



Viability
Visibility
Value-add
Vision and values

2016-2019

STRATEGIC PLAN AND BUDGET
of the Auditor-General of South Africa



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

CONTENTS

1. PURPOSE OF THIS DOCUMENT	4
2. CONSTITUTIONAL MANDATE AND FUNCTIONS OF THE AGSA	4
Mandate and functions	4
Products of the AGSA	4
Role of the AGSA in the South African democracy	4
Accountability and reporting	4
3. ORGANISATIONAL VISION, MISSION AND VALUES	5
4. AUDITOR-GENERAL'S STRATEGIC COMMITMENTS	6
Value-add	6
Visibility for impact	6
Viability	6
Vision and values driven	7
5. OVERVIEW BY THE DEPUTY AUDITOR-GENERAL	7
External factors	7
Internal factors	8
6. STRATEGIC RISKS	8
7. THE AGSA'S SUSTAINABILITY MODEL	9
8. STRATEGIC PLAN 2016-2019	10
8.1 Strategic goal: Value-add	10
8.2 Strategic goal: Visibility for impact	13
8.3 Strategic goal: Viability	16
8.4 Strategic goal: Vision and values driven	21
ANNEXURE A: THE AGSA'S BALANCED SCORECARD 2016-19	24
ANNEXURE B: ORGANISATIONAL BUDGET FOR THE YEARS 2016-19	30
ANNEXURE C: PROPOSED INTERNAL RATES 2016-17	69
ANNEXURE D: HOURLY CHARGEOUT RATES FOR AUDITS CONDUCTED ON BEHALF OF THE AGSA	73





Strategic plan

Auditor-General of South Africa for 2016-2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

1. PURPOSE OF THIS DOCUMENT

This *Strategic plan and budget* presents the performance and financial plan for the Auditor-General of South Africa (AGSA) for the period 1 April 2016 to 31 March 2019 based on the long-term strategy of the organisation as outlined in detail by the auditor-general (AG) in the 2015-18 strategic plan. It is the result of an annual planning process which sets targets for the first year and makes projections for the rest of the three-year period.

2. CONSTITUTIONAL MANDATE AND FUNCTIONS OF THE AGSA

MANDATE AND FUNCTIONS

Chapter 9 of the Constitution of the Republic of South Africa, 1996 establishes the institution of the Auditor-General as one of the state institutions supporting constitutional democracy. The Constitution entrenches the organisation's independence by directing that the AGSA is subject only to the Constitution and the law. The Constitution requires the AGSA to be impartial and to exercise its powers and perform its functions without fear, favour or prejudice. The functions of the AGSA are described in section 188 of the Constitution. These functions are further regulated by chapters 2 and 3 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

PRODUCTS OF THE AGSA

Each year, the AGSA conducts mandatory (regularity) audits of national and provincial government departments, certain public entities, municipalities and municipal entities (our clients or auditees). Furthermore, we conduct discretionary audits, such as performance audits, special audits and investigations.

Our audit reports are made public and are tabled in Parliament, provincial legislatures and municipal councils.

In addition to these audit-specific reports, we publish two general reports each year, in which we analyse the outcomes of the audits at national and provincial levels and at municipal level, respectively.

ROLE OF THE AGSA IN THE SOUTH AFRICAN DEMOCRACY

Through our audit activities, we play an important role in enabling accountability and thus promote democratic governance in South Africa by providing independent assurance to the various legislatures on whether entities that use public funds have managed their financial affairs in line with sound financial principles, have complied with the relevant legal framework, and have achieved their financial and performance objectives¹. In this way, the elected representatives of the South African people are able to hold the executive and accounting authorities, officials and public entities accountable. This provides the rationale for the work of the AGSA in empowering the citizens 'to hold the custodians of public resources accountable'².

ACCOUNTABILITY AND REPORTING

The AGSA is accountable to the National Assembly to which it reports annually on its activities and the performance of its functions by tabling the main accountability instruments, namely its strategic plan and budget and the annual report. The Standing Committee on the Auditor-General (SCoAG), established in terms of the Constitution and the PAA, oversees the institution's performance on behalf of the National Assembly.

¹ Public Audit Act, Act No. 25 of 2004

² International Standard of Supreme Audit Institutions (ISSAI) 12, *The value and benefits of supreme audit institutions – making a difference to the lives of citizens*

3. ORGANISATIONAL VISION, MISSION AND VALUES

The essence of our organisation as a supreme audit institution is expressed in our vision and mission statements and our behaviour is guided by the set of defined values.

VISION

To be recognised by all our stakeholders as a relevant Supreme Audit Institution that enhances public sector accountability.

MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

VALUES

We value, respect and recognise all people.

Our accountability is clear and personal.

We are performance driven.

We value and own our reputation.

We work effectively in teams.

We are proudly South African.

4. AUDITOR-GENERAL'S STRATEGIC COMMITMENTS

The AGSA takes extremely seriously its unique role in the South African society by exercising its responsibilities to scrutinise public spending while being independent of government. As the head of the institution and ultimately accountable for my administration, I ensure that the long-term strategic path of the organisation is adequately charted and that detailed plans exist for the immediate reporting period based on such strategy. This document is the second strategic plan and budget in the execution of the long-term organisational strategy, termed *The 4V strategy*.

The ultimate goal of the strategy is **to build confidence in the ability of the public sector to deliver the necessary services of which it is the sole provider in the country and, by association, to build public confidence in the country's democracy**. It provides direct links between our work and the constitutional values of democracy, transparency and accountability.

Our commitments for the period 2016-19, structured around the strategic goals defined in *The 4V strategy*, are:

VALUE-ADD



The focus is on **auditing areas that matter** and **influencing all players in the public sector** to utilise public funds as intended for the benefit of the people of the country.

We will **enhance our audit methodology and focus areas** with the main purpose of **increasing the levels of transparency, accountability and good governance**.

In achieving our value-adding drive we will **continue to deliver consistent, simple, clear and relevant messages** to all users of our reports so that the desired improvements can be effected in the public sector administration.

The quality of our audit reports will consistently remain **above the industry levels**.

VISIBILITY FOR IMPACT



Engaging stakeholders is integral to the execution of our mandate and preserving our reputation and will aim at **enabling and compelling them to act**.

Internally, we will drive **continual improvements in our stakeholder relationships and engagement programmes and skills** so that we achieve the best return on the effort and time invested. The main areas of development will remain **thought leadership, capacity building and impactful communication**.

VIABILITY



This goal encompasses the management of all required resources: physical infrastructure, financial resources, skills, capabilities, competencies and processes for talent management, so that we are **well equipped to achieve our aspirations of value-adding and impact**.

The **completion of our new audit software and the improvement of our processes** remain priorities.

We will continue to **develop the professionalism of our staff, both in audit and support areas**, aiming to contribute to the creation of accounting and other financial skills in the country. While continually **increasing the efficiencies of our operations, collection of our audit fees** by all means available to us, is vital to our continued financial viability.

VISION AND VALUES DRIVEN



We will run our affairs appropriately, **leading by example** through **high levels of accountability and effective governance**, such that we are deserving of our independence.

We will use our leaders to drive our organisational culture and transformation so that we can have the desired impact on the service delivery in the public sector and ultimately on the lives of citizens.

5. OVERVIEW BY THE DEPUTY AUDITOR-GENERAL

The organisation's aspirations outlined by the AG at the start of his term, supported by the long-term strategy of the AGSA, are the framework that informs the three-year strategic plan and budget. While we are still in the first year of execution of our strategy, the planning for 2016-19 has already been influenced by our initial successes and challenges.

We continue to practise integrated thinking by considering the links between our audit and support units and the resources or the capital that we have at our disposal.

We also recognise and respond to the latest developments in our immediate and broader environment that have the potential to impact the delivery of our mandate. Most importantly, we consider the drive, experience and insights of the leadership accumulated throughout time, the diversity and professionalism of our staff as well as the needs of our multiple stakeholders.

We firmly believe that as a result, our integrated decision-making and actions lead to the creation of value for our stakeholders.

EXTERNAL FACTORS

We scan and monitor trends in the complex external environment over which the organisation has little or no control and respond to them appropriately to ensure that we execute our mandate and remain sustainable in the long term.

One of the main observations that we have made is the rigorous engagement by various stakeholders on the audit outcomes. The displayed commitment by government to apply consequences in cases of poor management of public funds and insufficient levels of service delivery has resulted in closer scrutiny of the results of our audits and in turn has increased our attention to the further development and maturity of our stakeholder engagement programme.

The increased appetite and need for the messages we generate as a result of increased stakeholder expectations of improvements in the public sector has raised demands on the organisation's ability and capacity to meet such expectations. Furthermore, the consistency of messages has become critical.

The slowed growth of our economy results in fiscal constraints and hence impacts negatively the delivery of government programmes intended to improve the wellbeing of citizens. This factor, combined with inadequate skills at local level for planning and managing budgets, has sharpened our focus towards auditing areas that have immediate impact on the quality of life of South African people, such as education, infrastructure, sanitation, housing and healthcare.

The increase in the debt owed to the AGSA, specifically by local government, is a challenge that requires immediate attention.

Competition for skilled labour and the insufficient quality of school education has a constraining impact on the AGSA's resource pipeline at all levels and specialisations. Combined with the increased trend in urbanisation, we recognise the challenge of the availability of resources in the rural provinces.

The modernising and integration of systems used by our auditees, maturity of records and document management, security and storage of information/data, and an increase in the use of social media are all trends which we have considered in our strategic plan.

Lastly, the emerging global pressure for SAls to establish effective partnerships with civil society for the benefit of citizens and the uptake and importance of integrated reporting on performance, environmental and governance matters also form part of the overall approach in our strategy.

INTERNAL FACTORS

The sustainability of our organisation is strongly underpinned by the availability of staff with the required work ethic, knowledge, competencies, skills and professionalism.

In the last couple of years we have achieved success in the recruitment and retention of staff with an average occupancy level of 90%, which will remain one of our targets. The trainee auditor scheme and the organisation's skills development programmes have also seen much success but the requirements and mode of delivery will be reviewed regularly and updated proactively to address emerging skills gaps. Furthermore, we will actively manage the risks related to the high mobility of staff associated with the trend of the AGSA's workforce becoming younger.

The need to provide insights into various fields of performance in the public sector has increased the demand for specific sector skills and expansion of our workforce. Moreover, there is a greater need for our auditors to have 'holistic skills' (skills extending beyond auditing), i.e. understanding of the complex public environment, negotiations, communication, etc. to enable them to function confidently in delivering on the mandate of the organisation.

In conclusion, the unique position and role assigned to the AGSA by the Constitution and the PAA allow us to examine the use of public funds and provide assurance on the proper and effective application thereof by public organisations and entities. While exercising our constitutional mandate, we assume the responsibility to provide deep insight into the financial discipline and delivery against predetermined objectives of those institutions and entities in order to promote accountability and enable oversight.

We want to encourage a noticeable difference towards good governance in all spheres of government. We plan to achieve all this against the background of an efficient, professional, well-run organisation.

6. STRATEGIC RISKS

The organisation has made significant strides in recent years in managing risks in a robust and holistic manner. Embedding a stronger risk culture among employees and the leadership, articulating the organisation's risk appetite levels and institutionalising knowledge and awareness of risk management at all levels and in all areas of our operations have become a way of life within the AGSA.

The executive leadership has identified nine major risks to delivery on the organisational mandate in the medium term by considering the organisation's performance over the past years, and its success in managing previously identified risks:

1. **Financial viability:** Negative impact on the financial viability of the AGSA as a result of pressure on revenue collected; internal as well external costs/factors
2. **Leading by example:** Failure to lead by example through effective governance, oversight and ethical leadership
3. **Technological:** Lack of functioning IT governance structures and processes
4. **Security:** Security risk of personnel, assets and operations (personnel moving in and out of AGSA premises)
5. **Human capital:** Inability to attract and retain the right calibre staff to successfully deliver on the 4V strategy
6. **Audit process:** Audit process failure
7. **Stakeholder engagement:** Failure to have a positive impact or to be relevant to our stakeholders due to stakeholder expectations not being met
8. **Organisational culture:** Embedding the right organisational culture to support the successful achievement of strategy
9. **Operating model:** Inadequate enterprise architecture (operating model, processes and organisational design) to support the 4V strategy

7. THE AGSA'S SUSTAINABILITY MODEL

We believe that sustainability is a key objective and we firmly state that we can only exist in a sustainable society. Hence, our efforts are not aimed at creating value for the organisation, but rather at creating value for our country.

In line with the best practices in integrated and sustainability reporting we outline our value creation for the stakeholders around the six categories of capital:

- Our financial capital is the pool of funds available to us. While ensuring our organisation's financial independence, we also contribute consciously to the distribution of economic benefits to communities through our transformation, enterprise development and social responsibility programmes.
- Manufactured capital represents our equipment, our buildings and our transportation tools, which enable our organisation to be flexible, responsive to our stakeholders' needs, as well as innovative and faster in getting our reports and insights to the clients. It also optimises the use of our human capital and allows us to focus more on creativity and efficiency.
- Intellectual capital is paramount for our current and future relevance as an organisation and includes our investment in audit research and development, knowledge management and intellectual property. Deepening our knowledge about the business of our auditees is a strategic focus and strengthens our competitive advantage.
- Our social and relationship capital embodies the relationships we have established with our auditees, oversight mechanisms, organs of state and specialist and professional bodies. By providing relevant audit insights, containing root causes and value-adding recommendations, we support our auditees' ability to use and account for public funds in a transparent and responsible manner. Our intensive stakeholder engagement programmes with the widest range of interested parties are aimed at encouraging improvements in the public service and, ultimately, enhancing individual and collective wellbeing. Our extensive social programme not only ensures the promotion and awareness of the accounting and auditing profession, but also serves to uplift the communities in which we operate.
- Our human capital captures the sum of our staff's skills, knowledge, capabilities and experience and includes our culture and the processes and procedures to manage talent. The great lengths to which we go in attracting and developing skilled staff are important not only to ensure that we have the employees we need to execute our mandate, but also as part of our contribution to increasing the pipeline of qualified and well-trained accountants and auditors, who join organisations in both the public and private sectors.
- Although we do not rely on the extensive use of natural resources for conducting our business, our existence has an impact on the physical environment, which impact we monitor and strive to minimise.

Our considerations are also consistent with the intention of UN Resolution A/66/209 (adopted by the General Assembly) which states that SAs have an important role in promoting the efficiency, accountability, effectiveness and transparency of public administration, which is conducive to the achievement of national development objectives and priorities such as Sustainable Development Goals. Similarly, we subscribe to the recommendations of the International Organization of Supreme Audit Institutions (INTOSAI) regarding the importance of sustainability and the principles of good governance, transparency and accountability.

