



**STRATEGIC PLAN AND BUDGET**  
*of the Auditor-General of South Africa*  
**for 2013-2016**



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# 1. PURPOSE OF THIS DOCUMENT

The Strategic plan and budget document highlights the Auditor-General of South Africa’s (AGSA) strategic foundation as well as the performance and financial plan for the period April 2013 to March 2016. It is the outcome of an annual planning process which sets targets for the first year as well as projections for the rest of the three-year period. The strategic elements shown in figure 1, such as vision, mission and values, represent the long-term direction that guides the annual planning process. These strategic elements are normally reviewed over five-year periods.

Figure 1: The AGSA performance planning “big picture”



## 2. CONSTITUTIONAL AND LEGISLATIVE MANDATE

### **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 recognises the importance of the institution and guarantees our independence by stipulating that the AGSA is subject only to the Constitution and the law. Furthermore, the Constitution declares that the AGSA must be impartial and that we must exercise our powers and perform our functions without fear, favour or prejudice<sup>1</sup>.

Our functions are described in section 188 of the Constitution and further regulated in the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), which mandates the AGSA to perform constitutional and other functions. Constitutional functions are those we perform to comply with the broader mandate described in the Constitution.

Section 4 of the PAA further differentiates between mandatory and discretionary constitutional functions or audits, while section 5 of this act regulates the other functions performed by the AGSA. Those functions entail audit-related services commonly performed by supreme audit institutions and include support rendered to legislatures or any of its committees outside the scope of the AGSA's normal audit and reporting functions. The AGSA, furthermore, cooperates locally and internationally with persons, institutions and associations in its endeavour to fulfil the role of a supreme audit institution effectively.

### **Accountability and reporting**

The AGSA is accountable to the National Assembly in terms of section 181(5) of the Constitution and section 3(d) of the PAA. We report on our activities and the performance of our functions in terms of section 10 of the PAA. Our main accountability instruments are the Strategic plan and budget and the Annual report, both of which are tabled annually in the National Assembly. The Standing Committee on the Auditor-General (SCoAG), established in terms of section 55(2)(b)(ii) of the Constitution, read with section 10(3) of the PAA, oversees our performance on behalf of the National Assembly.

### **Our products**

Each year we produce audit reports on government departments, public entities, municipalities and other public institutions. In addition to these entity-specific reports, we analyse the audit outcomes in general reports that cover both the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) cycles. We also produce reports on discretionary audits, performance audits and other special audits. Our reports are then tabled in the legislatures that have a direct interest in the particular audit, namely Parliament, provincial legislatures or municipal councils. These bodies then use the reports in accordance with their own rules and procedures for oversight.

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<sup>1</sup> Constitution of the Republic of SA, Section 181(2)

### **3. AUDITOR-GENERAL'S STATEMENT OF POLICY AND COMMITMENT**

The unique position and role assigned to the Auditor-General of South Africa in terms of the Constitution allows us to examine the use of public funds and provide assurance on the proper and effective application thereof by public institutions 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 which will enable our democracy to go from strength to strength.

Our extensive knowledge and understanding of public sector goals and functioning will allow us to fine-tune our audit process in order to identify the root causes of poor financial discipline. We report these causes in the simplest possible way to encourage the implementation and sustainability of correct internal controls and financial management practices. The further integration of our diverse expertise and products and the deployment of multi-skilled audit teams are focused on delivering a consolidated message to our stakeholders.

The rigour of the analysis in our general reports will serve to improve stakeholders' realistic understanding of good governance and internal controls as foundation for better audit outcomes and clean administration. This will ultimately provide the executive and oversight leadership with the right diagnosis to take corrective measures where required. We will apply our professional judgement in enhancing the packaging of our messages to ensure that they reach as many of our stakeholders as possible.

While continuing our key control discussions with the executive and oversight authorities, we will intensify our visibility at all levels, widening the circle of engagements to ensure continuity in understanding the audit outcomes and acceptance of ownership for internal controls by the appropriate responsible officials. This will allow us to maximise the value that our stakeholders, including citizens, can derive from our work. Furthermore, we will increase our participation in various governance forums to create a wider platform for elevating our audit recommendations to commitments and actionable decisions by the country's leadership in the quest for clean administration.

The only sustainable asset the organisation has in delivering its mandate is our professional staff. Our efforts will continue to focus on identifying and institutionalising critical good practices so that operational excellence is the standard method of work throughout the organisation. The trainee auditor scheme continues to be the basis of our business model and the organisation's leadership is committed to providing intensive and relevant training and skills development to the trainees to create audit professionals with impeccable integrity and ethics who can apply their knowledge throughout the public sector.

The AGSA's financial stability is the cornerstone of our independence. We will continue to perform efficient, effective and economical audits while ensuring a stable cash flow and minimum surplus margins sufficient to finance our operations.

The AGSA is defined not only by its audit work but also by the commendable way it conducts itself as an organisation. Our nature is demonstrated by our own clean audit report, the principles of employment equity and strong support for the BBBEE policy of the country. We will continue to subject the quality of our reports to the scrutiny of the Independent Regularity Board for Auditors (IRBA), striving to obtain assessment results well above the industry level. All our audit and corporate reports will be submitted to Parliament within the legislated timelines.

## 4. OVERVIEW BY THE DEPUTY AUDITOR-GENERAL

As head of administration in terms of section 32 and as the accounting officer in terms of section 43 of the Public Audit Act, I am pleased to present to you the AGSA's strategic plan and budget for the period 1 April 2013 to 31 March 2016.

As is customary, our strategic plan and budget outlines the AGSA's activities for the next three years that will support the best possible execution of our mandate. While our young democracy overcomes serious challenges, our primary goal remains building public confidence through objective and independent audits on the use of public finances.

I strongly believe that the possibility of achieving clean administration and hence positive audit outcomes throughout the country should be kept alive as it is the option preferred and desired by all our citizens.

Consequently, I want to emphasise that we will continue to reach out to all our stakeholders in order to reinforce the point that, as independent as we are from them, we are equally interested in good audit outcomes as they create an environment where trust in the management of public resources is restored.

We remain committed to the strategy the organisation crafted at the beginning of the term of the current Auditor General, Terence Nombembe, and persist in building a professional institution that is well equipped to provide indisputable assurance on the financial status of public sector organisations and entities and to promote accountability through the transparency created by publishing their audit reports.

At the same time, the organisation continuously reassesses the main premises of the strategy and its achievement in order to perform adjustments and fine-tune where necessary. This document reflects the crystallised wisdom of our main strategic forums, namely the Exco strategic discussion and the senior management workshop (SMW). The latter takes place annually and involves more than 250 executives and senior managers.

Currently, we recognise that our strategic journey has been fruitful and a lot has been achieved; hence our immediate tactics are to institutionalise all the good practices that we have created and make the standards we require in the external environment our lived reality.

Our unrelenting effort towards strengthening our democracy is focused on five mutually supporting goals which can only be achieved and sustained as a set over the long term:

- Simplicity, clarity and relevance of all our messages in all communications with our internal and external stakeholders
- Visibility of our leadership to all internal and external stakeholders
- Strengthening of our human resources to achieve a skilled, high-performing and diverse workforce
- Funding of our operations in an economical, efficient and effective manner
- Leading by example in all our internal processes.

One of the AGSA's most revered values is "Our accountability is clear and personal" and it is my fervent hope and desire that all of us will observe the essence and centrality of this value in all we do.

### ***Simplicity, clarity and relevance of our messages***

We will continue to communicate clear, actionable messages to government and the public at large on the outcome of our audits as we regard this as critical in achieving our mission. The analyses of the root causes of bad audit outcomes in each reporting cycle will be based on credible and verifiable facts and will be produced with the application of the highest quality auditing standards.

Our responsiveness as professional auditors to the Republic of South Africa and related institutions that are publicly funded will be demonstrated by our willingness to employ continuous learning and deepen our appreciation and understanding of the current trends in the public sector. We will again focus on the critical areas of leadership, financial and performance management and the effectiveness of governance as key levers that will accelerate the delivery of strong financial accountability and oversight of the institutions we audit.

In addition to the regularity audits, our performance audits provide strong messages on the economical, efficient and effective use of resources, as these are the issues that remain most relevant to citizens. Up to now we have made small but definite advances in developing our capacity for performance auditing. Given our ability to diagnose root causes, make targeted recommendations and influence corrective action, we will respond to our external stakeholders' calls for more non-financial audit insights by gradually increasing the performance auditing aspect of our work. We have identified the need to expand the breadth and depth of our focus in the areas of basic and higher education, health and social and economic infrastructure and will be working on attracting appropriate skills. Moreover, we will explore how we can build robust relations with key institutions from whom we can draw expertise. Further research and consultation will determine the required growth in performance auditing but currently we aim to reach 10% of the organisation's total hours by 2017-18. Our plan provides details on the way forward on this exciting road.

Another aspect of our performance that we will prioritise is the quality of our audit reports, aiming to achieve outcomes of the IRBA review which are well above the industry level. The quality level of our products will be beyond criticism and our work will be performed with unquestionable competence and technical clarity.

We have employed people with the requisite skills and shall communicate better with unparalleled precision and timeliness of message in all our contexts to ensure that timely and regular corrective measures are implemented for continuous improvement in the public sector.

We will take advantage of every opportunity to create excitement among our people and provide the right information at the right place, at the right time.

### **Visibility of our leadership**

The AGSA's leadership will continue to develop excellent stakeholder relationships to encourage clean administration, utilising the accumulated data of the last five to six years to inform the development of strong oversight capacity in the institutions that we audit so that the messages generated through our audit reports influence actions that lead to audit outcomes better than those we have today.

Our responsibility will be to continue to avail ourselves and follow up on progress made on commitments in response to our findings and audit analyses.

We will ensure that there is close liaison with all levels of executives, the councils and other oversight structures in all three spheres of government. Further, we will interact with governing bodies and standard setters, our contracted private firms and everyone who is focused on enabling or encouraging clean administration.

At an international level, we participate in the structures of the International Organisation of Supreme Audit Institutions (INTOSAI) where the AG has been the chairman of the Governing Board since 2010. We also participate in other international platforms, host international study tours and provide inputs towards regional and international capacity-building initiatives.

Internally, our attention will be focused on aligning our staff behind the strategy and the tactics as envisaged, assisting them to receive all the skills and training they need in executing their duties. We will celebrate our achievements and get to know each other and embrace those who join us in the AGSA family.

## **Funding**

The economy, efficiency and effectiveness part of our work always attracts a very keen interest from oversight structures and our intention remains unwaveringly to provide value-for-money audits to the public sector and we strive at all times to execute the organisation's mandate within the best time frame. To relieve the burden of audit fees on our auditees, we envisage a minimum surplus margin of 1%.

Adequate staff occupancy levels ensure uninterrupted and timely delivery of our audit reports and provide us with better control over the cost of the audit work; hence we will strive to maintain such levels at all times.

Collecting debt from local government auditees persists as a challenge and the organisation will employ appropriate action to facilitate more effective debt collection.

Another area of focus for us will be the introduction of capacity for project management organisation-wide to provide management with important information on project progress, costs and resources which will assist in key strategic management decisions.

## **Strengthening human resources**

Our executive team and our management recognise that without a professional and motivated workforce, the organisation will not be able to deliver effectively on its mandate. We value and recognise employees as our key asset and as a result our main focus remains on developing enthusiastic, qualified employees who are representative of the demographics of our country.

Auditing in the public sector requires individuals who are not only technically astute but also have a holistic set of skills and competencies, including public sector knowledge, communicating efficiently and effectively, managing projects and being able to build stakeholder relationships. In this regard we are intensifying our learning and development initiatives through the work of our newly established specialised unit.

A high-performance culture that focuses on engagement, understanding and accountability can only be built in small increments every day. All our staff members and especially our leadership have committed to living the values of the organisation, demonstrating high levels of innovation and collaboration and producing excellent results.

Attracting, retaining and cultivating key staff through talent management initiatives, leadership pipeline development and coaching and mentoring continue to be an integral part of our organisational lives. The organisation will actively pursue the integration and enhancement of our people management and development tools to ensure that we consistently deal with our people in a holistic manner and minimise disruptions of our audit processes.

Maintaining an effective trainee auditor (TA) scheme and providing external bursaries and partnering with stakeholders in the auditing industry in this regard serve as a foundation for our existence and in growing the profession in general. We will focus on attracting and supporting quality candidates and will provide them with adequate training and experience to grow them into audit professionals.

With regard to continuous professionalisation of the office, we will pursue various professional qualifications to respond to the needs of our diverse audit teams and to provide suitable career paths for our employees.

## **Lead by example**

In contributing to a culture of public sector accountability, we realise that to be able to achieve our broad strategic objective of making a difference to the lives of citizens, we need to be leading by example by being a model organisation.

Our attitude of maintaining a sound internal control environment has helped us ensure that our key messages are taken seriously by those to whom we report. In making certain that our independence remains the cornerstone of our institution, we will continue to manage our risks proactively and maintain our internal controls in line with good practices by conducting regular internal and external audits. The measure of our transparent accountability remains our own clean audit report and our identity as a transforming organisation.

