

HUMAN RESOURCES FOR HEALTH



South African National Aids Trust

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The Annual Financial Statements are approved by the Board of Trustees on 31 May 2006 and are signed on its behalf by:



MR T D MSELEKU
 Accounting Authority for Board of Trustees
 South African National Aids Trust

Financial Statements of South African National Aids Trust

For the year ended 31 March 2006

SOUTH AFRICAN NATIONAL AIDS TRUST REPORT OF THE TRUSTEES APRIL 2005 TO MARCH 2006

SECTION 1

OVERVIEW

The South African National AIDS Trust was established in September 2002 to support the functioning of the South African National AIDS Council (SANAC).

SANAC had been brought into being by a Cabinet decision almost four years earlier it was launched in January 2000 – and comprised representatives of 16 Government Ministries and 17 civil society sectors, 18 government departments, 2 Portfolio Committee on Health representatives and the Chairperson of the Select Committee on Social Services.

BACKGROUND TO THE TRUST

Government views SANAC as an important structure for the mobilisation of a national HIV and AIDS response.

SANAC's main roles are to:

- a) To advise government on HIV, AIDS and STI policy and related matters.
- b) To create and strengthen partnerships for an expanded national response to HIV and AIDS in South Africa, and mobilize resources for SANAC partnership activities.
- c) To receive reports from all sectors on sectoral responses to HIV and AIDS.
- d) To review the implementation of programmes and strategies of the National multi-sectoral response to HIV and AIDS developed within the framework of the National HIV, AIDS and STI strategic plan.

Civil society sectors represented on SANAC include: Academic institutions, organised business, children's organisations, people with disabilities, the hospitality industry, human rights institutions, local government, men's organisations, non-governmental organisations active in the HIV and AIDS field, people living with HIV and AIDS, combined religious denominations, sports bodies, trade

unions, traditional healers, traditional leaders, women's groups and youth formations.

SANAC is an advisory body and has no statutory status. In the early years, the cost of the Council was carried directly by the Department of Health. However, it became increasingly apparent that SANAC would be strengthened through the availability of dedicated funding and its own administrative support structure.

An institutional structure that would allow SANAC to mobilise and manage funds from sources outside of Government was regarded as preferable.

ESTABLISHMENT OF THE TRUST

The South African National AIDS Trust was established to meet the above requirements on 20 September 2002. It is regarded as a public entity in terms of the Public Finance Management Act (PFMA).

The Department of Health earmarked an amount of R20 million for the Trust and the amount was paid into the Trust bank account in November 2002.

The Board of Trustees for 2005/06 comprised: The Deputy President, Mrs P Mlambo-Ngcuka; the Minister of Health, Dr ME Tshabalala-Msimang; the Minister of Social Development, Dr ZST Skweyiya; the Director-General of Health; Mr T D Mseleku; and the National Manager of the HIV, AIDS and TB Programme in the Department of Health, Dr N Xundu.

The Board of Trustees is the accounting authority for the Trust. With respect to its objectives the Trust is set up to provide or secure funding for activities of the South African National AIDS Council (SANAC).

PROGRESS IN 2005/2006 FY

The following documents have been adopted: the rules of procedures, work plan, financial operating procedures, and communication strategy. The rapid assessment tool for the Provincial AIDS Council, and the proposed new terms of reference for the Provincial AIDS Council been developed,

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and await approval. Monitoring and evaluation tools for projects funded by Global Fund (KwaZulu Natal and Western Cape) have been developed and await adoption.

Meetings and workshops have been held as follows:

- a. 2 SANAC Meetings
- b. 3 Executive Committee meetings
- c. 2 Sector Workshops
- d. Sectors representation and participation in World Day Celebration in Durban
- e. Participation of SANAC members at monitoring and evaluation of site visits of Global Fund projects in Cape Town

GLOBAL FUND

SANAC has been appointed as the Country Coordinating Mechanism (CCM) for the Global Fund. The role of the CCM is to review, evaluate and make recommendations on the proposal submitted for funding prior to forwarding the recommendations to the Global Fund. The CCM is also charged with ensuring that there is continued funding of the programme. As per Global Fund Fiduciary Arrangements guidelines, the CCM is also responsible for receiving and reviewing programmatic and financial reports periodically, ensuring that progress is made and quality data reported. Over and above this, the CCM is supposed to evaluate performance of Global Fund approved programmes.