8. STRATEGIC PLAN 2016-2019

8.1 STRATEGIC GOAL: VALUE-ADD

STRATEGIC OBJECTIVES

Demonstrate value-adding auditing

Ensure that our audits are of a high quality

In the second year of implementation of our strategy, we will continue to add value through our audits, which is anchored around the economic, efficient and effective (3Es) use of public resources and will be delivered through the enhancement of our audit approaches and focus areas so that increased levels of transparency, accountability and good governance are noticeable in all spheres of government.

We will continue to deliver consistent, simple, clear and relevant messages that compel those charged with governance to act on and implement our recommendations for improvements in the public sector administration.

In determining the audit areas we are guided by what matters to an ordinary South African and we cover the following:

- Effective utilisation of public resources by those assigned the responsibility to administer the public purse.
- Delivery of services in line with what has been promised to the public.
- Transparent and accurate reporting by auditees.

Collaboration with other organs of state in strengthening complementary oversight and reporting to the relevant authorities on financial and service malpractice identified during the course of our work will remain important.

We will ensure that we provide our insights into the state of financial management in the public service in a manner that creates understanding, informs corrective actions, promotes accountability and oversight and enables any citizen to be adequately informed when they exercise their democratic rights.

OBJECTIVE 1: DEMONSTRATE VALUE-ADDING AUDITING

In working towards demonstrating value to our stakeholders, our focused attention will be to proactively audit areas of concern and/or development in the national interest.

Plans put in place to implement 'follow the money' principle, will demonstrate a direct line of sight between our audits and the country's and government's priorities.

We will strive to:

- comprehensively understand the value chains related to the activities of our auditees, which will allow us to offer them unique awareness of the areas requiring improvement
- recognise the needs of those charged with oversight and other stakeholders and thus structure our reports in a manner that simplifies their understanding and use
- integrate the effort of all our audit lines as well as strengthening the support given to the audit business units by all support business units.

Our auditors will provide value-adding insights on how their audit findings and opinions might be used to the greatest effect in taking appropriate corrective actions.

The AGSA's independent value-adding will be so intense that the accounting officers and chief financial officers will recognise the AGSA as their primary strategic partner in effective risk management.

One of the practices that we will continue is to incorporate information in the general reports outlining the outcomes of audits from the specialised audit areas (performance audit, information systems audit and investigations) executed during the MFMA and PFMA audit cycles regulated by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

In defining performance measures and targets we have considered the progress made in implementing our current strategic initiatives as well as the results of the perception survey through which we learned how our stakeholders view the value delivered through our audits. We will now focus on closing the gaps identified through the survey and intensify the ways we add value to clients and stakeholders.

PERFORMANCE MEASURES	TARGETS		
	2016-17	2017-18	2018-19
% closure of gaps identified through the stakeholder survey	90% - 100% completion of the actions for 2016-17	Conduct perception survey 80% of auditees' senior management believes our products add value	90% - 100% completion of the actions for 2018-19
Tool	<ul style="list-style-type: none"> AGSA's quarterly reports 		
% clear articulation of root causes and simple and relevant recommendations in our reports	95% -100%	95% -100%	95% -100%
Tool	<ul style="list-style-type: none"> Evaluation by the AG 		
% adherence to quality standards in our general reports	95% -100%	95% -100%	95% -100%
Tool	<ul style="list-style-type: none"> Evaluation by the AG 		

WHAT WE WILL DO TO ADD VALUE FOR STAKEHOLDERS

1. Institutionalise mechanisms and structures for developing a thorough knowledge of the auditees' needs and their business and an understanding of their value chains of activities as the basis for our audits – train staff accordingly.
2. Intensify and institutionalise the use of publicly available information and statistics as a tool which, coupled with intensive data analytics, will drive the efficiencies of our audits and be able to provide value-adding insights across multiple audit teams.
3. Implement actions to address the expectations of the users of our reports (auditees, executive, portfolio committees, internal audit units, audit committees, media and others) as identified through the stakeholder perception survey of 2015-16.
4. Enhance the packaging of reports/messages in response to the stakeholders' needs in line with our mandate in order to reach a broader range of stakeholders to promote oversight and appropriate remedial actions.
5. Draw effectively on the breadth of specialist expertise available to the AGSA in each phase of the audit process to facilitate integrated, holistic auditing and boost the abilities of our audit teams.
6. Increase the legal capacity within the organisation, in support of audit teams – including training of the audit teams.
7. Regularly review our audit portfolio for continued relevance to maximise the benefit to the public sector.
8. Improve our approach to overseeing and influencing the audit process where we opt not to conduct audits so that these assignments meet both the standards and expectations of our stakeholders and the requirements of the AG for quality and depth of the audits.

OBJECTIVE 2: ENSURE THAT OUR AUDITS ARE OF A HIGH QUALITY

We are committed to consistently conducting high-quality audits. While we pursue standardisation and uniformity of the audit work, we recognise that each audit is shaped by unique circumstances and environments and we will adapt our approach to maximise the quality and value of each audit.

PERFORMANCE MEASURE	TARGETS		
	2016-17	2017-18	2018-19
% adherence to quality standards: audit engagements	85%-90% (C1, C2 and C3 rating)	85%-90% (C1, C2 and C3 rating)	85%-90% (C1, C2 and C3 rating)
Tool	<ul style="list-style-type: none"> ▪ QCAC confirmation 		

WHAT WE WILL DO TO ACHIEVE HIGH QUALITY IN ALL AGSA PRODUCTS

1. Implement the improved audit methodology ensuring that our audits meet the required international standards and are cognisant of unique audit circumstances (e.g. small package audits).
2. Constantly raise and maintain awareness of the importance of the quality of audits among our staff (proactive vs reactive approach).
3. Maintain policies and monitor their implementation in respect of all elements of the International Standard on Quality Control (ISQC) 1 (this includes conducting proactive pre-issuance reviews of selected high-risk engagements).
4. Continually benchmark our audit practices internationally and obtain assurance from independent external bodies, including other SAs.
5. Improve the effectiveness of the pre-issuance review process.

8.2 STRATEGIC GOAL: VISIBILITY FOR IMPACT

STRATEGIC OBJECTIVES

Achieve impact through visibility programmes

Engage actively with citizens

Meaningful and continual engagement with stakeholders has become an important instrument for the AGSA to encourage and enable actions for improvements in public sector financial administration.

Our visibility programmes will continue to focus on influencing change and obtaining the best return on investment in the form of timely and effective corrective actions by auditees, faster escalation of issues where willingness to improve is not evident, and inclusion of clearly identified stakeholders across the entire spectrum with the intention of broadening the engagement on audit outcomes.

Skilling the AGSA's staff and building their confidence in presenting audit messages remains an ongoing priority to entrench the required culture of engagement and collaboration with our stakeholders.

The success of the engagements will be enabled by tools that support the planning, execution, tracking and evaluation of the success of those engagements, and by establishing a practical and cost-effective way in which we become knowledgeable about the stakeholders' thinking and their experience of the interactions. Such tools will be fine-tuned or developed as appropriate for each performance period.

Given the important role that accounting officers play in realising key elements of Vision 2024, we will continue to increase our focus on these leaders with a view to equipping them with key insights that are relevant to their responsibilities.

We will make strides in interacting with citizens.

Our participation in the programmes and initiatives of the international organisations to which we belong will continue to be a priority.

An attractive brand is the hallmark of all successful organisations and it is an important element of executing the AGSA's role and mandate. Building and maintaining the image of an independent, professional organisation that cares for our stakeholders will also remain a priority.

OBJECTIVE 1: ACHIEVE IMPACT THROUGH VISIBILITY PROGRAMMES

Ultimately, our aim is to best utilise the wealth of information and insights available to the AGSA as a result of our work and analysis as key enablers in the organisation's value proposition.

This will be achieved through coordinating and enhancing the existing programmes and developing new ones that will reflect the evolved focus on value-adding for stakeholders.

We will critically evaluate existing processes and tools, refine or update these to the point of formalising a methodology, build the necessary capacity and customise the visibility initiatives to ensure practical and cost-effective stakeholder engagements that result in greater impact.

Our accountability products – our annual report and strategic plan and budget – will be used to further provide sufficient information upon which stakeholders can act, as well as motivating and encouraging our staff.

PERFORMANCE MEASURE	TARGETS		
	2016-17	2017-18	2018-19
% high-quality focused external stakeholder interactions (emphasis on partnering with the stakeholder)	70-75%	70-75%	75-80%
Tool	<ul style="list-style-type: none"> Qualitative rating by the AG 		
% implementation of methodology, tools and processes for visibility programmes per reporting period	95%-100% achievement of deliverables in the implementation plan for 2016-17	95%-100% achievement of deliverables in the implementation plan for 2017-18	95%-100% achievement of deliverables in the implementation plan for 2018-19
Tool	<ul style="list-style-type: none"> Project-tracking tool 		
% implementation of an approved thought leadership programme	95%-100% achievement of deliverables in the implementation plan for 2016-17	95%-100% achievement of deliverables in the implementation plan for 2017-18	95%-100% achievement of deliverables in the implementation plan for 2018-19
Tool	<ul style="list-style-type: none"> Project-tracking tool 		

WHAT WE WILL DO TO DEMONSTRATE THE IMPACT OF VISIBILITY PROGRAMMES

1. Create capacity for impactful stakeholder engagement with the emphasis on:
 - developing and implementing a process to evaluate the resources required (people, time, tools and skills) to enable economic, effective and efficient visibility/stakeholder programmes (including cross-organisational pooling of skills and cost-effectiveness of the engagements)
 - developing and implementing enhanced people development programmes that focus on elevating the current engagement model to the level of an appropriate auditor-auditee partnership.
2. Provide appropriate tools for impactful stakeholder engagement by:
 - enhancing the current quarterly key control programme by elevating the role of the accounting officer and identifying topics of reporting to demonstrate the state of accounting records and controls, segregation of duties, and escalation of risks to oversight bodies
 - improving our management information systems' capabilities.
3. Formalise an external thought leadership programme with a specific focus on accounting officers and chief financial officers using appropriate forums.
 - Develop corporate products (other than audit-related products) that provide relevant information to stakeholders.
 - Use insights gained from our audits to periodically provide recommendations, whether publicly or privately, on any deficiencies and legislation, regulations and policy frameworks.
4. Facilitate an appropriately structured international thought leadership programme in the context of the INTOSAI and AFROSAI-E community, with the emphasis on strategic leadership of key initiatives, knowledge-sharing/content engagements and further enhancing the AGSA's international reputation.
 - Formalise and implement a practical and well-consulted set of value propositions for the INTOSAI Capacity Building Committee (CBC).
 - Re-evaluate and streamline SAI SA's commitments regarding INTOSAI sub-committees, working groups and task forces, as well as international memoranda of understanding.

OBJECTIVE 2: ENGAGE ACTIVELY WITH CITIZENS

Engagement with citizens will receive attention, with an initial focus on the education of citizens, using the most appropriate platforms and mechanisms. This area may include creating awareness of the role of the AGSA and its messages in promoting accountability, oversight and governance and the opportunities already available for public participation, sharing information (publicly accessible audit messages in a variety of formats), and educational campaigns/training programmes.

The need for extensive media engagement will be explored, such as visibility in key publications and accessibility of messages in various languages and formats with the intention of engaging the citizen.

PERFORMANCE MEASURE	TARGETS		
	2016-17	2017-18	2018-19
% implementation of an approved citizen engagement plan	95%-100% achievement of deliverables in the engagement plan for 2016-17	95%-100% achievement of deliverables in the engagement plan for 2017-18	95%-100% achievement of deliverables in the engagement plan for 2018-19
Tool	<ul style="list-style-type: none"> ▪ Project-tracking tool 		

WHAT WE WILL DO TO ENGAGE CITIZENS

1. Ensure high-quality, practical and cost-effective engagements with citizenry throughout each performance year. Provide appropriate tools for impactful engagement.
 - Develop and implement a high-quality, focused engagement programme to educate citizens on the role of the AGSA and its messages in promoting accountability, oversight and governance.
 - Formalise the use of social media as a means to reach a wider spectrum of society by channelling our educational programmes for the public or informing stakeholders of the publishing of our reports.
 - Formalise and implement national and provincial media engagement plans for reaching citizens.

8.3 STRATEGIC GOAL: VIABILITY

STRATEGIC OBJECTIVES		
<i>Maintain financial and legal viability and independence</i>		<i>Embed the concept of sustainability</i>
<i>Align internal competencies and capabilities</i>	<i>Increase operational efficiencies</i>	<i>Increase internal visibility</i>

The concept of viability looks in an integrated manner at all the elements that make our organisation viable, i.e. the three elements of independence, namely our legal status that allows us to fine-tune the choice, size and extent of the audit; the availability and professional training of staff; and the financial resources to ensure that we have the people and tools to deliver on our mandate.

We will continue to execute our mandate in the most economical, efficient and effective way possible. We will adhere to the existing funding model to ensure that we operate independently for the foreseeable future.

Differentiating ourselves to attract and retain the best calibre of staff and developing the required skills, capabilities and competencies remain serious priorities.

Leading by example in everything we do is a strategic focus and the main driver in ensuring that we remain a model organisation, not only in the audit-specific areas but also in the support structures and mechanisms we deploy to ensure our success.

One of the main tools of guaranteeing viability is our intense engagement with internal stakeholders to ensure that they have a complete understanding of the organisational strategy and buy into it enthusiastically. Such engagements provide platforms for fruitful and impactful discussions on how to achieve the ultimate goal of contributing to the improvement of the lives of citizens and engender trust and accountability by making certain that the voice of the employees is heard.

OBJECTIVE 1: MAINTAIN FINANCIAL AND LEGAL VIABILITY AND INDEPENDENCE

To attain the desired financial performance and remain cost-effective, we will continually evaluate and manage our financial indicators, such as own hours' revenue, outsourced audit work to private firms, working capital management and overhead costs, and will target a predetermined minimal surplus.

Given the prolonged challenge with debt collection, we will intensify and diversify our methods of engaging with the auditees and other stakeholders to alleviate the pressure on our cash flow.

PERFORMANCE MEASURE	TARGETS		
	2016-17	2017-18	2018-19
Net surplus / sustainability margin (%)	1,0%-2,0%	1,0%-2,0%	1,0%-2,0%
Tool	<ul style="list-style-type: none"> Analysis of income statement Note: Each business unit will be allocated an individual target for efficiency		
% debt collected over 12 months – national BUs	96% -99%	96% -99%	96% -99%
1% debt collected from the National Treasury – centrally	100%	100%	100%
% debt collected over 12 months – provincial BUs	70%-85%	70%-85%	70%-85%
Tool	<ul style="list-style-type: none"> Analysis of the debtors' ageing report Note: Each business unit will be allocated an individual target for debt collection		

WHAT WE WILL DO TO MAINTAIN LEGISLATIVE AND FINANCIAL VIABILITY AND INDEPENDENCE

1. Review the key strategic initiatives to ensure financial viability and alignment with cost containment and revenue enhancement efforts.
2. Improve the collection of old and current debt.
3. Proactively influence all new legislation that has an impact on the AGSA's mandate and work environment.