We will continue reviewing and updating our processes and policies to ensure their adequacy and efficiency, not only to manage risk but also to create an environment that is attractive to the best talent in the country. The institutional knowledge will be preserved in a usable manner to guarantee organisation-wide sharing of practices and information. The organisation will be sufficiently supported by a secure and always available IT infrastructure.

We will maintain our contribution to the country's transformation agenda and our effort will be focused on supporting the prescripts of the BBBEE code and the CA Charter. The submission of our reports will be timely and according to legislated or agreed timelines.

## **Organisational sustainability**

We acknowledge that, like any other organisation, we have an impact on the physical environment and the society in which we operate, thus we give importance to all matters that relate to our sustainability as a business. For the first time we will attempt to quantify such impact and establish baseline information on the usage of energy, water and paper. Due to nature of our business, travel is a substantial part of our activities; hence we will estimate our carbon footprint with a long-term view of minimising and possibly offsetting it. It will be important for the organisation to implement and institutionalise good monitoring and reporting processes in this regard.

Through our outsourcing of audit work and our procurement policies we will continue to provide employment to a considerable number of small, medium and large firms with specific incentives for emerging firms, thus having a positive economic impact at a national and, specifically, local level.

Our societal influence will be realised through labour practices, which encourage diversity and inclusivity, through our community outreach programmes and in the course of our product delivery, thus ensuring that our audit messages are used to better the lives of citizens.

The AGSA has already been highly successful in integrating the management of sustainability issues into its core business, specifically the economic, social and stakeholder engagement aspects in our five main strategic goals. We are further committed to integrating all aspects of our organisational life, which will ensure that we continue to thrive as an independent, highly relevant and model supreme auditing institution.

## 5. STRATEGIC ENVIRONMENTAL CONTEXT AND STRATEGIC ORGANISATIONAL RISKS

Our continuously improving understanding of the unique environment in which we operate and the challenges that we encounter enable us to deliver on our mandate more efficiently, effectively, and economically. Through our strategic environmental analysis we have identified the key external and internal factors and risks that impact our approach to discharging our duties. We scan and monitor the developments of those factors and reflect them in our strategic plans.

### ***Legislative context***

The first and foremost factor that defines the AGSA as a supreme auditing institution is its independence as enshrined in the Constitution. Exercising our mandate without fear, favour or prejudice and with utmost integrity is the only way to ensure that we retain this privilege at all times.

Not only do we obtain our mandate, mission and business rationale from the Constitution and the PAA, but our audits also take place within rigorous statutory and regulatory frameworks, to such an extent that one of our key focus areas during audits is to audit compliance with those frameworks by departments and entities in all three spheres of government.

The AGSA's own compliance with relevant statutory obligations is imperative for maintaining an impeccable public reputation. All relevant changes in the legal environment are monitored to ensure that the AGSA remains an independent and self-sustaining organisation.

### ***Public sector context***

Taking into account that the AGSA audits public organisations and entities, understanding the public sector at all levels will impact on the extent to which we successfully achieve our objectives. It is important that all AGSA employees continue to deepen their understanding and knowledge of the public sector at all levels through training, stakeholder interactions and environmental scanning.

The overall governmental goals and objectives of the country determine the AGSA's priorities for the future auditing of the public sector. The organisation must continuously develop and adopt the necessary specialised skills and capabilities to conduct audits focusing on these goals and objectives.

### ***Economic context***

As the South African economy evolves, we need to stay abreast of the impact that global and national economic developments have on our stakeholders, especially the impact of structural developments within the public sector, such as the key role envisaged for public enterprises as drivers of the economy (e.g. infrastructure development).

Through our mandate, we play an important role in reporting on the stewardship of public money by diagnosing and highlighting issues of fruitless and wasteful expenditure in the public sector, among others. We need to focus on a detailed audit of revenue funds to enable us to comment on the fiscal health of each province and the country as a whole.

In order for us to maintain our independence, including our financial independence, it is important to ensure strict application of our funding model. The increasing overdue debt of local governments may cause cash flow challenges for the organisation and hence requires our continuous attention.

Competition for scarce auditing skills may affect availability of skilled human resources for the AGSA to fulfil its ever-increasing audit responsibilities. The TA scheme is an important mechanism for recruiting and developing new staff. In addition, the scheme contributes significantly to the development of the skills pool in the auditing profession in South Africa.

## **Social context**

Understanding the social context of our external and internal stakeholders will enable us to communicate more efficiently within the national, provincial and local spheres. Our knowledge of the social aspects and cross-cultural communications, as well as levels of education, is vital in big or small gatherings and in one-on-one meetings.

As an organisation we need to understand and be aware of the key national challenges, as this affects service delivery priorities among auditees.

Through our continued application of BBBEE initiatives, i.e. meeting legislated BBBEE requirements focusing on enterprise development, corporate social investment, employment equity and skills development, the AGSA contributes to strengthening our auditing profession.

In line with our goal to lead by example, we support the principles of good citizenship and continue to encourage growth and transformation within the entire auditing profession in accordance with the prescripts of the Chartered Accountants Charter. The AGSA invests in its auditees by providing a breeding ground for scores of young auditors, who find a place in the public sector and contribute to improved audit outcomes for our auditees.

## **Technological context**

The level of advancement of the technologies employed by the AGSA to produce world-class reports and support stakeholder interactions can negatively or positively affect the opportunities available to us as an institution. The rapid improvement in information management technology, as well as Internet access and mobile technology, influences the quality of audit reports and the ease with which they can be produced and stakeholder information managed. Technology plays a role in streamlining operations, eliminating bottlenecks and providing our workforce with collaborative knowledge management systems.

The following factors are monitored and evaluated on a continuous basis:

- Rate of technological change
- Introduction of new automated products (degree of automation)
- Information security (safeguarding of AGSA information)

## **Environmental context**

SAs are playing an increasingly important role internationally regarding the responsible treatment of the environment through their environmental audits. The growing trend to protect the environment could result in an increase in the scope of our audits due to legislation, public pressure and best practice influence.

As an organisation committed to leading by example, the AGSA is addressing the impact of its environmental footprint and through initiatives that can minimise the organisation's negative impact on the physical and social environment.

## **Strategic risk profile**

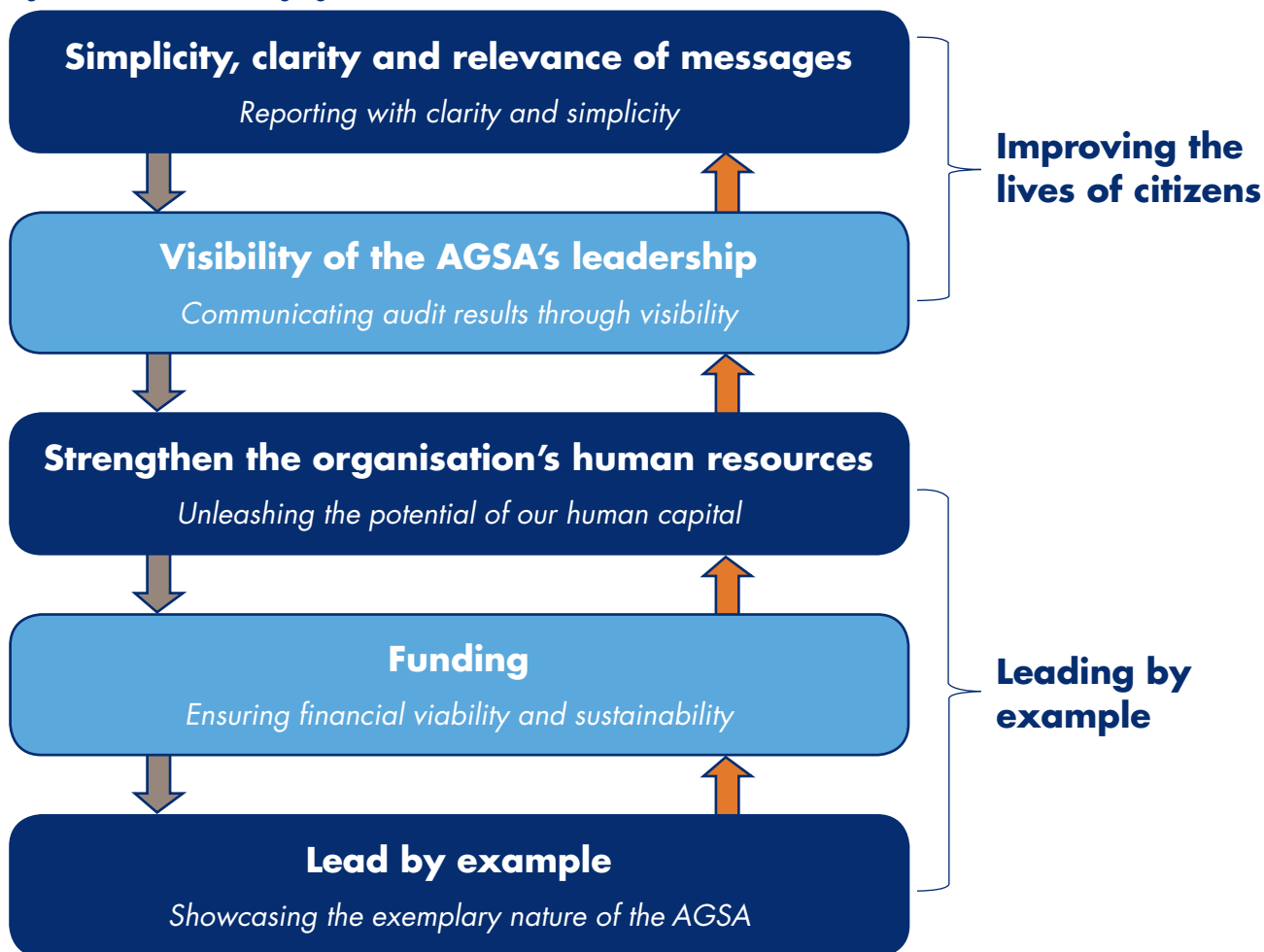
The strategic risk assessment of the organisational environment crystallised in the top seven strategic risks:

1. The basis and mechanism of our mandate not always fully understood – this is due to a lack of knowledge or poor literacy regarding audit matters on the part of key stakeholders, including the public and media, resulting in a misunderstanding of the AGSA's mandate and execution thereof
2. Failure to adequately understand and respond to priorities of our external stakeholders responsible for leadership, governance and oversight
3. Inability to continue operating in a fast-changing environment due to scarcity of audit professionals in South Africa and limited means to ensure attraction of quality candidates and retention of skilled employees
4. Inability to gain access to the right people and other resources to fulfil our mandate
5. Inability to respond adequately to transversal risks identified (internal and external)
6. Unaffordable and unrealistic fees are mostly due to increased audit costs because of extension of audit focus and scope and inefficiencies within the audit process, e.g. lack of internal audit, poor record keeping, weak internal controls and poor financial management at some of our auditees
7. Inability to recover debt as auditees, especially at local government, are not able to meet financial commitments relating to audit fees.

## 6. STRATEGIC GOALS

We have translated our commitments into operational terms which clarify performance details for each goal. As illustrated in figure 2, the goals link up in support of the delivery of clear and simple audit reports.

Figure 2: The AGSA's strategic goals



### **Our overarching commitment is to continuously improve our organisational performance**

We have adopted the McKinsey's 7S model (Waterman, Peters, and Phillips, 1980) to assist us in linking all aspects of the organisational development to ensure synergy and focus of all changes and improvements towards a high-performance culture.

The AGSA's strategy, which flows from our mandate, is the starting point that determines all other aspects of organisational life, while at the heart of the model are our staff who enable us to fulfil our mission.

The uniqueness of our mandate requires us to assume values that differentiate us from any other organisation and, as such, determine the management style that we have adopted, namely "warm on people and high on tasks – i.e. leading with care and providing focused coaching and mentoring" as asserted by the DAG. We continuously reinforce our shared values through the "values in action" initiative and emphasise ethical behaviour through leading by example.

