 4).

# Council's report *continued*

for the period ending 31 March 2007

Planned activities to support progress in relation to strategic business objective:

Planned activity	Progress made during 2006/07
Create implementation networks for research projects, as a means of bridging the gap between research and policy (this includes working closely with government, universities, non-governmental organisations and donor organisations)	<p><i>Achieved:</i>  <i>Performance in terms of PAITECS indicators reported as at 31 March 2007 showed that more than 70% of large research projects have implementation networks; thus exceeding the target set for the 2006/07 budget year by a considerable margin.</i></p> <p><i>The reports of individual research programmes and cross-cutting units will contain examples of projects that benefited from significant involvement of stakeholders to increase the likelihood of the acceptance, uptake and implementation of research findings.</i></p>
Consult universities to build a strong coordinating and cooperative relationship	<p><i>Achieved:</i>  <i>On 10 February 2006, a workshop dealing with collaboration between the HSRC and Higher Education South Africa (HESA) was organised. This was attended by 31 participants from higher education institutions. Following the workshop, a joint media statement was released indicating HSRC/HESA intention towards collaboration.</i></p> <p><i>Thus far, the HSRC has signed MoUs with the University of Cape Town (UCT) and University of South Africa (UNISA). Further MoUs are likely to be signed with universities such as the Universities of Johannesburg, Rhodes, Fort Hare, Venda and Stellenbosch. The HSRC is also pursuing collaboration with the Association of African Universities (AAU).</i></p> <p><i>A follow-up workshop between the HSRC and HESA will take place to consider the progress made with existing and new HSRC-university collaborations, and for the development of draft policy in this sphere.</i></p>

### 3.3.5 To accelerate transformation in the HSRC, with particular reference to African representation in senior research and management positions

*Performance indicators:*

Section 6 contains consolidated information on organisational performance against quantified targets set for the year.

PAITECS indicators used to monitor progress against this objective were Indicators 5, 6, 7 and 8, namely:

- Percentage of all researchers at senior level (SRS and above) who are African;
- Percentage of all researchers at senior level (SRS and above) who are coloured;
- Percentage of all researchers at senior level (SRS and above) who are Indian;
- Percentage of all researchers at senior level (SRS and above) who are white; and

Indicator 10:

- Percentage of staff trained in gender sensitivity.

# Council's report *continued*

for the period ending 31 March 2007

Other Key Performance Indicators (KPIs) reflected in Table 9, Section 6 show the targets set, and levels of performance achieved, in relation to the following additional indicators of performance:

- Representativeness of researchers at senior level (SRS and above): persons who are black, who are female, who are disabled (see Indicator 12);
- Representativeness of HSRC staff overall: persons who are black (African, coloured, Indian), who are female, who are disabled (see Indicator 15);
- Representativeness of all researchers (excluding research interns and research fieldworkers): persons who are black (African, coloured, Indian), who are female, who are disabled (see Indicator 16); and
- Representativeness at executive management level: persons who are black (African, coloured, Indian) and who are female (see Indicator 17)

The HSRC has managed to meet or exceed targets in the case of overall staff representativeness, and for research staff in general. Although progress was made since 2005/06 in relation to senior research staff and executive managers, challenges to meet targets in a highly competitive market remain.

Planned activities to support progress in relation to strategic business objective:

Planned activity	Progress made during 2006/07
Increase the proportion of underrepresented groups (African and coloured) in the senior echelons of the HSRC	<i>Progress made, targets not achieved: PAITECS as well as KPI targets were set and monitored throughout the year. Progress was made even though targets were not achieved in full.</i>
Set and monitor targets	<i>In the case of representativeness at executive management level, it should be noted that these percentages were closer to the targets set in the course of 2006/07, but prior to the resignation of an African executive director on 30 November 2006.</i>
Ensure that the experiences of men and women inform all the research and analysis done at the HSRC, thus producing information necessary for South Africa to attain gender equity in resource allocation	<i>Progress made: Gender mainstreaming training was introduced in 2006/07. The training was differentiated to address specific needs of research staff and support staff in different ways.</i>
Introduce gender sensitivity training	<i>Target achieved: The Gender and Development (G&amp;D) unit of the HSRC facilitated the selection of appropriate service providers for gender sensitivity training in 2006/07. Two different service providers offered training courses to researchers as well as to support staff in the course of the year. In addition, the G&amp;D unit granted recognition to staff with demonstrated prior knowledge and experience in relation to gender mainstreaming in research.  The 2006/07 target for gender sensitivity training in the HSRC was met.</i>

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for the period ending 31 March 2007

## 3.3.6 To retain and empower critical staff and skills in the HSRC

*Performance indicators:*

The PAITECS indicator to measure performance against this target was

- Attrition of permanent staff at the HSRC (Indicator 8, Table 8)

Other KPIs that were set and monitored in relation to this objective are reflected in Table 9, Section 6 and include

- Salaries to total expenditure (Indicator 11); and
- Staff enrolled towards relevant further qualifications (Indicator 22).

Planned activities to support progress in relation to strategic business objective:

Planned activity	Progress made during 2006/07
Review performance management system and its application	<i>Progress made:</i> The COO and Director: HR have embarked on a process of introducing Key Performance Areas (KPIs) for all staff that are aligned with the new strategic direction of the HSRC and PAITECS indicators.
Develop coaching skills of managers	<i>Progress made:</i> A Leadership Development programme, initially involving the CEO, COO, executive directors and directors in the support units, commenced on 26 July 2006. Individual coaching for a number of heads of units was supported. Decisions on how best to take the progress forward, and cascade the initiative to the wider HSRC, are expected early in 2007/08.
Build better relationship between management and the union	<i>Progress made:</i> Towards the end of 2005/06, it was agreed that negotiations on salary adjustments would in future be finalised with a view to implementation on 1 April, rather than 1 July. The negotiations prior to the 1 April 2007 salary adjustments covered more complex issues than usual, encompassing not only the customary annual cost-of-living increase but also sliding scale-based increases to improve the HSRC's market competitiveness.  Agreement on this matter was reached in early April 2007, with a view to implementation in the same month. The Public Service Association (PSA) commended management on the fairness and transparency of its approach. Another product of this positive relationship was the rapid, constructive response by the union to the adaptations proposed by management to the annual performance appraisal and goal-setting process to incorporate the PAITECS strategy (see above).

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for the period ending 31 March 2007

Planned activity	Progress made during 2006/07
<p>Reduce earning pressure over traditional research work by ensuring the EDs and directors are responsible for fund-raising, while lower level staff are asked only to participate in grant writing.</p> <p>Develop and implement new marketing strategy</p>	<p><i>Progress made:</i></p> <p><i>The overall goal of the new marketing and fund-raising strategy is to ensure the sustainability of the HSRC by focusing on larger, long-term grants aligned with the public purposes and strategic plan of the organisation.</i></p> <p><i>During 2006/07, the CEO, with relevant senior staff members, participated in strategic discussions with key stakeholders in government departments, Parliament and selected donor organisations, nationally and internationally.</i></p> <p><i>Significant funding applications for large and long-term research projects, led by the CEO and EDs during 2006/07, yielded successes such as the following:</i></p> <ul style="list-style-type: none"> <li>• <i>Ring-fenced funding and further contract-based support obtained for the establishment and work of a Policy Analysis Unit</i></li> <li>• <i>Appointment of an HSRC-led consortium to support research work of the Department of Labour</i></li> <li>• <i>Obtaining significant funding from the US-based Centers for Disease Control and Prevention (CDC) to undertake work in the area of HIV/AIDS</i></li> <li>• <i>Funding from the Royal Netherlands Embassy (RNE) to support an HSRC-led research consortium to do work on education quality.</i></li> </ul>
<p>Ensure that exit interviews are conducted, analyse and report on possible trends emerging</p>	<p><i>Progress made:</i></p> <p><i>All staff who have resigned from the HSRC are approached by Human Resources (HR) to request an exit interview, These interviews are conducted on a voluntary and confidential basis. Information gathered from such interviews is analysed, and incorporated into the quarterly HR report to the HSRC Council. A working group appointed to identify requirements for the HSRC to become an 'employer of choice' will also draw on information obtained from exit interviews.</i></p>

Employee wellness remains a high priority on the agenda of the HSRC. During 2006/07, massage chairs were procured and placed in the various HSRC offices to provide HSRC staff with the opportunity to relax and improve blood circulation while in the office.

The annual employee wellness day, a joint initiative of Human Resources (HR) and Corporate Communications (CC), has become a noteworthy event on the HSRC calendar. The theme for the wellness day in May 2006 was, 'Come stay well together'. Staff throughout the HSRC offices had an opportunity to find out about their HIV status, cholesterol, diabetes, and even took more time to use the newly procured massage chairs.

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for the period ending 31 March 2007

### 3.3.7 To confirm the excellence of research work by emphasising peer-reviewed publication of scholarly articles by senior as well as emerging researchers

*Performance indicators:*

Section 6 of this report contains consolidated reporting on performance against predetermined quantified indicators of performance.

PAITECS indicators selected to monitor progress in relation to this strategic business objective were Indicators 11 and 12, namely:

- Peer-reviewed publications in an international journal, per senior researcher (SRS and above); and
- Peer-reviewed publications in a recognised journal, per junior researcher (RS and lower)

Other KPIs:

Table 9 in Section 6 shows the targets set, and levels of performance achieved, in relation to the indicators of performance, also from the perspective of gender and race.

- Peer-reviewed publications in an internationally accredited scientific journal, per senior researcher (SRS or above) (see Indicator 18);
- Peer-reviewed publications in a scientific journal per researcher, RS or lower (see Indicator 19);
- Number of books, journal articles, reports (per average researcher head), presented in terms of all researchers, black researchers, African researchers, coloured researchers, Indian researchers, female researchers (see Indicator 19); and
- Number of peer-reviewed journal articles (per average researcher head), presented in terms of all researchers, black researchers, African researchers, coloured researchers, Indian researchers, female researchers (see Indicator 20)

It is acknowledged that the publication of internationally-accredited, peer-reviewed journal articles is a very important and valid measure of research excellence. At the same time, the HSRC is an organisation required to 'publish and cause to be published' the findings of research findings, and to ensure the effective dissemination and uptake of research findings.

The following table provides an overview of a broader selection of research outputs produced by HSRC researchers and research teams during 2005/06 and 2006/07:

**Table 4: Publications**

Category	No. in 2006/07	No. in 2005/06
<i>All HSRC research staff</i>		
Books and chapters in HSRC books	69	119
Books and chapters in non-HSRC books	48	35
Journal articles	143	166
<i>Refereed</i>	106	116
<i>Non-refereed</i>	37	50
Research reports to clients/users	79	124
<b>Total</b>	<b>339</b>	<b>444</b>

# Council's report *continued*

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**Table 4: Publications (continued)**

Category	No. in 2006/07	No. in 2005/06
<i>All research staff from SR upwards</i>		
Books and chapters in HSRC books	0,53	1,02
Books and chapters in non-HSRC books	0,37	0,30
Journal articles	1,11	1,42
<i>Refereed</i>	0,82	0,99
<i>Non-refereed</i>	0,29	0,43
Research reports to clients/users	0,61	1,06
<b>Total</b>	<b>2,63</b>	<b>3,79</b>

According to the information on research outputs captured in the RMS by the end of May 2007, the HSRC has not produced as many individual research products during 2006/07 as in the preceding years. A contributing factor for the lower level of performance could include the new emphasis on longer-term, large-scale research projects that might lead to fewer client reports being required during the year under review.

Planned activities to support progress in relation to strategic business objective:

Planned activity	Progress made during 2006/07
Improve on the indicator of scientific excellence by increasing the number of publications in international, peer-reviewed journals	<p><i>Achieved:</i></p> <p><i>The indicator for publications in peer-reviewed journals was further refined. As of 2006/07, listing in the following indices would be prerequisites for journal articles published by senior research staff to be recognised under the PAITECS indicator:</i></p> <ul style="list-style-type: none"> <li>• <i>The Sciences Citation Index of the Institute of Scientific Information (ISI)</i></li> <li>• <i>The Social Sciences Citation Index of the ISI</i></li> <li>• <i>The Arts and Humanities Citation Index of the ISI</i></li> <li>• <i>The International Bibliography of Social Sciences (IBSS)</i></li> </ul> <p><i>The target for international peer-reviewed articles, per senior researcher (SRS and above), was set at 0,85 for 2006/07, and the target was exceeded by 31 March 2007. The achievement of 0,99 articles for SRS and above reflects a qualitative improvement over the performance of researchers (SR and above) during 2005/06.</i></p> <p><i>Targets were also set for researchers below the level of SRS and above. These were not achieved by the end of 2006/07 and remain a challenge for capacity development.</i></p>
Ensuring all publications emanating from Parliamentary grant funds are peer-reviewed	<p><i>Progress made:</i></p> <p><i>It was agreed at the June 2006 ED workshop that EDs would take responsibility for ensuring compliance with this indicator.</i></p>



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for the period ending 31 March 2007

Planned activity	Progress made during 2006/07
Ensure that all HSRC research programmes are reviewed	<p><i>Progress made:</i>            A document to inform the general approach to the review of HSRC research programmes as well as cross-cutters was discussed and approved at the June 2006 ED workshop. The first research programme to be reviewed was CYFSD. Its review plan was discussed and approved in July 2006, and the review process completed by February 2007. The final report from the external review panel will be considered by the HSRC Council. Further programme reviews will take place in 2007/08, and the CEO has allocated budgetary support for such reviews.</p>

### 3.3.8 To contribute to human capital development in the human and social sciences through the consolidation and expansion of research internship and fellowship programmes

*Performance indicators:*

Section 6 of this report contains consolidated information on organisational performance against predetermined performance targets.

PAITECS targets set to monitor progress against this strategic business objectives feature as Indicators 13, 14 and 15 in Table 8, as follows:

- Number of interns enrolled in a Master's programme;
- Number of interns enrolled in a PhD programme; and
- Number of post-doctoral fellowships

Other performance indicators related to human capital development across the organisation are reflected in Table 9 of Section 6 and relate to:

- the proportion of HSRC researchers (excluding interns and fieldworkers) with master's or doctoral degrees, reported in terms of all staff as well as race and gender dimensions (see Indicator 22); and
- HSRC staff enrolled towards formal studies leading to relevant further academic qualifications (Indicator 26).

Research staff in general are well qualified. Where support is made available for further training opportunities, the uptake is relatively uneven.

Planned activities to support progress in relation to strategic business objective:

Planned activity	Progress made during 2006/07
Develop a focused HSRC-wide capacity-building programme focusing on staff and new researchers (grow our own timber)	<p><i>Progress made:</i>            Following the resignation of the head: Capacity Development in June 2006, an acting director was appointed.</p> <p>Capacity development initiatives and approaches in different research programmes were discussed at the ED workshop so that shared learning could take place.</p> <p>A funding application for coordinated capacity development support led to the inclusion of a R7 million ring-fenced allocation towards capacity development in the 2007/08 budget allocation to the HSRC.</p>

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for the period ending 31 March 2007

### 3.3.9 To ensure the financial sustainability of the HSRC

*Performance indicators:*

Table 8, Section 6, provides an overview of performance achieved against quantified PAITECS targets.