OBJECTIVE 2: ALIGN INTERNAL COMPETENCIES AND CAPABILITIES

The organisation requires an abundant supply of skilled and motivated employees to ensure that its mandate is executed flawlessly. We envision the auditors of the future as principled and not compliance-driven, able to use and defend their judgement comfortably.

A comprehensive people strategy, covering all relevant aspects of the people and skills development, will guide our activities in this aspect of our operations to ensure alignment.

An environment in which talented individuals will choose to contribute and are enabled to realise their potential will be created and maintained. We will work towards maximising opportunities for all our staff. Coaching and mentoring will be intensified.

PERFORMANCE MEASURE	TARGETS		
	2016-17	2017-18	2018-19
Occupancy level	89%-91%	89%-91%	89%-91%
Tool	▪ Staff occupancy report from the ERP system		
Staff turnover	10,5%-11,5%	9,5%-10,5%	9,5%-10,5%
Tool	▪ Staff turnover report from the ERP system		
Implementation of the people strategy	Conclude the implementation of: <ul style="list-style-type: none"> ▪ enhanced reward & recognition programme ▪ strategically aligned competency framework ▪ multistage curriculum 	Assess the success of the retention strategy. Define future targets	TBD
Tool	Project-tracking tool		

WHAT WE WILL DO TO ACHIEVE ALIGNMENT OF INTERNAL COMPETENCIES AND CAPABILITIES

1. Implement an approved 'people strategy', specifically the following:
 - Attract, retain and cultivate talented individuals by continually improving the talent-sourcing mechanism and talent development programmes and measures, including all staff levels.
 - Fine-tune the mix of organisational skills and competencies to reflect the audit strategy, with the emphasis on a combination of technical skills, stakeholder knowledge and soft skills in order to be responsive to the changing environment, and update the competency framework.
 - Implement a strategically aligned curriculum per employee grade.
 - Grow the number of qualified professionals belonging to various professional bodies as part of the desired professional profile for the organisation.
 - Augment the capacity and performance of our leaders through executive coaching and mentoring, ongoing assessment of the desired AGSA leadership profile, strengthening the leadership pipeline for succession planning and best practice knowledge sharing with other SAs, and consider a more effective leveraging of executive skills in the organisation.
2. Implement a winning employees' value proposition.
3. Maximise opportunities for the development of our audit staff through appropriate exposure to s4(3) audits.
4. Continue to improve the SAICA accreditation of our training offices.

OBJECTIVE 3: INCREASE OPERATIONAL EFFICIENCIES

To ensure efficient operations for value-adding auditing, a finely aligned organisational architecture (structure) – people, processes and technology – is a must. The strategy will guide all necessary enhancements of the structure and processes to drive integration and the achievement of our mandate.

IT applications and technology will be developed/enhanced with the aim of implementing the strategy most effectively.

Concurrently, the work streams will be well defined to ensure a clear understanding of the roles of the various business units.

PERFORMANCE MEASURE	TARGETS		
	2016-17	2017-18	2018-19
% implementation of the AGSA's operating model improvements	Implement the support service delivery model	Assess the level of improvement and define future targets	TBD
Tool	<ul style="list-style-type: none"> ▪ Project-tracking tool 		
% completion and implementation of appropriate audit software	95%-100% achievement of deliverables in the project plan for 2016-17	95%-100% achievement of deliverables in the project plan for 2017-18	Assess the success of the implemented software
Tool	<ul style="list-style-type: none"> ▪ Project-tracking tool 		

WHAT WE WILL DO TO INCREASE OPERATIONAL EFFICIENCIES

1. Develop, implement and continually enhance an economic, efficient and effective operating model:
 - Improve efficiencies throughout the organisation.
 - Develop, enhance and integrate IT applications and technology with the aim of implementing the strategy most effectively.
 - Implement an internal support service delivery model.
2. Ensure the completion and implementation of appropriate audit software.

OBJECTIVE 4: INCREASE INTERNAL VISIBILITY

A comprehensive understanding of the organisational strategy by all staff is the key to employee empowerment, enhanced work methods and, ultimately, the successful implementation of strategic initiatives. Established processes and mechanisms for organisational alignment will be strengthened to deliver uniform messages to every employee, thus increasing the employee's passion in executing the strategy.

PERFORMANCE MEASURE	TARGETS		
	2016-17	2017-18	2018-19
% conducted strategic alignment sessions by top leadership (CEs, NLs, DAG) – as per stakeholder engagement plan	90%-95%	90%-95%	90%-95%
Tool	<ul style="list-style-type: none"> ▪ Project-tracking tool ▪ DAG's qualitative rating 		
% implementation of an internal innovation programme	95%-100% achievement of deliverables in the innovation plan for 2016-17	95%-100% achievement of deliverables in the innovation plan for 2017-18	95%-100% achievement of deliverables in the innovation plan for 2018-19
Tool	<ul style="list-style-type: none"> ▪ Project-tracking tool ▪ DAG's qualitative rating 		

WHAT WE WILL DO TO ACHIEVE INCREASED INTERNAL VISIBILITY AND ALIGNMENT

1. Pursue strong strategic engagement, using proven methods and continually looking for new ways of involving staff in the running of the organisation.
2. Establish an internal innovation programme to systematically drive an improved culture of innovation that will ultimately impact positively on the responsiveness of the organisation to both internal and external trends.
3. Formalise and institutionalise common project initiation and management principles to ensure all projects are in line with the AGSA's strategy and are managed in a systematic manner to ensure decisions are made in good time and projects are delivered in the most effective, efficient and economic manner possible.
4. Enhance our internal visibility programme driven by the top leadership.

OBJECTIVE 5: EMBED THE CONCEPT OF SUSTAINABILITY

To control our impact on the environment in which we operate, i.e. multiply our positive impact and minimise the negative, we will manage each of the six capitals as described in our sustainability model. Considering that activities related to our products and social, human, intellectual and financial capital are outlined in the respective sections of this plan, the focus of this objective is on driving an overarching sustainability strategy and implementing environmental initiatives.

PERFORMANCE MEASURE	TARGETS		
	2016-17	2017-18	2018-19
Implementation of an approved sustainability strategy	Complete an awareness programme. Implement an environmental management accounting mechanism	Implement initiatives to optimise our carbon footprint	Assess the success of the strategy up to date. Review and update targets
Tool	<ul style="list-style-type: none"> Project-tracking tool 		

WHAT WE WILL DO TO EMBED THE CONCEPT OF SUSTAINABILITY

- Implement our sustainability strategy and make sustainability an integral part of all our activities and operations:
 - Intensify sustainability awareness campaigns among our internal and external stakeholders.
 - Regularly monitor and evaluate environmental sustainability initiatives to minimise the physical impact on the environment.
 - Optimise and seamlessly integrate the sustainability reporting procedures and processes in the overall monitoring and reporting framework of the organisation.
 - Improve our information systems to enhance the integrity and quality of sustainability information.
 - Ensure regular assessment and analysis of our carbon footprint.

8.4 STRATEGIC GOAL: VISION AND VALUES

STRATEGIC OBJECTIVES

Continue to be a transformational organisation

Ensure our own clean administration

The organisation's set vision is underpinned by its values and leadership style and thus forms the basis of the organisational culture. An overarching theme of the AGSA's organisational strategy is transformation – evolution in line with our aspirations.

Our journey throughout the years demonstrates that we do not only transform ourselves. In keeping with our traditions, we will spur and lead transformation in the accounting profession, as well as in the public service in our country, aimed at improving the lives of citizens.

Internationally, we will be a catalyst in transforming the understanding of the role of SAs as well as the evolution of accounting and auditing standards, skills development and collaboration.

We see running an exemplary administration and practising good governance as our licence to engage and recommend actions for improvement to our auditees.

OBJECTIVE 1: CONTINUE TO BE A TRANSFORMATIONAL ORGANISATION

Our comprehensive transformation strategy will guide us in addressing the identified areas for improvement with the overall aim of maintaining the status of a B-BBEE level 2 contributor. While we recognise the immense strides that we have made so far, our main focus will be on supporting the growth and transformation of the accounting profession and more specifically the advancement of women at decision-making levels, creating a better environment for people with disabilities and strengthening our enterprise and supplier development programmes.

We will pay attention to the required diversity mix of employees from a gender, age, skills and cultural perspective.

The desired values and the behavioural elements underpinning them will be confirmed regularly by the leadership, with commitment and as an example to all employees and stakeholders.

The top leadership will lead the transformation process and manage it actively at all levels of the organisation.

While doing so, we will ensure adequate change management processes and practices for the efficient implementation of all envisaged changes.

PERFORMANCE MEASURE	TARGETS		
	2016-17	2017-18	2018-19
Implementation of the transformation strategy	Intensify the ESD programme. Enhance our work with selected universities	Transform our offices to be accessible to people living with disabilities	Assess the success of the strategy up to date. Review and update targets
Tool	<ul style="list-style-type: none"> Project-tracking tool 		
B-BBEE level	Level 2	Level 2	Level 2
Tool	<ul style="list-style-type: none"> External assessment and rating 		

WHAT WE WILL DO TO ACHIEVE THE REQUIRED B-BBEE LEVEL

1. Implement our transformation strategy.
2. Accelerate our enterprise development programme.

OBJECTIVE 2: ENSURE OUR OWN CLEAN ADMINISTRATION

Through its audit activities, the AGSA plays a critical role in enabling accountability and promoting democratic governance in South Africa by providing assurance to the various legislatures that all entities that use public funds have managed their financial affairs in line with sound financial principles. It is therefore imperative that an own, clean administration is in place that conforms to all those rules and regulations that we use in assessing the compliance of others.

We will live those principles and set appropriate objectives and measures to ensure that we meet those standards in the most effective and efficient manner possible.

PERFORMANCE MEASURES	TARGETS		
	2016-17	2017-18	2018-19
External audit opinion on the AGSA	Clean audit	Clean audit	Clean audit
Rate of closure of management commitments on all audit findings	95%-100%	95%-100%	95%-100%
Tool	<ul style="list-style-type: none"> ▪ External audit report ▪ Tracking register of audit findings ▪ Internal audit reports ▪ Independent assessment (including effectiveness of committees) 		

WHAT WE WILL DO TO ACHIEVE A CLEAN ADMINISTRATION

1. Continue to conduct risk assessments and assess the relevance of our current internal control process and compliance with legislative and procedural requirements.
2. Drive constant and consistent implementation of adequate and effective internal controls.
3. Periodically assess the adequacy and effectiveness of our governance framework against best practices and standards and address identified gaps.
4. Implement continual and effective environmental scanning to ensure that the organisation responds in good time to both positive and negative developments in the environment.

ANNEXURE A

THE AGSA'S BALANCED SCORECARD 2016-19

STRATEGIC GOAL	WEIGHT	OBJECTIVE	PERFORMANCE MEASURE	TARGET		
				2016-17	2017-18	2018-19
Value-add	30%	Demonstrate value-adding audits	<i>% closure of gaps identified through the stakeholder survey</i>	90% - 100% completion of the actions for 2016-17	Conduct perception survey 80% of auditee's senior management believes our products add value	90% - 100% completion of the actions for 2018-19
			<i>% clear articulation of root causes and simple and relevant recommendations in our reports</i>	95% -100%	95% -100%	95% -100%
			<i>% adherence to quality standards in our general reports</i>	95% -100%	95% -100%	95% -100%
		Ensure high quality of audits	<i>% adherence to quality standards: audit engagements</i>	85%-90% (C1, C2 and C3 rating)	85%-90% (C1, C2 and C3 rating)	85%-90% (C1, C2 and C3 rating)

ANNEXURE A

STRATEGIC GOAL	WEIGHT	OBJECTIVE	PERFORMANCE MEASURE	TARGET		
				2016-17	2017-18	2018-19
Visibility	25%	Achieve impact through visibility programmes	% high-quality focused external stakeholder interactions (emphasis on partnering with the stakeholder)	70-75%	70-75%	75-80%
			% implementation of methodology, tools and processes for visibility programmes per reporting period	95%-100% achievement of deliverables in the implementation plan for 2016-17	95%-100% achievement of deliverables in the implementation plan for 2017-18	95%-100% achievement of deliverables in the implementation plan for 2018-19
			% implementation of an approved thought leadership programme	95%-100% achievement of deliverables in the implementation plan for 2016-17	95%-100% achievement of deliverables in the implementation plan for 2017-18	95%-100% achievement of deliverables in the implementation plan for 2018-19
		Engage actively with citizens	% implementation of an approved citizen engagement plan	95%-100% achievement of deliverables in the engagement plan for 2016-17	95%-100% achievement of deliverables in the engagement plan for 2017-18	95%-100% achievement of deliverables in the engagement plan for 2018-19

ANNEXURE A

STRATEGIC GOAL	WEIGHT	OBJECTIVE	PERFORMANCE MEASURE	TARGET		
				2016-17	2017-18	2018-19
Viability	30%	Ensure financial and legal viability and independence	<i>Net surplus / sustainability margin (%)</i>	1,0%-2,0%	1,0%-2,0%	1,0%-2,0%
			<i>Percentage of debt collected averaged over 12 months invoiced – national business units</i>	96%-99%	96%-99%	96% -99%
			<i>1% debt collected from the National Treasury averaged over 12 months – centrally</i>	100%	100%	100%
			<i>Percentage of debt collected averaged over 12 months invoiced – provincial business units</i>	70%-85%	70%-85%	70%-85%
		Align internal competencies and capabilities	<i>Occupancy level</i>	89%-91%	89%-91%	89%-91%
			<i>Staff turnover</i>	10,5%-11,5%	9,5%-10,5%	9,5%-10,5%
		Implementation of the people strategy	Conclude the implementation of: <ul style="list-style-type: none"> ▪ enhanced reward & recognition programme ▪ strategically aligned competency framework ▪ multistage curriculum 	Assess the success of the retention strategy. Define future targets	TBD	
			Increase operational efficiencies	<i>% completion and implementation of appropriate audit software</i>	95%-100% achievement of deliverables in the project plan for 2016-17	95%-100% achievement of deliverables in the project plan for 2017-18
		Implementation of the improvements to the AGSA's operating model	Implement the support service delivery model	Assess the level of improvement and define future targets	TBD	