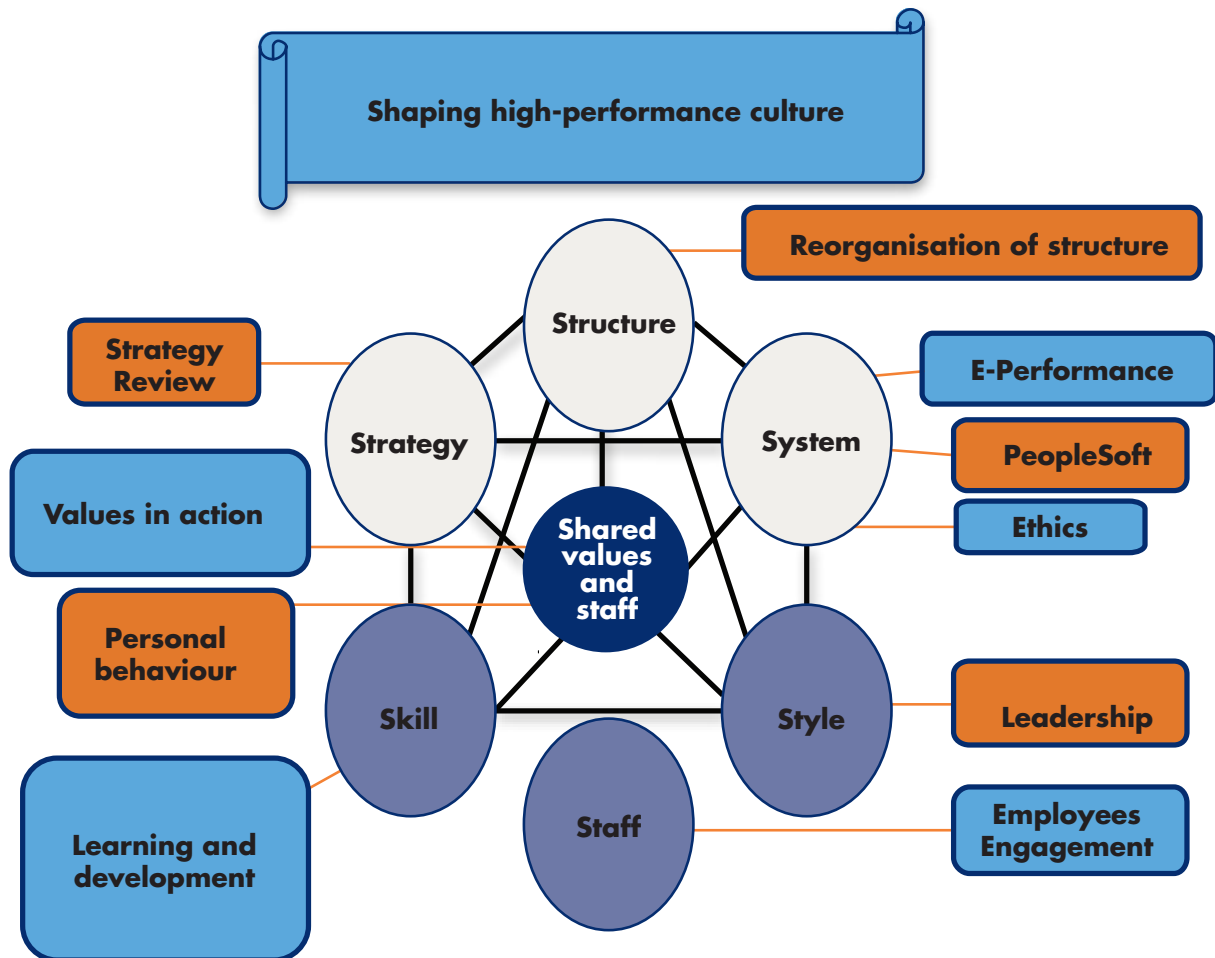
The organisational structure that we recently reviewed is aimed at enabling stronger integration between our audit and support operations and creating an environment that promotes high performance.

Systems are used as enablers to ensure that we work in an integrated way. One such example is the e-Performance system which allows us to monitor, guide and evaluate our staff's contribution to the achievement of our strategy.

The skills required by our staff are continuously reviewed and assessed and a dedicated department is ensuring that we are able to do our jobs effectively.

The interdependency of the elements means that a change in one element affects all the others. In pursuing optimal performance, we will continue to ensure integration and alignment of the work of all our business units and a targeted change process.

Figure 3: Illustration of the McKinsey 7S model in the AGSA's context



## 6.1 *Simplicity, clarity and relevance of messages*

The delivery of management and audit reports that clearly establish the status of financial and performance management in the public sector, including compliance with laws and regulations, and correctly diagnose the root causes that contribute to the audit results is the AGSA's most important task in achieving its mandate of enabling oversight, accountability and governance in the public sector.

One of the main objectives of our work is to encourage the implementation of sustainable, correct practices by our auditees in the use of public funds and service delivery management with the long-term goal of good fiscal discipline and improving the lives of citizens.

We reconfirm our pledge as a supreme auditing institution to convey simple, clear and relevant messages stemming from our audits which provide context for pertinent actions by the government and the public where appropriate in support of the effort to achieve clean administration in South Africa.

Such a reporting and communicating approach is in line with the requirements and recommendations of the INTOSAI framework for communicating and promoting the value and benefits of SAls.

### Objective: Identify root causes and make recommendations

Knowledge of the sources of poor audit outcomes is imperative for every auditee to undertake proper corrective actions. Our audit process will continue to be fine-tuned to identify the root causes of bad finance management and performance against predetermined objectives. Our extensive knowledge of the public sector environment will be used to communicate our audit results in the simplest possible way so that they can be understood by all our stakeholders, and in the most relevant manner in order to prompt the right response where necessary.

Table 1 shows the targets we will work towards for the next three financial years, together with the measures to be used to assess our progress.

**Table 1: Performance measures and targets for communicating root causes and recommendations**

Performance measure	Target		
	2013-14	2014-15	2015-16
Clear communication of relevant root causes and recommendations	3	3	3
Tool	<ul style="list-style-type: none"> <li>Qualitative top-down rating by immediate supervisor on communication to the auditee, the executive and oversight body, whether through reports (audit reports, management reports, dashboard report, general reports) or other form of communication (presentations, briefings, etc.)</li> <li>Source of information: Reports and presentation experience</li> <li>Our targets are based on a four-point rating scale (1-4).</li> </ul>		

## **Key activities for achievement of our simplicity goal**

**Identification of the root causes** for poor fiscal discipline, insufficient performance management and leadership will remain our main audit activity, while the analysis of key challenges will form the focus of our interactions with stakeholders with the aim of encouraging improvements in the internal control system.

We will further **stakeholders' practical understanding of good governance and internal control** as cornerstones of clean administration and intensify the **drive to move the ownership of internal controls**, as a basis for credible information, to the appropriate responsible parties.

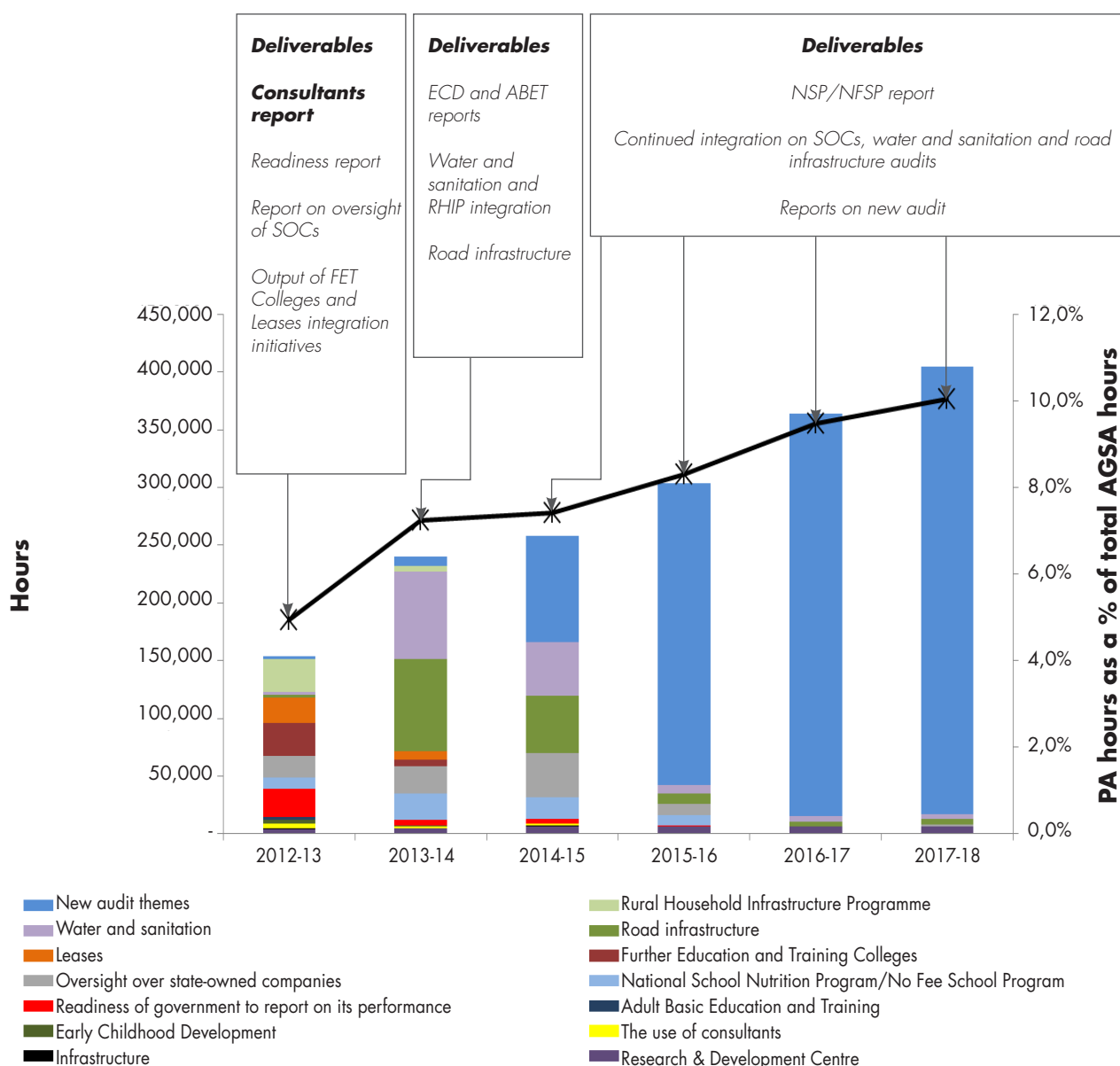
The **audit focus and scope** will increase to cover any matters that need special attention from government to address the fundamental reasons for poor financial management and service delivery. In addition, consideration will be given to fraud risk and the impact of information systems on the audit process.

Given the organisation's ability to diagnose root causes and make targeted recommendations to influence corrective action, our **Performance Auditing (PA)** component will be **repositioned to respond to our stakeholders' expectations** for more non-financial audit insights that will provide clear and direct assistance in the execution of their core mandates and responsibilities.

In the long term we will sharpen our focus on poverty alleviation and service delivery while over the next two years our focus will be on **basic and higher education, delivery and maintenance of road infrastructure and provision of basic water and sanitation** (see annexure 5 for more details).

The pace of growth of this aspect of our product portfolio is under continuous review. Our current aspirations are to expand performance audits to 10% of our total audit hours within the next five years. Our **performance audit growth strategy**, together with **selection of relevant performance audit focus areas** and **resource plans**, will be completed in the current financial cycle. *Figure 4* depicts the envisaged escalation of audit hours, either dedicated to performance audit or in support of the regularity audits, as well as a breakdown of those hours per selected audit theme.

Figure 4: Projected growth in performance audit hours



**Notes:**

Hours reflected are inclusive of:

- research and specialisation hours by PA BU staff
- hours spent by PA BU staff on dedicated performance audits
- hours spent by RA BU staff on performance audited integration initiatives
- hours spent by PA BU staff on integration initiatives.

In an effort to deliver on this undertaking, we will focus on the creation of a multi-disciplinary team, which may comprise performance auditors, economists, statisticians, engineers and other professionals depending on the selected audit, and further enhancing our specialist capacity to research, develop and execute audits that address South Africa’s strategic imperatives. Growing internal specialists and targeted recruitment will be our main avenues for complementing the team. Simultaneously, we will intensify our collaboration and **development of mutually beneficial strategic relationships with specialist institutions such as** the Human Sciences Research Council and the Council for Scientific and Industrial Research **to ensure that we have access to the necessary specialist expertise and skills for completion of the audits.**

The AGSA is furthermore channelling its investigative resources towards proactively identifying and assessing areas that present an elevated level of fraud risk which affects the audit environment. Proactive integration of investigative capability during regularity audits also allows for broader coverage of institutions and will empower regularity auditing to proactively identify potential high-risk areas of fraud and irregularities. This will enable our audit teams to design and develop focused audit procedures that proactively respond to the risk of fraud and error.

The organisation will enable the **further integration of the skills and products** of the performance and information system audit specialists with those of the regularity auditing teams in order **to increase the value of our audits** and **provide one consolidated message** in our general reports.

It is important to **clarify upfront the expectations of our stakeholders** and **proactively conduct transversal risk assessments**. Continuous, in-depth engagements, support and guidance will be our method.

While maintaining the quality of our messages and the depth of analyses in our general reports, we will **add momentum to exercising our professional judgement** and, in doing so, **enhance the packaging of our messages** to fit the challenges faced by and the readiness of our stakeholders. Producing insights continuously, consistently and on time will ensure our relevance as a supreme audit institution.

With support from the South African Department of International Relations and Cooperation, the AGSA aims to identify new audits of international institutions of suitable size and strategic fit to replace the audits performed by us as part of the United Nations Board of Auditors (UNBOA). Such audits will offer key AGSA staff invaluable exposure to international audits.

The organisation accepts responsibility for ensuring that the **work of private firms** that conduct public sector audits on our behalf is of the same quality and is performed in the same manner as our own work.

Our **corporate products**, i.e. our annual report and the strategic plan and budget, will be subject to the same criteria that we use to ensure the simplicity of our audit reports.

The public sector entities referred to as **section 4(3) entities** can, in terms of their own legislation, appoint their own auditors, subject to consultation with the AGSA. While we do not conduct these audits ourselves, the AG prescribes adherence to certain audit focus areas in line with the public audit mandate, including specific reporting formats and a flow of information back to the AGSA. We will continue to engage with the executive authority to clarify audit expectations. The audit reports of these entities will include audit findings on predetermined objectives and compliance with laws and regulations.