The PAITECS indicators relevant to financial sustainability are Indicators 16 and 17:

- Percentage of grants that are extra-Parliamentary; and
- Percentage of all grants that are multi-year (at least three years)

Other KPIs relevant to this strategic business objective, are reflected in Table 9, Section 6. These include:

- Achievement of income target: External research income (Indicator 29); and
- Variance in budgeted expenditure: surplus or deficit for year, as % of turnover (Indicator 30).

Planned activities to support progress in relation to strategic business objective:

Planned activity	Progress made during 2006/07
Finalise and implement new marketing strategy	<p><i>Achieved:</i></p> <p><i>The overall goal of the new strategy which was jointly developed by the directors: Business Development and Corporate Communications, is to ensure the sustainability of the HSRC by focusing on larger, long-term grants aligned with the public purposes and strategic plan of the organisation. Three main objectives were identified, namely</i></p> <ul style="list-style-type: none"> <li>• <i>growing the Parliamentary grant</i></li> <li>• <i>improving access to public funds (national and international)</i></li> <li>• <i>securing grants from selected donor organisations.</i></li> </ul> <p><i>The CEO plays a cardinal role in presenting a coordinated view of the HSRC to potential donors and international funding agencies. To support the integrated implementation of this strategy, the revised structure of the regular research business meetings (RBMs) provides specific focus on information sharing and the coordination of stakeholder relations at local and international levels. New appointments in the Business Development unit and the strengthening of the International Liaison unit provided more focused corporate support for the HSRC marketing and fund-raising strategy.</i></p>
Ensure economic and financial sustainability of the HSRC by securing multi-year research grants	<p><i>Achieved:</i></p> <p><i>By 31 March 2007, more than 40% of external research grant funding to the HSRC was reported to be derived from multi-year grants</i></p> <p><i>To complement multi-year grants received in the form of ring-fenced funding from the Parliamentary grant allocation to the HSRC, the HSRC secured a number of new large externally-funded projects during 2006/07 to support research and research coordination over several years. Table 5 in Section 4 provides an overview of the top twenty large-scale projects registered during 2006/07.</i></p>

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for the period ending 31 March 2007

Planned activity	Progress made during 2006/07
Seeking increased levels of Parliamentary funding or ring-fenced financial support from government departments	<p><i>Achieved:</i></p> <p><i>The HSRC submitted its Medium-Term Expenditure Framework (MTEF) proposal to DST towards the end of July 2006. This submission contained a motivated case for ongoing support of HSRC research programmes and existing ring-fenced activities. In addition, specific requests were prepared in relation to the need to strengthen capital and infrastructural investment in the HSRC, and for research and capacity building activities that are specifically aligned with the Accelerated and Shared Growth Initiative of South Africa (AsgiSA).</i></p> <p><i>During 2006/07, the CEO, accompanied by relevant EDs, met with Directors-General in the various government clusters to identify areas of shared interest, with a view to common strategic planning and coordination of research activities.</i></p>

Council is satisfied that the HSRC remained committed to objectives set in the strategic and business plans guiding its work during 2006/07. Quantifiable performance indicators highlighted under PAITECS received attention alongside ongoing work to support strategic business objectives outlined in the 2006/07 business plan of the HSRC.

## 4. Other matters of importance

### 4.1 Finances and sustainability

During the 2006/07 financial year the HSRC achieved an overall turnover of R245,5 million (2005/06: R217 million). This is the highest turnover that the HSRC has achieved in its history, and represents an increase of 13,1% or R28,5 million from the previous financial year. However, compared against the budget for 2006/07, this is 10% or R27,5 million under the budgeted income of R273 million.

Reasons for the variance of 10% are the following:

- Two units (SCI and CD) failed to meet their external income targets, accounting for the major portion of the shortfall, namely R11,6 million. Both of these units experienced changes in leadership in the course of the year.
- Several of the other units missed their external income targets by smaller amounts, nevertheless accumulating a combined shortfall of R10,6 million.
- There was a double count of R5 million as income in the budget approved for 2006/07.

Savings and increased external income earnings in the rest of the organisation helped to address the shortfall in external income. Following the resignation of the ED of SCI, the programme was transferred to the D&G research programme, until such time as a decision has been made on the most viable approach and structure(s) to support humanities research in the HSRC. Work undertaken by the Capacity Development unit will for the foreseeable future, as of 2007/08, be funded with the support of a ring-fenced Parliamentary grant allocation.

External research income earned by research programmes and cross-cutters amounted to R124,6 million (excluding ring-fenced funding) for 2006/07. The comparative amount for 2005/06 was (R113,8 million – R117,3 million if the ring-fenced amount is added).

A positive trend in terms of external research income is the number of larger-scale, multi-year projects, providing more security in terms of future external research earnings. The result is that the HSRC commenced the

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2005/06 and 2006/07 financial years with more than half of the target for external research earnings already under contract, and is entering the 2007/08 financial year with almost 63% of its external earnings already secured in the form of signed contracts.

Table 5 below provides an overview of the 'top twenty' research projects in terms of total expenditure for the year, with an indication of funding obtained from external sources, the HSRC Parliamentary grant, and ring-fenced allocations.

**Table 5: Top 20 research projects, 2006/07**

Project title	External funder	Parliamentary grant R'000	Ring-fenced R'000	External R'000	Total R'000
OVC project : 3 countries (Botswana, SA and Zimbabwe)	WK Kellogg Foundation			7 440	7 440
Birth to Twenty study	Wellcome Trust			7 425	7 425
Department of Labour critical research projects	Department of Labour			7 018	7 018
Study on Global Ageing and Adult Health (SAGE)	World Health Organisation			5 809	5 809
Project Accept	University of California			5 262	5 262
Research and Development (R&D) Survey	Department of Science and Technology	1 539	2 028		3 567
SAHARA Resource Network: CIDA	Canadian International Development Agency (CIDA)			3 463	3 463
CeSTII Development	Department of Science and Technology	482	1 891	1 027	3 400
The Client Survey	South African Revenue Service (SARS)			3 184	3 184
Safety and Security Sector Education and Training Authority (SASSETA)	SASSETA			2 902	2 902
Teacher Education	Ambassade van het Koninkrijk der Nederlanden (Royal Netherlands Embassy)	529		2 340	2 869
Innovation Survey	Department of Science and Technology	1 178	1 581		2 759
DFID Bridging Funds	Department for International Development			2 751	2 751
Race and Redress	Ford Foundation	868		1 817	2 685
SAHARA resource networking	Ministerie van Buitenlandse Zaken (Dutch Ministry of Foreign Affairs)			2 612	2 612
Socio-economic and Epidemiology Survey: Lesotho Highlands Water Project: Phase 1 Dams	Lesotho Highlands Development Authority			2 549	2 549
Western Cape Education Department Grade 8 Learner Assessment	Western Cape Education Department	30		2 498	2 528

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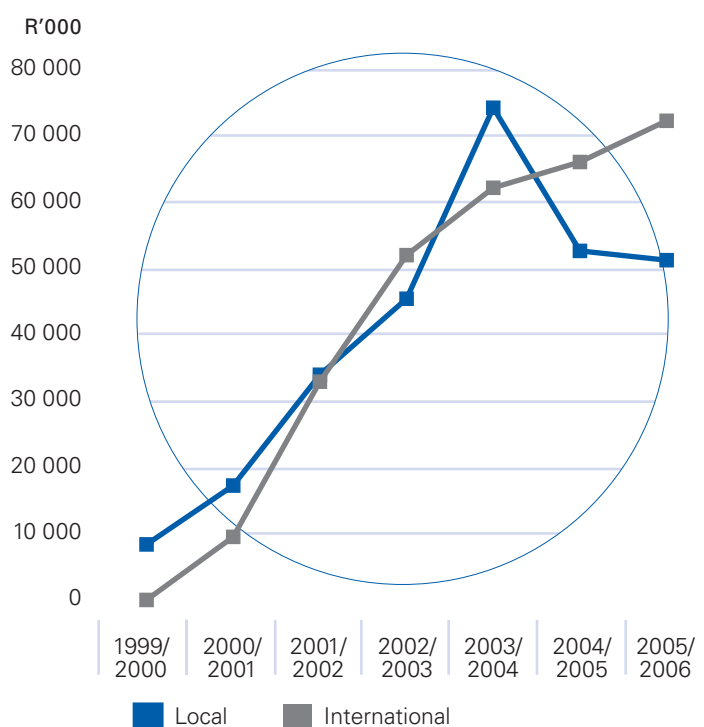
**Table 5: Top 20 research projects, 2006/07 (continued)**

Project title	External funder	Parliamentary grant R'000	Ring-fenced R'000	External R'000	Total R'000
Tracking Public Research and Development Expenditure study	National Advisory Council on Innovation (NACI)			2 050	2 050
Phaphama 2 – Theory-based behavioural risk reduction intervention project in 3 clinics	National Institute of Mental Health			1 936	1 936
The Collaborative HIV/AIDS and Adolescent Mental Health Project (CHAMP)	National Institute of Mental Health			1 703	1 703
<b>Total</b>		<b>4 626</b>	<b>5 500</b>	<b>63 786</b>	<b>73 912</b>

The table further illustrates the broad range of the HSRC's funding base. Government departments, civil society as well as international and South African foundations are included in the impressive list of top HSRC research funders for the year under review. These large-scale projects also entailed significant levels of engagement with external stakeholders, given the frequency of survey-type studies and conference engagement supported.

The increase in foundation and international competitive grants is also reflected in the proportion of the HSRC's support from international sources that has risen over recent years. This extends the science and technology (S&T) funding base of the country as a whole, and the benefits are experienced not only by the HSRC but also by its collaborators on these projects in higher education institutions and NGOs. The grey line in Figure 2 below shows how the level of external income from international sources has risen over the last seven financial years.

**Figure 2: Local and international sources of external research funding**



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With regard to Parliamentary grant allocations, Table 6 below as well as Note 2 to the Annual Financial Statements of the HSRC show the net effect of adjustments for deferred income in relation to depreciation costs, for 2005/06 and 2006/07. This explains the difference between anticipated Parliamentary grant income shown in the MTEF allocation letter received from the DST and the actual income reflected in the Statement of Financial Performance.

**Table 6: Parliamentary allocation**

	<b>2006/07</b>	2005/06
	<b>R'000</b>	R'000
Parliamentary grant received	<b>96 214</b>	84 458
<b>Plus:</b> Net adjustment in respect of deferred income	<b>765</b>	672
<b>Parliamentary grant as per statement of financial performance</b>	<b>96 979</b>	85 130

The HSRC received R12,3 million additional funding from National Treasury for the Value-Added Tax (VAT) liability incurred by the HSRC during the 2006/07 financial year due to changes in the VAT legislation. These changes made the transfer payments received from the DST taxable, at a 14% VAT rate. The actual VAT liability of the HSRC was in fact R14,7 million. The shortfall of R2,4 million was jointly financed by the HSRC and DST, with DST agreeing to pay R1,6 million of the shortfall. All information in the financial statements of the HSRC is reflected net of VAT.

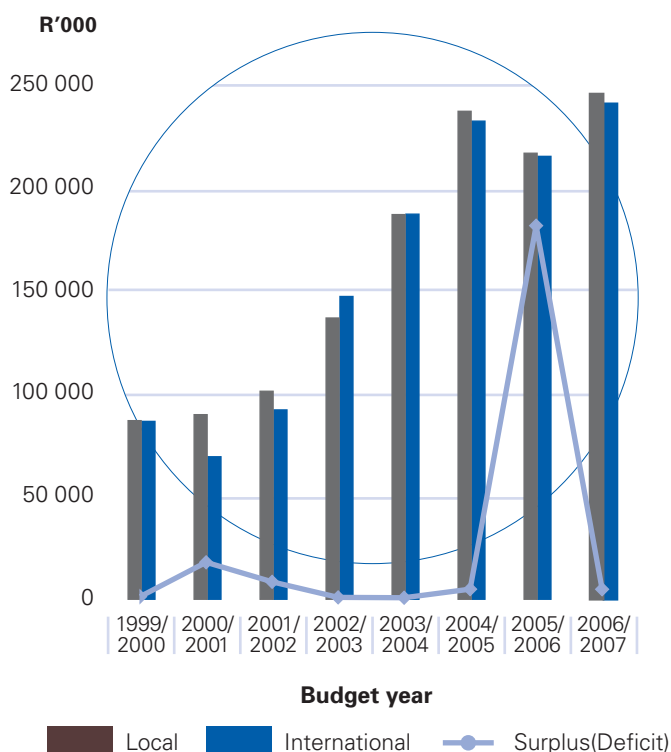
Overall expenditure in 2006/07 was R240,2 million (R215,4 million in 2005/06) which represents an 11,5% increase. This resulted in a surplus of R5,2 million for 2006/07, compared to the adjusted surplus of R2,7 million at the end of 2005/06. The R6,7 million is divided into two amounts: An amount of R5,4 million was created with the recalculation of asset values following the introduction of new International Financial Reporting Standards (IFRS) requirements on the depreciation of assets. This amount will be moved to general reserves to provide for future depreciation of these assets. The other amount, R1,2 million, is the actual surplus, which will be utilised to cover costs of refurbishing the Cape Town office in 2007/08, if permission is obtained to retain the surplus.

Figure 3 below shows trends over the past eight years in relation to income, expenditure, surpluses and deficits, in nominal rands.

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for the period ending 31 March 2007

Figure 3: Income, expenditure, surpluses and deficits for the past eight years



Employee cost, R121,1 million (2005/06: R112,6 million), the largest cost component, increased by 7,5% in 2006/07. This increase includes the effect of cost-of-living salary increases. The HSRC continues to be strategically driven in its recruitment activities, prioritising the appointment of senior research staff and managers who come from previously disadvantaged groups. Owing to the fact that a large portion of its research income is derived from external, project-related sources, the HSRC appoints contract staff, or external service providers, to extend the capacity of its permanent staff complement.

The Statement of Financial Position on page 151 shows that the HSRC had total assets of R156,4 million at 31 March 2007 (R129,8 million at 31 March 2006), of which current assets were worth R67,0 million (2005/06: R39,3 million). The current liabilities are R62,3 million (2005/06: R40,2 million). The financial status of the HSRC is therefore sound. The Council's considered opinion on the going-concern status of the HSRC is reflected in Section 2.3.4 of its report.

More detailed financial information, including extensive notes, can be found in the audited annual financial statements appended to this report.

## 4.2 Human resources and transformation

As a knowledge-intensive research organisation (KIRO), the HSRC's ability to deliver on its mandated objectives is dependent on the quality of its people. Institutional performance with regard to human resources and transformation is clearly prioritised in the HSRC's strategic and business plans. Under PAITECS, there is an emphasis on representativeness in respect of race at senior researcher level, but not in isolation from other

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imperatives. For instance, PAITECS indicators reflected under 'capacity building' and 'excellence' demonstrate the HSRC's commitment towards mainstreaming gender, and to invest in the development of emerging researchers through internship opportunities, skills development, as well as focused attention on publication support. The comprehensive set of key performance indicators reflected in Table 9, Section 6 of this report also shows that the HSRC has not lost sight of targets for overall staff representativeness in relation to gender, race and disability amongst research and administrative staff at all levels.