ANNEXURE A

STRATEGIC GOAL	WEIGHT	OBJECTIVE	PERFORMANCE MEASURE	TARGET		
				2016-17	2017-18	2018-19
		Increase internal visibility	<i>% conducted strategic alignment sessions by top leadership (CEs, NLS, DAG) – as per stakeholder plan</i>	90%-95%	90%-95%	90%-95%
			<i>% implementation of an internal innovation programme</i>	95%-100% achievement of deliverables in the innovation plan for 2016-17	95%-100% achievement of deliverables in the innovation plan for 2017-18	95%-100% achievement of deliverables in the innovation plan for 2018-19
		Embed the concept of sustainability	<i>Implementation of an approved sustainability strategy</i>	Complete an awareness programme. Implement an environmental management accounting mechanism	Implement initiatives to optimise our carbon footprint	Assess the success of the strategy up to date. Review and update targets

ANNEXURE A

STRATEGIC GOAL	WEIGHT	OBJECTIVE	PERFORMANCE MEASURE	TARGET		
				2016-17	2017-18	2018-19
Vision and values driven	15%	Continue to be a transformational organisation	<i>Implementation of the transformation strategy</i>	Intensify the ESD programme. Enhance our work with selected universities.	Transform our offices to be accessible to people living with disabilities	Assess the success of the strategy up to date. Review and update targets
			<i>B-BBEE level</i>	Level 2	Level 2	Level 2
		Ensure our own clean administration Enhance the organisational governance	<i>External audit opinion on the AGSA</i>	Clean audit	Clean audit	Clean audit
			<i>Rate of closure of management commitments on all audit findings</i>	95%-100%	95%-100%	95%-100%



**Budget of the
Auditor-General of
South Africa
for 2016-2019**

ANNEXURE B

PROJECTED STATEMENT OF COMPREHENSIVE INCOME

	ACTUAL 2014-15 RM	BUDGET 2015-16 RM	BUDGET 2016-17 RM	FORECAST 2017-18 RM	FORECAST 2018-19 RM
AUDIT INCOME	2 750,2	2 942,9	3 090,5	3 250,8	3 413,3
Own hours	1 983,2	2 145,6	2 300,6	2 420,0	2 540,9
S&T recoverable	115,5	138,7	147,9	155,5	163,3
Contract work	655,6	665,7	656,8	690,9	725,4
Present value of revenue adjustment	-4,1	-7,1	(14,8)	(15,6)	(16,3)
DIRECT AUDIT EXPENDITURE	1 840,0	1 974,4	2 117,5	2 225,0	2 336,2
Personnel expenditure	1 077,9	1 175,3	1 321,1	1 387,3	1 456,6
S&T recoverable	115,4	138,7	147,9	155,5	163,3
Contract work	655,6	665,7	656,8	690,9	725,4
Present value of contract work adjustments	-8,9	-5,3	(8,3)	(8,7)	(9,1)
Contract work % of audit income excl. S&T	24,8%	23,7%	22,2%	22,2%	22,2%
Gross profit	910,2	968,5	973,0	1 025,8	1 077,1
Own hours gross profit	905,3	970,3	979,5	1 032,7	1 084,3
Gross margin % of audit income	33,10%	32,91%	31,48%	31,56%	31,56%
Other income	60,1	61,7	69,4	73,1	76,7
Interest	47,2	24,7	28,1	29,6	31,1
Present value adjustments	12,9	37,0	41,3	43,5	45,6
Contribution to overheads	970,3	1 030,2	1 042,4	1 098,9	1 153,8
OVERHEAD EXPENSES	793,3	930,3	970,0	1 022,3	1 077,0
Overhead as % of audit income	28,85%	31,61%	31,39%	31,45%	31,55%
Depreciation	39,0	56,3	41,0	36,9	33,2
Net surplus	138,0	43,6	31,4	39,7	43,6
Net surplus as a % of audit income	5,02%	1,48%	1,02%	1,22%	1,28%

ANNEXURE B

PROJECTED STATEMENT OF FINANCIAL POSITION (actual, budget and forecast)

	ACTUAL	BUDGET	BUDGET	FORECAST	FORECAST
	2014-15	2015-16	2016-17	2017-18	2018-19
	RM	RM	RM	RM	RM
Equity and liabilities					
Equity	695,9	739,5	770,9	810,6	854,2
General reserve	552,9	552,9	552,9	552,9	552,9
Special audit services fund	5,0	5,0	5,0	5,0	5,0
Retained earnings	-	138,0	181,6	213,0	252,7
Net surplus for the year	138,0	43,6	31,4	39,7	43,6
Non-current liabilities	69,9	75,0	79,5	84,3	89,3
Retirement benefit obligation - medical aid liability	69,9	75,0	79,5	84,3	89,3
Current liabilities	431,5	485,9	572,8	566,9	622,3
Trade and other payables	345,8	394,9	475,2	462,4	510,5
Leave liability	85,7	91,0	97,6	104,5	111,8
	1 197,3	1 300,4	1 423,2	1 461,8	1 565,8
Employment of capital					
Non-current assets	95,4	103,5	111,2	128,9	150,3
Property, plant and equipment	95,4	103,5	111,2	128,9	150,3
Investments	320,1	406,0	432,0	454,0	477,1
Current assets	781,8	790,89	880,0	878,9	938,4
Trade and other debtors	592,1	586,8	615,6	617,5	679,9
Bank and cash	189,7	204,09	264,4	261,4	258,5
	1 197,3	1 300,4	1 423,2	1 461,8	1 565,8

Working capital assumptions

1. Trade and other payables are calculated on a 30-day payment period from date of approval of the AGSA payment.
2. Trade debtors are calculated based on the following days outstanding: 2014 to 2017: 75% - 80% recovery within 30 days for the national departments and 55% - 80% recovery within 30 days for provincial departments.

ANNEXURE B

PROJECTED CASH FLOW STATEMENT (actual, budget and forecast)

	BUDGET	BUDGET	FORECAST	FORECAST
	31 MARCH 2016	31 MARCH 2017	31 MARCH 2018	31 MARCH 2019
	RM	RM	RM	RM
Opening bank balance	189,7	204,1	264,4	261,4
Cash inflow	3 416,4	3 667,6	3301,8	3466,9
Audit income	3 394,7	3 644,0	3266,4	3429,7
Other income	21,7	23,6	35,4	37,2
Cash outflow	3 402,0	3 607,3	3304,8	3469,8
Operating expenditure	3 331,2	3 517,7	3225,2	3390,2
Capital expenditure	70,8	89,6	79,6	79,6
Closing bank balance (Note 1)	204,1	264,4	261,4	258,5

The cash flow balances reflected above exclude investment balances which are ring-fenced for specific commitments. These investment balances are only part of the total investment balances.

ANNEXURE B

DETAILED BUDGET

DESCRIPTION	NOTES	2015-16	2016-17	2017-18	2018-19
		BUDGET	BUDGET	FORECAST	FORECAST
		(A)	(E)	(F)	(G)
AUDIT INCOME	1	2 942 934 304	3 090 470 687	3 250 814 635	3 413 355 367
Own hours	1.1	2 145 594 838	2 300 589 521	2 419 951 794	2 540 949 384
Regularity audit		1 919 961 658	2 042 546 868	2 148 521 027	2 255 947 078
Specialised audit		225 633 180	258 042 652	271 430 767	285 002 306
Contract work	1.2	665 745 455	656 807 378	690 884 740	725 428 977
Regularity audit		616 982 787	625 435 005	657 884 663	690 778 897
Specialised audit		48 762 668	31 372 373	33 000 077	34 650 081
Subsistence and travel	1.3	138 699 059	147 858 311	155 529 694	163 306 179
Present value of revenue adjustments		(7 105 048)	(14 784 523)	(15 551 593)	(16 329 173)
DIRECT AUDIT COST		1 974 453 079	2 117 540 465	2 224 917 380	2 336 163 249
Staff remuneration: audit business units	2.3	1 175 283 097	1 321 141 564	1 387 198 642	1 456 558 574
Contract work - recoverable	1.2	665 745 455	656 807 378	690 884 740	725 428 977
Subsistence and travel - recoverable		138 699 059	147 858 311	155 529 694	163 306 179
Present value of CWC (recoverable)		(5 274 532)	(8 266 788)	(8 695 697)	(9 130 482)
GROSS PROFIT		968 481 226	972 930 222	1 025 897 256	1 077 192 119
GROSS PROFIT PERCENTAGE		33%	31%	32%	32%
OTHER INCOME	1.4	61 690 512	69 414 343	73 015 791	76 666 581
Interest received: PIC		20 053 314	20 951 735	22 038 781	23 140 720
Interest received: SCMB		4 660 000	7 200 000	7 573 560	7 952 238
Sundry income		28 466 599	26 478 085	27 851 857	29 244 449
Present value adjustments – revenue/debtors		8 510 599	14 784 523	15 551 593	16 329 173
SURPLUS BEFORE OPERATING COST		1 030 171 737	1 042 344 565	1 098 913 047	1 153 858 699

ANNEXURE B

DETAILED BUDGET

DESCRIPTION	NOTES	2015-16	2016-17	2017-18	2018-19
		BUDGET	BUDGET	FORECAST	FORECAST
		(A)	(E)	(F)	(G)
OPERATING COST		930 260 509	969 996 055	1 022 303 312	1 077 038 061
Staff remuneration:	2.3.2	319 360 951	352 800 789	375 732 840	400 155 475
Support business units		312 559 365	345 999 203	363 299 163	381 464 121
Africa projects		6 801 586	6 801 586	7 141 665	7 498 749
Other personnel expenditure	2	172 988 803	166 639 080	176 099 026	186 138 844
Leave pay provision	2.1	5 262 396	6 598 764	6 949 564	7 319 259
Medical aid provision	2.2	5 100 000	4 542 000	4 783 459	5 037 925
Group life scheme	2.4	16 110 648	22 673 402	24 487 274	26 446 256
Long service awards & other	2.4	112 500	105 000	110 582	116 465
Performance bonus liability	2.6	138 847 416	124 171 514	130 772 646	137 729 351
UIF: employer contribution	2.5	4 732 695	5 170 893	5 445 785	5 735 484
Workmen's compensation premiums	2.5	997 761	1 534 979	1 616 580	1 702 577
Employee relations	2.7	580 000	558 000	580 320	626 745
BU recognition scheme	2.4	1 245 387	1 284 529	1 352 817	1 424 782
Outsourced services	3	34 540 733	26 636 089	27 834 713	29 087 275
Outsourced services - irrecoverable	3	34 998 319	27 059 613	28 277 295	29 549 773
Present value of CWC - irrecoverable		(457 586)	(423 524)	(442 583)	(462 499)
Subsistence and travel - irrecoverable	4	25 875 704	25 640 777	26 794 612	28 000 370
Accommodation	5	98 768 848	114 122 637	125 991 391	137 832 610
Rental	5.1	61 969 516	71 728 960	79 188 772	87 424 404,05
Straight-lining of leases		(6 072 378)	(5 231 823)	(5 775 932)	(6 376 629)
Operating costs		42 871 710	47 625 500	52 578 552	56 784 836
Stakeholder relationships	6	38 807 267	32 972 755	34 291 666	35 663 332
Liaison	6.1.1	6 341 000	4 905 800	5 102 032	5 306 113
Internal stakeholder relations	6.1.2	3 558 250	1 949 237	2 027 207	2 108 295
External stakeholder relations	6.1.3	3 814 200	3 811 148	3 963 594	4 122 138
Culture expenses		626 500	933 142	970 467	1 009 286
Constitutional liaison		1 424 770	1 510 943	1 571 381	1 634 236
Non-constitutional liaison		276 000	549 000	570 960	593 798
CE Portfolio: Leadership sessions		2 899 996	2 349 223	2 443 192	2 540 920

ANNEXURE B

DETAILED BUDGET

DESCRIPTION	NOTES	2015-16	2016-17	2017-18	2018-19
		BUDGET	BUDGET	FORECAST	FORECAST
		(A)	(E)	(F)	(G)
Senior Management Workshop		3 850 000	2 833 000	2 946 320	3 064 173
Stakeholder workshops		1 700 640	2 169 212	2 255 981	2 346 220
Regional congresses	6.2	7 116 500	5 235 220	5 444 629	5 662 414
Foreign visitors	6.3	130 440	124 507	129 487	134 667
Overseas travel	6.4	7 068 971	6 602 322	6 866 415	7 141 072
Oversight governance	7	1 052 000	1 262 700	1 313 208	1 418 265
Audit expenses	8	8 340 800	9 218 889	9 587 645	9 971 150
External audit fees	8.1	4 039 200	4 362 336	4 536 829	4 718 303
Internal audit costs	8.2	4 301 600	4 856 553	5 050 815	5 252 848
Bank charges		420 578	470 804	503 760	539 023
Recruitment expenses	9	9 979 564	10 016 644	10 417 310	10 834 002
Advertising		2 318 800	1 350 000	1 404 000	1 460 160
Personnel agency fees		3 222 000	4 733 770	4 923 121	5 120 045
Interviews		2 638 764	1 620 000	1 684 800	1 752 192
Transfer & relocation expenses		1 800 000	2 312 874	2 405 389	2 501 605
Learning and development	10	112 457 181	99 826 229	103 819 278	107 972 049
Membership fees	10.1	18 730 012	16 957 482	17 635 781	18 341 212
Internal training	10.2	11 097 641	22 329 777	23 222 968	24 151 887
Conferences and seminars	10.2	6 293 365	5 883 919	6 119 276	6 364 047
Subsistence and travel: training	10.2	10 398 097	1 940 739	2 018 368	2 099 103
Study assistance: employees	10.3	25 151 355	25 058 137	26 060 462	27 102 881
Study support incentive scheme		7 105 318	6 613 733	6 878 282	7 153 414
Institutional and learning development projects		1 905 200	1 301 848	1 353 922	1 408 079
Foundation programmes	10.2	12 648 412	-	-	-
Bursaries	10.4	12 228 275	12 636 260	13 141 710	13 667 379
Tertiary assistance	10.4	2 252 000	3 638 944	3 784 502	3 935 882
Study support incentive scheme: top-up one		153 967	183 191	190 519	198 139
Skills development levy		14 493 540	16 282 199	16 933 487	17 610 827
Skills development levy - recovered		(10 000 000)	(13 000 000)	(13 520 000)	(14 060 800)