### Objective: Continued excellence of the quality of audits performed

The quality of our audit work is an important cornerstone for the credibility of our audit reports. It is directly impacted by the systems of quality control relating to leadership, ethical requirements, acceptance and continuation of client relationship, human resources, engagement performance and monitoring in terms of the International Standard on Quality Control (ISQC 1). We will ensure that our people and processes deliver audit products of consistently high quality. Our targets are specified in table 2.

Table 2: Performance measures and targets for adherence to quality standards

Performance measure		Target		
		2013-14	2014-15	2015-16
Percentage adherence to all quality standards	Audit engagements	87% (C2 and C3 rating)	87% (C2 and C3 rating)	87% (C2 and C3 rating)
Tool	Quality control assessment			
Adherence to all quality standards	Non-audit deliverables	3	3	3
Tool	<ul style="list-style-type: none"> <li>Qualitative top-down rating by immediate supervisor on all non-audit deliverables. Our targets are based on a four-point rating scale (1-4).</li> <li>Source of information: Non-audit deliverables</li> </ul>			

**Key activities for achievement of the desired quality of audits:**

- Implementing and monitoring policies and procedures in respect of all elements of the system of quality control.
- Ensuring that staff are equipped with the latest auditing and accounting standards and receive adequate training in this regard.
- Conducting consistency reviews of audit reports to ensure adherence to the reporting guide and application of the auditing standards.
- Performing independent pre-issuance reviews on selected engagements to provide an objective evaluation of the significant judgements made by the engagement team and the conclusions reached in formulating the report.
- Performing independent post-issuance reviews on selected engagements (including those performed by contracted firms) to ensure adherence to the International Standards of Auditing. Excellent performance by individuals during the engagement review process is appropriately recognised.
- Tracking formal remedial action initiatives on previous review deficiencies on a quarterly basis.
- The performance of an independent review by IRBA on the monitoring element of the system of quality control.

## 6.2 Visibility of our leadership

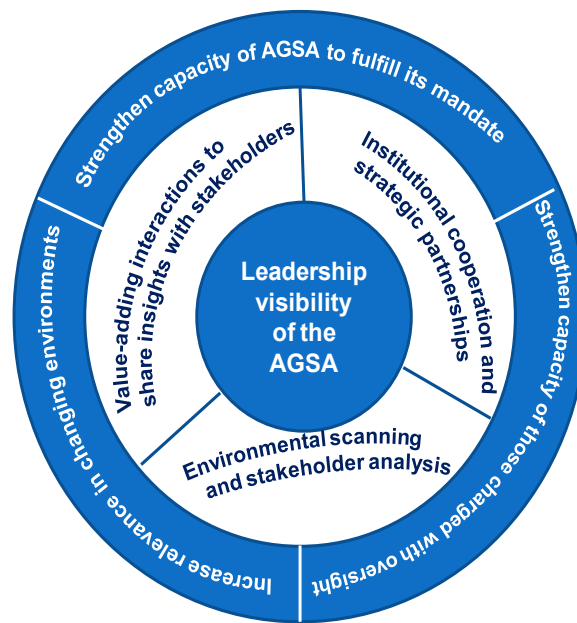
Sharing our insights with auditees, all levels of government and the public at large is the cornerstone of achieving our mandate to build public confidence. We aim to continue holding value-adding communication sessions with relevant stakeholders in the governance and accountability structures of the public sector in order to encourage the desired momentum towards clean administration. Regular and planned interactions with improved timing will be linked to the PFMA and MFMA audit cycles and will include everyone who can have an impact on introducing corrective measures and implementing sustainable good practices.

Our leadership extends beyond the country and we will continue to play an important role on the African continent and within the broader community of the International Organisation of Supreme Audit Institutions (INTOSAI).

Of equal importance is our internal leadership and we will intensify our staff engagements using all possible occasions, including established forums such as the vision achievement organisational alignment (VA/OA) sessions, senior management workshop and others to ensure that all our staff are equipped with understanding of our strategy and skills necessary for the execution of our mandate.

The diagram depicted in *figure 5* sets out the core processes inherent to our leadership's visibility.

*Figure 5: Making a difference in the lives of citizens*



**Objective: Develop stakeholder relationships so as to encourage clean administration**

The AGSA will continuously and optimally engage with a broad range of influential stakeholders through a coordinated, single platform to deepen their understanding of the results in our reports and deliver valuable impact through a single, focused message. Such communication will also be used to improve our own understanding of the needs of each stakeholder.

*Table 3* captures the annual targets that we set ourselves for improving the quality and impact of our interaction with all our internal and external stakeholders.

Table 3: Performance measures on visibility of leadership

Performance measure	Target		
	2013-14	2014-15	2015-16
High-quality, value-adding stakeholder interactions are conducted and escalated, where necessary	3	3	3
Tool	<ul style="list-style-type: none"> <li>Qualitative top-down rating by immediate supervisor on communication to the auditee, the executive and oversight body, whether through reports (audit reports, management reports, dashboard report, general reports) or other form of communication (presentations, briefings, etc.)</li> <li>Source of information: Reports and presentation experience</li> <li>Our targets are based on a four-point rating scale (1-4).</li> </ul>		

### Key activities for achievement of our visibility goal

Our staff will intensify our stakeholder engagement programmes to *optimise the value that all our stakeholders, both internal and external, as well as citizens, can derive from our work, reports and communication*. At the same time we will *solicit constructive commitments and enable these stakeholders to take actions towards clean administration in a sustainable way*.

Our **quarterly interactions with executive authorities** will remain the foundation on which we will consistently and continuously share our insights about the key drivers of good internal control and discuss progress on the commitments made by those authorities in the previous audit cycles. It is our belief that our work so far in this area has succeeded in providing executive authorities with a clear understanding of the core internal control challenges so that they are ready to take full ownership of internal control diagnosis and the drive to sustainable clean administration. This is where our efforts will be focused.

Another mechanism that we will maintain is our annual **PFMA and MFMA roadshows** which allow us to provide deeper and most up-to date insights and understanding of the audit outcomes in the public sector and the root causes of poor fiscal and governance results. The roadshows also serve as a platform for dialogue with those charged with governance to undertake corrective measures on the undesirable outcomes.

We will use a similar approach of planned quarterly meetings to **intensify our interactions with legislative oversight authorities** via public accounts committees (PACs) at the national and provincial legislatures, as well as the existing municipal public accounts committees (MPACs). The purpose of these interactions is to recommend suitable corrective actions and to secure commitments for the implementation of such actions. Furthermore, we will strive to regularise our engagements with the portfolio committees that provide continuous oversight within the legislatures.

In order to enhance our standing, governance structures or our technical capacity, we continue to **build and maintain a close relationship with the domestic professional bodies**, such IRBA, the Accounting Standards Board of South Africa (ASB) and the accountant-general's office in the National Treasury. Our participation will contribute to the enhancement of financial reporting in the public sector.

Figure 6: Our collaboration diagram



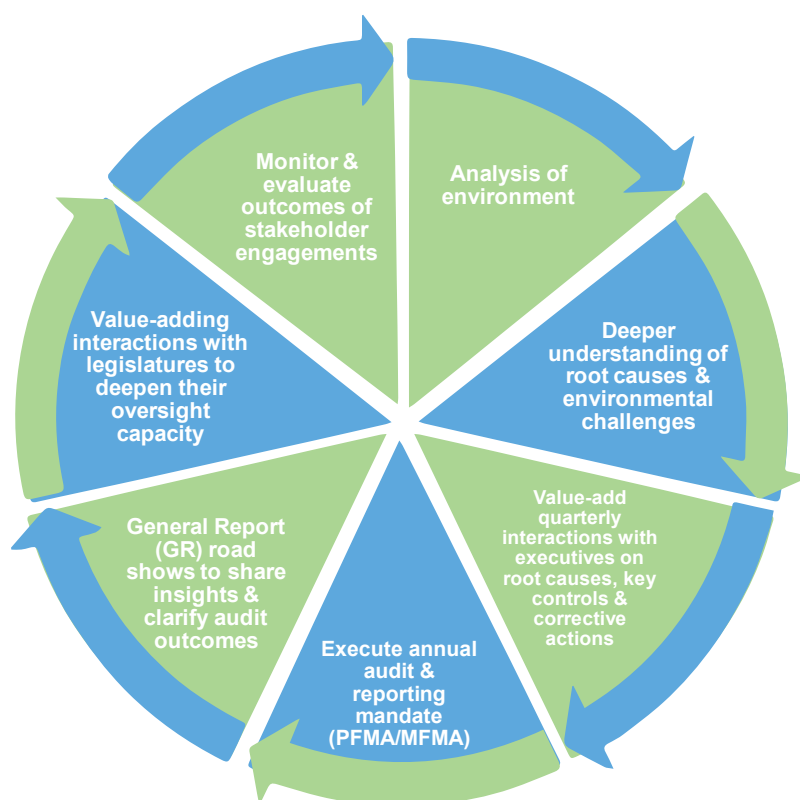
In order to ensure transparency, we regard **our partnership with all media** and specifically with **community media** as an important instrument for demystifying the role of the organisation in contributing towards improving the lives of citizens and reaching as many of our communities as possible in the effort to deliver our audit findings.

Within the international arena, we will continue to maintain our status as **one of the most active members of INTOSAI** by sharing our valuable experiences and insights and contributing to the preservation and propagation of this knowledge through the collective efforts of the INTOSAI working groups.

Our visibility programme is in line with fundamental principles 4, 5 and 6 regarding the value and benefits of SAIs for improving the lives of citizens.

The key stages of our visibility process are depicted in *figure 7*.

Figure 7: The leadership visibility process



### 6.3 Funding

The AGSA strives at all times to execute the organisation’s mandate economically, efficiently and effectively by ensuring that our services to our auditees are cost-effective, while at the same time ensuring our long-term financial sustainability. Our focus remains on providing value-for-money audits to the public sector.

In the last three years, good financial discipline and strict application of our funding model have allowed us to eliminate the cash crunch and to realise sufficient surplus for meeting our operating needs and covering capital expenditure. The AGSA’s financial stability is sustained through stable cash flows and adequate operating margins.

We ensure the adequacy and effectiveness of our internal controls at all times to ensure that we achieve clean audits.

The organisation pays special attention to effective debt collection as this has a potential to undermine our very existence as the independent assurance provider. The AGSA remains challenged generally in collecting debt from local government auditees.

**Objective: Execute the organisational mandate economically, efficiently and effectively**

We achieve this by continuously reviewing and managing our financial indicators, such as own hours’ revenue, contract work (outsourced audits to private audit firms), working capital management and overhead costs and by targeting a predetermined surplus to ensure that we attain the desired financial performance and remain cost-effective.

## Performance measures

To maintain audit fees at a level that is affordable to our auditees, we continue to confine our surplus to a minimum. For the 2013-14 financial period, a target of 1% is set (compared to 2,07% for 2012-13). This allows us to generate the minimum funds for the required reinvestment in the AGSA's infrastructure and people, for example upgrades in our information technology infrastructure, our physical infrastructure in terms of office accommodation and our human capital developmental needs.

Table 4: Performance measures and targets for net surplus

Performance measure	Targets		
	2013-14	2014-15	2015-16
Percentage net surplus	1%	2%	2%
Tool	Analysis of the income statement		

We intend to retain the current payment target of 45 days on average from the date the supplier invoice is authorised for payment on the AGSA system for the short to medium term and to continue paying our suppliers promptly. This is in line with the organisation's desire to build strong relationships with its suppliers so that we are given preferential customer status and can fulfil our specific goal to encourage and support medium, small and micro-enterprises.

Table 5: Performance measures and targets for creditor days

Performance measure	Targets		
	2013-14	2014-15	2015-16
Creditors days	45 days from voucher date	45 days from voucher date	45 days from voucher date
Tool	Analysis of the creditors ageing report		

Our debt collection targets take into consideration the type of clients audited and reflect our own experience in collection patterns.

Table 6: Performance measures and targets for debt collection

Performance measure	Targets		
	2013-14	2014-15	2015-16
Percentage debt collected averaged over 12 months' invoices for the period (April – March) - All national business units	99% -101%	99% -101%	99% -101%
1% debt collected from National Treasury averaged over 12 months' invoices for the period (April – March) - Finance BU	100%	100%	100%
Percentage debt collected averaged over 12 months' invoices for the period (April – March) - All provincial business units	96% - 98%	96% - 98%	96% - 98%
Tool	Analysis of the debtors ageing report		

**To sustain our financial stability we will be focusing on the following key activities and initiatives:**

• **Improved debt collection and practices by:**

- relying on our visibility programme to develop and maintain excellent relationships with our auditees to influence more timely payments
- ensuring that debt collection becomes a priority for each manager in the field
- engaging key government stakeholders to influence the debt payment by auditees and, where necessary, by including the debt collection challenge as a standing agenda item in all appropriate forums
- permitting the ring-fencing of debt to enable auditees to catch up with long-outstanding debt
- taking legal action against persistently defaulting debtors.

## 6.4 Strengthen human resources

Without a professional and motivated workforce, the organisation will not be able to deliver effectively on its mandate. We value and recognise employees as our key asset. As a result, our main focus remains on developing enthusiastic, qualified employees who are representative of the demographics of our country.