In accordance with other compliance reports prepared by the HSRC, this Council's Report will focus on 'permanent' staff on the payroll of the HSRC at 31 March 2007. 'Permanent', in this context, refers to staff who are appointed for an indefinite period, or for a fixed period of at least 12 months. Other categories of persons on different payrolls of the HSRC are persons appointed on short-term contract (less than 12 months) and those appointed to undertake specific assignments (for instance, a fieldworker for a specific survey project or an academic appointed to review a draft report). Where relevant, particularly where relevant to specific objectives listed under PAITECS, information on persons appointed for a shorter period of time (e.g. some of our visiting African research fellows) will be provided. The HSRC Council wishes to acknowledge the important role played by those individuals and institutions that help to expand the capacity of the HSRC at crucial times of delivery.

At 31 March 2007, some 53 persons were working on short-term contract assignments for the HSRC, over and above the approximately 360 persons already employed by the HSRC in a more permanent capacity. The majority of these short-term contract workers, as reflected on 31 March 2007, were African (15 male and 12 female). They mostly provided professional, administrative or fieldwork services as required for specific research projects. The number of 'assignees' appointed is largely dependent on project-specific operational requirements, varies from month to month, and may be in excess of 200 in any one month.

With specific reference to the 360 staff members on permanent payroll at 31 March 2007, the following broad trends are noteworthy:

- The largest single staff category remains research, with 165 researchers, 132 administrative staff members and 63 research technical staff on payroll. Comparative figures for 2005/06 were 152 researchers and 128 administrative staff members. The HSRC has thus shown net growth in terms of staff members between 2005/06 and 2006/07.
- Research staff at the level of SRS or above has increased slightly from 72 in 2005/06 to 75 in 2006/07.
- The HSRC operates from offices in Pretoria (216 staff members), Cape Town (86 staff members) and Durban (57 staff members). It also has a research presence in Port Elizabeth.
- Real progress was made in relation to overall staff representativeness, as shown in Table 7, Figure 4 and Figure 5, below.

**Table 7: HSRC staff composition according to race and gender composition, 31 March 2007**

	African %	Coloured %	Indian %	Subtotal: Black %	White %	Total ∞%
Female	29,4	8,9	3,3	41,7	18,1	59,7
Male	21,9	3,9	3,3	29,2	11,1	40,3
<b>Total</b>	<b>51,4</b>	<b>12,8</b>	<b>6,7</b>	<b>70,8</b>	<b>29,2</b>	<b>100,0</b>

The HSRC is a predominantly black organisation, and for the first time in history African staff members comprised the majority at 51,4%. African females comprise the single largest employee category in the HSRC, followed by African males.



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for the period ending 31 March 2007

Figure 4: Female employees in employment levels, 2004/05 to 2006/07

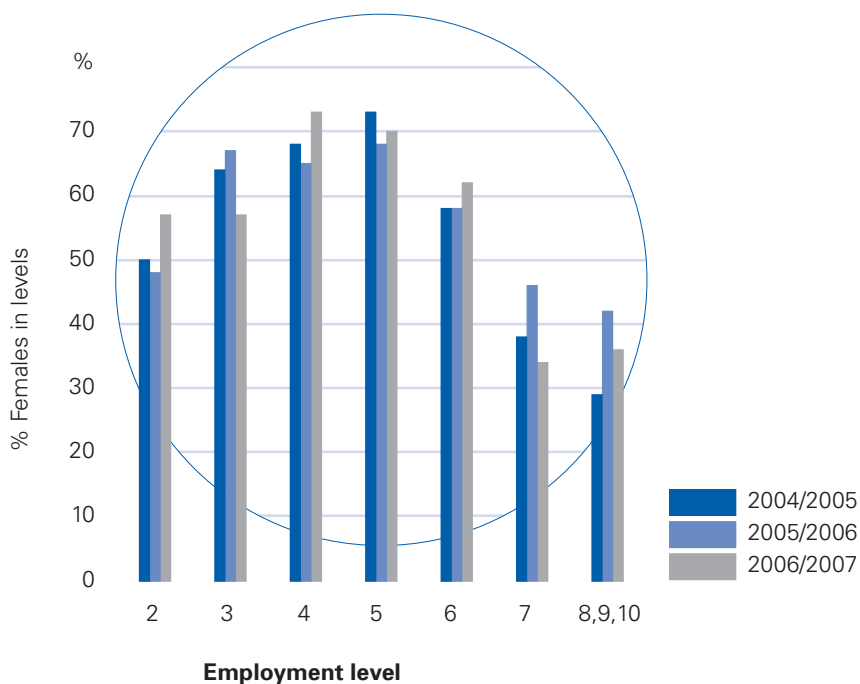
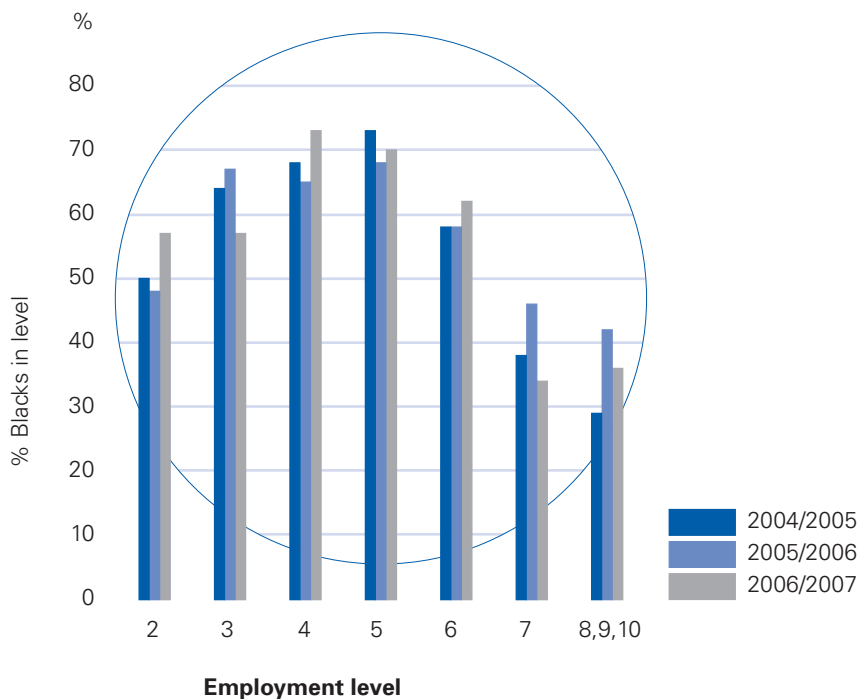


Figure 5: Black employees in employment levels, 2004/05 to 2006/07

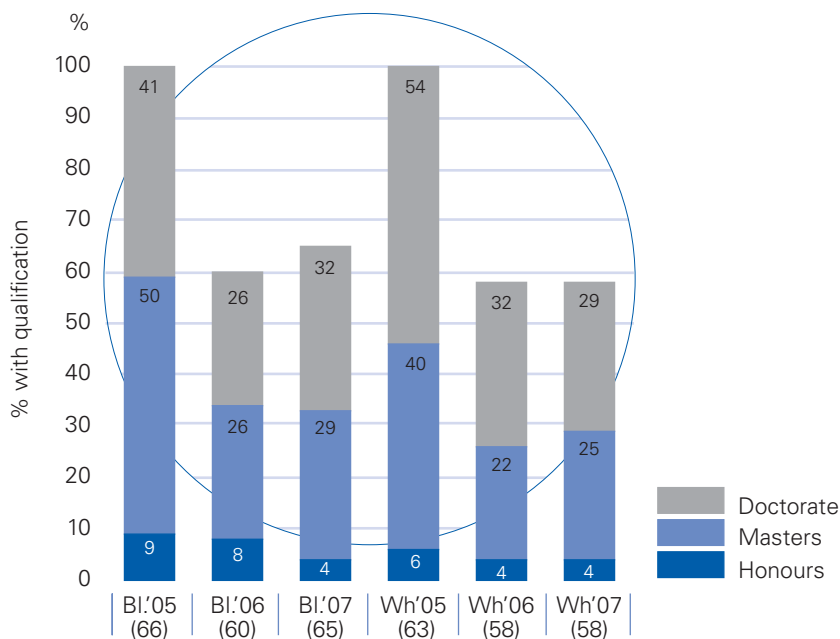


In terms of representativeness of research staff (excluding research interns) it is noteworthy that black researchers (65) are now outnumbering white researchers (58) overall, and that black researchers with PhD degrees (32) now outnumber white researchers with the same degree (29). These trends are shown in Figure 6, on page 137.

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Figure 6: Proportions of researchers with master's or doctoral degrees



Appointments, resignations and transfers of senior staff at the level of ED and above include the appointment of Professor Sinfree Makoni, on 16 May 2006, and Dr Temba Masilela, on 1 July 2006. Professor Makoni was appointed as ED of the Society, Culture and Identity (SCI) research programme and Dr Masilela as ED of the PAU cross-cutter. Professor Makoni subsequently resigned on 30 November 2006. This led to the decision to merge the SCI research programme with D&G, at least until such time as a formal decision has been made about how best to prioritise and mainstream humanities research in the HSRC. Dr Vijay Reddy took over as acting ED for the ESSD research programme on 1 April 2006, after the five-year contract period as ED of Dr Andre Kraak had expired. Dr Kraak remained in the ESSD research programme, as a research director. Dr Romilla Maharaj, ED responsible for CD, resigned on 30 June 2006, and internal arrangements were made to fill the ensuing vacancy until such time as a suitable replacement could be recruited.

More detailed information on progress made in relation to staff representativeness, analysed according to race categories, gender and disability, and according to different levels and categories of staff, is provided in Table 9, Section 6 of this report.

## 4.3 HSRC corporate social responsibility, research communication and outreach

### 4.3.1 Corporate social responsibility

The Council conceives the HSRC's social-responsibility obligations at four levels:

- intrinsically, as a non-profit public-sector entity, in the execution of its mandate;
- in the public-benefit orientation that informs the way in which it designs and executes projects and disseminates their results;
- in the additional community-oriented activities it might undertake; and
- in the conduct of its business affairs, including its relation to its staff, as a public-sector employer.

At all four levels, the Council seeks to ensure that the HSRC is sensitive to the needs and interests of disadvantaged and marginalised groupings, usually by engaging with their representative organisations.

# Council's report *continued*

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## *Social-benefit research mandate*

The HSRC has social-responsibility obligations as an intrinsic part of its mandate, which is to benefit all South Africans through conducting and fostering policy-relevant social research. The strong focus on 'public purpose' research activities, as first rubric under PAITECS, underlines this commitment. By planning and undertaking research projects with the involvement of implementation networks, the likelihood of research implementation, intended to improve current conditions of practices, is enhanced. Research activities presented in the HSRC's Annual Report provide an overview of the HSRC's commitment to undertake its public-purpose research in a socially responsible and beneficial manner.

## *Distinctive research approach*

At the second level, the HSRC's research ethics committee ensures that researchers provide participants in research projects with sufficient, relevant and understandable information before asking them to give or withhold consent to participate.

The establishment of a cross-cutting Gender Development unit will help to 'mainstream' gender considerations in the HSRC's research activities and organisational-development priorities.

Participatory approaches in the conception, implementation and dissemination stages of research enable researchers, where it is appropriate, to obtain inputs to adapt their research, recommendations and research implementation strategies to the needs of beneficiaries and users of research.

The HSRC has been adopting extra avenues of dissemination to try to improve the uptake of its research by the public and possible beneficiaries: for instance, the issuing of publications free of charge on the Internet, the use of other media such as videos and photographic exhibitions, the distribution to all high schools of the quarterly *HSRC Review* containing accessible presentations of recent research outputs; and the translation of key parts of its Annual Report into official languages other than English. Regular engagement with decisionmakers, including Parliamentary Portfolio Committees, also remains a priority.

## *Community-oriented activities*

Several research projects in the HSRC have spawned initiatives aimed at addressing the development needs of communities. So, for instance, the SAHA and CYFSD research programmes have appointed community-based counsellors to ensure that people involved in research focusing on social aspects of HIV and AIDS have access to appropriate counselling and support services. Community-based research focusing on service delivery, undertaken in the URED research programme, led to the development of training materials that have subsequently been submitted for accreditation by the ETDP-SETA.

In commemoration of the World AIDS Day, all HSRC staff showed *Ubuntu* spirit when they collected over 300 gifts, bought from their own resources, which were given to three NGOs, the Tapoloo Orphans & Vulnerable Children (OVC) project in Rustenburg, the Khumbulani Home in Khayelitsha and the Lily of the Village in Mophela near Eston in KwaZulu-Natal. Organisations that were identified as recipients of gifts collected by staff were identified as such by researchers working at community level in the area of HIV/AIDS research.

## *Organisational responsibility*

The HSRC approved, and is implementing, a code of ethics to inform its business and research activities. The following serve as further examples of the HSRC's ongoing commitment to the economic, social and environmental aspects of the 'triple bottom line':

- In its procurement policy and practice the HSRC is committed to the promotion of black economic empowerment (BEE) and the advancement of black-owned small, medium and micro enterprises (SMMEs).

# Council's report *continued*

for the period ending 31 March 2007

- The HSRC is involved in research capacity development through its research intern scheme, and other forms of short-term appointments in a research environment. Support Services such as the library and the HSRC Press provide workplace experience opportunities to other students.
- As part of its three-year employment equity strategy, the HSRC is rolling out an employment equity awareness strategy that includes an awareness campaign and training.
- With the assistance of a service provider, the HSRC has in place a wellness programme. This contains an AIDS intervention programme for all permanent employees and their immediate family members, including informative materials on the provision of anti-retroviral drugs and medical monitoring, and a 24-hour hotline. A successful employee wellness day was managed jointly by the Corporate Communications and HR units of the HSRC during 2006/07.
- On the environmental side, energy-saving initiatives are in place in the large Pretoria building, as well as paper recycling. The use of the videoconference centre and telecommunication facilities is reducing the need for air and surface travel, savings that also contribute to a cleaner and safer environment.

## 4.3.2 Publishing

### *Overview of the HSRC Press*

The HSRC Press is a 'public benefit' publisher of publications emanating from the Council's research activities and other research-based works of exceptional quality. Deriving its mandate from the Council's obligation to disseminate its research and support humanities and social science scholarship, it is an important element of the Council's drive to become a 'knowledge hub' and further its public purpose orientation.

The Press is a not-for-profit publisher employing a dual media publishing strategy, publishing simultaneously in print and online electronic formats. Print-based publications are promoted through conventional book distribution channels, while electronic publications are available on an Open Access basis.

### *Editorial board*

Quality control of published book manuscripts is managed by an independent editorial board. The board comprises members of the HSRC and external academics, representing a broad range of research expertise in the social sciences and humanities.

Under the guidance of the board, all book manuscripts are subjected to stringent peer-review processes, comprising at least two double-blind peer reviews per publication followed by deliberation at quarterly board meetings.

During the financial year under review 88 potential book publications were submitted to the board, of which 15 have been accepted for publication. During the previous year 43 submissions were considered and 17 accepted for publication. In line with the Council's strategy of capacity building, the board assists in the development of some publications by providing practical guidelines for revision and supporting authors in developing a publishable manuscript. Currently seven manuscripts are under revision.

### *Outputs*

During the 2006/07 financial year the Press produced a total of 39 publications with 11 in production at year-end. This comprises a mix of research monographs, occasional papers and books. During the previous financial year the Press produced 59 publications, with 21 in production at year-end.