ANNEXURE B

DETAILED BUDGET

DESCRIPTION	NOTES	2015-16	2016-17	2017-18	2018-19
		BUDGET	BUDGET	FORECAST	FORECAST
		(A)	(E)	(F)	(G)
Employee wellness programmes	11	10 081 700	24 241 865	25 211 540	26 220 001
Employee wellness programmes		2 591 578	7 354 588	7 648 772	7 954 722
Employees' social responsibility		400 000	778 500	809 640	842 026
AGSA's social responsibility (general)		4 190 122	4 155 829	4 322 062	4 494 945
Enterprise development		-	8 627 211	8 972 299	9 331 191
Corporate social investment		2 900 000	3 325 737	3 458 767	3 597 117
Technological services	12	41 675 450	43 992 823	45 752 536	47 582 638
Computer services	12.1	35 869 396	35 920 300	37 357 112	38 851 396
Hiring of equipment: rental	12.2	3 397 320	6 081 957	6 325 235	6 578 245
Hiring of equipment: copy charges		2 408 734	1 990 566	2 070 189	2 152 996
Insurance and legal fees	13	4 682 600	5 396 757	5 612 627	5 837 132
Insurance		2 680 000	2 680 008	2 787 208	2 898 697
Legal costs		2 002 600	2 716 749	2 825 419	2 938 436
Office maintenance	14	31 297 490	39 854 408	41 448 585	43 106 528
Cleaning: contracts/services		4 059 295	3 826 112	3 979 157	4 138 323
Cleaning: materials		478 683	448 220	466 148	484 794
Office improvements		1 669 554	1 905 909	1 982 146	2 061 432
Refreshments		2 711 875	2 542 505	2 644 205	2 749 974
Publications		2 371 644	2 689 512	2 797 093	2 908 976
Repairs & maintenance: computer equipment & software		1 370 000	1 198 800	1 246 752	1 296 622
Repairs & maintenance: furniture and equipment		722 600	691 020	718 661	747 407
Repairs & maintenance: site and buildings		1 773 905	1 870 584	1 945 407	2 023 223
Repairs & maintenance: office vehicles		1 173 927	1 029 292	1 070 464	1 113 282
Printing of audit reports		3 640 000	3 337 560	3 471 062	3 609 905
Stationery and printing		6 108 953	6 303 952	6 556 110	6 818 355
Artwork & design		158 100	124 095	129 059	134 221
Present value adjustment		4 274 532	12 467 327	12 966 020	13 484 660
Medical examinations		77 554	44 993	46 793	48 664
Warranty costs		706 867	1 374 528	1 429 509	1 486 689

ANNEXURE B

DETAILED BUDGET

DESCRIPTION	NOTES	2015-16	2016-17	2017-18	2018-19
		BUDGET	BUDGET	FORECAST	FORECAST
		(A)	(E)	(F)	(G)
Communications	15	12 124 361	11 679 824	11 752 683	12 222 791
Cellphone charges	15.2	4 807 000	4 465 307	4 643 919	4 829 676
Postage & courier services		2 296 356	2 271 049	1 967 558	2 046 260
Telephone charges	15.1	5 021 004	4 943 468	5 141 206	5 346 855
Other expenses		7 806 480	5 222 986	5 431 905	5 649 181
Present value of expenditure/ Creditors		(1 186 303)	(3 777 014)	(3 928 095)	(4 085 219)
Bad debts provision		8 992 783	9 000 000	9 360 000	9 734 400
SURPLUS BEFORE DEPRECIATION		99 911 228	72 348 510	76 609 735	76 820 638
Depreciation	16	56 357 218	40 965 029	36 868 526	33 181 674
Depreciation: motor vehicles		1 453 972	1 248 193	1 123 374	1 011 037
Depreciation: furniture & equipment		7 953 024	7 322 357	6 590 121	5 931 109
Depreciation: computer equipment		25 906 955	17 057 275	15 351 547	13 816 392
Depreciation: computer software		13 377 671	7 469 824	6 722 841	6 050 557
Depreciation: leasehold improvements		7 665 595	7 867 380	7 080 642	6 372 578
NET SURPLUS		43 554 010	31 383 481	39 741 209	43 638 964
Net surplus percentage		1,48%	1,02%	1,22%	1,28%
CAPITAL BUDGET	17	96 420 774	78 679 972	79 614 777	79 614 777
Motor vehicles	17.1	1 580 000	750 000	2 400 000	2 400 000
Furniture & equipment	17.2	14 926 225	10 657 140	14 572 424	14 572 424
Computer equipment	17.4	37 468 548	27 073 752	24 428 067	24 428 067
Computer software	17.5	27 246 000	22 687 000	18 344 285	18 344 285
Leasehold improvement	17.3	15 200 000	17 512 080	19 870 001	19 870 001
CAPEX AS A % OF TOTAL INCOME		3,28%	2,55%	2,45%	2,33%

ANNEXURE B

NOTES ON THE BUDGET

1. INCOME

BUDGET ITEM	REF.	2015-16 BUDGET	2016-17 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Own hours	1.1	2 145 595	2 300 590	154 995	7%
Contract work	1.2	665 745	656 807	(8 938)	-1%
Subsistence and travelling	1.3	138 700	147 859	9 159	7%
Sub-total		2 950 040	3 105 256	155 216	5%
Present value of revenue adjustments		(7 106)	(14 785)	(7 679)	7%
Total audit income		2 942 934	3 090 471	147 537	5%

EFFECT OF THE ESTIMATES OF THE OFFICE FOR 2016-17 ON TOTAL STATE EXPENDITURE

The total estimated audit costs of R3,09 billion for 2016-17 (2015-16: R2,94 billion) amounts to 0,21% (2015-16: 0,24 %) of estimated state expenditure of approximately R1,448 trillion for 2016-17. The estimate for 2016-17 represents a 5% increase over the 2015-16 budget and has no material effect on the estimated total state expenditure for 2016-17.

1.1 CALCULATION OF OWN HOURS INCOME

The calculation of own hours income takes into account three components, namely :

- number of recoverable staff members (including vacancies that are planned to be filled [refer 1.1.1])
- number of recoverable hours (refer 1.1.1 A)
- tariffs (refer 1.1.2)

The 2016-17 own hours income has been compiled using the same tariff formula applied in the 2015-16 budget.

ANNEXURE B

NOTES ON THE BUDGET

1.1.1 Number of staff: audit business units (ABUs) only

AUDIT STAFF	BUDGET 2015-16	BUDGET 2016-17	CHANGE		COMMENTS
	STAFF NUMBERS	STAFF NUMBERS	STAFF NUMBERS	%	
	(1)	(2)	(2)-(1)	(2)-(1)	
Business executives	18	18	0	0%	Appointment of deputy business executive in Limpopo and Performance Auditing executives
Deputy business executives	19	21	2	11%	
Senior managers	172	178	6	3%	The increase in senior managers is due to the creation of new centres (National D, National F, Eastern Cape and Performance Auditing).
Audit managers	474	475	1	0%	The overall net increase of 91 recoverable audit staff is due to additional staff required to support new audits.
Assistant managers	553	593	40	7%	
Audit supervisors	137	81	-56	-41%	The increase and decrease from the assistant managers band and below is due to the continual reclassification of staff between the bands as a result of promotions, progression in studies and training.
Auditors	31	42	11	35%	
Audit clerks	133	70	-63	-47%	
Trainee auditors	1 285	1 435	150	12%	
Total recoverable audit staff	2 822	2 913	91	3%	
Admin staff: Non-recoverable audit staff in ABUs	246	232	-14	-6%	
Total audit staff	3 068	3 145	77	3%	

1.1.1 A Own hours - recoverable hours and ratios

Recoverable hours are influenced by the recovery rate that is determined for each staff band within the ABUs after providing for sufficient time for essential non-recoverable activities for example annual leave, study leave, sick leave, training, management and supervision. For the 2016-17 budget, the targeted recovery rates were maintained as per the 2015-16 targets (refer to recovery rates and recoverable hours analysis in the table below). The average recovery rate for the 2016-17 budget is 61,96% (2015-16 budget: 61,70%) after adjusting for lost recovered hours as a result of the Audit Methodology Project, the recovery rate before adjustment is 63,81%. The calculation of recoverable hours is based on the total available hours which is equal to 2 001 hours per person per year (2015-16: 2 001 hours), multiplied by the recovery rate per band and multiplied by the number of recoverable staff per band per 1.1.1 above.

ANNEXURE B

NOTES ON THE BUDGET

For the 2016-17 financial year the budgeted recoverable hours have been reduced by 106 727 hours (3% of budgeted recovered hours) for the AGSA to accommodate the lost hours due to the planned implementation of the new audit methodology project.

The detailed analysis of recovery ratio and recoverable hours per band is reflected below:

BUDGET ITEM	2015-16 EXPECTED RECOVERY RATE PER BAND	2016-17 EXPECTED RECOVERY RATE PER BAND	2015-16 BUDGET	2016-17 BUDGET	CHANGE		COMMENTS
			RECOVERED HOURS	RECOVERED HOURS	HOURS	%	
			(1)	(2)	(2)-(1)	(2)-(1)	
Audit staff							
Business executives	25%	25%	8 509	8 172	(337)	-4,0%	<p>The net increase in recoverable hours of 43 895 is due to the following:</p> <p>Increase of 324 634 hours due to:</p> <ul style="list-style-type: none"> ▪ Scope and risk 109 980 ▪ New audits 68 537 ▪ Net movement in CWC 146 117 <p>Decrease of 280 739 hours due to:</p> <ul style="list-style-type: none"> ▪ Efficiencies 159 038 ▪ Discontinued audits 14 974 ▪ Implementation of new audit methodology project 106 727 <p>The increases/decreases in recoverable hours within bands are due to the reallocation of hours to projects within bands from 2015-16 budget to 2016-17 budget</p> <p>Refer 1.1.3 for calculation of total own hours income</p>
Deputy business executives	30%	30%	11 181	11 698	517	4,6%	
Senior managers	55%	55%	169 796	168 914	(882)	-0,5%	
Audit managers	65%	65%	572 619	565 573	(7 046)	-1,2%	
Assistant managers	65%	65%	701 841	744 976	43 135	6,1%	
Audit supervisors	65%	65%	175 173	104 188	(70 985)	-40,5%	
Auditors	68%	68%	42 697	52 265	9 568	22,4%	
Audit clerks	68%	68%	180 532	90 072	(90 460)	-50,1%	
Trainee auditors	66%	66%	1 704 140	1 864 526	160 385	9,4%	
Total			3 566 489	3 610 384	43 895	1,2%	

ANNEXURE B

NOTES ON THE BUDGET

1.1.1 B Standard non-recoverable ratios

BUDGET ITEM	2016-17 RATIOS						2016-17 BUDGET		2015-16 BUDGET	
	ANNUAL & FAMILY RESPONSIBILITY LEAVE	SICK LEAVE	STUDY & OTHER	TRAINING	MANAGEMENT & SUPERVISION	TOTAL %	TOTAL NON RECOVERABLE HOURS	NON RECOVERABLE HOURS PER EMPLOYEE	TOTAL NON-RECOVERABLE HOURS	NON-RECOVERABLE HOURS PER EMPLOYEE
Business executives	11%	4%	0%	6%	54%	75%	27 014	1 501	27 014	1 501
Deputy business executives	11%	4%	0%	6%	49%	70%	29 415	1 401	26 613	1 401
Senior managers	11%	4%	0%	6%	25%	45%	161 929	910	156 471	910
Audit managers	11%	4%	2%	6%	12%	35%	332 687	700	331 986	700
Assistant managers	11%	4%	2%	6%	12%	35%	415 333	700	387 317	700
Audit supervisors	11%	4%	2%	6%	12%	35%	56 615	700	95 954	700
Auditors	11%	4%	4%	6%	7%	32%	26 875	640	19 836	640
Audit clerks	11%	4%	4%	6%	7%	32%	44 792	640	85 105	640
Trainee auditors	11%	4%	8%	9%	2%	34%	976 601	681	874 517	681

The targeted 2016-17 non-recoverable hours per band were maintained at the targeted 2015-16 levels.

ANNEXURE B

NOTES ON THE BUDGET

1.1.2 Recommended tariffs

Tariffs are based on average staff costs per band and interval, mark-up factor and recoverable hours per band (staff cost x mark-up factor ÷ recoverable hours). The average 2016-17 budget tariff is R637 per hour (2015-16: R602 per hour). The increase of R35 per hour or 5,8% is explained in the table below.

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE		COMMENTS
	RAND PER HOUR (AVERAGE)	RAND PER HOUR (AVERAGE)	RAND PER HOUR (AVERAGE)	%	
	(1)	(2)	(2)-(1)	(2)-(1)	
Audit staff					The net increase in average tariff of 5,8% is due to:
Business executives	2 690	2 825	135	5%	<ul style="list-style-type: none"> Increases in direct staff cost of 12,2% due to annual salary increases of 8,7% and growth in audit staff of 3,5%. Decrease in budgeted recoverable hours of 1,9% Decrease in average mark-up factor as a result of staff mix of 4,5%
Deputy business executives	2 829	3 150	321	11%	
Senior managers	1 785	1 841	56	3%	
Audit managers	1 281	1 319	37	3%	The increases or decreases in the average tariff per band are mainly due to the movement of staff between bands as a result of promotions, progression in studies and training. Staff mix and increase/decrease in recoverable hours within bands also contributed to the increase/decrease in tariffs.
Assistant managers	740	756	15	2%	
Audit supervisors	539	476	(63)	-12%	
Auditors	416	468	52	13%	
Audit clerks	194	300	107	55%	
Trainee auditors	224	279	55	25%	
Average	602	637	35	5,8%	

Refer to 1.1.3 for calculation of total own hours income. Also refer to annexure C for detailed tariff schedule for 2016-17.

ANNEXURE B

NOTES ON THE BUDGET

1.1.3 Calculation of own hours income

BUDGET ITEM	2015-16	2016-17	CHANGE	
	BUDGET	BUDGET		%
	(1)	(2)	(2)-(1)	(2)-(1)
Recovered hours ('000)	3 566	3 610	44	1,2%
Average tariff (Rand per hour)	602	637	35	5,8%
Own hours income (R'000)	2 145 595	2 300 590	154 995	7,2%*

*The increase in own hours income of R154 995 is due to the additional 43 895 recoverable hours and the increase of R35 per hour in average tariff.

1.2 CONTRACT WORK MOVEMENT

Given the importance of private audit firms in contributing strategic resources towards the AGSA's audit work execution, it is the AGSA's practice to outsource a certain amount of audit work to private audit firms. This also contributes to the auditing profession's transformation by partially allocating work based on the private audit firms' B-BBEE score. In keeping with the previous year's practice, specific provision has been made for additional allocation of audit work to private audit firms to accommodate employee vacancies, especially during peak audit periods (PFMA & MFMA).