Senior management accepts personal accountability for the enhancement of employees and understands the role they play in building a culture of integrity, honesty, respect, trust and uncompromising professional excellence. The senior management has agreed to adopt the care and growth leadership principles<sup>2</sup> as part of our people management and development toolkit. The two managerial behaviours, care and growth, are believed to result in a higher level of motivation, loyalty and trust as employees who feel that management genuinely has an interest in their welfare, trusted their immediate supervisors significantly more than those who believed management has no interest in their welfare. The essence of the care and growth concept is for a leader to use results and the work environment to care for and grow people (rather than using people to get results). Our behaviour impacts not only on our own image and reputation, but also on that of the organisation.

Auditing in the public sector requires an individual who is not only technically astute but also has a holistic set of skills and competencies, including public sector knowledge, efficient and effective communication, project management and the ability to build stakeholder relationships. Furthermore, the nature of our business requires us to work in teams; hence we focus on building unique, skilled, competent and effective teams.

The AGSA remains committed to building a high-performance culture that focuses on engagement, understanding and accountability. A high-performance culture at the AGSA can be defined as people understanding their specific roles, aligned and working effectively as a team towards a common purpose, living the values, demonstrating high levels of innovation and collaboration and producing excellent results. This type of culture relies on engagements, understanding and effective execution. We need to adopt a culture of *we need to speak to our people before we speak about our people* (AG, Terence Nombembe).

### Objective: To have a motivated, high-performing and diverse workforce

All our efforts are aimed at creating a high-performing, diverse and enthusiastic workforce that is well aware of the organisation's goals and objectives and has all the tools and skills to deliver on the mandate of the institution.

We have the following set measures for the success of this goal:

#### Occupancy level

Last year, we exceeded our target regarding the staff occupancy level, in general and in most core business units. Such occupancy level ensures uninterrupted and timely delivery of our audit reports and gives us greater control over the cost of audit work. Table 7 reflects our occupancy targets.

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<sup>2</sup> As head of the Chamber of Mine's Human Resources Laboratory Industry Project in the late 1980s, Etsko Schuitema went on to examine the fundamental criteria which exist in the relationship between employer and employee. The outcome was a unique perspective on leadership which subsequently has become known as the Care and Growth Leadership Model.

Table 7: Performance measures and targets for occupancy level

Performance measure	Targets		
	2013-14	2014-15	2015-16
Percentage occupancy level	90%	90%	90%
Tool	Staff occupancy rate report from PeopleSoft management system		

### Culture index

The culture index gauges the organisational culture and tracks our progress in moving from a role/power culture to a high-performance culture.

Table 8: Performance measures and targets for culture

Performance measure	Target		
	2013-14	2014-15	2015-16
Culture index	3,4	3,4	3,4
Tool	<p>Survey and focus group interviews and other assessments.</p> <p>The industry norm is 3,2 and the industry is rated according to the five-point Likert scale (1 – 5).</p> <p>The benchmark is derived from a survey conducted by the Human Science Research Council across financial, manufacturing and service industries.</p>		

### Leadership index

The leadership index determines the leadership style and competencies within the AGSA and then tracks progress towards the desired outcome.

Table 9: Performance measures and targets for leadership

Performance measure	Target		
	2013-14	2014-15	2015-16
Leadership index	3,4	3,4	3,4
Tool	<p>Survey and focus group interviews and other assessments.</p> <p>The industry norm is 3,2 and is rated according to the five-point Likert scale (1 – 5).</p> <p>The benchmark is derived from a survey conducted by the Human Science Research Council across financial, manufacturing and service industries.</p>		

## Staff engagement index

The staff engagement index assesses the level of motivation and commitment among our employees.

Table 10: Performance measures and targets for staff engagement

Performance measure	Target		
	2013-14	2014-15	2015-16
Staff engagement index	3,4	3,4	3,4
Tool	Survey and focus group interviews and other assessments. The industry norm is 3,2 and is rated according to the five-point Likert scale (1 – 5). The benchmark is derived from a survey conducted by the Human Science Research Council across financial, manufacturing and service industries.		

## Key activities for achievement of our human capital goal

A considerable amount of work has been invested into developing the people management and development tools required to guide us on our journey towards a high-performance culture and we actively pursue the integration and enhancement of these tools to ensure that we consistently deal with our employees in a holistic manner.

To achieve the AGSA's human resources objective, the organisation would be focused on a **total integrated human resource** agenda guided by the McKinsey 7 model (Waterman, Peters, and Phillips, 1980). For the 2013-14 performance year, the AGSA will continue to focus on our shared values and creating an environment for open, robust engagements on our talent management interventions, competencies and skills, thereby enhancing our focus on learning and growth.

### Therefore our strategic focus remains a continuation of:

- **high-performance culture.** Further enhancing and building our high-performance culture through:
  - relevant leadership, diversity management, ethics and living the values interventions
  - full automation of the performance management system
  - implementation of total performance management
  - embracing and creating an environment that provides equal opportunities for all employees
  - relevant employee wellness interventions to enhance our model of care and well-being.
  
- **talent management.** Attracting, retaining and cultivating key talent through continuously:
  - developing and monitoring talent within the AGSA
  - monitoring occupancy levels (talent management is viewed as one of the contributors to the achievement of occupancy levels in the organisation)
  - providing executive coaching
  - developing the leadership pipeline for succession planning
  - enhancing the level of team performance (team effectiveness initiatives)

- **professionalisation.** Building a highly skilled workforce by enhancing and developing the skills and competency base of our employees through:
  - o growing qualified audit professionals embracing multiple professional bodies as part of our professional qualifications
  - o enhancing our learning and skills interventions for continuous development and growth of our employees, e.g. enhancing technical capacity through technical learning courses and updates; leadership and management development programmes; and holistic skills development for auditors (soft skills, deepened understanding of public sector)
  - o maintaining an effective TA scheme and providing external bursaries and partnering with stakeholders in the auditing industry for this purpose.

The organisation will actively pursue the integration and enhancement of our people management and development tools to ensure that we consistently deal with our people in a holistic manner and ensure a professional workforce that leads by example.

## **6.5 Lead by example**

The AGSA recognises leading by example as a key enabler to our success. Our ability to demonstrate that the AGSA does indeed lead by example in running a clean administration marked by operational excellence, individual and collective accountability, as well as an impeccable reputation, contributes to the authority, stature and relevance that are essential to our continued success as the supreme audit institution in this young democracy.

As a supreme audit institution, our accountability to lead by example is reflected through:

- consistently behaving in an ethical manner
- producing quality work that demonstrates our unquestionable competence and technical clarity
- taking accountability for the management of the business risks
- effectively sharing information and knowledge
- using all available systems, tools and expertise in an integrated manner.

Our reputation is defined by our conscientiousness in adhering to standards of excellence in our everyday behaviour and in all our governance processes and systems. Ethics is embedded in the AGSA culture and, as accountable individuals, we understand, internalise and take accountability for driving an ethical culture by leading by example. Our own clean administration serves as an indication of our commitment to lead the way through our ethical work conduct, compliance and internal risk management and control practices.

The AGSA's identity as a transforming organisation subscribing to employment equity and the broad-based black economic empowerment (B-BBEE) principles as prescribed by government forms part of our continuous effort in supporting government objectives.

The quality of our audit reports will be of the expected standard and will be subjected to assessment by IRBA.

We will continue to comply with statutory and legislative obligations, including deadlines, and account to Parliament by tabling our annual report and strategic plan and budget and all audit reports as per statutory or agreed delivery dates.

**Objective: To continuously adhere to standards of excellence for clean administration**

Our main aim is to achieve clean administration, demonstrated by achieving a clean audit year after year. We will achieve this objective through:

- continuously ensuring that our governance structures play their oversight role effectively
- ensuring continuous improvements in our compliance management and monitoring processes that will enable us to address the inherent risk of non-compliance with legislative and regulatory requirements
- automating our records and document management system as part of modernisation and optimisation of our environment
- continuing to ensure effective and efficient business process re-engineering, IT alignment and systems integration to provide an excellent service to our stakeholders. This will include relevant, accurate and timely information to our decision-makers. We will also focus on an improved alignment of business and IT systems
- introducing elements of integrated reporting as per King III recommendations.

**Our performance measure for clean audit is contained in Table 11**

Table 11: Performance measure and targets for clean audit report

Performance measure	Target		
	2013-14	2014-15	2015-16
Achieve AGSA clean audit report	Clean audit report	Clean audit report	Clean audit report
Tool	External audit report		

**The mechanisms crucial for the successful achievement of this objective are as follows:**

**1. Applying audit standards and methodology**

In accordance with the PAA, the AGSA determines the standards and methodology to be applied in audits, taking international and local best auditing practice into account. The AGSA leads by example in this area as we were one of a small number of SAs worldwide to fully implement the clarified International Standards on Auditing (ISA). Our methodology, working papers and templates are sound and adhere to these standards, as confirmed by an external firm-level review conducted by the IRBA.

The International Standards of Supreme Audit Institutions (ISSAI) provide public sector-specific application guidance on performance audits and the auditing of financial statements, internal control and legislative compliance. The AGSA has contributed substantially to developing these guidelines through INTOSAI and continues to be active in the working groups that further refine and improve the standards and guidelines. We have implemented several of the standards and are well on the way to incorporating them all into our AGSA methodology.

We will continue to work towards expressing an opinion on the reporting on predetermined objectives (reporting on service delivery), compliance with legislation and internal control. Such developments put us at the forefront of developments in the INTOSAI community and are geared towards fully complying with our mandate and addressing the needs of our stakeholders as expressed in our first two goals.

## **2. Striving towards an ethical culture**

In leading by example, the AGSA is committed to ensuring that the organisation's code of good practice, founded on the principles of the International Federation of Accountants (IFAC), INTOSAI codes of ethics and the AGSA's own procedures on ethical and independence requirements, is applied and adhered to. This is done by proactively creating awareness of the conduct expected of AGSA employees and its stakeholders to contribute to a highly ethical culture of public sector accountability, and thus maintaining our reputation, independence and objectivity.

A key priority is to manage risks effectively and proactively. Fraud and unethical behaviour can impact negatively on the reputation of the organisation. The annual ethics initiative includes the following aspects which will be further developed and enhanced within the organisation:

- Analysis and monitoring of potential conflicts within the organisation
- Increasing awareness in terms of declaring financial business and personal interests and reputational risks
- Monitoring of the annual declarations of interests submitted in a fair and transparent manner.

## **3. Managing the AGSA's risks**

As a supreme audit institution, the AGSA faces a combination of risks, some of which are unique to the profession and the external environment we operate in and some common to an internal institutional environment. Through environmental analysis, risk identification and assessment processes employed, it is evident that reputational risk yields the highest exposure for the organisation. We recognise that our reputation is dependent on multiple factors, some of which are stakeholders, quality delivery on our mandate and the sustained operations of the organisation.

It is therefore a critical strategic requirement that while we prepare the future plans of this organisation, we continue to be alert and responsive to the potential risks we face.

The good state of health of our control environment is supported by the continuous evaluation of risk environment, our frameworks and processes.

The annual strategic and business risk assessments we conduct will allow us to identify the most relevant risks where our prioritised efforts will be focused to ensure that we not only preserve the quality outputs and engagements with our stakeholders, but also continue to preserve our superior reputation.

## **4. Institutionalising capacity for project management**

A central programme management office (PMO) will be established and project management capabilities will be built in the business units. This will enable organisation-wide standards and processes and provide management with timely information on progress, costs and resources.

## **5. Optimising information knowledge management**

The AGSA acknowledges the strategic importance of information and knowledge management to effectively manage the system of sharing and transferring information in the most beneficial way. The AGSA will continue to entrench a culture of continuous learning and knowledge-sharing. The important role of the information and knowledge management team in supporting this with the relevant tools is recognised.

Sound governance and management of information and records is a cornerstone of accountability. Sound oversight, accountability and governance in the public sector are enabled through information. The AGSA has to capture, manage, store, retain and present the information gathered during its audit and other key processes in such a manner that it is trustworthy, authentic and reliable.

Key activities:

- *Automation of document and records management*  
King III requires sound information governance, while information management is essential to implementing the necessary policies, procedures, processes and controls in place to meet this requirement. Information risk is a key component of corporate governance, and information management identifies the key risks and implements steps to mitigate those risks.
- *Ensure that records are on all media; implement the systems to cater for all records on all media*  
With transparency and accountability at the centre of the AGSA's existence, it is essential that we live these values. It is almost impossible to do this without ensuring that information, which is evidence of the AGSA's activities, is accurately captured and stored. Evidence of actions lies in documented information and the AGSA must ensure that its information and record keeping systems, practices and processes support this requirement.
- *Mature information governance in such a manner that the AGSA can lead the field through involvement in various forums and standard-development initiatives and provide guidance internally and externally*  
In order to lead by example, the AGSA needs to go beyond the bare minimum and serve as an example to other government entities.

## 6. Optimising our business processes and information technology

The AGSA manages its business processes via process improvements, process automation and process intelligence. The objective of the AGSA's business process management function is to ensure effective and efficient data/information integration between internal AGSA processes or auditees' data/information and the AGSA's management information systems (MIS) reports.