Previously, South Africa had submitted proposals for funding to the Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM). To date five rounds of calls for proposals have been issued by the GFATM and South Africa has made submissions in all five rounds. Total Budget US\$150 million (R975million).

This year the following was achieved:

- a. A call for proposals was issued in local newspapers
- b. A Technical Review panel was appointed
- c. A consultant to assist in writing an integrated country proposal was employed
- d. Phase II funding for KwaZulu-Natal Provincial Health Department was approved

SECTION 2

During the year under review the Trust had employed seven permanent employees. The Secretariat carries out the administrative and technical duties of SANAC and is appointed by the Department of Health's HIV and AIDS unit.

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The Table below illustrates disbursement against total allocations by the Global Fund per grant:

Grant Name	Approved Amount US\$	Approved Amount ZAR	Disbursed Amount US\$	Disbursed Amount ZAR	Balance US\$	Balance ZAR
Round 1						
Soul City	2,354,000	15,536,400	2,354,000	15,536,400	-	-
Love Life	17,872,665	117,959,589	17,872,665	117,959,589	-	-
KZN Prov. Health Dept	62,476,536	412,345,138	22,370,051	147,642,337	40,106,485	264,702,801
Round 2						
National Dept. of Health	8,414,000	55,532,400	1,374,000	9,068,400	7,040,000	46,464,000
Round 3						
WC Prov. Health Dept	15,521,457	102,441,616	15,521,457	102,441,616	-	-
Total	106,638,658	703,815,143	59,492,173	392,648,342	47,146,485	311,166,801

Average Exchange Used 1US\$= R6.60

Note: Soul City grant was completed in November 2004

LoveLife grant was completed in December 2005

Financial Statements of South African National Aids Trust

For the year ended 31 March 2006

Financial Report en of March 2006

Chart of Accounts	Budget R'000	Expenditure R'000	Budget R'000	Expenditure in %
Compensation of Employees	1,514	1,565	624	103
Goods & Services	642	1,422	-77	221
Equipment	125	87	38	69
Prov. & Loc.	13	9	4	72
Total	2,281	1,699	595	134

Financial Statements of South African National Aids Trust

For the year ended 31 March 2006

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN NATIONAL AIDS TRUST FOR THE YEAR ENDED 31 MARCH 2006

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 246 to 254, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, (Act No 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and in terms of the Trust Deed. These financial statements are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in terms of Government Gazette no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes:

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

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

3. BASIS OF ACCOUNTING

The trust's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.

4. AUDIT OPINION

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

5. EMPHASIS OF MATTER

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

5.1 Operational activities of the trust

The Aids Trust is not fulfilling its mandate to facilitate the strengthening of institutional capacity for the implementation of the national response to HIV/AIDS/STI in South Africa.

Inadequate progress was made in achieving the objectives of the trust as set out in the Deed of Trust due to the following:

- Operational activities during the financial year were limited.
- There was a lack of monitoring and active involvement by trustees.
- Trustee meetings held during the year were not constituted as required by the Deed of Trust.
- The budget for the 2005-06 financial year was not submitted to the Board of Trustees as required by section 53(1)-(5) of the PFMA.

5.2 Number of trustees

The Deed of Trust stipulates that there should at all times be no fewer than seven trustees. Attention is drawn to the Report of the Board of Trustees that indicates that there were only five trustees for the year under review.

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For the year ended 31 March 2006

5.3 Audit committee and internal audit

The audit committee of the South African National Aids Trust resides within the audit committee of the national Department of Health, which was ineffective, and no internal audit review of the trust was performed for the year under review.

5.4 Performance information

In terms of section 20(2)(c) of the Public Audit Act, the information relating to performance against predetermined objectives is subject to auditing by the Auditor-General.