### *Dissemination*

For the financial year, 13 529 copies of printed publications were sold, an increase on the 10 951 sold in the previous year. In addition to purchased copies, 27 408 publications were given to stakeholders. Therefore over 30 000 copies of the year's output have been disseminated.

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for the period ending 31 March 2007

The download of free electronic copies increased to 46 109 from 30 905 of the previous year. Browsers reading online increased to 316 843 from 222 706. The regions that showed the largest increase in electronic usage are respectively Kenya, India, Argentina and Nigeria.

In line with the dissemination mandate of the HSRC Press, it granted free usage rights to 21 different non-profit institutions over the year. This includes 13 higher education institutions, where HSRC output was generally incorporated into course readings, thus infusing current research into university curricula. When considered in addition to rights granted over previous years, this amounts to a significant contribution to the social science and humanities academic landscape. Other institutions to which the Press contributed free publishing rights include Oxfam, South African Library for the Blind to produce a Braille edition of a key text on disability in South Africa, and Hokkaido Red Ribbon Africa Support to produce Japanese editions of two HIV/AIDS-related publications.

The Press held 40 launches or exhibits over the year, a significant increase from 21 held the previous year.

### *Internship programme*

The Press continued its publishing internship programme administered by the Publishing Association of South Africa (PASA). The year-long programme is sponsored by the MAPPSETA and run in collaboration with the University of Pretoria and University of the Witwatersrand, who provide off-site training as well as monitoring and assessment.

Nationally, 30 interns who are younger than 30 years old, black and currently unemployed are selected by PASA. The Press accommodated two interns for 2006/07.

### *Publishing awards*

One of the Press' publications won the Concepts and Methods Award from the International Political Science Association and the Conceptual Innovation in Democratic Studies Award from the Centre for Economic Research and Teaching.

Other titles were nominated for the Alan Paton Award, Noma Award and African Politics Conference Group Award in the USA.

### **4.3.3 Corporate Communications**

Corporate Communications continued to provide support to the corporate HSRC and added value in raising the profile of the organisation. This was achieved through events, publications, conferences, exhibitions and the enhancement of the website into a web portal.

One of the highlights of the past financial year was the development of a corporate identity manual, which formed the basis for the redesign of all corporate material, among others, a new HSRC brochure. The corporate identity manual also allowed Corporate Communications to re-establish and strengthen the HSRC brand. In turn, this allowed for the redesign of the new HSRC web portal.

This unit played a major role in developing the content architecture of the new portal, and following the appointment of a project manager, was progressively drawn into the fast-tracking of the web portal project, which was by then long overdue. The website was successfully launched at an event organised by Corporate Communications and attended by nearly 200 members of staff.

# Council's report *continued*

for the period ending 31 March 2007

The *HSRC Review*, a quarterly news bulletin which is now entering its fifth year, was also redesigned to give it a fresh new look. Print copies of the *HSRC Review* are distributed to more than 3 200 ambassadors, schools, municipalities, universities, national and international donor and funder organisations, Parliament, and heads of national and provincial government departments. The publication is available on the website and further distributed by means of electronic newsletters to close to 2 000 recipients. The *HSRC Review* has become an important dissemination tool to the media and a measurable spike in media reports follows every publication.

The HSRC received media coverage to the advertising value equivalent (AVE), which is the monetary value attached to the free media publicity, of R71,94 million for both broadcast and print media compared to R70,44 million in 2005/06.

During the last few years, HSRC research has become imbedded in 'media memory' as source documents, frequently quoted whenever certain topics come up for discussion. These publications all have certain elements in common: they are rich in data and information; they address issues of critical importance to the country; they are groundbreaking work; and they contribute towards a better understanding of the South African society.

The theme for the annual wellness day was, 'Come stay well together'. Staff throughout the HSRC offices had an opportunity to find out about their HIV status, cholesterol, diabetes, and even took more time to use the massage chairs.

During the year under review Corporate Communications produced an induction video for new staff members for Human Resources, supported numerous colloquia, conferences, workshops and other events such as DST's 2006 Insite exhibition, the Toronto AIDS Conference where the HSRC brand was quite visible at an exhibition booth, contributed to a DST coffee book table on projects in Africa, and participated in the DST exhibition at the Rand Easter Show.

Support to research programmes and other departments in the HSRC increased tremendously through database support, graphic design (posters, brochures and pop-up banners).

There was an increased internal communication drive with the *CEO note* which is more personalised and informal. Corporate Communications ensured that major communiqués were sent through the *CEO note* in order to lend breadth and depth to the message. There was positive feedback, particularly to informal messages, like the year-end note by the CEO. In addition a number of events were arranged which facilitated staff interaction, such as the year-end functions and the happy hour events.

## 5. Events between the financial year-end and the publication of this report

- The new HSRC Bill entered the legislative process. On 19 June 2007, the Bill was introduced to members of the Portfolio Committee for Science and Technology. The Committee discussed and adopted the Bill on 26 June 2007.
- The updated Shareholder's Compact, to cover the 2007/08 budget year, was signed on 17 May 2007.

# Council's report *continued*

for the period ending 31 March 2007

- The Audit and Finance Committee of Council was divided into two committees, an Audit and Risk Committee and a Finance Committee.
- A meeting of the Research Committee of Council took place on 24 May 2007. Matters discussed included the position of the humanities in the HSRC; an approach to undertaking research on violent crime; and the identification of appropriate and reliable measures of research excellence to complement the current indicator on peer-reviewed journal articles.
- A meeting between the HSRC and strategic development partners, notably from the private sector, large foundations and international development agencies, took place on 18 May 2007. Areas of common interest, potential collaboration and mutual support were identified.
- Preparations for the programme reviews of D&G and SAHA continued.
- Senior appointments and resignations: Appointment of a new ED: Finance and ED: ESSD, appointment of a new Acting Director: IT for a two-year period, and the resignation of the ED: D&G
- HR matters: Introduction of Deputy ED position, and a new retirement policy, both to provide for succession planning, capacity development.

## 6. Achievement of performance targets

Performance targets for 2006/07 were aligned with the PAITECS strategy and associated indicators of performance. The extent to which the HSRC responded to challenges, and performed against predetermined targets, can be summarised as follows:

According to the PAITECS strategy, the HSRC was meant to focus its activities on the achievement of 14 selected indicators of performance. (Indicators 5, 6, 7 and 8 were treated as a 'cluster', recognising that the achievement of these indicators is interrelated.) It is clear that the HSRC did well in meeting, or exceeding the majority of these targets for 2006/07. Many of these targets were set at challenging levels from the outset, to signal organisational commitment, particularly in relation to equity and transformation at senior research levels.

**Table 8: PAITECS targets and performance, 2006/07**

Indicator	Target: 31 March 2007	Performance 31 March 2007	Additional comments
<b>P</b> 1 <i>Public purpose:</i> Percentage of all research projects that are conducted for the benefit of the public	80%	91,9%	This target has been met
<b>A</b> 2 <i>Africa focus:</i> Percentage of all research projects with a budget of R1 million or above that are done collaboratively with African researchers in other parts of the continent	30%	33,3%	This target has been met
3 Number of African research fellows at the HSRC	12	4	This target has not been met
<b>I</b> 4 <i>Implementation networking:</i> Percentage of large research projects with implementation networks	40%	70%	This target has been met and exceeded by a wide margin

# Council's report *continued*

for the period ending 31 March 2007

**Table 8: PAITECS targets and performance, 2006/07 (continued)**

Indicator	Target: 31 March 2007	Performance 31 March 2007	Additional comments
<b>T</b> <i>Transformation: Equity and representativeness:</i>			
5 Percentage of all researchers at senior level (SRS and above) who are African	37,8%	25,3% (19/75)	This target has not been met Please note: Overall representativeness of black SRS and above has improved to 45,3% in March 2007
6 Percentage of all researchers at senior level (SRS and above) who are coloured	8,9%	10,7% (8/75)	(This indicator is a function of 5, 7 and 8)
7 Percentage of all researchers at senior level (SRS and above) who are Indian	6,7%	9,3% (7/75)	(This indicator is a function of 5, 6 and 8)
8 Percentage of all researchers at senior level (SRS and above) who are white	46,6%	54,7% (41/75)	(This indicator is a function of 5, 6 and 7)
9 Attrition of permanent staff at the HSRC	12% maximum	11,3%	This target has been met
10 Percentage of staff trained in gender sensitivity	50%	57,2% (206/360)	This target has been met
<b>E</b> <i>Excellence:</i>			
11 Peer-reviewed publications in an international journal, per senior researcher (SRS and above)	0,85	1,11	This target has been met and exceeded by a wide margin
12 Peer-reviewed publications in a recognised journal per junior researcher (RS and lower)	0,45	0,35	This target has not been met
<b>C</b> <i>Capacity building:</i>			
13 Number of interns enrolled in a Master's programme	35	29	This target has not been met (6 less than target)
14 Number of interns enrolled in a PhD programme	20	20	This target has been met
15 Number of post-doctoral fellowships	10	4	This target has not been met (6 less than target)
<b>S</b> <i>Sustainability: Contracts and grants obtained:</i>			
16 Percentage of grants that are extra-Parliamentary	60%	63,8%	This target has been met
17 Percentage of all grants that are multi-year (at least three years)	35%	46,2%	This target has been met

Out of fourteen different PAITECS indicators, nine were met or exceeded.



# Council's report *continued*

for the period ending 31 March 2007

Table 9 on pages 145 to 149 contains a slate of detailed performance indicators and associated targets. Some of these detailed targets have been set for the first time for 2006/07, and some of them have been deliberately idealistic. The Council is satisfied that the HSRC has performed well in respect of each of these targets.

With a combined score of 18 out of 30 clusters of performance indicators, the HSRC did well in responding to each of the targets it had set itself in a challenging year. Where targets have been missed, the margin was relatively small, with the exception of the targets set for staff currently enrolled towards further studies.

With respect to specific indicators or clusters of indicators against which performance has been lower than anticipated, the following should be noted:

- Achievement of external income targets: The HSRC managed to contain expenditure to counter the relatively lower levels of external income achieved during 2005/06. Notable reasons for under-performance in two units of the HSRC have been identified and will be addressed in 2006/07. With regard to the lower level of external income achieved per staff member, it should be noted that this can also be attributed to the growth in contract staff appointed for one year or longer during 2006/07.
- Representativeness at senior levels: The HSRC is making notable progress in terms of overall staff representativeness. Challenges remaining at senior research and executive management levels are also related to the realities of supply and demand in a limited labour market. The HSRC nevertheless remains committed to meeting and exceeding targets for representativeness in terms of race, gender and disability at all levels and in all categories of staff. Specific management initiatives introduced to address challenges in this regard will relate to capacity development: renewed focus on research internships and staff development programmes: career pathing and the intention to appoint deputy executive directors in some units as of 2007/08.
- Appointment of specific categories of staff, including African research fellows, research interns and research fellows. These matters will receive concerted attention from the outset of 2007/08.
- Publications other than peer-reviewed journal articles: In some instances, the drop in number of publications (e.g. fewer client reports) may be explained in the light of fewer short-term, small, consultancy projects being undertaken. In other instances, the greater emphasis placed on publications in peer-reviewed journals might have impacted negatively on the publication of books and book chapters. Reasons for lower levels of publications will be identified in 2007/08 so that indicators and targets can be refined in 2008/09, to reflect strategic priorities of the HSRC.
- Human capital development in the form of current involvement in formal studies at university level: It should be noted that the percentage of research staff with Master's or doctoral degrees is already high. Staff in research and support units are also involved in capacity development and training opportunities that are not necessarily captured under the indicators used for this report. It is expected that indicators and performance targets for this form of staff development may be further refined in future.

In general, Council remains confident that the HSRC has the necessary capacity and commitment to deliver on its mandated objectives, also when the new HSRC Act is promulgated.

# Council's report *continued*

for the period ending 31 March 2007

Table 9: HSRC performance against comprehensive set of key performance indicators for 2006/07

Strategic No: objective	Key performance indicator	Performance 2004/05	Target 2005/06	Performance 2005/06	Target 2006/07	Achievement 2006/07
<b>P</b>	<b>Public purpose (Stakeholder perspective)</b>					
1.	<b>SENTINEL PAITECS INDICATOR</b> Percentage of all research projects that are conducted for the benefit of the public (regardless of the source of funding)	New indicator	New indicator	New indicator	80%	91,9%
<b>A</b>	<b>Africa focus (Stakeholder perspective)</b>					
2.	<b>SENTINEL PAITECS INDICATOR</b> Percentage of all research projects with a budget of R1 million or above that are done collaboratively with African researchers in other parts of the continent	New indicator	New indicator	New indicator	30%	33,3%
3.	<b>SENTINEL PAITECS INDICATOR</b> Number of visiting research fellows from elsewhere in Africa at the HSRC	New indicator	New indicator	New indicator	12	4
<b>I</b>	<b>Implementation networking (Internal business processes)</b>					
4.	<b>SENTINEL PAITECS INDICATOR</b> Percentage of large research projects with implementation networks	New indicator	New indicator	New indicator	40%	70%
	<b>Other internal business processes</b>					
5. (6)	Known successful proportion of total competitive tender/funding applications submitted, at May	43%	33%	51%	35%	52,4%
6. (8)	Free media coverage	R46 million	R20 million	R70,4 million	R30 million	R71,9 million
7. (12)	Productivity of HSRC investment in its employees: external research earnings per head (all staff on 'permanent payroll' – indefinite and longer-term contract appointments)	R486 000	R448 000	R424 630	R485 600	R346 125
8. (13)	Share of payroll spent on researcher salaries	62%	61%	61%	60%	64%
9. (14)	<b>REQUIRED BY DST</b> Proportion of researchers in total staff	53%	52%	54%	50%	63,3%
10. (15)	<b>REQUIRED BY DST</b> (DST formulation: Ratio of overhead costs to total costs)	0,75	0,70	0,71	0,75	0,72

# Council's report *continued*

for the period ending 31 March 2007

Table 9: HSRC performance against comprehensive set of key performance indicators for 2006/07 (continued)

Strategic No: objective	Key performance indicator	Performance 2004/05	Target 2005/06	Performance 2005/06	Target 2006/07	Achievement 2006/07
11. <i>REQUIRED BY DST (16)</i>	Salaries to total expenditure	47%	48%	52%	44%	50,4%
<b>T</b>	(Transformation)					
12. <i>SENTINEL PAITECS INDICATORS (a) (i) (iii) and (iv)</i>	Transformation at senior researcher level: a. % black researchers at senior level (SRS or above) i. % African ii. % coloured iii. % Indian iv. % white b. % female researchers at senior level (SRS or above) c. % researchers at senior level (SRS or above) with a disability	New indicator	New indicator	New indicator	New indicator	a. 53,4%  i. 37,8% ii. 8,9% iii. 6,7% iv. 46,6% b. 42%  c. 2,7%
13. <i>SENTINEL PAITECS INDICATOR</i>	Attrition rate of permanent staff	New indicator	New indicator	New indicator	12%	11,3%
14. <i>SENTINEL PAITECS INDICATOR</i>	Percentage of staff trained in gender sensitivity	New indicator	New indicator	New indicator	50%	57,2%
15. <i>REQUIRED BY DST: (9) Black (overall) Female Disabled</i>	Overall staff representativeness a. % black staff: overall i. % African ii. % coloured iii. % Indian iv. % white b. % female staff: overall c. % staff with a disability: overall	a. 63% i. 39% ii. 14% iii. 10% iv. 37% b. 58% c. 1%	a. 66% i. 45% ii. 12% iii. 9% iv. 34% b. 53% c. 2%	a. 65% i. 41% ii. 15% iii. 9% iv. 35% b. 57% c. 1%	a. 68% i. 46% ii. 14% iii. 8% iv. 32% b. 55% c. 1,5%	a. 70,8% i. 51,4% ii. 12,8% iii. 6,7% iv. 29,2% b. 59,7% c. 1,1%
16. <i>REQUIRED BY DST: (10) Black (overall) Female Disabled</i>	Research staff representativeness (interns and fieldworkers excluded) a. % black research staff i. % African ii. % coloured iii. % Indian iv. % white b. % female research staff c. % research staff with a disability	a. 51% i. 31% ii. 9% iii. 11% iv. 49% b. 43% c. 1,5%	a. 55% i. 36% ii. 9% iii. 10% iv. 45% b. 45% c. 2%	a. 51% i. 27% ii. 12% iii. 12% iv. 49% b. 48% c. 1,7%	a. 57% i. 38% ii. 10% iii. 9% iv. 43% b. 49% c. 2%	a. 64,2% i. 44,2% ii. 10,9% iii. 9,1% iv. 35,8% b. 52,7% c. 1,2%