The AGSA's policy on information and communication technology (ICT) governance contains the framework that supports effective and efficient management of information resources to facilitate the achievement of corporate performance objectives. The focus is mainly on the measurement and management of IT performance to ensure that the risks and costs associated with IT are appropriately controlled. IT governance is an integral part of the overall governance structures within the AGSA and ensures that the organisation's IT supports its strategic objectives.

ICT is also bringing mobile devices into the environment to support business in an efficient, effective and secure manner. To this end a mobile device adoption strategy framework has been developed. At the same time ICT rolled out a small pilot project to test the compatibility of mobile devices and determine how they can add value to business senior executives. This pilot project has achieved much success and plans are in place to officially roll out mobile devices to the next category of business user.

Social media serve as a technology-enabled communication channel where ICT is assisting business with research on how it can be used to support business and simultaneously manage the reputational risk associated with the use of social media in business. A strategy and policy framework is being developed in consultation with key stakeholders within the AGSA.

### Objective: Continual improvement of the timeliness of AGSA reports

The AGSA has, over the past five years, set higher targets to produce reports within the required time frames. The timeliness of our reports plays a significant role in the actions taken by those responsible for governance.

### Timelines of corporate reports

We continue to comply with statutory and legislative deadlines and account to Parliament by tabling our annual report and strategic plan and budget as per statutory or agreed delivery dates.

Table 12 shows the targets and measurements for ensuring the timeliness of our reports over the next three financial years.

Table 12: Performance measure and targets for compliance with statutory and legislative deadlines

Performance measure		Target		
		2013-14	2014-15	2015-16
Percentage compliance with statutory and legislative deadlines	Strategic plan and budget, annual report and general reports	100%	100%	100%
Tool	Project tracking tool			

### Timelines of regularity audit reports

We continue to comply with statutory and legislative deadlines and account to Parliament by tabling our audit reports as per statutory or agreed delivery dates. In order to achieve the timeliness objective, the AGSA will continuously enhance the level of resource planning. The resource planning enhancement will contribute towards an integrated work approach between audit and non-audit operations.

Table 13: Performance measures and targets for PFMA and MFMA audit reports

Performance measure		Target		
		2013-14	2014-15	2015-16
Timelines of PFMA and MFMA audit reports	<ul style="list-style-type: none"> <li>Audit reports (PFMA, MFMA)</li> <li>Measure pertains to all annual financial statements received and required to be completed within the financial year</li> <li>Targets for PFMA - 90% (within two months of receipt of annual financial statements)</li> <li>MFMA target is 90% (within three months where annual financial statements are received as per the legislated deadlines)</li> <li>MFMA target remains 90% (within four months where annual financial statements are not received on time)</li> </ul>	90%	90%	90%
Tool	Project tracking tool			

## Timelines for performance and investigations audit reports

Performance Auditing is in the process of increasing the breadth and depth of its research on government programmes with the aim of influencing and directing key role players and increasing knowledge sharing and consultation with internal and external stakeholders. Strong emphasis is placed on the integration of performance auditing with regularity auditing.

Table 14: Performance measures and targets for performance and investigations audit reports

Performance measure		Target		
		2013-14	2014-15	2015-16
Performance and investigations audit reports	Performance audits – deadlines as agreed by the Deputy-Auditor General (DAG) and the Auditor-General Investigations - deadlines as set out in the engagement letter to the auditee	95%	95%	95%
Tool	Project tracking tool			

### Objective: Maximise the AGSA's contribution to transformation

The AGSA's implementation of B-BBEE has been holistic to achieve maximum impact in terms of transformation, focusing mainly on contributing to the achievement of the country's transformation goals and on growth of the profession.

The organisation has adopted the CA Charter which places greater emphasis on skills development and employment equity in order to facilitate meaningful transformation of the profession. We are committed to support the prescripts of the charter and, in the process, exert a positive influence on the transformation of the accounting profession.

The AGSA's level 3 contributor level rating has been accomplished through the implementation of BBBEE at an organisational and BU level, which included focused initiatives and robust engagements with the Supply Chain Management BU, Human Capital BU and the senior leadership of the respective BUs to ensure the strategic alignment of the AGSA's transformation agenda journey and create a better understanding thereof.

We will continue with our efforts to drive transformation throughout the organisation by means of the following:

- BU level B-BBEE rating process where the BUs go through the rating process and achieve a contributor level
- Awareness sessions will be held to provide further understanding, alignment, support and guidance on B-BBEE to successfully address the gaps identified and thus contribute to the transformation of the organisation as a whole
- Black employees will have access to training that will enable them to progress in their career, and thus contribute to the growth of the profession
- Preferential procurement will be used to allow black small to medium enterprises access to the AGSA and thus contribute to sustainable economic growth

- The main focus of the AGSA in terms of enterprise development is to enable black audit firms to contribute towards the wider transformation and growth of the profession. In addition, our community support is linked directly to our CSI rural schools programme. Our approach is to assist the community members to be economically active, thus contributing to the sustainability of the communities within which our adopted rural schools are based. Our holistic approach to CSI is to improve the lives of the learners and the communities within which our auditees are based
- We will continuously engage with our stakeholders in aligning the AGSA's transformation goals and to keep abreast of new updates in the transformation space.

*Table 15: Performance measure and targets for achieving the required B-BBEE rating level*

Performance measure	Target		
	2013-14	2014-15	2015-16
Achieve identified B-BBEE rating level	3	3	3
Tool	Independent review conducted by external agency		

## **6.6 Sustainability**

We acknowledge that, like any other organisation, we have an impact on the physical environment and society in which we operate, thus we give importance to all matters that relate to our sustainability as a business. Our considerations are also consistent with the INTOSAI recommendations to emphasise the importance of sustainability and the principles of good governance, transparency and accountability.

The key components of our sustainability are the following:

### **Economic sustainability**

The economic dimension of sustainability pertains to our impact on the economic conditions of our stakeholders and on the economic system as a whole. By outsourcing audit work we provide employment to a substantial number of small, medium and large firms with specific incentives for emerging firms, while the terms and conditions of our contracts deliberately encourage the existence of such firms at local level. The organisational procurement policies are also aimed at supporting and promoting the participation of small and medium companies. These activities aim to bring to the economy individuals and communities that previously would not have had such opportunity.

We will track spending related to these parameters and ensure that it remains relevant to our revenue.

### **Environmental sustainability**

The environmental aspects of sustainability deal with our impacts on the natural systems, including land, air and water. Travelling remains our most significant activity and we are committed to understanding and quantifying our carbon footprint with the long-term goal of minimising it and possibly offsetting it in the future. We will also monitor the use of water, energy and paper and minimise wastage.

## ***Social sustainability***

The social part of sustainability relates to the impacts we have on the society within which we operate. Our impact is realised through labour practices which encourage diversity and inclusivity, our societal influence through our community upliftment and outreach programmes, and our product responsibility ensuring that our audit messages are used to improve the lives of citizens. These aspects are expanded on in the chapters on leading by example and simplicity and relevance of our messages.

## ***Cultural sustainability***

The cultural dimension of sustainability pertains to the impact the organisation has on our employees through the value system which we embrace, focusing on their holistic development and training as well as the wellness programmes that benefit them. The central place that culture takes in our organisational life is evidenced in all our activities described in the chapter on the unleashing of our human capital.

## ***Stakeholder engagements***

The AGSA conducts a structured stakeholder engagement programme with all its internal and external stakeholders, which includes direct involvement of the AGSA leadership under its visibility programme. The AGSA engages with the following groups: employees, cabinet, executive authorities at all spheres of government, parliamentary oversight structures, auditees, the media, National Treasury, regulatory and professional bodies, contracted private firms and citizens. Each group of stakeholders is reached in ways most suitable for them and the information is provided in a simple, clear manner as relevant to a particular group. Our engagements with the stakeholders and the derived benefits are explained in the chapter on the visibility of our leadership.

## ***Current status***

The AGSA has already been highly successful in integrating the management of sustainability issues into its core business, specifically the economic, social and stakeholder engagement aspects of our five main strategic goals. We are further committed to integrating the environmental aspects of our operation. The following focus areas were identified:

- Reducing energy and water consumption
- Minimising the generation of waste
- Reducing paper usage
- Understanding and assessing our carbon footprint, with the intention of reducing the environmental impact of our business travel where possible.

## ***Key activities***

In support of our strategy, the following key activities will be performed:

- Optimising and integrating our reporting procedures and processes
- Improving our information systems to enhance integrity and quality of information
- Intensifying sustainability awareness campaigns among our internal and external stakeholders
- Assessment of our carbon footprint
- Regular monitoring and evaluation of environmental sustainability initiatives.

## **Performance measures**

For our first year of reporting on some of the sustainability performance measures we commit to establishing baselines for the following:

- Electricity use
- Water use
- Paper use
- Paper waste generated
- Business travel – vehicles
- Business travel – flights
- Carbon footprint
- Completion of annual disclosure of interest declarations
- Incidents of integrity breach by our staff.

Improvement targets for the medium and long term will be set following the establishment of these baselines and will then form part of the organisational balanced scorecard.

## 7. SUMMARY OF THE 2013-14 STRATEGIC INITIATIVES

The current phase of the organisational strategy focuses mostly on institutionalising the good achievements so far and only allows for new initiatives that will enable the organisation to achieve its goals as set out during drafting of the strategy.

The table below summarises the key activities and ongoing initiatives that support our goals. The bolded text in cursive indicates increased effort or a new initiative.

Table 16: 2013-14 strategic initiatives

Strategic goal	Strategic initiatives
<p><b>Goal 1:</b> <b>Simplicity, clarity and relevance of our messages</b></p>	<ul style="list-style-type: none"> <li>• Identify the root causes of poor financial discipline in the public sector</li> <li>• Report those in the simplest possible way</li> <li>• Encourage the implementation and sustainability of correct internal controls and financial management practices at the auditees</li> <li>• Continue to acquire extensive knowledge and understanding of the public sector goals and functioning</li> <li>• Fine-tune our audit process</li> <li>• Achieve further integration of our diverse expertise and products and the deployment of multi-skilled audit teams</li> <li>• Increase the volume of performance audits and capacitate the performance auditing component of the organisation</li> <li>• Proactively evaluate fraud risks through fraud risk assessments in process and financial statement reporting</li> <li>• Prepare a growth strategy and plan for Performance Auditing for the medium term to 2018</li> <li>• Deliver a consolidated audit message</li> <li>• Subject the quality of our reports to the scrutiny of IRBA</li> <li>• Achieve assessment results above our own targets (already above industry standard level)</li> </ul>
<p><b>Goal 2:</b> <b>Visibility of our leadership</b></p>	<ul style="list-style-type: none"> <li>• Continue with the established key controls discussions</li> <li>• Provide the executive and oversight leadership with the right diagnosis to take corrective measures</li> <li>• Elevate our audit recommendations to commitments and actionable decisions</li> <li>• Improve stakeholders' realistic understanding of good governance and internal controls</li> <li>• Enhance the packaging of our messages to reach as many of our stakeholders as possible</li> <li>• Increase the rigour of the analysis in our general reports</li> <li>• Ensure continuity in understanding the audit outcomes</li> <li>• Encourage acceptance of ownership for internal controls by the appropriate responsible officials.</li> <li>• Intensify our visibility at all levels, widening the circle of engagements</li> <li>• Increase our participation in various governance forums</li> </ul>

Strategic goal	Strategic initiatives
<b>Goal 3: Funding</b>	<ul style="list-style-type: none"> <li>• Ensure stable cash flow</li> <li>• Increase the efficiency and effectiveness of our audits</li> <li>• Enhancement of the outsourcing of the CWC audit work</li> <li>• Provide for minimum surplus margins</li> </ul>
<b>Goal 4: Strengthening our human resources</b>	<ul style="list-style-type: none"> <li>• The TA scheme continues to form the basis of our human resources pipeline</li> <li>• Intensify relevant training and skills development</li> <li>• Create audit professionals with impeccable integrity and ethics</li> <li>• Succession planning and leadership pipeline development</li> <li>• High-performing teams and regular and timely feedback through total performance system</li> </ul>
<b>Goal 5: Lead by example</b>	<ul style="list-style-type: none"> <li>• Identify and institutionalise critical good practices</li> <li>• Make operational excellence the standard method of work</li> <li>• Audit and corporate reports will be provided to Parliament within the legislated timetables</li> <li>• Own clean audit report</li> <li>• Information and communication technology</li> <li>• Optimise infrastructure</li> <li>• ERP PeopleSoft</li> <li>• Enhance our audit software and solutions</li> <li>• Mature information governance of the AGSA</li> <li>• Strong support to the BBBEE policy with a focus on the CA Charter</li> </ul>
<b>Sustainability performance</b>	<ul style="list-style-type: none"> <li>• Set baseline performance targets</li> <li>• Implement tracking and monitoring systems and processes</li> </ul>