BUDGET ITEM	2015-16	2016-17	COMMENTS
	BUDGET	BUDGET	
	R'000	R'000	
CWC - Audits	540 654	509 624	This is in line with the AGSA's practice of outsourcing work to private audit firms. The decrease is due to more work allocated to own staff to perform audits.
Pre-issuance	51 243	56 614	Review of audit files before the finalisation of audit reports for presentation to auditees.
Vacancies	73 848	90 570	Provision for additional contract work to accommodate vacancies.
Total	665 745	656 807	

1.3 SUBSISTENCE AND TRAVELLING: RECOVERABLE

BUDGET ITEM	REF	2015-16	2016-17	CHANGE	
		BUDGET	BUDGET	R'000	%
		R'000	R'000	(3)-(1)	(3)-(1)
		(1)	(3)	(3)-(1)	(3)-(1)
Subsistence and travelling: recoverable	1.3.1	138 700	147 859	9 159	6,6%
Total		138 700	147 859	9 159	6,6%

ANNEXURE B

NOTES ON THE BUDGET

1.3.1 Budget 2015-16 to budget 2016-17 change

The subsistence and travel calculation is based on the subsistence and travel policy rates and the planned trips to conduct audits. The rate per kilometre applied is R4,80 (2015-16: R4,80 per kilometre). The planned increased audit activities resulted in the increase in budget of R9 million.

1.4 OTHER INCOME

BUDGET ITEM	REF	2015-16	2016-17	CHANGE	
		BUDGET	BUDGET	R'000	%
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Interest received: Investments	1.4.1	20 054	20 952	899	4,5%
Interest received: Current account		4 660	7 200	2 540	54,5%
Sundry income	1.4.2	28 467	26 478	(1 989)	-7,0%
Total		53 180	54 630	1 450	2,7%

1.4.1 Interest received

The increase in interest on the investments account is due to the reinvestment of capital and interest.

1.4.2 Sundry income

Sundry income is mainly made up of interest charged on overdue debtors of R24,21 million (2015-16: R25,45 million). The balance is made up of recovery on tender documents and sales generated from the gift shop.

2. PERSONNEL EXPENDITURE

BUDGET ITEM	REF	2015-16	2016-17	CHANGE	
		BUDGET	BUDGET	R'000	%
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Leave pay provision	2.1	5 263	6 599	1 336	25,4%
Medical aid provision	2.2	5 100	4 542	(558)	-10,9%
Normal salary and benefits	2.3	1 494 645	1 673 943	179 298	12,0%
Other incentives	2.4	17 469	24 063	6 594	37,8%
UIF & WCA	2.5	5 731	6 706	975	17,0%
Total		1 528 207	1 715 853	187 645	12,3%
% of total income		51,9%	55,4%		

A more detailed analysis is shown in tables 2.1 to 2.5 below.

ANNEXURE B

NOTES ON THE BUDGET

2.1 LEAVE PAY PROVISION

Leave pay provision is influenced by the accumulation of leave days allowed in terms of the applicable HR policy and planned salary increases. The number of accumulated leave days will be limited to a maximum of 30 days per year per employee at resignation and 120 days on retirement. The increase in leave pay provision is due to the expected increase in leave days at a higher salary rate.

2.2 POST-RETIREMENT MEDICAL AID PROVISION (PRMA)

The PRMA estimates were based on actuarial projections by Alexander Forbes Actuaries for the 2016-17 forecast. The R4.5 million increase in 2016-17 budget is the expected increase in the accumulated PRMA provision from R75 million to R79.5 million.

2.3 NORMAL SALARY

2.3.1 Audit staff (ABUs)

EMPLOYEE GROUP	TOTAL		AVERAGE SALARY PER BAND R'000	POSITIONING AGAINST BENCHMARK - RANGE R'000	COMMENTS
	NO	R'000			
Business executives	18	31 025	1 724	1504 – 2256	The average salary per band is in line with the salary surveys conducted by the AGSA's Human Capital Business Unit. The audit supervisor group consists of employees who have successfully completed their training contracts and have registered for CTA / RGA / ACCA. These employees are transferred from the trainee auditor band to the audit supervisor band. The audit clerk group consists of employees who have successfully completed their training contracts but who are behind on academic progress. These employees are transferred from the trainee auditors band to the audit clerks band.
Deputy business executives	21	29 872	1 422	1238 – 1857	
Senior managers	178	199 991	1 124	881 – 1491	
Managers	475	398 512	839	639 – 1139	
Assistant managers	593	288 798	487	352 – 820	
Audit supervisors	81	24 799	307	327 – 539	
Auditors	42	13 368	318	232 – 424	
Audit clerks	70	14 456	207	106 – 412	
Trainee auditors	1 435	235 708	164	106 – 412	
Admin staff	232	84 612	365	125 – 495	
Total	3 145	1 321 142	420		

The total audit staff cost includes overtime and staff contracted in (staff employed on a fixed-term contract from private audit firms for a period of one year or less).

ANNEXURE B

NOTES ON THE BUDGET

2.3.2 Support staff

EMPLOYEE GROUP	TOTAL		AVERAGE SALARY PER BAND	POSITIONING AGAINST BENCHMARK - RANGE	COMMENTS
	NO.	R'000	R'000	R'000	
Corporate executive group	12	34 230	2 853	1962 - 3198	Includes salaries of the AG and DAG.
Business executives	19	33 419	1 759	1432 - 2148	The average salary per band is in line with the salary surveys conducted by the AGSA's Human Capital Business Unit.
Senior managers	56	59 927	1 070	881 - 1321	
Managers	224	153 561	686	404 - 1009	
Admin staff & specialists	219	71 663	327	125 - 495	
Total support staff	530	352 801	666		

2.3.3 Total staff

BUSINESS FOCUS AREAS	2015-16 TOTAL		2016-17 TOTAL		COMMENTS
	NO.	R'000	NO.	R'000	
Total audit staff	2 822	1 175 283	2 913	1 321 142	The 12,4% increase is due to annual salary increase and growth in audit staff by 91 heads.
Total support staff in audit and non-audit business units	746	319 361	762	352 801	The 10,5% increases due to annual salary increase and growth in support staff by 16 heads.
Total	3 568	1 494 644	3 675	1 673 942	

From the above analysis the average salary levels are in line with the industry norm that was established in the previous years, hence the effective salary increase of 12,4% and 10,5% for audit staff and support staff is in line with the salary survey.

ANNEXURE B

NOTES ON THE BUDGET

2.4 OTHER INCENTIVES

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Group life scheme	16 111	22 673	6 563	40,7%	The increase is due to the change in the disability cover rate which contributed 85% of the total increase. As a percentage of payroll, disability cover rate increased by 0,277% (2015-16 budget: 0,57%; 2016-17 budget: 0,847%). The change in the rate is mainly attributable to AGSA's past claim history which has more than doubled as compared to the net premiums since the commencement of the benefit.
Long service awards	113	105	(8)	-6,7 %	Long service awards are part of the total reward incentives. The decrease is due to the alignment of the 2016-17 budget to the 2014-15 actual expenditure.
Business unit recognition scheme	1 245	1 285	39	3,1%	This is used for team excellence recognition initiatives. The budget is R350 per employee (R350 x 3 675 employees).
Total	17 469	24 063	6 594	37,8%	

2.5 UIF & WCA

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	
UIF employer's contribution	4 733	5 171	438	9,3%	The increase is due to an increase in the number of staff as well as the planned salary increase.
Workmen's compensation premiums	998	1 535	537	53,8%	The budget is based on the last assessment of number of employees and salaries.
Total	5 730	6 706	976	17,0%	

These levies are based on the full budgeted staff complement of 3 675 and have been calculated for the full year. The rate used is in terms of the relevant legislation.

ANNEXURE B

NOTES ON THE BUDGET

2.6 PERFORMANCE BONUS

The performance bonus budget for 2016-17 is R124 million (2015-16 budget: R139 million). The decrease is a result of the planned overhead reduction strategy. The AGSA has a performance management system and process in place that commits the organisation to recognise and reward its employees when they have achieved or exceeded their agreed work performance targets. The decrease is in line with the overheads reduction strategy.

2.7 EMPLOYEE RELATIONS

Provision for employee relations matters. e.g. cases of misconduct, CCMA costs etc.

3. OUTSOURCED SERVICES

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Consultants' fees	34 998	27 060	(7 938)	-22,7%
▪ ongoing projects	15 752	14 003	(1 749)	-11,1%
▪ once-off ad hoc projects	19 246	13 057	(6 189)	-32,2%
Total	34 998	27 060	(7 938)	-22,7%
% of total income	1,2%	0,9%		

The analysis below reflects details of the nature of the outsourced services. The activities are by nature not repetitive and therefore the comparatives and commentary for the previous year are not provided.

BUDGET ITEM	2016-17 BUDGET			COMMENTS
	ON-GOING	ONCE-OFF	TOTAL	
	R'000	R'000	R'000	
Quality Control	755	-	755	External firm-level review and annual quality control reviews by Independent Regulatory Board of Auditors (IRBA). Experts for mandatory quality control, e.g. Information systems audit (ISA audit). Experts for firm-level reviews performed by internal Quality Control (QC) Component.
Finance	-	1 329	1 329	Outsourced services related to the automation of the SCM processes and quantity surveying of the different facilities' building projects.
Information Systems Auditing	2 385	2 025	4 410	Development and execution of the project assurance methodology, AGSA data analytics strategic project, ISA learnership and development programmes.

ANNEXURE B

NOTES ON THE BUDGET

BUDGET ITEM	2016-17 BUDGET			COMMENTS
	ON-GOING	ONCE-OFF	TOTAL	
	R'000	R'000	R'000	
Organisational Leadership Development	-	3 366	3 366	<ul style="list-style-type: none"> Executive and Team Coaching: 16 executives and identified teams within the AGSA Executive Development Programme: attendance of AFROSAI, EDP and SMDP programmes. Resource Planning, Organisational Survey, Assessment to assess leadership effectiveness for developmental purposes as part of the succession pipeline.
Communication	-	1 158	1 158	Outsourced services for media monitoring, technical writer and audit of content for the annual report to ensure that the AGSA's messages are simple, clear and relevant.
Information Communications & Technology	8 135	1 021	9 156	External support for PeopleSoft enterprise resource planning (ERP), audit software, infrastructure, AGSA Mobile App, ASMS upgrade and other projects.
Performance Monitoring Evaluation and Risk	90	-	90	Facilities and facilitators for risk management workshop.
Research and Development	-	270	270	Outsourced services to assist with further stages of methodology and software content development.
Performance Auditing	-	2 970	2 970	Extensive research and development for value-adding services through root cause identification and provision of effective recommendations.
Human Capital projects	779	-	779	Outsourced services to assist with the recruitment of graduates from the various universities.
Knowledge Management	1 248	-	1 248	SharePoint outsourced services EXTRANET, data clean-up, information management consultant, quality assurance, knowledge-sharing speakers.
Strategic Audit Projects	611	469	1 080	<p>Outsourced services for:</p> <ul style="list-style-type: none"> Development of the Key Control Enhancement tool that will allow the accounting officer and the engagement auditor to have more efficient and focused quarterly engagements Delivery of an appropriate responsive audit software tool to effect efficiencies in the performance of an audit during the statutory audit engagements Automation of the CWC and Pre-issuance processes.
Auditor-General	-	270	270	Amount is allocated to contract an SME to assist the AG on CBC matters and projects and more specifically the task group on auditor certification.
Secretarial	-	179	179	Contingency advisory services for governance structures, e.g. legal opinions or actuarial calculations and the addition of transcript services.
Total	14 003	13 057	27 060	

Once-off initiatives are defined by those projects necessary to establish capabilities that do not currently exist and/or to upgrade current capabilities and technologies.

ANNEXURE B

NOTES ON THE BUDGET

4. SUBSISTENCE AND TRAVEL- IRRECOVERABLE

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Subsistence and travel (irrecoverable)	25 876	25 641	(235)	-1%
Total	25 876	25 641	(235)	-1%
% of total income	0,9%	0,8%		

The 1% decrease is in line with the proposed reduction strategy in overheads and is based on the subsistence policy and travel rates. The 2016-17 budget was calculated based on planned trips and the S & T policy that was reviewed in April 2015.

ANNEXURE B

NOTES ON THE BUDGET

5. ACCOMMODATION

5.1 RENTALS

The average increase in cost per square metre is 5,6% which is due to annual escalations on leased properties and new offices for the KwaZulu-Natal BU.

LOCATION	BUDGET 2015-16		BUDGET 2016-17			MONTHLY COST PER SQUARE METRE: 2015-16	COMMENTS
	SQUARE METRES OCCUPIED	MONTHLY COST PER SQUARE METRE	SQUARE METRES OCCUPIED	TOTAL STAFF ESTABLISHMENT	BASIC RENTAL COST		
Western Cape	3 247	142	3 247	272	5 149 359	132	<p>The year-on-year increase in rental costs IS attributed to annual escalation per lease agreement and additional space of 3 593 square metres due to the following:</p> <ul style="list-style-type: none"> ▪ Pretoria, North West and Eastern Cape BUs are planning to increase square metres by 950, 431 and 1 500 square metres respectively to accommodate growth in staff. ▪ KwaZulu-Natal is planning to acquire additional office space of 712 square metres.
Eastern Cape	3 827	137	5 327	330	8 553 729	134	
Mpumalanga	1 598	127	1 598	160	2 624 683	137	
KwaZulu-Natal	2 497	110	3 209	269	3 813 447	99	
North West	1 726	122	2 157	180	3 732 156	144	
Limpopo	2 130	211	2 130	193	6 082 761	238	
Free State	1 960	107	1 960	198	2 695 436	115	
Johannesburg	2 672	121	2 672	262	3 842 906	120	
Northern Cape	2 031	115	2 031	157	2 875 726	118	
Pretoria	14 415	158	15 365	1 654	32 358 757	176	
Total	36 103	143	39 696	3 675	71 728 960	151	

ANNEXURE B

NOTES ON THE BUDGET

6. STAKEHOLDER RELATIONSHIP

BUDGET ITEM	REF.	2015-16 BUDGET	2016-17 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Liaison	6.1.1	6 341	4 906	(1 435)	-22,6%
Internal stakeholder	6.1.2	3 558	1 949	(1 609)	-45,2%
External stakeholder	6.1.3	3 814	3 811	(3)	-0,1%
Total		13 713	10 667	(3 048)	-22,2%
% of total income		0,5%	0,3%		

6.1 STAKEHOLDER RELATIONSHIPS

6.1.1 Liaison

Included in liaison are costs for employee communication, media management, events management and branding. The decrease is due to the strategy to reduce overheads.