# Council's report *continued*

for the period ending 31 March 2007

Table 9: HSRC performance against comprehensive set of key performance indicators for 2006/07 (continued)

Strategic No: objective	Key performance indicator	Performance 2004/05	Target 2005/06	Performance 2005/06	Target 2006/07	Achievement 2006/07
17. <b>REQUIRED BY DST:</b> (11) <i>Black (overall)</i> <i>Female</i> <i>Disabled</i>	Executive management representativeness (EDs, COO & CEO) a. % black executive managers i. % African ii. % coloured iii. % Indian iv. % white b. % female executive managers c. % disabled executive managers	a. 50% i. 17% ii. 0% iii. 33%	a. 66% i. 25% ii. 8% iii. 33%	a. 55% i. 9% ii. 9% iii. 36% (iv. 45%)	a. 70% i. 30% ii. 10% iii. 30% (iv. 30%)	a. 63,6% i. 18,2% ii. 9,1% iii. 36,4% (iv. 36,4%) b. 45,5% c. N/a
<b>E</b>	Excellence (Learning and growth)					
18. <b>SENTINEL PAITECS INDICATOR</b>	Peer-reviewed publications in an internationally accredited scientific journal, per senior researcher (SRS or above)	New indicator	New indicator	New indicator	0,85	1,11
19. <b>SENTINEL PAITECS INDICATOR</b>	Peer-reviewed publications in a scientific journal per researcher, RS or lower	New indicator	New indicator	New indicator	0,45	0,22
20. <b>REQUIRED BY DST</b> (18)	Number of books, journal articles, reports (per average researcher head) a. All researchers b. Black researchers i. African ii. coloured iii. Indian iv. white c. Female researchers	a. 2,9 b. 1,8	a. 3,0 b. 3,0 i. 3,0 ii. 3,0 iii. 3,0	a. 3,79 b. 4,32 i. 3,37 ii. 4,50 iii. 6,69 iv. New	a. 3,5 b. 3,5 i. 3,5 ii. 3,5 iii. 3,5 (iv. 3,5)	a. 2,63 b. 2,58 i. 2,60 ii. 3,06 iii. 4,54 iv. 3,65 c. 2,70
21. <b>REQUIRED BY DST, but</b> (19) <i>as part of previous indicator</i>	Number of refereed journal articles per average researcher head a. All researchers b. Black researchers i. African ii. coloured iii. Indian iv. white c. Female researchers	a. 0,79 b. 0,47	a. 0,75 b. 0,6 i. 0,6 ii. 0,6 iii. 0,75	a. 0,99 b. 1,03 i. 1,00 ii. 1,08 iii. 1,08 iv. New	a. 0,9 b. 0,9 i. 0,9 ii. 0,9 iii. 0,9 (iv. 0,9)	a. 0,82 b. 0,94 i. 1,02 ii. 1,13 iii. 1,77 iv. 0,98 c. 0,79

# Council's report *continued*

for the period ending 31 March 2007

Table 9: HSRC performance against comprehensive set of key performance indicators for 2006/07 (continued)

Strategic No: objective	Key performance indicator	Performance 2004/05	Target 2005/06	Performance 2005/06	Target 2006/07	Achievement 2006/07
22. <b>REQUIRED BY DST (17)</b> (DST also requires separate reporting on doctoral degrees only – this is done in the KPI report)	Human capital: proportion of researchers (excluding interns and fieldworkers) with master's or doctoral degrees					
	a. All researchers	a. 92%	a. 92%	a. 90%	a. 92%	a. 93,5%
	b. Black researchers	b. 91%	b. 92%	b. 87%	b. 92%	b. 93,8%
	i. % African		i. 92%	i. 91%	i. 92%	i. 97,3%
	ii. % coloured		ii. 92%	ii. 79%	ii. 92%	ii. 92,9%
	iii. % Indian		iii. 92%	iii. 86%	iii. 92%	iii. 85,7%
	iv. % white			iv. (New)	iv. 92%	iv. 93,1%
	c. Female researchers	c. 91%	c. 92%	c. 89%	c. 92%	c. 97,7%
<b>C</b>	(Learning and growth)					
23. <b>SENTINEL PAITECS INDICATOR</b>	Number of interns (research trainees) enrolled in a Master's programme	New indicator	New indicator	New indicator	35	29
24. <b>SENTINEL PAITECS INDICATOR</b>	Number of interns (research trainees) enrolled in a PhD programme	New indicator	New indicator	New indicator	20	20
25. <b>SENTINEL PAITECS INDICATOR</b>	Number of post-doctoral fellowships (research associates)	New indicator	New indicator	New indicator	10	4
26. <b>REQUIRED BY DST (20)</b>	Staff enrolled towards relevant further qualifications:					
	a. Research staff enrolled towards master's or doctoral degrees, as percentage of research staff without such degrees	a. 42%	a. 60%	a. 33%	a. 60%	a. 45,2%
	b. % of interns enrolled towards master's or doctoral degrees	b. 44%	b. 70%	b. 65%	b. 70%	b. 56,8%
	c. % of administrative staff enrolled towards higher education qualifications	c. Not recorded	c. 40%	c. 15%	c. 40%	c. 12,9%

# Council's report *continued*

for the period ending 31 March 2007

Table 9: HSRC performance against comprehensive set of key performance indicators for 2006/07 (continued)

Strategic No: objective	Key performance indicator	Performance 2004/05	Target 2005/06	Performance 2005/06	Target 2006/07	Achievement 2006/07
<b>S</b>	Sustainability: Contracts and grants obtained <b>(Financial)</b>					
27. (3)	<b>SENTINEL PAITECS INDICATOR REQUIRED BY DST ('Dependency ratio')</b> Percentage of (research) grants that are extra-Parliamentary – Ring-fenced amounts allocated as part of MTEF included with Parliamentary grant. <i>NB to note: Ring-fenced funding included with external research earnings, until 2005/06</i>	New indicator (64% with ring-fenced)	New indicator (63% with ring-fenced)	New indicator (58% with ring-fenced)	60	63,8%
28.	<b>SENTINEL PAITECS INDICATOR</b> Percentage of all (research) grants that are multi-year – at least three years	New indicator	New indicator	New indicator	35	46,2%
29. (2)	Achievement of income target: External research income <i>NB to note: Ring-fenced funding included with external research earnings, until 2005/06</i>	R140 million	R141 million	R119 million	R152 million	R124,6 million
30. (4)	Variance in budgeted expenditure: surplus or deficit for year, as % of turnover	2%	5%	0,7%	5%	2,1%

# Statement of financial performance

for the year ended 31 March 2007

	Notes	2007 R'000	2006 R'000
<b>Continuing operations</b>			
Research revenue	1	124 605	113 896
Research cost	4	(49 811)	(53 687)
Gross research income		74 794	60 209
Parliamentary grants	2.2	96 979	85 130
Parliamentary grants ring-fenced	2.3	10 500	5 000
Other income	3	13 476	12 977
		195 749	163 316
Administrative expenses	5	(66 475)	(51 853)
Staff costs	6.1	(104 057)	(95 412)
Other operating expenses	7	(16 159)	(9 150)
Depreciation	8	(3 794)	(4 105)
<b>Surplus for the year</b>		<b>5 264</b>	2 796

# Statement of financial position

as at 31 March 2007

	Notes	2007 R'000	2006 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11.1	87 944	89 352
Intangible assets	11.2	1 476	1 072
		<b>89 420</b>	90 424
<b>Current assets</b>			
Inventories	12	3 268	2 023
Trade and other receivables	13	33 447	20 304
Prepayments and advances	14	946	1 162
Cash and cash equivalents	15	29 393	15 903
		<b>67 054</b>	39 392
<b>Total assets</b>		<b>156 474</b>	129 816
<b>Net assets and liabilities</b>			
Capital and reserves			
Net assets		90 539	85 275
Deferred income	19	3 566	4 331
		<b>94 105</b>	89 606
<b>Current liabilities</b>			
Trade and other payables	20	19 604	8 163
Income received in advance	21	33 017	23 961
Provisions	22	9 748	8 086
		<b>62 369</b>	40 210
<b>Total net assets and liabilities</b>		<b>156 474</b>	129 816



# Statement of changes in net assets

for the year ended 31 March 2007

	Income funds 'Own-risk'					
	Surplus funds R'000	insurance fund R'000	General reserve R'000	Capital funds R'000	Deferred income R'000	Total R'000
<b>Balance at 1 April 2005</b>	<b>(8 465)</b>	<b>400</b>	<b>13 000</b>	<b>42 059</b>	<b>5 003</b>	<b>51 997</b>
As previously reported						
Prior year adjustment (Note 30)	7 529					7 529
<b>Restated balance at 1 April 2005</b>	<b>(936)</b>	<b>400</b>	<b>13 000</b>	<b>42 059</b>	<b>5 003</b>	<b>59 526</b>
Surplus as previously reported	1 518	–	–	–	–	1 518
Surplus year error	1 278	–	–	–	–	1 278
Transfer to general reserve	8 365	–	–	–	–	8 365
Revaluation surplus	–	–	–	32 991	–	32 991
Allocated from income during the year	–	(400)	–	–	(3 551)	(3 951)
Allocated from general reserve	–	–	(13 000)	–	–	(13 000)
Portion of Parliamentary grants utilised to acquire depreciable fixed assets for the year	–	–	–	–	2 879	2 879
<b>Balance at 1 April 2006</b>	<b>10 225</b>	<b>–</b>	<b>–</b>	<b>75 050</b>	<b>4 331</b>	<b>89 606</b>
Net surplus for the year	5 264	–	–	–	–	5 264
Allocated from income during the year	–	–	–	–	(3 100)	(3 100)
Portion of Parliamentary grants utilised to acquire depreciable fixed assets for the year	–	–	–	–	2 335	2 335
Transfer to surplus funds	385	–	–	(385)	–	–
<b>Balance at 31 March 2007</b>	<b>15 874</b>	<b>–</b>	<b>–</b>	<b>74 665</b>	<b>3 566</b>	<b>94 105</b>

# Cash flow statement

for the year ended 31 March 2007

	Notes	2007 R'000	2006 R'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		240 618	229 549
Cash paid to suppliers and employees		(226 821)	(240 684)
<b>Net cash outflows/(inflows) from operating activities</b>	23	<b>13 797</b>	(11 135)
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property, plant and equipment		42	215
Proceeds from investment		2 483	1 191
Acquisition of property, plant and equipment		(2 832)	(4 743)
<b>Net cash outflows from investing activities</b>	24	<b>(307)</b>	(3 337)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13 490</b>	(14 472)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>15 903</b>	30 375
<b>Cash and cash equivalents at the end of the year</b>	15	<b>29 393</b>	15 903

# Accounting policies

for the year ended 31 March 2007

## Basis of presentation

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 Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

### Standard of GRAP

GRAP1: Presentation of financial statements  
GRAP2: Cash flow statements  
GRAP3: 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

#### 1. Terminology differences:

##### **Standard of GRAP**

Statement of financial performance  
Statement of financial position  
Statement of changes in net assets  
Net assets  
Surplus/deficit for the period  
Accumulated surplus/deficit  
Contributions from owners  
Distributions to owners  
Reporting date

##### **Replaced Statement of GAAP**

Income statement  
Balance sheet  
Statement of changes in equity  
Equity  
Profit/loss for the period  
Retained earnings  
Share capital  
Dividends  
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. Paragraph 11 – 15 of GRAP1 has 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.

## Revenue

Revenue includes investment and non-operating income exclusive of value-added taxation. Revenue that resulted from the rendering of research and related services is acknowledged at the stage of completion, determined according to the percentage cost to date in relation to the total estimated cost of the project. Revenue from the sale of goods is recognised when significant risk and rewards of ownership of goods are transferred to the buyer. Revenue arising from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreement.

## Parliamentary grants received

### Baseline grants

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

# Accounting policies *continued*

for the year ended 31 March 2007

## Grants for depreciable and non-depreciable assets

### Depreciable assets

Current year Parliamentary grants in respect of depreciable assets (excluding buildings) are allocated to income over the period of and in proportion to the depreciation, which is written off against such assets. A corresponding amount in respect of the relevant non-depreciable assets disposed of during the year is also allocated to income in the period in which it is disposed of. The balance of the Parliamentary grants not recognised in the income statement is disclosed as deferred income.

### 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 the statement of changes in equity.

## Property, plant and equipment

### Freehold land and buildings

Freehold land and buildings are accounted for separately.

#### Freehold land

Land has an unlimited useful life and therefore is not depreciated but stated at fair value.

#### Freehold buildings

Buildings will be treated as owner-occupied property. Owner-occupied property will be stated at fair value less depreciation.

The HSRC identified the following major components of buildings.

The annual depreciation rates applied to the various components of buildings are:

	<i>Useful life</i>
Lifts	20 years
Telephone system	10 years
Fixtures	15 years
Building	100 years

### Valuation method

A valuation of owner-occupied property will be performed every three years based on the income capitalisation method. 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 which is capitalised at a market-related rate and taking into account the risk, age and condition of the property with existing buildings. Any surpluses that occur due to the revaluation of land and buildings are allocated to capital funds.

### Equipment

Artwork is treated as an investment and is not depreciated; it is carried at fair value.

Assets costing less than R1 000 are written off in the year of acquisition.

All other types of equipment are stated at cost less accumulated depreciation.

The depreciation is calculated at rates considered appropriate to reduce the cost of asset less residual value over their estimated useful life. Residual values and estimated useful lives are revised annually.

# Accounting policies *continued*

for the year ended 31 March 2007

## Equipment (continued)

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

	<i>Useful life</i>
Motor vehicles	5 years
Office equipment	15 years
Computer and other equipment	5 years
Library books and manuscripts	20 years

All assets that were bought with donor funds or grants, except freehold land and buildings, and that were donated to the community on termination of the project, are depreciated fully over the lifetime of the project.