## 8. AGSA BALANCED SCORECARD 2013-2016

Table 17: AGSA balanced scorecard 2013 - 2016

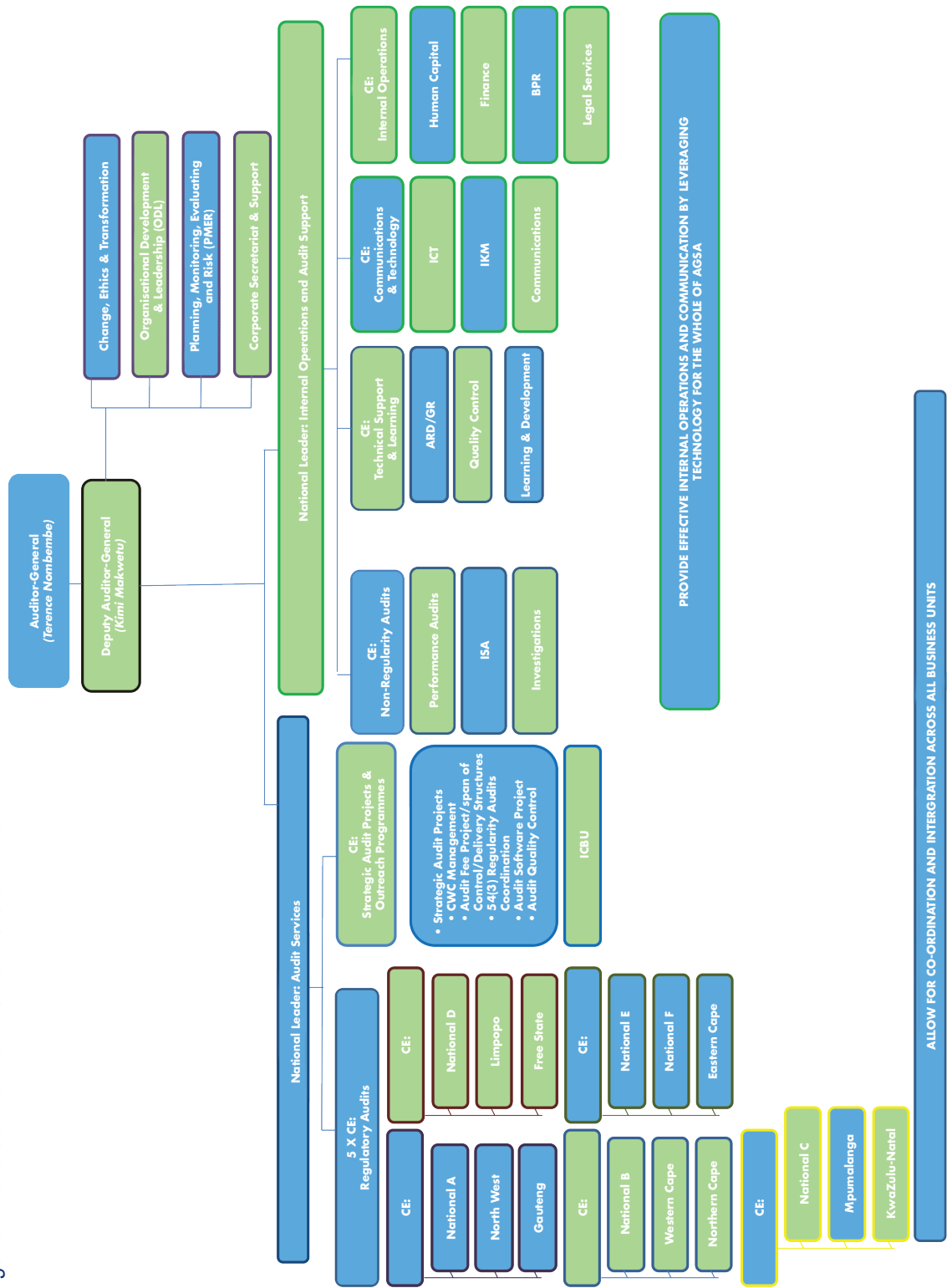
Strategic goal	Weight	Objective	Performance measure	Target		
				2013-14	2014-15	2015-16
<b>Simplicity</b>	20%	Identify root causes and make recommendations	Clear communication of relevant root causes and recommendation	3	3	3
		Continual improvement of the quality of AGSA reports	% adherence to all quality standards Audit reports Non-audit deliverables (qualitative top-down rating by supervisor)	87% (C2 and C3 rating)	87% (C2 and C3 rating)	87% (C2 and C3 rating)
<b>Visibility</b>	25%	Develop stakeholder relationships so as to encourage clean administration	High-quality, value-adding stakeholder interactions are conducted and escalated, where necessary (qualitative top-down rating by supervisor)	3	3	3
			Culture index	3,4	3,4	3,4
<b>Strengthen human resources</b>	25%	Have a motivated, high-performing and diverse workforce	Leadership index	3,4	3,4	3,4
			Staff engagement index	3,4	3,4	3,4
			Occupancy level	90%	90%	90%

Strategic goal	Weight	Objective	Performance measure	Target			
				1%	2%	2%	
<b>Funding</b>	15%	Execute the AGSA's mandate economically, efficiently and effectively	% net surplus	45 days from voucher date	45 days from voucher date	45 days from voucher date	
			Creditors days	45 days from voucher date	45 days from voucher date	45 days from voucher date	
			% debt collected averaged over 12 months invoices for the period (April – March) All National BUs	99% - 101%	99% - 101%	99% - 101%	
			1% debt collected from National Treasury averaged over 12 months' invoices' for the period (April – March) - (Finance BU)	100%	100%	100%	
			% debt collected averaged over 12 months' invoices for the period (April – March) All provincial BUs	96% - 98%	96% - 98%	96% - 98%	
			Achieve clean AGSA audit report	Clean audit report	Clean audit report	Clean audit report	
<b>Lead by example</b>	15%	Adhere to standards of excellence for clean administration Maximise the AGSA's contribution to transformation Timeliness of all our reports	Achieve identified BBBEE rating level	3	3	3	
			% compliance with statutory and legislative deadlines	Strategic plan and budget; annual report; and general reports	100%	100%	100%
				Performance audits and investigations	95%	95%	95%
				Regularity audits	90%	90%	90%

## 9. MANAGEMENT STRUCTURE

Our management structure is presented in figure 8.

Figure 8: Management structure of the Auditor-General of South Africa



## 10. PROJECTED STATEMENT OF COMPREHENSIVE INCOME

	Actual 31 March 2012 R million	Forecast 31 March 2013 R million	Budget 31 March 2014 R million	Forecast 31 March 2015 R million	Forecast 31 March 2016 R million
<b>AUDIT INCOME</b>	<b>2 073,7</b>	<b>2 211,3</b>	<b>2 474,1</b>	<b>2 798,8</b>	<b>3 080,1</b>
Own hours	1 438,5	1 544,0	1 809,9	1 985,6	2 184,2
S&T recoverable	87,9	88,2	113,6	124,7	137,1
Contract work	586,6	621,5	590,0	734,7	808,1
Present value of revenue adjustment	(39,3)	(42,4)	(39,4)	(46,2)	(49,3)
<b>DIRECT AUDIT EXPENDITURE</b>	<b>1 449,0</b>	<b>1 539,5</b>	<b>1 701,0</b>	<b>1 956,4</b>	<b>2 151,9</b>
Personnel expenditure	781,0	829,8	997,3	1 097,0	1 206,7
S&T recoverable	87,9	88,2	113,6	124,7	137,1
Contract work	580,1	621,5	590,1	734,7	808,1
<b>Contract work % of audit income excl. S&amp;T</b>	<b>28,6%</b>	<b>28,7%</b>	<b>24,6%</b>	<b>27,0%</b>	<b>27,0%</b>
<b>Gross profit</b>	<b>624,7</b>	<b>671,8</b>	<b>773,1</b>	<b>842,4</b>	<b>928,2</b>
<b>Own hours gross profit</b>	<b>657,5</b>	<b>714,2</b>	<b>812,6</b>	<b>888,6</b>	<b>977,5</b>
<b>Gross margin % of audit income</b>	<b>30,12%</b>	<b>30,38%</b>	<b>31,25%</b>	<b>30,10%</b>	<b>30,14%</b>
<b>Other income</b>	<b>74,8</b>	<b>70,2</b>	<b>80,7</b>	<b>98,4</b>	<b>110,0</b>
Interest	70,6	22,4	23,6	26,9	30,1
Present value adjustments and other	4,2	47,8	57,1	71,5	79,9
<b>Contribution to overheads</b>	<b>699,5</b>	<b>742,0</b>	<b>853,8</b>	<b>940,8</b>	<b>1 038,2</b>
<b>Overhead expenses</b>	<b>570,1</b>	<b>686,6</b>	<b>781,1</b>	<b>836,1</b>	<b>923,1</b>
Total expenditure	2 020,4	2 226,1	2 482,1	2 792,5	3 075,0
<b>Overhead as % of audit income</b>	<b>27,49%</b>	<b>31,05%</b>	<b>31,57%</b>	<b>29,87%</b>	<b>29,97%</b>
<b>Depreciation</b>	<b>28,8</b>	<b>33,9</b>	<b>47,4</b>	<b>48,6</b>	<b>49,6</b>
<b>Net surplus before special events</b>	<b>100,6</b>	<b>21,5</b>	<b>25,3</b>	<b>56,1</b>	<b>65,5</b>
<b>Net surplus as a % of audit income</b>	<b>4,85%</b>	<b>0,97%</b>	<b>1,02%</b>	<b>2,00%</b>	<b>2,13%</b>
<b>Special events - INCOSAI</b>	<b>1,3</b>	-	-	-	-
<b>Net surplus after special events</b>	<b>99,3</b>	<b>21,5</b>	<b>25,3</b>	<b>56,1</b>	<b>65,5</b>

## 11. PROJECTED STATEMENT OF FINANCIAL POSITION

	Actual 31 March 2012 R million	Forecast 31 March 2013 R million	Budget 31 March 2014 R million	Forecast 31 March 2015 R million	Forecast 31 March 2016 R million
<b>EQUITY AND LIABILITIES</b>	<b>440,4</b>	<b>461,9</b>	<b>487,2</b>	<b>543,3</b>	<b>608,8</b>
<b>Equity</b>					
General reserve	103,9	103,9	103,9	103,9	103,9
Special audit services fund	5,0	5,0	5,0	5,0	5,0
Retained earnings	232,2	331,5	353,0	378,3	434,4
Net surplus for the year	99,3	21,5	25,3	56,1	65,5
<b>Non-current liabilities</b>	<b>75,1</b>	<b>77,1</b>	<b>83,9</b>	<b>91,3</b>	<b>99,4</b>
Interest-bearing borrowings	5,5	-	-	-	-
Retirement benefit obligation – medical aid liability	69,6	77,1	83,9	91,3	99,4
<b>Current liabilities</b>	<b>395,6</b>	<b>401,7</b>	<b>449,2</b>	<b>507,9</b>	<b>520,4</b>
Trade and other payables	333,8	345,8	390,2	439,5	441,8
Leave liability	48,9	50,4	59,0	68,4	78,6
Current portion of interest-bearing borrowings	12,9	5,5	-	-	-
	<b>911,1</b>	<b>940,7</b>	<b>1 020,3</b>	<b>1 142,5</b>	<b>1 228,6</b>
<b>EMPLOYMENT OF CAPITAL</b>					
<b>Non-current assets</b>					
Property, plant & equipment	76,2	111,9	130,2	147,3	163,4
	76,2	111,9	130,2	147,3	163,4
<b>Investments</b>	<b>208,5</b>	<b>219,8</b>	<b>237,5</b>	<b>257,5</b>	<b>229,5</b>
<b>Current assets</b>	<b>626,4</b>	<b>609,0</b>	<b>652,6</b>	<b>737,7</b>	<b>835,7</b>
Trade and other debtors	419,9	447,7	499,3	565,1	634,5
Bank and cash	206,5	161,3	153,3	172,6	201,2
	<b>911,1</b>	<b>940,7</b>	<b>1 020,3</b>	<b>1 142,5</b>	<b>1 228,6</b>

### **Working capital assumptions**

1. Trade and other payables are calculated on a 45-day payment period from date of approval on the AGSA payment system.
2. Trade debtors are calculated based on the following collections: 2013 to 2016:
  - o 99% - 101% debt collected averaged over 12 months' invoices for the period (April – March) for all national BUs
  - o 100% debt collected from National Treasury for 1% auditees averaged over 12 months' invoices for the period (April – March) (Finance BU)
  - o 96% - 98% debt collected averaged over 12 months' invoices for the period (April – March) for all provincial BUs

## 12. PROJECTED CASH FLOW STATEMENT

	Forecast 31 March 2013 R million	Budget 31 March 2014 R million	Forecast 31 March 2015 R million	Forecast 31 March 2016 R million
<b>Opening bank balance</b>	206,5	161,3	153,3	172,6
<b>Cash inflow</b>	2 191,3	2 454,3	2 783,2	3 064,9
Audit income	2 163,6	2 413,0	2 731,1	3 004,2
Other income	27,7	41,3	52,1	60,7
<b>Cash outflow</b>	2 236,5	2 462,3	2 763,9	3 036,3
Operating expenditure	2 167,0	2 396,6	2 698,2	2 970,6
Capital expenditure	69,5	65,7	65,7	65,7
<b>Closing bank balance</b>	<b>161,3</b>	<b>153,3</b>	<b>172,6</b>	<b>201,2</b>

### Note

The cash flow reflected above excludes investments balances which are being ringfenced for specific commitments.