Due to the lack of a proper policy and procedure framework to manage the process of compiling performance information, the trust was unable to provide performance information for audit purposes.

6. APPRECIATION

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



A H Muller for Auditor-General

Pretoria
 31 July 2006



South African National Aids Trust

Statement of Financial Position as at 31 March 2006

	Notes	2005/2006	2004/2005
Assets			
Current assets			
Fruitless and wasteful expenditure		399	-
Cash and cash equivalents	4	33,515,887	33,342,339
Lessor deposit receivable	5	32,358	32,358
Total assets		<u>33,548,644</u>	<u>33,374,697</u>
Equity & Liabilities			
Accumulated funds			
		33,548,644	33,283,725
Current liability			
Deferred lease rental payable	9	-	37,894
Trade and other payables	6	-	53,078
Total Equity		<u>33,548,644</u>	<u>33,374,697</u>

South African National Aids Trust

Statement of Financial Performance for the year ended 31 March 2006

	Notes	2005/06	2004/05
Income			
Interest received		812,876	1,036,507
Net income		<u>812,876</u>	<u>1,036,507</u>
Expenses			
Administrative	2	155,989	158,077
Lease expense	9	391,968	427,602
Net expenses		<u>547,957</u>	<u>585,697</u>
Net surplus		<u><u>264,919</u></u>	<u><u>450,828</u></u>

South African National Aids Trust

Statement of Changes in Net Assets for the year ended 31 March 2006

	Notes	2005/2006	2004/2005
Accumulated funds at the beginning of the year		33,283,725	32,838,433
Effect of additional lease rentals from change in accounting policy	9	-	(40,155)
		33,283,725	32,798,278
Prior period error	10	-	32,358
Restated accumulated funds at the beginning of the year		33,283,725	32,830,636
Restated net surplus for the year		264,919	453,089
Net surplus for the year		264,919	450,828
Effect of reduction in lease rentals from change in accounting policy		-	2,261
Accumulated funds at the end of the year		33,548,644	33,283,725

South African National Aids Trust

Cash Flow Statement for the year ended 31 March 2006

	Notes	2005/2006	2004/2005
Cash flows from operating activities			
Cash receipts from clients		-	-
Cash paid to suppliers and employees		639,328	532,601
Cash utilised in operations	3	(639,328)	(532,601)
Net cash from operating activities		(639,328)	(532,601)
Cash flows from investing activities			
Interest income		812,876	1,036,507
Net cash from investing activities		812,876	1,036,507
Net increase in cash and cash equivalents		173,548	503,906
Cash and cash equivalents at beginning of period		33,342,339	32,838,433
Cash and cash equivalents at end of period	4	33,515,887	33,342,339

South African National Aids Trust

Notes to the Financial Statements for the year ended 31 March 2006

1. Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are as set out below and are consistent with those of the previous year. Any changes in accounting policies are disclosed in the notes to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (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	Statement of GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

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

a) Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus / deficit for the period	Profit / loss for the period
Accumulated surplus / deficit	Retained earnings

Standard of GRAP

Replaced Statement of GAAP

Contributions from owners

Share capital

Distribution to owners

Dividends

Reporting date

Balance sheet date

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

c. Specific information such as:

- i) receivables from non-exchange transactions, including taxes and transfers;
- ii) taxes and transfers payable;
- iii) trade and other payables from non-exchange transactions; must be presented separately on the statement of financial position.

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

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

Trade debtors and other receivables

Accounts receivables are carried at fair value less provisions made for impairment in the fair value of these receivables. Where circumstances reveal doubtful recovery of amounts outstanding, a provision for impaired receivables is made and charged to the income statement.

Trade creditors and other payables

Trade and other payables are recognised at the fair value of the consideration to be paid in future for the goods and services that have been received or supplied and invoiced or formally agreed with the supplier.

Revenue

Comprises of interest received on bank deposits. Interest is recognised using the effective interest rate.

Comparatives

Where necessary prior year comparative figures have been reclassified to conform to changes in presentation in the current year.