6.1.2 Internal stakeholders

BUDGET ITEM	2015-16 BUDGET			2016-17 BUDGET			VARIANCE		COMMENTS
	NUMBER OF EMPLOYEES	AVERAGE AMOUNT	TOTAL	NUMBER OF EMPLOYEES	AVERAGE AMOUNT	TOTAL	DUE TO INCREASE IN COSTS	DUE TO INCREASE IN STAFF	
	(1)	(2)	(1)X(2)	(3)	(4)	(3)X(4)			
Business unit team effectiveness activities	3 568	997	3 558	3 675	530	1 949	(1 666)	57	These are activities that occur every year for internal stakeholder relationship improvement and include costs related to relationship building, farewell parties, staff lunches etc. The targeted expenditure per head per annum is R500 (2015-16 budget: R1 000). The decrease in 2016-17 budgeted costs is driven by the strategy to reduce overheads.
Total	3 568	997	3 558	3 675	530	1 949	(1 666)	57	

ANNEXURE B

NOTES ON THE BUDGET

6.1.3 External stakeholders

BUDGET ITEM	2015-16 BUDGET			2016-17 BUDGET			VARIANCE
	NUMBER OF EMPLOYEES	ALLOWANCE PER ANNUM	TOTAL	NUMBER OF EMPLOYEES	ALLOWANCE PER ANNUM	TOTAL	
		R'000	R'000		R'000	R'000	
	(1)	(2)	(3)	(4)	(5)	(6)	
BE - National	26	41	1 056	28	31	868	(188)
BE - Provincial	9	48	432	9	31	279	(153)
DBE	20	50	1 008	21	31	651	(357)
SM	231	4	970	234	7	1 732	762
Exco	12	29	348	12	23	281	(67)
Total	298	13	3 814	304	13	3 811	(3)

This cost relates to the improvement of relationships and communication with both internal and external stakeholders. The objective with regard to interaction with external stakeholders is to improve the consistency and effectiveness of the AGSA's messages by providing insights to its auditees on their audit outcomes. Internal stakeholder costs are attributable to investment in staff aligning their contribution to the vision and mission of the AGSA. The budget allowance applied per band to calculate the budget costs is based on the 2014-15 actual spent per band, and are kept the same to align to the reduction strategy on overheads.

ANNEXURE B

NOTES ON THE BUDGET

6.2 REGIONAL CONGRESSES (STRATEGIC ALIGNMENT WORKSHOPS, VISION ALIGNMENT/ ORGANISATIONAL ALIGNMENT)

BUDGET ITEM	2015-16 BUDGET			2016-17 BUDGET			VARIANCE	COMMENTS
	NUMBER OF EMPLOYEES	COST PER EMPLOYEE	TOTAL	NUMBER OF EMPLOYEES	COST PER EMPLOYEE	TOTAL		
			RAND			R'000		
(1)	(2)	(3)	(4)	(5)	(6)	(6) - (3)		
BU / CE workshop	3 568	1 995	7 117	3 675	1 425	5 235	(1 882)	The decrease is due to the reduction of budgeted cost per head from R 2 000 per annum in the 2015-16 budget to R1 400 per annum in the 2016-17 budget.
Senior management workshop (SMW)	298	12 919	3 850	304	9 319	2 833	(1 017)	The 2015-16 SMW did not take place to give time for the resolutions of 2014-15 to be implemented.
Total	3 866		10 967	3 979		8 068	(2 899)	

6.3 FOREIGN VISITORS

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Foreign visitors	130	124	-6	-5%
Total	130	124	-6	-5%

These expenses relate to foreign visitors to the AGSA from other supreme audit institutions and are based on the expected number of visitors. The number of foreign visitors is expected to remain the same as in the 2015-16 budget.

ANNEXURE B

NOTES ON THE BUDGET

6.4 OVERSEAS TRAVEL

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Auditor-general & deputy auditor-general	1 648	1 648	-	0%	Planned trips for the AG and DAG. AG's international commitments include INTOSAI (Capacity Building Committee Chairperson), AFROSAI, AFROSAI-E amongst others.
Institutional cooperation and others	5 422	4 955	(467)	-8,6%	Responsibilities of subject matter experts at INTOSAI (regional working groups). Responsibilities in terms of memorandums of understanding with Ghana, China, India, Mexico, Brazil and Russia.
Total	7 070	6 603	(467)	-6,6%	

7. OVERSIGHT GOVERNANCE

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Parliamentary oversight (SCoAG)	60	72	12	20%	The increase is mainly due to the cost of hosting SCoAG.
Corporate governance boards (AG advisory board, audit committee and quality control assessment committee)	992	1 191	199	20%	These costs are mainly driven by the number of meetings held per annum and induction of new members.
Total	1 052	1 263	211	20%	
% of total income	0,04%	0,04%			

ANNEXURE B

NOTES ON THE BUDGET

8. AUDIT FEES

8.1 EXTERNAL AUDIT FEES

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Financial audit	2 396	2 435	39	1,6%	The audit costs are based on the estimates provided by our external auditors and cover planning, interim audit, final audit, BU visits, internal control reviews as well as other ad hoc reviews such as pre-issuance reviews.
Balanced scorecard and performance bonus review	1 038	1 257	219	21,1%	The increase in costs is due to the alignment of time required to conduct the balanced scorecard and performance bonus audits.
Salary review	606	671	65	10,7%	The increase is due to the estimated time required to conduct the salary audit. The salary audit is performed to ensure that the salary increases are effected as per Exco resolution.
Total	4 039	4 362	323	8,0%	
% of total income	0,1%	0,1%			

ANNEXURE B

NOTES ON THE BUDGET

8.2 INTERNAL AUDIT FEES

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Routine financial audits	407	507	100	24,6%
Routine human capital-related audits	490	625	135	27,6%
Routine internal controls audits	1 100	1 300	200	18,1%
Business unit visits	536	536	0	0,1%
Ad hoc assignments and systems queries (CAATS application)	443	470	27	6,1%
Project management and attendance of audit committee meetings	488	509	21	4,4%
Risk management meetings and strategic risk assessment	158	159	1	0,8%
Audit Software Project review	500	550	50	10,0%
Disbursements	181	201	20	11,0%
Total	4 302	4 857	555	12,9%
% of total income	0,1%	0,2%		

Increase in internal audit fees is mainly driven by change in internal audit staff mix and project management reviews added onto the internal audit plan.

ANNEXURE B

NOTES ON THE BUDGET

9. RECRUITMENT EXPENSES

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Advertisements	2 319	1 350	(969)	-41,8%	Costs related to advertisement of vacancies and graduate recruitment programmes. The decrease is due to a combination of alignment to the 2014-15 actual expenditure, and expected savings from the use of electronic media.
Personnel agency fees	3 222	4 734	1 512	46,9%	Agency fees are based on a percentage of salary costs of staff expected to be recruited in the 2016-17 financial year. The increase is driven by the number of staff expected to be recruited and appointed in the 2016-17 financial year.
Interviews	2 639	1 620	(1 019)	-38,6%	The decrease is due to the alignment of costs to the 2014-15 actual expenditure and the reduction in air travel and accommodation for candidates and the panel members conducting the interviews, who were flown to various business units.
Transfer and relocation expenses	1 800	2 313	513	28,5%	Staff relocation expenses increased due to a change in policy. This includes pre-visit costs for internal and external candidates and reimbursement of transporting costs and 3 months' payment of accommodation cost.
Total	9 980	10 017	37	0,4%	
% of total income	0,3%	0,3%			

ANNEXURE B

NOTES ON THE BUDGET

10. LEARNING AND DEVELOPMENT

BUDGET ITEM	REF.	2015-16 BUDGET	2016-17 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Membership fees	10.1	18 730	16 957	(1 772)	-9,5
Training:	10.2	27 789	30 154	2 365	8,5%
Internal training		11 098	22 330	11 232	101,2%
Conferences and seminars		6 293	5 884	(409)	-6,5%
S&T: training		10 398	1 941	(8 457)	-81,3%
Study assistance: employees	10.3	25 151	25 058	(93)	-0,4%
HC development projects		1 905	1 302	(603)	-31,7%
Bursaries	10.4	12 228	12 636	408	3,3%
Study support incentive scheme		7 105	6 614	(492)	6,9%
Foundation programmes		12 648	-	(12 648)	-100,0%
Tertiary assistance	10.4	2 252	3 639	1 387	61,6%
Study support inactive scheme: Top-up one		154	183	29	19,0%
Skills development levy		14 494	16 282	1 789	12,3%
Skills development levy - recovered		(10 000)	(13 000)	(3 000)	30,0%
Total		112 457	99 826	(12 631)	-11,2%
% of total income		3,8%	3,2%		

10.1 MEMBERSHIP FEES

The 2016-17 budget for membership fees is based on current and future professional staff intake and the annual increase in membership fees.

10.2 TRAINING

TYPE OF EXPENSE	2015-16 BUDGET	2016-17 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Internal	11 098	22 330	11 232	101,2%
Conferences and seminars	6 293	5 884	(409)	-6,5%
S&T for training activities	10 398	1 941	(8 457)	-81,3%
Foundation programmes	12 648	-	(12 648)	-100,0%
Total	40 438	30 154	(10 283)	-25,4%

The Foundation programme and S&T training budgets for 2016-17 are consolidated into internal training. The decrease in conference and seminars budget is due to the alignment of the budget to the 2014-15 actuals.

ANNEXURE B

NOTES ON THE BUDGET

10.3 STUDY ASSISTANCE: EMPLOYEES

The movement in this figure is influenced by the study support policy which prescribes that the AGSA offer financial assistance only to employees that meet their academic progress requirements and the increase in the numbers of employees that qualify for study assistance.

COURSE OF STUDY	2015-16 BUDGET	2016-17 BUDGET	COMMENTS
	R'000	R'000	
Diploma	208	185	
Degree	908	681	
CTA / Honours	13 633	16 344	
FQE support courses	2 451	2 363	
Non-accounting degrees and diplomas	983	1 558	In line with the AGSA's preference to focus on graduate students. The bulk of the amount budgeted relates to 1 435 trainee auditors (budget 2015-16: 1 285).
MBA	121	-	
Post-graduate, RGA, CISA	6 847	3 928	
Total	25 151	25 058	

10.4 EXTERNAL STUDENT BURSARIES AND TERTIARY ASSISTANCE

The programme of awarding bursaries is intended to create a future employee pool.

	BUDGET 2015-16	BUDGET 2016-17
	R'000	R'000
Thuthuka	2 016	2 991
External bursaries	9 632	9 013
Sponsorship, functions & other	581	632
Tertiary assistance (including Fort Hare)	2 252	3 639
Total	14 480	16 275

SAICA Thuthuka programme

This amount is per the signed agreement. It relates to approximately 50 students (2015-16 budget: 40 students) whom the AGSA sponsors on the Thuthuka programme.

Tertiary assistance

The increase in tertiary assistance is due to the conversion of the annually renewable agreement between the AGSA and University of Fort Hare into a three-year arrangement, which resulted in the increase in the funding costs.

External bursaries and centenary scholarship

This refers to the cost of our commitment to 148 external bursary holders (2015-16 budget: 124). In addition, there are 32 students under our centenary scholarship programme (funded through the AGSA centenary scholarship fund; refer to note 12 below).

ANNEXURE B

NOTES ON THE BUDGET

NAME OF UNIVERSITY	NO. OF STUDENTS: BUDGET 2015-16	NO. OF STUDENTS: BUDGET 2016-17	CENTENARY SCHOLARSHIP: NO. OF STUDENTS; 2016-17 BUDGET
Johannesburg	21	17	4
Wits	13	16	3
Pretoria	5	11	9
UNISA	0	0	
Free State	12	22	2
KwaZulu-Natal	12	14	2
Cape Town	16	23	
Stellenbosch	10	8	
Nelson Mandela Metro	5	4	1
North West	19	22	4
Fort Hare	3	0	
Rhodes	2	3	
Limpopo	0	8	
Western Cape	6	0	7
Total	124	148	32

Fort Hare

The AGSA's support to Fort Hare University is for the subvention of lecturers' salaries and other study material costs.

ANNEXURE B

NOTES ON THE BUDGET

11. EMPLOYEE WELLNESS PROGRAMMES

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Employee wellness programmes	2 592	7 355	4 763	183,8%	This relates to fees paid to external service providers for various services, which include employee assistance, executive wellness, lifestyle management and HIV/ Aids programmes. The increase is driven by the growth in staff establishment and the introduction of new programmes.
Employees' social responsibility	400	779	379	94,6%	These are investments made to uplift the living standard of the communities, ABASA conference sponsorship and the increase in the CSR allocations to 9 provincial offices and head office.
AG's social responsibility	4 190	4 156	(34)	-0,8%	These costs relate to the AGSA centenary scholarship fund - open to scholars and university students from all nine provinces. The increase is mainly due to growth in the number of students planned to be funded.
Corporate social responsibility	2 900	3 326	426	14,7%	Corporate social responsibility relates to the AGSA's contribution to social responsibility investments for community involvement. The cost includes programmes such as poverty eradication, bring a girl/boy child to work day, amongst others.
Enterprise development	-	8 627	8 627	100,0%	B-BBEE interventions to support and uplift black entrepreneurs and support for the growth of the auditing profession. The budgeted cost is the greater of 3% of surplus or 0,375% of own hours income excluding CWC and S&T income.
Total	10 082	24 242	14 160	140,5%	

ANNEXURE B

NOTES ON THE BUDGET

12. TECHNOLOGICAL SERVICES

BUDGET ITEM	REF.	2015-16 BUDGET	2016-17 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Licence and equipment maintenance	12.1	35 869	35 920	51	0,1%
Hiring of equipment - rental	12.2	3 397	6 082	2 685	79,0%
Hiring of equipment - copy charges		2 409	1 991	(418)	-17,4%
Total		41 675	43 993	2 317	5,6%
% of total income		1,4%	1,4%		

12.1 COMPUTER SERVICES

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
IT maintenance and support	11 392	11 044	(348)	-3,1%	The bulk of these expenses is made up of software licence fees for PeopleSoft, TeamMate, networks upgrade and security update due to technological changes in ICT systems. The 0, 1% increase is due to consolidation of services in IT maintenance and support.
Networks	21 286	20 416	(870)	-4,1%	
Security	2 591	3 810	1 219	47,0%	
Telecommunications	600	650	50	0,0%	
Total	35 869	35 920	51	0,1%	
% of total income	1,2%	1,2%			

12.2 HIRING OF EQUIPMENT - RENTAL

The increase is in line with the new equipment rental agreement of R3 800 per month (old agreement: R3 200 per month).

ANNEXURE B

NOTES ON THE BUDGET

13. INSURANCE AND LEGAL FEES

BUDGET ITEM	2015-16	2016-17	CHANGE		COMMENTS
	BUDGET	BUDGET	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Insurance premiums	2 680	2 680	0	0,0%	The provision for rental vehicles excess and AGSA pool vehicles excess payments is in line with the 2015-16 budget.
Legal fees and contingency	2 003	2 717	714	35,7%	The budget for 2016-17 is estimated on the actual costs incurred in the previous financial years. The increase of R714 000 is mainly due to a budget of R500 000 for internal investigations which was not budgeted for in 2015-16.
Total	4 683	5 397	714	15,3%	
% of total income	0,2%	0,2%			

14. OFFICE MAINTENANCE

BUDGET ITEM	2015-16	2016-17	CHANGE	
	BUDGET	BUDGET	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Office maintenance	27 022	27 388	366	1,4% *
Total	27 022	27 388	366	1,4%
% of total income	0,9%	0,9%		

* Does not include present value adjustment of sundry expenses .