## Investment property

Investment property is property held to earn rentals. Investment property is stated at fair value and a valuation will be performed every three years based on the income capitalisation method. The fair value is determined from the ability of the property to produce a rental income, taking into account the expenses to produce the rental income which is capitalised at a market-related rate and taking into account the risk, age and condition of the property with existing buildings. Any surpluses that occur due to revaluation of the investment property are directly allocated to the capital funds.

## Intangible assets

Software is classified as intangible assets. Initial expenditure on software is recognised at cost and capitalised. Subsequently expenditure is capitalised only when it increases the future economic benefits embodied in the asset to which it relates. The amortisation is calculated at a rate considered appropriate to reduce the cost of asset less residual value over its estimated useful life. Residual values and estimated useful lives are revised annually.

The expected life of the software is 20 years.

## 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. Cost is determined on the weighted average method. Inventories are made up of one category, namely publications.

## Operating leases

Lease agreements are classified as operating leases where substantially the entire 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 when incurred.

## Post-employment benefit cost

### Retirement benefit

Pensions are provided for employees by means of three separate pension funds to which contributions are made. With regard to the HSRC 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 statement of financial performance 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 respective pension funds are recognised in the statement of financial performance.

# Accounting policies *continued*

for the year ended 31 March 2007

## Post-retirement medical aid benefits

The HSRC contributed voluntarily to post-retirement medical aid benefits of specific employees who opted to remain on the previous conditions of service when the benefit was terminated. The HSRC does not provide for post-retirement medical aid benefits to any other category of employees.

## Deferred income

Parliamentary grants in respect of certain depreciable assets are allocated to income over the period of, and in proportion to, the depreciation written off against such assets. A corresponding amount in respect of the relevant non-depreciable assets disposed of during the year is allocated to income in the period in which it is disposed of. The balance of Parliamentary grants not recognised in the income statement is disclosed as deferred income. Other funds, including prior period surplus funds that are utilised in respect of the acquisition of depreciable assets, are not treated as deferred income.

## 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 translated at the rate of exchange ruling at the reporting date or at the forward rate determined in forward exchange contracts. Exchange differences arising from translations are recognised in the statement of financial performance in the period in which they occur.

## Capital funds

A Parliamentary grant in respect of non-depreciable assets is allocated to income when it is received. A corresponding amount is then transferred from income funds to capital funds as an appropriation of accumulated funds per the statement of changes in equity. Other funds, including prior period surplus funds, that are utilised in respect of the acquisition of non-depreciable assets are not accounted for in capital funds.

## Provisions

Provisions are raised when a present legal or constructive obligation exists as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## Financial instruments

Financial instruments carried in the statement of financial position include cash and bank balances, receivables and trade payables. These instruments are generally carried at their estimated fair value. Receivables are carried net of the estimate of doubtful receivables.

## Related parties

The HSRC operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Executive Director and Council Members as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals, in their dealings with the entity.

# Accounting policies *continued*

for the year ended 31 March 2007

## Impairment

The carrying amount of the assets is reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the statement of financial performance whenever the carrying amount of an asset or its fair value less cost to sell exceeds its recoverable amount.

## Calculation of recoverable amount

The recoverable amount is the greater of the net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted 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 inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

## Reversals of impairments

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

# Notes to the annual financial statements

for the year ended 31 March 2007

	2007 R'000	2006 R'000
<b>1. Research revenue</b>		
Rendering of services:		
Private sector	2 943	9 613
Public corporations	4 636	4 297
Public sector	45 306	31 672
International funding agencies	68 047	66 152
National funding agencies	2 675	722
Professional services	998	1 440
<b>Total</b>	<b>124 605</b>	113 896
<b>2. Parliamentary grants</b>		
2.1. Total Parliamentary grants allocation:		
Parliamentary grants	97 038	84 458
VAT portion	12 335	12 335
Parliamentary grants ring-fenced	10 500	4 500
	<b>119 873</b>	101 293
2.2. Grant allocation as per statement of financial performance		
Parliamentary grants	96 979	85 130
Parliamentary grants received	96 214	84 458
Plus: Transferred from deferred income	765	672
	<b>10 500</b>	5 000
2.3. Special Parliamentary grants		
Special Parliamentary grants	10 500	4 500
Plus/(Less): Rolled over portion	-	500
<b>Total</b>	<b>107 479</b>	90 130
<b>3. Other income</b>		
Rental income	7 034	6 067
Product sales	798	718
Interest	2 483	1 191
Non-research related income	3 161	5 001
<b>Total</b>	<b>13 476</b>	12 977
The HSRC's rental income is derived from rental of office space and parking to the Department of Social Development as well as from rental of conference facilities.		
<b>4. Research cost</b>		
Direct labour expense	17 096	17 211
Direct research cost	32 715	36 476
<b>Total</b>	<b>49 811</b>	53 687



# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

	2007 R'000	2006 R'000
<b>5. Administrative expenses</b>		
General expenses	65 859	50 723
Auditor's remuneration	802	1 093
Audit fees – external	265	593
– internal	537	500
Net foreign exchange losses/(gains)	(186)	37
<b>Total</b>	<b>66 475</b>	51 853
<b>6. Staff costs</b>		
6.1. <i>Wages and salaries</i>	<b>96 260</b>	87 609
Defined benefit pension plan expense	93	95
Defined contribution plan	7 164	7 164
Social contributions (employer's contributions)	60	64
Official unions and associations	60	64
Post-retirement medical benefit	480	480
<b>Total</b>	<b>104 057</b>	95 412
6.2. <i>Non-benefit portion of salaries</i> (direct labour expense refer to Note 4)	<b>17 096</b>	17 211
<b>Total</b>	<b>121 153</b>	112 623

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 6. Staff costs (continued)

2007	Council members and executive management remuneration			
	Services fees		Managerial services	
	Council members	Projects	Basic salary	Total
	R	R	R	R
<b>2007</b>				
<i>Council members</i>				
Ms PN Gasa*		207 330	–	207 330
Professor GJ Gerwel ( <i>Chair</i> )	19 345	–	–	19 345
Dr P Gobodo-Madikizela	3 844	–	–	3 844
Professor WE Morrow	26 943	–	–	26 943
Mr ME Motala	14 390	–	–	14 390
Mr SM Pityana	11 101	–	–	11 101
Mr MV Sisulu	1 879	–	–	1 879
Professor EC Webster	13 809	–	–	13 809
Ms P Ntombela-Nzimande	12 442	–	–	12 442
Mr T Makwetu	12 950	–	–	12 950
<i>Executive member</i>				
Dr O Shisana ( <i>President and CEO</i> )	–	–	1 484 000	1 484 000
<i>Senior management</i>				
Executive directors **	–	–	8 234 890	8 234 890
<b>Total</b>	<b>116 703</b>	<b>207 330</b>	<b>9 718 890</b>	<b>10 042 923</b>
2006 – Total	194 037	258 136	11 727 957	12 180 130

\* Ms PN Gasa was contracted as an external service provider to a specific project at the time of her appointment as a member of Council. Her contracted obligations to that project will continue until project conclusion.

\*\* Executive directors of the HSRC as on 31 March 2006 and 31 March 2007 respectively are listed below:

### 2007

Dr M Altman  
 Mr MJ de Klerk  
 Prof. AM Habib  
 Prof. MJ Kahn  
 Dr A Kanjee  
 Dr T Masilela  
 Dr U Pillay  
 Prof. LM Richter  
 Dr L Rispel  
 Dr AH Kraak (01/04/06 to 30/04/06)  
 Prof. S Makoni (01/07/06 to 30/11/06)

### 2006

Dr M Altman  
 Mr MJ de Klerk  
 Prof. AM Habib  
 Prof LM Richter  
 Prof. M Kahn  
 Dr A Kanjee  
 Dr R Maharaj  
 Dr U Pillay  
 Dr L Rispel  
 Dr AH Kraak  
 Dr O Shisana (01/04/2005 – 31/07/2005)  
 Dr XMT Mangcu (01/01/2005 – 31/12/2005)

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

	2007 R'000	2006 R'000
<b>7. Other operating expenses</b>		
Staff training and development	2 156	1 033
Legal fees	328	532
Maintenance, repairs and running costs	9 689	5 942
– Property and buildings	(247)	1 400
– Machinery and equipment	1 361	3 460
– Other maintenance, repairs and running costs	8 575	1 082
Entertainment expense	378	277
Fruitless and wasteful expenditure (fraud)	57	3
Loss on disposal of assets	842	–
Non-research related expenses	2 709	1 363
<b>Total</b>	<b>16 159</b>	<b>9 150</b>
<b>8. Depreciation</b>		
Lifts	158	87
Telephone system	72	38
Fixtures	3	2
Building	651	373
Leasehold property	321	321
Motor vehicles	185	159
Office equipment	(443)	144
Computer and other equipment	2 767	2 944
Software	80	37
Library books and manuscripts	0	0
<b>Total</b>	<b>3 794</b>	<b>4 105</b>

## 9. Operating lease income

The operating lease undertaken between the HSRC, as the lessor, and the Department of Public Works, as the lessee, is conducted currently on a monthly basis. The rental amount (refer to Note 3) is not fixed between the parties, but is negotiated and thereby determined on a monthly basis. No contract has as yet been signed between the parties as the negotiations are still underway. Improvements to be incurred in terms of the contract are contingent upon the signing of a binding, non-cancellable operating lease agreement (refer to Note 31).

## 10. Operating lease expense

The operating lease undertaken between Standard Bank, as the lessor, and the HSRC, as the lessee, provides for a monthly rental amount of R2 662,11 excluding VAT. The operating lease payments cannot be equalised due to the contingent clause contained in the lease agreement, which states that the rentals in terms of the operating lease agreement are subject to variation and are linked to variations in the prime interest rate.

# Notes to the annual financial statements

continued

for the year ended 31 March 2007

## 11. Non-current assets

### 11.1 Property, plant and equipment

2007	Total R'000	Land R'000	Lifts R'000	Telephone systems		Buildings R'000	Leasehold property		Artwork R'000	Motor vehicles R'000	Office furniture R'000	Computer and other equipment R'000	Library books R'000
				R'000	R'000		R'000	R'000					
<b>Opening net carrying amount</b>	<b>89 352</b>	<b>5 138</b>	<b>3 160</b>	<b>689</b>	<b>47</b>	<b>67 967</b>	<b>950</b>	<b>240</b>	<b>891</b>	<b>2 744</b>	<b>7 526</b>	-	
Gross carrying amount	121 304	5 138	3 334	765	51	68 712	1 436	240	1 263	6 688	28 951	4 726	
Accumulated depreciation	(31 952)	-	(174)	(76)	(4)	(745)	(486)	-	(372)	(3 944)	(21 425)	(4 726)	
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	
Additions	2 348	-	-	-	-	-	13	-	-	371	1 964	-	
Disposal and adjustments	(42)	-	-	-	-	-	-	-	-	-	(42)	-	
Carrying amount	(76)	-	-	-	-	-	-	-	-	-	(76)	-	
Accumulated depreciation	34	-	-	-	-	-	-	-	-	-	34	-	
Depreciation	(3 714)	-	(158)	(72)	(3)	(651)	(321)	-	(185)	443	(2 767)	-	
<b>Closing net carrying amount</b>	<b>87 944</b>	<b>5 138</b>	<b>3 002</b>	<b>617</b>	<b>44</b>	<b>67 316</b>	<b>642</b>	<b>240</b>	<b>706</b>	<b>3 558</b>	<b>6 681</b>	-	
Gross carrying amount	123 576	5 138	3 334	765	51	68 712	1 449	240	1 263	7 059	30 839	4 726	
Accumulated depreciation	(35 632)	-	(332)	(148)	(7)	(1 396)	(807)	-	(557)	(3 501)	(24 158)	(4 726)	
<b>2006</b>	<b>Opening net carrying amount</b>	<b>56 699</b>	<b>2 986</b>	<b>1 835</b>	<b>403</b>	<b>39 212</b>	<b>667</b>	<b>240</b>	<b>767</b>	<b>2 406</b>	<b>8 156</b>	-	
Gross carrying amount	84 896	2 986	1 922	441	29	39 584	832	240	1 046	6 206	26 881	4 729	
Accumulated depreciation	(28 197)	-	(87)	(38)	(2)	(372)	(165)	-	(279)	(3 800)	(18 725)	(4 729)	
Revaluation	32 991	2 152	1 412	324	22	29 081	-	-	-	-	-	-	
Additions	3 958	-	-	-	-	47	604	-	429	482	2 396	-	
Disposal and adjustments	(228)	-	-	-	-	-	-	-	(146)	-	(82)	-	
Carrying amount	(541)	-	-	-	-	-	-	-	(212)	-	(326)	(3)	
Accumulated depreciation	313	-	-	-	-	-	-	-	66	-	244	3	
Depreciation	(4 068)	-	(87)	(38)	(2)	(373)	(321)	-	(159)	(144)	(2 944)	-	
<b>Closing net carrying amount</b>	<b>89 352</b>	<b>5 138</b>	<b>3 160</b>	<b>689</b>	<b>47</b>	<b>67 967</b>	<b>950</b>	<b>240</b>	<b>891</b>	<b>2 744</b>	<b>7 526</b>	-	
Gross carrying amount	121 304	5 138	3 334	765	51	68 712	1 436	240	1 263	6 688	28 951	4 726	
Accumulated depreciation	(31 952)	-	(174)	(76)	(4)	(745)	(486)	-	(372)	(3 944)	(21 425)	(4 726)	

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 11. Property, plant and equipment (continued)

The land is registered as Stand 3242 Pretoria, measuring 7 655m<sup>2</sup>, Registration division JR, Transvaal and is situated at 134 Pretorius Street, Pretoria. The building consists of a reception area, offices, parking area, conference centre and a cafeteria built on land as mentioned above. The valuation was conducted in March 2006 by an independent valuer, Mr Nico Fenwick of Fenwick Valuations, using the income capitalisation method. Transactions involving the sale of other buildings were investigated as an alternative basis of valuation but were not used because of uncertain comparability. Under the income capitalisation method, the market value is determined from the ability of the property to produce a rental income, taking into account the expense 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.

The rental income is based on the ability of the building to produce market-related income stream, based on market-related rentals, and it is determined on a five-year lease period with an escalation of 10% per year.

	<b>2007</b>	2006
	<b>R'000</b>	R'000
<b>11.2 Intangible assets</b>		
<b>Software</b>		
Opening net carrying amount	<b>1 072</b>	324
Gross carrying amount	<b>1 157</b>	372
Accumulated depreciation	<b>(85)</b>	(48)
Revaluation	<b>0</b>	0
Additions	<b>484</b>	785
Disposal and adjustments	<b>0</b>	0
Carrying amount	<b>0</b>	0
Accumulated depreciation	<b>0</b>	0
Depreciation	<b>(80)</b>	(37)
Closing net carrying amount	<b>1 476</b>	1 072
Gross carrying amount	<b>1 641</b>	1 157
Accumulated depreciation	<b>(165)</b>	(85)
<b>12. Inventories</b>		
Finished goods	<b>3 268</b>	2 023
<b>Total</b>	<b>3 268</b>	2 023
<b>13. Trade and other receivables</b>		
Trade receivables	<b>34 112</b>	21 565
Less: Allowance for doubtful debts	<b>(2 609)</b>	(1 261)
Trade receivables	<b>31 503</b>	20 304
VAT input	<b>1 944</b>	–
<b>Total</b>	<b>33 447</b>	20 304
<b>14. Prepayments and advances</b>		
Prepayments	<b>946</b>	1 162
<b>Total</b>	<b>946</b>	1 162

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

	2007	2006
	R'000	R'000
<b>15. Cash and cash equivalents</b>		
Cash and cash equivalents comprise cash and short-term, highly liquid investments, that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk. The carrying amount of these assets approximates to their fair value.		
Cash at bank	1 470	1 644
Cash on hand	30	30
Short-term investments	27 893	14 229
<b>Total</b>	<b>29 393</b>	15 903
Included in the short-term investments are the following funds invested on behalf of donors:		
Conflict and governance facility	339	503
Ford Foundation	490	338
Department of Social Development	854	808
Canadian International Development Agency	450	880
WK Kellogg Foundation	4 941	7 601
Other	13 224	–
	<b>20 298</b>	10 130
Short-term investments	7 595	4 099
<b>Total short-term investment</b>	<b>27 893</b>	14 229
Cash at bank	1 470	1 644
Cash on hand	30	30
<b>Total cash and cash equivalents</b>	<b>29 393</b>	15 903

As required in Section 7(2) and 7(3) of the Public Finance Management Act, the National Treasury has approved the local bank where bank accounts are held.