Going concern

The financial position of the Trust is such that the Accounting Authority is of the view that its operations will continue for as long as its mandate remains.

South African National Aids Trust

Notes to the Financial Statements for the year ended 31 March 2006

Taxation

No provision for taxation is made because the Trust is exempt from income tax in terms of section 10(1) (cA) of the Income Tax Act, 1962.

	2005/2006	2004/2005
2. Administrative expenses		
Bank charges	900	1 163
Interest paid	2,211	-
Water & Electricity	152,878	156,914
	<u>155,989</u>	<u>158,077</u>
3. Net Cash Flow Generated by Operating Activities		
Net Surplus as per Income Statement	264,919	450,828
Adjustment for:		
Interest income	(812,876)	(1,036,507)
Operating surplus before working capital changes	<u>(547,957)</u>	<u>(585,679)</u>
Working capital changes:		
Increase / (decrease) in accounts payable	(90,972)	53,078
(Increase) / decrease in accounts receivable	(399)	-
Cash utilised in operations	<u>(639,328)</u>	<u>(532,601)</u>
4. Cash and Cash Equivalents		
Corporate Bank Account	33,515,887	33,342,339
	<u>33,515,887</u>	<u>33,342,339</u>
5. Trade and other receivables		
Deposit held by lessor	32,358	32,358
	<u>32,358</u>	<u>32,358</u>
This amount was required by the lessor as a deposit at the inception of the lease contract. It is repayable on 28 February 2006 at the end of the lease contract.		
6. Trade and other payables		
Trade payables	-	-
Non-trade payables and accrued expenses	-	53,078
	<u>-</u>	<u>53,078</u>

7. Operating leases

Leases were a significant portion of the risks and rewards of ownership of the assets are retained by the lessor are classified as operating leases. The difference between the lease rentals recognised in the statement of financial performance and the fair value of the consideration paid is recognised as an asset or liability in the statement of financial position. Payments made under operating leases are charged to the statement of financial performance on a straight line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

	2005/2006	2004/2005
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	-	391,968
Between one and five years	-	-
More than five years	-	-
	<u>-</u>	<u>391,968</u>

The Trust did lease it's offices under an operating lease. The lease was for a period of three years, with an option to renew the lease after that date. However the lease expired on 28 February 2006 and the trustees decided not to exercise their option to renew the contract.

Lease rentals had an annual escalation of 10%.

8. Financial instruments

Exposure to credit and interest rate risks arises in the normal course of the Trust's business.

	Weighted average effective interest rate	Floating interest rate R	Fixed interest rate	Non interest bearing R	Total R
Assets					
Trade and other receivables	0%	-	-	32,757	32,757
Cash and cash equivalents	10.5%	33,515,887	-	-	33,515,887
Liabilities					
Trade and other payables	0%	-	-	-	-

South African National Aids Trust

Notes to the Financial Statements for the year ended 31 March 2006

9. Change in accounting policy

The Trust has applied the requirements of International Accounting Standard (IAS)17 on Leases. In prior years the amount of rentals paid in cash for a specific year was recognised as an expense in the statement of financial performance. The adoption of IAS17 has resulted in lease payments being recognised as an expense on a straightline basis over the lease term. Comparative amounts have been restated accordingly. The effect of the change in accounting policy on the financial statements is disclosed below:

	2005/2006	2004/2005
Decrease in lease rental expense for the year	<u>(2,260)</u>	<u>(37,894)</u>
Increase in the net surplus for the year	<u>2,260</u>	<u>37,894</u>
Decrease in opening balance of accumulated funds	<u>-</u>	<u>(40,154)</u>

10. Prior period error

At the commencement of the lease on 1 March 2003, a refundable deposit of R32 358 was paid to the lessor. This deposit was expensed in error. This amount has been recorded as an asset and prior year accounts have been restated. This effect of this adjustment is shown below:

	2005/2006	2004/2005
Accumulated funds at the beginning of the year	-	32,838,433
Reclassification of prior year lease rental expense as a receivable	-	32,358
Restated accumulated funds at the beginning of the year	<u>-</u>	<u>32,870,791</u>