Included in office maintenance are costs of cleaning (R4,3 million), office improvements, refreshments and publications (R7,1 million), repairs and maintenance (R4,8 million), stationery & printing (R9,6 million) and others (R1,5 million). The increase is in line with the growth in centres, head count and space requirements.

ANNEXURE B

NOTES ON THE BUDGET

15. COMMUNICATIONS

BUDGET ITEM	REF	2015-16	2016-17	CHANGE	
		BUDGET	BUDGET	R'000	%
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Telephone charges	15.1	5 021	4 943	(78)	-1,5%
Cellphone charges	15.2	4 807	4 465	(342)	-7,1%
Postage and courier services		2 296	2 271	(25)	-1,1%
Total		12 124	11 680	(445)	-3,7%
% of total income		0,4%	0,4%		

15.1 TELEPHONE CHARGES

The costs are mainly influenced by the budgeted number of staff. 2016-17: 3 675 heads (budget 2015-16: 3 568 heads).

15.2 CELLPHONE CHARGES

The decrease is due to the reduction in the number of users. The monthly cellphone allowance per user is R1 000 (2015-16 budget: R1 000).

16. DEPRECIATION

BUDGET ITEM	2015-16	2016-17	CHANGE	
	BUDGET	BUDGET	R'000	%
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Motor vehicles	1 454	1 248	(206)	-14,2%
Furniture & equipment	7 953	7 322	(631)	-7,9%
Computer equipment	25 907	17 057	(8 850)	-34,2%
Computer software	13 378	7 470	(5 908)	-44,2%
Leasehold improvements	7 666	7 867	202	2,6%
Total	56 357	40 965	(15 392)	-27,2%
% of total income	1,9%	1,3%		

The depreciation expense budget is based on the depreciation of existing assets and the depreciation of assets to be purchased as per 2016-17 capital expenditure budgets based on the AGSA's asset management policy. The decrease in depreciation expense of R15,4 million is mainly due to the planned decrease in computer equipment & software acquisition in the 2016-17 financial year. Computer equipment and software budget for 2016-17 is R49,7 million (2015-16 budget : R64,7 million).

ANNEXURE B

NOTES ON THE BUDGET

17. CAPITAL EXPENDITURE BUDGET

17.1 MOTOR VEHICLES

DESCRIPTION	2015-16 BUDGET	ACQUISITIONS: BUDGET 2016-17	DEPRECIATION	2016-17 BUDGET
	NCV			NCV
	R'000			R'000
Motor vehicles	3 822	750	1 248	3 324
Total	3 822	750	1 248	3 324

LOCATION	2015-16 BUDGET	2016-17 BUDGET
	R'000	R'000
Provision for the replacement of AG's motor vehicle	1 580	750
Total	1 580	750

17.2 FURNITURE AND EQUIPMENT

DESCRIPTION	2015-16 BUDGET	ACQUISITIONS: BUDGET 2016-17	DEPRECIATION	2016-17 BUDGET
	NCV			NCV
	R'000			R'000
Furniture and equipment	35 684	10 657	7 322	39 019
Total	35 684	10 657	7 322	39 019

LOCATION	2015-16 BUDGET	2016-17 BUDGET	COMMENTS
	R'000	R'000	
Pretoria and other regional offices	14 926	10 657	New furniture acquisition is budgeted centrally at Head Office for all the AGSA offices. The replacement of furniture and redesign of offices is in line with branding requirements and the creation of more seating space for staff. The decrease is due to most of the changes having been done in the 2014-15 and budget 2015-16 periods.
Total	14 926	10 657	

ANNEXURE B

NOTES ON THE BUDGET

17.3 LEASEHOLD IMPROVEMENTS

DESCRIPTION	2015-16 BUDGET	ACQUISITIONS: BUDGET 2016-17	DEPRECIATION	2016-17 BUDGET
	NCV			NCV
	R'000			R'000
Leasehold improvements	42 316	17 512	7 867	51 961
Total	42 316	17 512	7 867	51 961

LOCATION	2015-16 BUDGET	2016-17 BUDGET	COMMENTS
	R'000	R'000	
Pretoria and other regional offices	15 200	17 512	Leasehold improvements is budgeted centrally at Head Office for all the AGSA offices. The leasehold improvements will be rolled out in the following business units: Eastern Cape, Pretoria, KwaZulu-Natal and North West.
Total	15 200	17 512	

17.4 COMPUTER HARDWARE, NETWORKS AND SECURITY

DESCRIPTION	2015-16 BUDGET	ACQUISITIONS: BUDGET 2016-17	DEPRECIATION	2016-17 BUDGET
	NCV			NCV
	R'000			R'000
Computer hardware	65 910	27 074	17 057	75 927
Total	65 910	27 074	17 057	75 927

BUDGET ITEM	REF.	2015-16 BUDGET	2016-17 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Computer hardware	17.4.1	7 096	3 936	(3 160)	-44.5%
Networks	17.4.2	11 530	250	(11 280)	-97,8%
Security	17.4.3	3 548	-	(3 548)	-100,0%
Notebooks	17.4.4	15 295	22 888	(7 593)	-49.6%
Total		37 469	27 074	(10 395)	-27.7%

ANNEXURE B

NOTES ON THE BUDGET

17.4.1 Computer hardware

R3 million decrease in computer hardware is as a result of assets having been acquired in the 2014-15 and 2015-16 budget periods.

17.4.2 Networks

Increase of R250 thousand relates to the upgrading of the network system.

17.4.3 Security

2015-16 budget will be used during this financial year for the backup services and other security systems solutions, hence no budget for 2016-17.

17.4.4 Notebooks

The increase of R8 million relates to the purchase of new laptop notebooks for new employees and the replacement of old laptops for existing employees.

17.5 COMPUTER SOFTWARE

DESCRIPTION	2015-16 BUDGET	ACQUISITIONS: BUDGET 2016-17	DEPRECIATION	2016-17 BUDGET
	NCV			NCV
	R'000	R'000	R'000	R'000
Computer software	30 570	22 687	7 470	45 787
Total	30 570	22 687	7 470	45 787

BUDGET ITEM	2015-16 BUDGET	2016-17 BUDGET	COMMENTS
	R'000	R'000	
	(1)	(3)	
Regional systems	-	500	Remote access to support and connect regionally.
Systems	-	-	
New software licence	10 596	16 308	This is in line with growth in staff numbers and additional licences procured e.g. encryption, Oracle database, audit software etc.
New systems implementation	16 650	5 879	The decrease in budget is due to most of the systems being acquired in the 2015-16 budget.
Total	27 246	22 687	

ANNEXURE B

NOTES ON THE BUDGET



ANNEXURE B

NOTES ON THE BUDGET

ANNEXURE C

PROPOSED INTERNAL RATES 2016-17

CATEGORIES	SALARY INTERVAL		TARIFF
	LOWER	UPPER	2016-17 BUDGET
BUSINESS EXECUTIVE	1 370 997	2 056 494	2 825
DEPUTY BUSINESS EXECUTIVE	1 000 001	1 020 000	2 252
	1 020 001	1 040 000	2 296
	1 040 001	1 060 000	2 341
	1 060 001	1 080 000	2 386
	1 080 001	1 100 000	2 430
	1 100 001	1 120 000	2 475
	1 120 001	1 140 000	2 519
	1 140 001	1 160 000	2 564
SENIOR MANAGER	700 001	720 000	1 162
	720 001	740 000	1 194
	740 001	760 000	1 227
	760 001	780 000	1 260
	780 001	800 000	1 293
	800 001	820 000	1 325
	820 001	840 000	1 358
	840 001	860 000	1 391
	860 001	880 000	1 423
	880 001	900 000	1 456
	900 001	920 000	1 489
	920 001	940 000	1 522
	940 001	960 000	1 554
	960 001	980 000	1 587
	980 001	1 000 000	1 620
	1 000 001	1 020 000	1 652
	1 020 001	1 040 000	1 685
	1 040 001	1 060 000	1 718
	1 060 001	1 080 000	1 751
	1 080 001	1 100 000	1 783
	1 100 001	1 120 000	1 816
	1 120 001	1 140 000	1 849
	1 140 001	1 160 000	1 881
	1 160 001	1 180 000	1 914
	1 180 001	1 200 000	1 947
	1 200 001	1 220 000	1 980
	1 220 001	1 240 000	2 012
	1 240 001	1 260 000	2 045
	1 260 001	1 280 000	2 078

ANNEXURE C

CATEGORIES	SALARY INTERVAL		TARIFF
	LOWER	UPPER	2016-17 BUDGET
	1 280 001	1 300 000	2 111
	1 300 001	1 320 000	2 143
	1 320 002	1 340 000	2 176
MANAGER	450 001	470 000	742
	470 001	490 000	775
	490 001	510 000	807
	510 001	530 000	839
	530 001	550 000	871
	550 001	570 000	904
	570 001	590 000	936
	590 001	610 000	968
	610 001	630 000	1 001
	630 001	650 000	1 033
	650 001	670 000	1 065
	670 001	690 000	1 097
	690 001	710 000	1 130
	710 001	730 000	1 162
	730 001	750 000	1 194
	750 001	770 000	1 227
	770 001	790 000	1 259
	790 001	810 000	1 291
	810 001	830 000	1 323
	830 001	850 000	1 356
	850 001	870 000	1 388
	870 001	890 000	1 420
	890 001	910 000	1 452
	910 001	930 000	1 485
	930 001	950 000	1 517
	950 001	970 000	1 549
	970 001	990 000	1 582
	990 001	1 010 000	1 614
	1 010 002	1 030 000	1 646
ASSISTANT MANAGER	310 001	330 000	509
	330 001	350 000	541
	350 001	370 000	573
	370 001	390 000	605
	390 001	410 000	637
	410 001	430 000	668
	430 001	450 000	700
	450 001	470 000	732
	470 001	490 000	764
	490 001	510 000	796
	510 001	530 000	828

ANNEXURE C

CATEGORIES	SALARY INTERVAL		TARIFF
	LOWER	UPPER	2016-17 BUDGET
	530 001	550 000	859
	550 001	570 000	891
	570 001	590 000	923
	590 001	610 000	955
	610 001	630 000	987
	630 001	650 000	1 019
	650 001	670 000	1 050
	670 001	690 000	1 082
	690 001	710 000	1 114
	710 001	730 000	1 146
	730 001	750 000	1 178
AUDIT SUPERVISOR	290 001	310 000	456
	310 001	330 000	487
	330 001	350 000	517
	350 001	370 000	548
	370 001	390 000	578
	390 001	410 000	609
	410 001	430 000	639
	430 001	450 000	669
	450 001	470 000	700
	470 001	490 000	730
AUDITOR	190 001	210 000	304
	210 001	230 000	335
	230 001	250 000	365
	250 001	270 000	396
	270 001	290 000	426
	290 001	310 000	456
	310 001	330 000	487
	330 001	350 000	517
	350 001	370 000	548
	370 001	390 000	578
	390 001	410 000	609
	410 001	430 000	639
	430 001	450 000	669
	450 001	470 000	700
	470 001	490 000	730
	490 001	510 000	761
	510 001	530 000	791
	530 001	550 000	822



ANNEXURE C

CATEGORIES	SALARY INTERVAL		TARIFF
	LOWER	UPPER	2016-17 BUDGET
AUDIT CLERK	170 001	190 000	274
	190 001	210 000	304
	210 001	230 000	335
	230 001	250 000	365
	250 001	270 000	396
	270 001	290 000	426
	290 001	310 000	456
	310 001	330 000	487
	330 001	350 000	517
	350 001	370 000	548
TRAINEE AUDITOR	80 001	90 000	154
	90 001	100 000	172
	100 001	110 000	191
	110 001	120 000	209
	120 001	130 000	227
	130 001	140 000	245
	140 001	150 000	263
	150 001	160 000	281
	160 001	170 000	300
	170 001	180 000	318
	180 001	190 000	336
	190 001	200 000	354
	200 001	210 000	372
	210 001	220 000	390
	220 001	230 000	408
	230 001	240 000	427
	240 001	250 000	445
	250 001	260 000	463
	260 001	270 000	481
	270 001	280 000	499
280 001	290 000	517	
290 001	300 000	536	
300 001	310 000	554	
310 001	320 000	572	
320 001	330 000	590	
330 001	340 000	608	
340 001	350 000	626	
350 001	360 000	644	
360 001	370 000	663	
370 001	380 000	681	
380 001	390 000	699	

ANNEXURE D

HOURLY CHARGEOUT RATES FOR AUDITS CONDUCTED ON BEHALF OF THE AGSA

Rates (excluding value-added tax)		
Partners		2 825
Specialists (maximum)		2 825
STAFF		
MONTHLY EARNINGS		RATE PER HOUR
	R	R
2 500 and more		71
2 700 and more		76
2 900 and more		82
3 100 and more		87
3 300 and more		93
3 500 and more		99
3 800 and more		108
4 100 and more		116
4 400 and more		124
4 700 and more		132
5 000 and more		140
5 300 and more		148
5 600 and more		156
5 900 and more		165
6 200 and more		174
6 600 and more		185
7 000 and more		196
7 400 and more		207
7 800 and more		218
8 200 and more		229
8 600 and more		240
9 000 and more		250
9 400 and more		261
9 800 and more		278
10 600 and more		299
11 400 and more		321
12 200 and more		343
13 000 and more		348
13 800 and more		369
14 600 and more		390
15 400 and more		411
16 200 and more		432
17 000 and more		452
17 800 and more		473
18 600 and more		494
19 400 and more		515

ANNEXURE D

STAFF		
MONTHLY EARNINGS		RATE PER HOUR
	R	R
20 200 and more		536
21 000 and more		556
21 800 and more		577
22 600 and more		598
23 400 and more		619
24 200 and more		644
25 000 and more		664
25 800 and more		685
26 600 and more		706
27 400 and more		727
28 200 and more		761
30 000 and more		817
32 500 and more		883
35 000 and more		948
37 500 and more		1 014
40 000 and more		1 079
42 500 and more		1 144
45 000 and more		1 210
47 500 and more		1 275
50 000 and more		1 434
52 500 and more		1 504
55 000 and more		1 574
57 500 and more		1 644
60 000 and more		1 714
62 500 and more		1 784
65 000 and more		1 854
67 500 and more		1 924
70 000 and more		1 994
72 500 and more		2 044
75 000 and more		2 094
77 500 and more		2 199
80 000 and more		2 309
82 500 and more		2 419
85 000 and more		2 529
87 500 and more		2 639



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