## 16. Pension funds

Pension benefits are provided by membership of the Associated Institutions Pension Fund (AIPF), the Government Employees Pension Fund (GEPF) and the HSRC Pension Fund (HSRCPF). The AIPF and GEPF are government institutions. The state has assumed responsibility for any under-funding of these funds. The HSRCPF is a defined benefit and a defined contribution retirement fund that provides lump-sum payments and pensions to retiring staff and/or their dependants as well as death and disability benefits. The HSRCPF is registered in terms of the Pension Funds Act 1956 (as amended).

The administrators of the fund, ABSA Consultants and Actuaries, completed an additional interim valuation of the fund to coincide with the HSRC financial year-end. For the purpose of this valuation, the assets in respect of the defined contribution members (216 members) were taken into account at full market value as these members are now entitled to the full market value of their investments achieved under the HSRCPF. The total value of the assets of the defined contribution members, as at the valuation date, amounted to R64,790 million.

With regard to the pensioners and the three members entitled to defined benefits, the assumptions made regarding the expected trajectory of the HSRCPF included number of deaths, withdrawals or early retirements. These assumptions as well as expected rates of salary increase, return on investment and operational costs, were used to calculate the discounted value of the accrued liabilities for all of the defined benefit members on the interim valuation date for comparison with the available assets of the HSRCPF (See table below). On this basis, the accrued liability of the HSRCPF to these members as at the additional interim valuation date amounted to R1,516 million.

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

	Defined benefit pension fund	
	2007	2006
	R'000	R'000
<b>16. Pension funds (continued)</b>		
16.1. Pension fund valuation		
Present value of funded liabilities	1 729	1 516
Fair value of plan assets	(9 962)	(7 955)
Funded status	(8 233)	(6 439)
Actuarial gains	1 285	1 637
Net asset	(6 948)	(4 802)
Number of members	3	5
The apportionment of the surplus will be completed with the finalisation of the statutory valuation of the fund for October 2005, therefore the asset cannot be determined at 31 March 2007.		
16.2. Principal actuarial assumptions		
	%	%
Valuation rate	7,7	7,4
Inflation rate	5,0	4,6
Salary increase rate	6,0	5,6
Expected investment return rate	9,0	8,4

## 16.2.1. Valuation rate of interest

IAS 19 requires to be determined by the current market yield of government bonds. The discount rate was based on the yield of the R186 government bond.

## 16.2.2. General inflation rate

The difference between the yield on a fixed interest government bond and the yield on an index linked government bond will give an indication of the inflation expectation in the market. For this purpose the yield on the R186 fixed interest government bond and the R197 index-linked government bond as at each of the given valuation dates were used.

## 16.2.3. Salary inflation

It is the opinion of the actuary that over the long term salary inflation will exceed general inflation by 1,0% per annum. Allowance was also made for the merit increases used in the statutory valuation of the HSRCPF.

## 16.2.4. Expected investment return

The expected rate of return was determined by referring to the expected long-term rate of return on the different asset classes. It was assumed that investment returns will exceed general inflation by 4,0% after allowing for investment related expenses.

## 16.2.5. Pension increases

Provision for future increases in pension payments were made to the extent that the investment return exceeds a rate of 6% per annum and is consistent with the provision made during the previous statutory valuation of the HSRCPF.

## 16.2.6. Demographic assumptions

The demographic assumptions used are consistent with those used in the previous statutory valuation of the HSRCPF. These assumptions are not affected by market conditions but rather by the actual experience under the fund.

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

	<b>2007</b>	2006
	<b>R'000</b>	R'000
	<b>HSRC defined benefit pension fund</b>	HSRC defined contribution fund
	<b>%</b>	<b>%</b>
<b>16. Pension funds (continued)</b>		
<b>16.3. Pension fund members</b>		
Members as a percentage of total employment	<b>0,82</b>	59,18
Contribution rate	<b>28,30</b>	22,66
Member's contribution (% of pensionable salary)	<b>8,00</b>	7,50
Employer contribution (% of pensionable salary)	<b>20,30</b>	15,16

## 16.4. Active members

	<b>2007</b>	<b>2007</b>	2006	2006
	<b>Females</b>	<b>Total</b>	<b>Females</b>	<b>Total</b>
<b>16.4.1. Defined benefit members</b>				
Number of members	<b>3</b>	3	<b>3</b>	3
Annual salary (R'000)	<b>366</b>	366	<b>345</b>	345
Salary weighted average age	<b>58,6</b>	58,6	<b>57,6</b>	57,6
Salary weighted average service	<b>12,7</b>	12,7	<b>11,8</b>	11,8
<b>16.4.2. Pensioners</b>				
Number of pensioners	<b>2</b>	2	<b>2</b>	2
Annual pension (R'000)	<b>21</b>	21	<b>20</b>	20
Salary weighted average service	<b>65,5</b>	65,5	<b>64,5</b>	64,5

## 16.5. Valuation of assets and obligations

The value placed on the assets of the Fund for valuation purposes should be determined on a basis which is consistent with the valuation basis used to determine the obligations of the Fund. The value placed on the assets of the Fund in respect of the defined benefit category was calculated by increasing the assets of R7 955 000 as at 31 March 2006, plus contributions less benefits paid, all inclusive with investment return of 24,5% per annum. The investment return of 24,5% per annum was the net return earned on the Balanced portfolio managed by Advantage.

Cash flows and membership data as provided by the administrators of the Fund was used. A summary of the membership data used is set out below.

The method used to place a value on the Fund's future obligations (the Projected Unit Credit Method) is consistent with the requirements of IAS19.



# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

	<b>2007</b>	2006
	<b>R'000</b>	R'000
<b>16. Pension funds (continued)</b>		
16.5. Valuation of assets and obligations (continued)		
The results of the calculations as at 31 March 2007 compared with the results as at 31 March 2006 were as follows:		
Total obligations	<b>*1 729</b>	*1 516
Value placed on assets	<b>(9 962)</b>	(7 955)
Surplus/(shortfall)	<b>8 233</b>	6 439
Funding level (%)	<b>576,2</b>	524,7

\* Excludes defined contribution members' equitable shares to the amount of R50 569 000 as at 31 March 2006.

The economic benefit available to the employer in respect of assets in the Fund is subject to the terms and conditions of the Pension Funds Act. These results should therefore be read in conjunction with the Act, the rules of the Fund and the previous actuarial valuation report.

Furthermore, the utilisation of any surplus for the benefit of the employer is subject to the provisions of the Pension Funds Second Amendment Act of 2001.

During the period the surplus apportionment scheme was submitted to the Financial Services Board. An amount of approximately R2 224 000 was set aside as at 1 October 2004 to be allocated to former members. This amount increased with investment return to approximately R4 106 000 as at 31 March 2007. A Surplus Apportionment Cost Reserve Account of approximately R525 000 as at 1 October 2004 was furthermore also set aside for the potential cost of the surplus apportionment. This reserve increased to approximately R970 000 as at 31 March 2007. These amounts are included in the surplus shown above but could be seen as additional obligations as at 31 March 2007.

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 16. Pension funds (continued)

### 16.6. Cost of benefits accruing

The calculation relating to the cost and benefits that were paid or accrued in respect of employees during the financial period 1 April 2006 to 31 March 2007 are as follows:

	<b>R'000</b>
Cost of service-related benefits	<b>104</b>
Cost of death benefits	<b>19</b>
Operational expenses	<b>2</b>
<b>Total current service cost</b>	<b>125</b>
Benefits paid in respect of this period	<b>20</b>
Cost of death benefits	<b>19</b>
Operational expenses	<b>2</b>
Less: Reassurance recoveries	<b>(0)</b>
<b>Net benefits</b>	<b>41</b>
Employer contributions paid during the period (currently 20,3% of salaries)	<b>67*</b>
Employee contributions paid during the period (currently 8% of salaries)	<b>26*</b>
<b>Total contributions</b>	<b>93</b>
<i>*The above contributions exclude contributions in respect of members in the defined contribution category.</i>	
Based on the above information the actuarial gains/ losses were calculated and the build-up of obligations and assets over the period are as follows:	
Obligation as at 31 March 2006 (excluding defined contribution members' equitable shares)	<b>1 516</b>
Interest cost	<b>115</b>
Current service cost	<b>125</b>
Benefits period	<b>(41)</b>
Actuarial loss/(gain) on obligation	<b>14</b>
<b>Obligation as at 31 March 2007</b>	<b>1 729</b>
Actual return on assets	<b>1 955</b>
Less: Expected return	<b>(670)</b>
<b>Actuarial gain on assets</b>	<b>1 285</b>
Fair value of assets as at 31 March 2006 (excluding defined contribution members' equitable shares)	<b>7 955</b>
Expected return	<b>670</b>
Contributions	<b>93</b>
Benefits paid	<b>(41)</b>
Actuarial gain/(loss) on assets	<b>1 285</b>
<b>Fair value of assets as at 31 March 2007</b>	<b>9 962</b>

In calculating the liability under the Fund, standard actuarial methodologies have been applied, all based on the information provided to the actuaries.

The salary weighted average future working lifetime of the active members entitled to benefits on a defined, was calculated as 1,3 years.

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 17. Post-retirement medical benefits

### 17.1. Defined contribution plan

As from 1 August 1997, post-retirement medical benefits are provided by membership of a Provision Fund administered by Liberty Group Limited.

The HSRC, for staff who did not belong to the medical aid scheme on 1 August 1997, contributes a monthly amount of R100 to the Fund on behalf of the members. 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, contributes an amount of R100 per month to the Fund on behalf of the members. The Fund value as at 31 March 2007 was R9,872 million.

### 17.2. Voluntary contributions

Currently the HSRC contributes voluntarily to the current continuation members (97 members) an average amount of R482 per month. There is one member in active employment who is entitled to this contribution after continuation as at 31 March 2007. If this contribution was guaranteed by the HSRC, the actuarial accrued liability would have been R4,340 million.

### 17.3. Liabilities

The liabilities for HSRC with regard to subsidies in respect of continuation member health care costs can reasonably be regarded as the following:

- The liability in respect of existing continuation members
- The liability in respect of members in active employment

For the members in active employment, the total liability is normally assumed to accrue evenly over the full potential period of active membership starting from the date of joining the HSRC up to the date of death, disability or retirement.

The result of these calculations is an estimate of the cost of these subsidies, based on assumptions regarding the future experience, and does not influence the actual cost of these subsidies. The actual cost will be determined by the actual experience in the future.

The previous assessment of the liability with regard to subsidies in respect of continuation member health care costs was done on 31 March 2007. The next assessment of the liabilities needs to be performed at the next financial year-end.

### 17.4. Particulars of the liabilities

In respect of the members in active employment, the employer subsidises 50% of the subscription (excluding contributions towards a medical savings account) to the applicable Discovery Health Comprehensive Plan at retirement. The subsidy amount will not increase after retirement. However, at death of the member or the member's spouse, whichever occurs first, the subsidy will reduce to the same percentage of the subscription for a single life as at the date of retirement. It has been assumed that this member will belong to the Discovery Health Comprehensive Essential Plan at retirement.

Continuation members of the HSRC do not receive a certain percentage subsidy of each member's medical aid premium after retirement, but receive a fixed amount based on an actuarial calculation when the member retires. This amount does not increase annually and the full subsidy is payable to the member's dependant on death of the member or to the member on death of the member's dependant, if any.

# Notes to the annual financial statements

continued

for the year ended 31 March 2007

## 17. Post-retirement medical benefits (continued)

### 17.4. Particulars of the liabilities (continued)

The membership details of the members in active employment and who are entitled to a subsidy after continuation as at reporting date:

	Number of members		Average past service – years	
	2007	2006	2007	2006
Male members	1	1	16,3	15,3
Female members	–	1	–	10,5
<b>Total/weighted average</b>	<b>1</b>	<b>2</b>	<b>16,3</b>	<b>12,9</b>

The average age of these members was 39,6 years as at reporting date, compared to 38,5 years in respect of the active members as at 31 March 2006.

Details of the continuation members as at reporting date:

	Number of members		Average subsidy pm R		Average weighted age – years	
	2007	2006	2007	2006	2007	2006
Male members	40	42	593	565	71,8	73,0
Female members	50	55	411	419	74,5	74,0
<b>Total/weighted average</b>	<b>*90</b>	<b>97</b>	<b>492</b>	<b>482</b>	<b>73,1</b>	<b>73,5</b>

\* Included are two new members which were not included in the data provided as at 31 March 2006

### 17.5. Valuation results

The results of the current valuation compared to the results as at 31 March 2006 are as follows:

	2007 R'000	2006 R'000
<b>17.5.1. Accrued liabilities</b>		
Liabilities in respect of:		
Members in active employment	82	114
Current continuation members	4 258	4 548
<b>Total</b>	<b>4 340</b>	<b>4 662</b>

The calculation of liabilities is based on the subsidies that are to be paid in the future, and not based on the expected medical utilisation. Assuming that the current level of cross subsidisation between active and continuation members under the medical scheme will continue into the future, the calculated liability represents the employer liability in this regard.

#### Costs for the period 1 April 2006 to 31 March 2007:

	Interest cost R'000	Service cost R'000
Members in active employment	8	9
Current continuation members	337	0
<b>Total</b>	<b>345</b>	<b>9</b>

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 17. Post-retirement medical benefits (continued)

### 17.5. Valuation results (continued)

#### 17.5.1. Accrued liabilities (continued)

The accrued liabilities of active members decreased, by approximately 28%, during the current period. This increase is as a net result of the following factors:

- The members that resigned reduced the liabilities in respect of the active members by approximately 51%.
- The change in the average age and average accrued service of the active members qualifying for the subsidy led to additional liabilities of approximately 16%.
- The liabilities have increased by approximately 8% due to higher than expected increases in the monthly subsidies.
- The net change in the assumption in respect of the discount rate and the medical inflation rate has decreased the liabilities by approximately 1%.

The decrease observed in respect of the accrued liabilities of current continuation members of approximately 6% is the net result of the following factors:

- The change in the assumption in respect of the discount rate has decreased the liabilities by approximately 2%.
- Two new members were not included in the data provided as at 31 March 2006. The inclusion of these members led to an increase in accrued liabilities of approximately 6%.
- The ageing of the continuation member population as well as the higher than expected decrease in the continuation members led to a reduction in accrued liabilities of approximately 10%.

In order to show the sensitivity of the key assumption used in calculating the liabilities in respect of the active members, the effect was calculated on an increase or decrease of 100 basis points in the medical inflation assumption. The results are as follows:

#### Accrued liabilities

Assumption	Variation	Accrued liability in respect of active members R'000	% change in total accrued liability %
Medical inflation + 100 basis points		100	22,0
	- 100 basis points	67	(18,3)

The liability in respect of current continuation members remains R4 258 000 under both scenarios, since it is not affected by medical inflation.

The effect of assumed future subsidy increases of 1%, 3% and 5% annually was calculated in order to show the sensitivity of this key assumption. The results are as follows:

Accrued liabilities	1% increase R'000	3% increase R'000	5% increase R'000
Liabilities in respect of:			
Members in active employment	90	111	141
Current continuation members	4 545	5 250	6 212
<b>Total</b>	<b>4 635</b>	<b>5 361</b>	<b>6 353</b>

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 17. Post-retirement medical benefits (continued)

### 17.6. Valuation assumptions

#### 17.6.1. Mortality

No mortality rates have been used in respect of the period before retirement. In respect of the period after retirement, the published PA90 (ultimate) mortality tables for males and females respectively were used.

#### 17.6.2. Interest and inflation rate

The basis for the valuation should be based on current market conditions. The future investment return assumption, taking into account the average term of the liabilities, should be based on the yield of the R186 government bond, as at 31 March 2007. The inflation rate is based on the difference between an appropriate index-linked bond, the R197, and the R186 government bond. Medical inflation is expected to exceed general inflation by 3% per annum and no provision for future increases in respect of continuation members are allowed for.

The following valuation assumptions were used compared to the assumptions as at 31 March 2006 which are consistent with the requirements of IAS19:

	2007	2006
	% per annum	
Discount rate	7,7	7,4
Expected investment return	9,0	8,4
General inflation rate	5,0	4,6
Medical inflation rate	8,0	7,6
Subsidy increase rate, in respect of continuation members	0,0	0,0

#### 17.6.3. Withdrawals

No withdrawal assumptions were used for the valuation.

#### 17.6.4. Early retirements

An average age was assumed at retirement of 60 years in respect of all members and that the full subsidy will be paid irrespective of the number of years' service.

## 18. Uncovered foreign currency monetary items

At 31 March 2007 the HSRC had the following foreign exchange currency transactions not covered by forward exchange contracts.

	British pound		Euro		US dollar		Canadian dollar
	2007	2006	2007	2006	2007	2006	2007
	'000	'000	'000	'000	'000	'000	'000
	0,29	20	10	27	302	175	5
				<b>Rand</b>			
	3	220	97	198	2 202	1 077	31

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

	2007 R'000	2006 R'000
<b>19. Deferred income</b>		
Government grants received, to be recognised in future accounting periods		
Balance at the beginning of the year	4 331	5 003
Portion of grant used to acquire depreciable assets	2 335	2 879
	<b>6 666</b>	7 882
Less: Allocated to income statement	<b>(3 100)</b>	(3 551)
Portion deferred at year end	<b>3 566</b>	4 331
<b>20. Trade and other payables</b>		
Trade creditors	9 125	2 707
Accruals	10 363	4 386
VAT input	–	954
Deposits	116	116
<b>Total</b>	<b>19 604</b>	8 163
The Council considers that the carrying amount of trade and other payables approximates to their fair value.		
<b>21. Income received in advance</b>		
DST	6 555	–
RNE	6 268	–
DGIS	1 049	–
WK Kellogg Foundation	1 927	7 601
Other funding agencies	17 218	16 360
<b>Total</b>	<b>33 017</b>	23 961

Income received in advance relates to research work still to be completed in the new financial year.

	Salary and related expense provision	Legal cost	Total
<b>22. Provisions</b>			
Opening balance	7 857	229	8 086
Provisions made during the year	1 662	–	1 662
<b>Closing balance</b>	<b>9 519</b>	<b>229</b>	<b>9 748</b>

The leave pay and bonus provision relates to the HSRC's estimated liabilities arising as a result of services rendered by employees.

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

	2007 R'000	2006 R'000
<b>23. Reconciliation surplus/(loss) for the year to cash generated from/(utilised in) operations</b>		
Surplus for the year	<b>5 264</b>	2 796
Adjusted for:		
– Transfer from retained earnings	–	(13 400)
– Depreciation on property, plant and equipment	<b>3 794</b>	4 105
– Restatement of income	–	8 365
– Restatement of income due to prior period error	–	36
– Loss/(profit) on disposal of property, plant and equipment	–	14
– Investment income	<b>(2 483)</b>	(1 191)
– Increase/(decrease) in provisions	<b>1 662</b>	614
– Deferred income	<b>(765)</b>	(672)
Operating cash flows before working capital changes	<b>7 472</b>	667
Working capital changes	<b>6 325</b>	(11 802)
– Increase in inventories	<b>(1 245)</b>	(549)
– Decrease/(increase) in receivables	<b>(12 927)</b>	12 265
– (Decrease)/increase in payables	<b>20 497</b>	(23 518)
<b>Cash generated from operations</b>	<b>13 797</b>	(11 135)
<b>24. Net cash from/(used in) investing activities</b>		
Interest received	<b>2 483</b>	1 191
Proceeds on disposal of property, plant and equipment	<b>42</b>	215
Acquisition of property, plant and equipment	<b>(2 832)</b>	(4 743)
<b>Cash from/(used in) investing activities</b>	<b>(307)</b>	(3 337)



# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 25. Operating lease arrangements

The HSRC has leased office space from Old Mutual Assurance Company (South Africa) Limited at Plein Street, Cape Town, portions of the 10th, 14th and 16th floors and the entire 12th and 13th floors for a period of seven years, effective from 1 October 2005. The lease payment is R0,126 million per month. The contract is expected to include an annual escalation of 9% in the rental.

	Up to 1 year		1 to 5 years		More than 5 years	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Future minimum lease payments	1 728	826	9 885	10 340	–	1 272

The HSRC also leased property in Durban from Alliance Properties. The lease agreement expired on 30 April 2006, the new lease agreement is expected to be signed in June 2006 and it should be effective as from 1 May 2006 and the lease period is expected to be three years. The lease payment is expected to be R0,038 million with a 10% escalation clause.

	Up to 1 year		1 to 5 years	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Future minimum lease payments	423	–	1 106	–

A lease agreement was signed with Standard Bank for lease of a vehicle; the agreement was made effective from 4 October 2005 and for a period of three years. An amount of R0,123 million (incl. VAT) was paid upfront and the lease payment is R0,003 million over 38 months.

	Up to 1 year		1 to 5 years	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Future minimum lease payments	36	–	55	–

	2007 R'000	2006 R'000

## 26. Capital expenditure

Approved by management, but not yet contracted

The capital expenditure is to be financed as follows:

Internally-generated funds

	13 100	4 100
	13 100	4 100

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

	2007 R'000	2006 R'000
<b>27. Financial instruments</b>		
Financial instrument asset		
Bank balances	<b>29 393</b>	15 903
Trade receivables	<b>33 447</b>	20 304
<b>Total financial instrument assets</b>	<b>62 840</b>	36 207
Financial instrument liability		
Trade payables	<b>19 762</b>	8 163
Other adjustments	–	649
VAT liability	–	(970)
<b>Total financial instrument liability</b>	<b>19 762</b>	7 842

## 28. Financial risk management

### Interest rate risk

The Council invests surplus cash on fixed notice deposits for periods of 32 days. Interest rates on these deposits are fixed for the period of investment. Other funds are kept in the current and call accounts at variable interest rates.

### Liquidity risk

The Council maintains sufficient funds available in call and current accounts to meet its three-month cash-flow requirements. Temporary surplus cash is invested in fixed deposits.

### Credit risk management

The Council invests temporary cash surpluses with a major South African bank of high standing.

### Foreign exchange risk management

The Council does not hedge foreign exchange transactions due to the contractual arrangement which effectively designates transactions in ZAR. Most invoices are processed in ZAR to avoid these differences.

## 29. Related parties

The HSRC is a schedule 3A National Public Entity in terms of the Public Finance Management Act (Act 1 of 1999 as amended) and therefore falls within the national sphere of government. As a consequence the HSRC has a significant number of related parties being entities that fall within the national sphere of government.

Unless specifically disclosed these transactions are concluded on an arm's length basis. There are no restrictions in the HSRC's capacity to transact with any entity.

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 29. Related parties (continued)

### Transactions with related entities

The following is a summary of transactions with related parties during the year and balances due at year-end:

	Services rendered		Services received		Amount due from	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>Major public entities</b>						
ARC Roodeplaat	–	148	–	–	–	–
The Development Bank of Southern Africa Limited	<b>251</b>	1 400	<b>50</b>	–	<b>1</b>	100
Educational Labour Relations Council (ELRC)	<b>100</b>	–	–	–	–	–
Eskom	<b>27</b>	–	–	–	–	–
Film & Publications Board	<b>204</b>	–	–	–	–	–
Independent Development Trust	<b>740</b>	–	–	–	<b>740</b>	–
Industrial Development Corp. of South Africa Limited	<b>1 421</b>	–	–	–	<b>474</b>	–
Media Advertising Publishing						
Printing Packaging SETA	<b>599</b>	577	–	–	–	296
Medical Research Council	<b>72</b>	293	–	–	–	–
MINTEK	<b>46</b>	–	–	–	<b>46</b>	–
National Development Agency	–	6	–	–	–	–
National Heritage Council	<b>65</b>	173	–	–	<b>65</b>	–
National Research Foundation	–	–	–	–	–	–
SABC	<b>50</b>	–	–	–	–	–
SALGA	–	6	–	–	–	–
The SA National Roads Agency	–	269	–	–	–	–
South African Revenue Service	<b>1 790</b>	1 122	–	–	–	995
State Information Technology Agency (SITA)	<b>76</b>	–	–	–	<b>76</b>	–
The Universal Service and Access Agency of SA	–	910	–	–	–	–
The Water Research Commission	<b>890</b>	–	–	–	<b>286</b>	–
Wholesale and Retail SETA	<b>699</b>	–	–	–	–	–
<b>Total</b>	<b>7 030</b>	4 904	<b>50</b>	0	<b>1 688</b>	1 391

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 29. Related parties (continued)

### National government business enterprises

	Services rendered		Services received		Amount due from	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000	2007 R'000	2006 R'000
CSIR – African Advanced Institute for Information	35	–	–	–	–	–
CSIR – BioSciences	20	–	40	–	–	–
CSIR – Built Environment Unit	573	64	–	–	574	73
CSIR – Defence, Peace, Safety & Security	90	72	–	–	90	81
CSIR – Environmentech Pretoria	134	48	–	244	134	–
CSIR – Natural Resources and the Environment	31	–	156	–	–	–
<b>Total</b>	<b>883</b>	<b>184</b>	<b>196</b>	<b>244</b>	<b>798</b>	<b>154</b>
<i>Provincial public entities</i>						
Eastern Cape Socio-Economic Consultative Council (ECSECC)	315	–	–	–	158	–
<b>Total</b>	<b>315</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>158</b>	<b>0</b>
<b>Grand total</b>	<b>8 228</b>	<b>5 088</b>	<b>246</b>	<b>244</b>	<b>2 644</b>	<b>1 545</b>

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 30. Prior period error

The prior year figures have been adjusted with the correction of an error.

The HSRC did not comply with the requirements of IAS16 in previous years, relating to:

- The assessing of useful lives and residual values of property, plant and equipment at the end of each financial year
- Dividing property into major components

The HSRC has now adopted this policy and the comparative figures for 2006 have been restated to reflect the correction of this error.

	R'000
The effect of this error is as follows:	
Adjustment against opening retained earnings 1 April 2005:	7 529
<b>Increase/(decrease) in accumulated depreciation 1 April 2005:</b>	<b>(7 529)</b>
Lifts	87
Telephone system	38
Fixtures	2
Building	(2 655)
Leasehold property	(292)
Motor vehicles	(69)
Office equipment	304
Computer and other equipment	(4 620)
Software	(324)
<b>Increase/(decrease) in depreciation 31 March 2006:</b>	<b>(1 278)</b>
Lifts	87
Telephone system	38
Fixtures	2
Building	(527)
Leasehold property	(15)
Motor vehicles	(247)
Office equipment	(708)
Computer and other equipment	245
Software	(153)
<b>Increase/(decrease) in accumulated depreciation 31 March 2006:</b>	<b>(8 807)</b>
Lifts	174
Telephone system	76
Fixtures	3
Building	(3 214)
Leasehold property	(275)
Motor vehicles	(316)
Office equipment	(404)
Computer and other equipment	(4 375)
Software	(477)
Disposals and adjustments	1
<b>Increase/(decrease) in revalued values of property 31 March 2006:</b>	<b>0</b>
Lifts	1 922
Telephone system	441
Fixtures	29
Building	(3 224)
Leasehold property	832

# Notes to the annual financial statements

*continued*

for the year ended 31 March 2007

## 31. Contingent liability

The HSRC and the Department of Public Works are currently negotiating the operating lease for the rental of office space (Refer to Note 9). The related improvements in terms of the operating lease will be determined upon the signing of the binding, non-cancellable operating lease agreement. No reliable estimate is available for the expenditure expected to be incurred in terms of the agreement.

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# Report of the Human Sciences Research Council (HSRC) Audit Committee – 2006/07

We are pleased to present our report for the financial year ended 31 March 2007.

## Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38 of the Public Finance Management Act, 1999. This report has been prepared according to the Treasury Regulations for public entities issued in terms of the PFMA and promulgated in Gazette 7372 on 25 May 2002. The HSRC is listed as a national public entity in Schedule 3A of the Act.

## Audit Committee members and meetings

The entity's accounting authority, the HSRC Council, appointed the present Audit Committee members on 23 November 2006. During the year under review (2006/07) the Committee consisted of Messrs SM Pityana (Council member and Chairperson), T Makwetu (Council member and Chairperson until July 2006) and R Page-Shipp (specialist member), Professor WE Morrow (Council member), and Ms R Xaba (specialist member). The accounting officer of the HSRC, Dr O Shisana (CEO and Council member) is an *ex-officio* member of the Audit Committee.

The Audit Committee met on 11 May 2006, 25 July 2006, 16 November 2006 and 15 February 2007. In addition to the above members, persons attending Committee meetings by standing invitation include the Internal Auditor, the Chief Financial Officer and Chief Risk Officer, and representatives of the Auditor-General and its agent. Where necessary, the Committee met separately with external and internal auditors.

## The effectiveness of internal control

The system of internal control is effective as the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, and the management letter of the Auditor-General have not reported any significant or material non-compliance with prescribed policies and procedures.

## Evaluation of Financial Statements

The Audit Committee has reviewed the Annual Financial Statements of the HSRC (including the Council's Report), the Report of the Auditor-General and periodic reports submitted to the Audit Committee by the Internal Audit section of the organisation. In the context of our understanding, the Committee is satisfied that the major financial risks of the entity are appropriately managed and that the financial statements are a fair reflection of the HSRC's activities in the last fiscal year. The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.



**Siphon M Pityana**

*Chairperson of the Audit Committee  
Human Sciences Research Council*

Pretoria  
31 July 2007