# ANNEXURES

## ANNEXURE 1: DETAILED BUDGET FOR 2013-14

Description	Notes	2012-13 budget R (A)	2012-13 forecast R (B)	Variance (B-A) R (C)	Variance (%) (B-A)/A (D)	2013-14 budget R (E)	2014-15 forecast R	2015-16 forecast R
<b>AUDIT INCOME</b>	2	<b>2 226 031 305</b>	<b>2 211 216 558</b>	<b>(14 814 747)</b>	<b>-1%</b>	<b>2 474 157 466</b>	<b>2 798 660 446</b>	<b>3 080 099 677</b>
<b>Own hours</b>	2.1	<b>1 605 213 624</b>	<b>1 543 950 368</b>	<b>(61 263 256)</b>	<b>-4%</b>	<b>1 809 851 592</b>	<b>1 985 592 358</b>	<b>2 184 151 594</b>
Regularity audit		1 447 454 806	1 410 454 654	(37 000 152)	-3%	1 591 414 581	1 745 944 610	1 486 431 341
Specialised audit		157 758 813	133 495 715	(24 263 098)	-15%	218 437 011	239 647 749	263 612 524
<b>Contract work</b>	2.2	<b>554 097 204</b>	<b>621 504 320</b>	<b>67 407 116</b>	<b>12%</b>	<b>590 039 364</b>	<b>734 669 173</b>	<b>808 136 090</b>
Regularity audit		539 540 466	561 709 155	22 168 689	4%	565 364 414	703 945 926	774 340 518
Specialised audit		14 556 737	59 795 164	45 238 427	311%	24 674 950	30 723 247	33 795 572
<b>Subsistence and travel</b>	2.3	<b>104 217 432</b>	<b>86 964 354</b>	<b>(17 253 078)</b>	<b>-17%</b>	<b>113 634 870</b>	<b>124 669 078</b>	<b>137 135 986</b>
<b>International subsistence and travel</b>	2.3	<b>4 985 269</b>	<b>1 279 740</b>	<b>(3 705 529)</b>	<b>-74%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Present value of revenue adjustment</b>		<b>(42 482 225)</b>	<b>(42 482 224)</b>	<b>1</b>	<b>0%</b>	<b>(39 368 360)</b>	<b>(46 270 163)</b>	<b>(49 323 993)</b>
<b>DIRECT AUDIT COST</b>		<b>1 545 968 863</b>	<b>1 539 581 793</b>	<b>(6 387 070)</b>	<b>0%</b>	<b>1 700 958 191</b>	<b>1 956 350 603</b>	<b>2 151 985 664</b>
Staff remuneration: Audit business units	3.3	882 668 957	829 833 379	(52 835 578)	-6%	997 283 957	1 097 012 353	1 206 713 588
Contract work (recoverable)	2.2	554 097 204	621 504 320	67 407 116	12%	590 039 364	734 669 173	808 136 090
Subsistence and travel (recoverable)	2.3	104 217 432	86 964 354	(17 253 078)	-17%	113 634 870	124 669 078	137 135 986
International subsistence and travel		4 985 269	1 279 740	(3 705 529)	-74%	-	-	-
<b>GROSS PROFIT</b>		<b>680 062 442</b>	<b>671 634 765</b>	<b>(8 427 677)</b>	<b>-1%</b>	<b>773 199 275</b>	<b>842 309 843</b>	<b>928 114 013</b>
<b>GROSS PROFIT PERCENTAGE</b>		<b>30,55%</b>	<b>30,37%</b>			<b>31,25%</b>	<b>30,10%</b>	<b>30,13%</b>
<b>OTHER INCOME</b>	2.4	<b>73 546 075</b>	<b>70 182 995</b>	<b>(3 363 080)</b>	<b>-5%</b>	<b>80 708 500</b>	<b>98 328 596</b>	<b>110 039 801</b>
Interest received PIC		5 941 262	11 342 996	5 401 734	91%	17 650 346	19 965 312	21 973 066
Interest received SCMB		11 113 492	11 044 496	(68 996)	-1%	6 000 000	6 886 942	8 119 451
Sundry income		14 009 097	5 313 279	(8 695 818)	-62%	15 945 282	24 971 231	28 765 520
Present value adjustments: Revenue/debtors		42 482 224	42 482 224	-	0%	41 112 872	46 505 111	51 181 764
<b>SURPLUS BEFORE OPERATING COST</b>		<b>753 608 517</b>	<b>741 817 760</b>	<b>(11 790 757)</b>	<b>-2%</b>	<b>853 907 775</b>	<b>940 638 439</b>	<b>1 038 153 814</b>
<b>OPERATING COST</b>		<b>667 556 861</b>	<b>686 484 537</b>	<b>18 927 676</b>	<b>3%</b>	<b>781 147 000</b>	<b>836 189 945</b>	<b>923 021 334</b>
<b>Staff remuneration:</b>	3.3	<b>217 767 931</b>	<b>249 082 109</b>	<b>31 314 178</b>	<b>14%</b>	<b>255 317 197</b>	<b>278 295 744</b>	<b>303 342 362</b>
Support business units	3.3.2	<b>213 247 373</b>	<b>246 352 450</b>	<b>33 105 077</b>	<b>16%</b>	<b>253 527 571</b>	<b>276 345 052</b>	<b>301 216 107</b>
Africa projects		<b>4 520 558</b>	<b>2 729 659</b>	<b>(1 790 899)</b>	<b>-40%</b>	<b>1 789 626</b>	<b>1 950 692</b>	<b>2 126 255</b>

Description	Notes	2012-13 budget R (A)	2012-13 forecast R (B)	Variance (B-A) R (C)	Variance (%) (B-A)/A (D)	2013-14 budget R (E)	2014-15 forecast R	2015-16 forecast R
<b>Other personnel expenditure</b>	3	<b>99 610 828</b>	<b>97 279 859</b>	<b>(2 330 969)</b>	<b>-2%</b>	<b>110 616 238</b>	<b>120 679 422</b>	<b>131 659 065</b>
Leave pay provision	3.1	9 034 914	1 525 834	(7 509 080)	-83%	8 621 000	9 396 890	10 242 610
Medical aid provision	3.2	4 771 920	7 522 995	2 751 075	58%	6 809 001	7 421 811	8 089 774
Group life scheme	3.4	7 610 436	8 911 864	1 301 428	17%	10 772 270	11 849 497	13 034 447
Long service awards & other	3.4	4 230 000	1 257 500	(2 972 500)	-70%	-	-	-
Performance bonus	3.6	68 442 204	72 540 977	4 098 773	6%	78 303 512	85 350 828	93 032 403
UIF: employer contribution	3.5	3 996 409	3 874 989	(121 420)	-3%	4 217 512	4 597 088	5 010 826
Workmen's compensation premiums	3.5	600 000	792 126	192 126	32%	811 823	884 887	964 527
BU recognition scheme	3.4	924 945	853 574	(71 371)	-8%	1 081 120	1 178 421	1 284 479
<b>Consultants fees</b>	4	<b>26 929 231</b>	<b>27 801 845</b>	<b>872 614</b>	<b>3%</b>	<b>17 393 168</b>	<b>20 002 143</b>	<b>23 002 465</b>
Consultants fees (irrecoverable)	4	26 929 231	27 801 845	872 614	3%	17 393 168	20 002 143	23 002 465
<b>Subsistence and travel (irrecoverable)</b>	5	<b>17 295 257</b>	<b>17 484 718</b>	<b>189 461</b>	<b>1%</b>	<b>21 223 445</b>	<b>23 133 555</b>	<b>25 215 575</b>
<b>Accommodation</b>	6	<b>80 585 652</b>	<b>80 162 915</b>	<b>(422 737)</b>	<b>-1%</b>	<b>82 625 519</b>	<b>88 409 305</b>	<b>94 597 957</b>
Rental	6.1	51 758 082	53 078 503	1 320 421	3%	49 959 444	53 456 605	57 198 567
Operating cost	6.2	28 827 570	27 084 412	(1 743 158)	-6%	32 666 075	34 952 700	37 399 389
<b>Stakeholder relationship</b>	7	<b>36 124 987</b>	<b>34 303 475</b>	<b>(1 821 512)</b>	<b>-5%</b>	<b>43 081 323</b>	<b>46 097 016</b>	<b>52 089 628</b>
Liaison	7.1.1	3 800 000	2 672 852	(1 127 148)	-30%	9 457 995	10 025 686	11 329 025
Internal stakeholder liaison	7.1.2	9 411 892	9 527 716	115 824	1%	9 657 811	10 333 858	11 677 259
External stakeholder liaison	7.1.3	4 579 447	4 161 104	(418 343)	-9%	5 035 679	5 388 177	6 088 639
Culture expenses	7.1.4	3 675 114	526 275	(3 148 839)	-86%	-	94 369	106 637
Constitutional liaison		760 454	838 467	78 013	10%	933 430	998 770	1 128 610
Non-constitutional liaison		540 000	159 498	(380 502)	-70%	101 000	108 070	122 119
Regional congresses	7.2	7 557 565	10 663 649	3 106 084	41%	12 140 803	12 990 659	14 679 445
Foreign visitors	7.3	77 200	30 599	(46 601)	-60%	170 050	181 954	205 607
Overseas travel	7.4	5 723 314	5 723 315	1	0%	5 584 555	5 975 474	6 752 285
<b>Oversight Governance</b>	8	<b>1 443 600</b>	<b>104 057</b>	<b>(1 339 543)</b>	<b>-93%</b>	<b>1 287 610</b>	<b>1 364 867</b>	<b>1 446 759</b>

Description	Notes	2012-13 budget R (A)	2012-13 forecast R (B)	Variance (B-A) R (C)	Variance (%) (B-A)/A (D)	2013-14 budget R (E)	2014-15 forecast R	2015-16 forecast R
<b>Audit expenses</b>	9	<b>4 958 676</b>	<b>6 027 659</b>	<b>1 068 983</b>	<b>22%</b>	<b>6 600 000</b>	<b>7 062 000</b>	<b>7 980 060</b>
External audit fees	9.1	2 308 836	3 200 000	891 164	39%	3 200 000	3 424 000	3 869 120
Internal audit fees	9.2	2 649 840	2 827 659	177 819	7%	3 400 000	3 638 000	4 110 940
<b>Bank charges</b>		<b>355 040</b>	<b>346 049</b>	<b>(8,991)</b>	<b>-3%</b>	<b>356 592</b>	<b>381 553</b>	<b>431 155</b>
<b>Finance charges</b>	10	<b>1 686 234</b>	<b>813 233</b>	<b>(873 001)</b>	<b>-52%</b>	<b>144 136</b>	<b>-</b>	<b>-</b>
<b>Recruitment expenses</b>	11	<b>8 877 799</b>	<b>6 656 371</b>	<b>(2 221 428)</b>	<b>-25%</b>	<b>10 548 901</b>	<b>11 287 324</b>	<b>12 754 676</b>
Advertising		1 200 000	1 374 985	174 985	15%	3 273 600	3 502 752	3 958 110
Personnel agency fees		3 000 000	1 942 531	(1 057 469)	-35%	3 000 000	3 210 000	3 627 300
Interviews		177 799	177 113	(686)	0%	2 375 305	2 541 576	2 871 981
Transfer & relocation expenses		4 500 000	3 161 742	(1 338 258)	-30%	1 899 996	2 032 996	2 297 285
<b>Learning and development</b>	12	<b>82,668,362</b>	<b>78,137,024</b>	<b>(4,531,338)</b>	<b>-5%</b>	<b>108,752,554</b>	<b>107,735,168</b>	<b>121,740,740</b>
Membership fees	12.1	10 055 072	8 801 206	(1 253 866)	-12%	15 760 261	16 863 479	19,055 732
Training	12.2	36 165 710	34,026,738	(2 138 972)	-6%	37 097 321	39 694 124	44 854 371
Study assistance: employees	12.3	14 633 783	13 504 304	(1 129 479)	-8%	19 750 599	21 133 141	23 880 449
Study support incentive scheme		-	-	-	100%	4 039 481	4 322 245	4 884 136
I&L development projects		863 080	1 415 847	552 767	64%	2 209 026	10 923 658	12 343 733
Foundations programmes		-	-	-	100%	8 000 000	8 560 000	9 672 800
Study assistance: Special projects		-	1 500	1 500	100%	-	-	-
Bursaries	12.4	15 291 630	15 039 642	(251 988)	-2%	11 976 140	12 814 470	14 480 351
Tertiary assistance		-	-	-	100%	3 977 000	4 255 390	4 808 591
Study support incentive scheme: top-up one		-	-	-	100%	49 000	52 430	59 246
Skills development levy		10 659 086	10 349 087	(309 999)	-3%	11 893 726	12 726 287	14 380 704
Skills development levy (recovered)		(5 000 000)	(4 999 800)	200	0%	(6 000 000)	(6 420 000)	(7 254 600)
<b>Employee wellness programmes</b>	13	<b>10 231 648</b>	<b>7 042 531</b>	<b>(3 189 117)</b>	<b>-31%</b>	<b>8 139 896</b>	<b>8 709 689</b>	<b>9 841 948</b>
Employee wellness programmes		3 444 000	4 569 267	1 125 267	33%	4 722 860	5 053 460	5 710 410
Employee social responsibility		650 000	491 960	(158 040)	-24%	345 000	369 150	417 140
AGSA social responsibility (general)		2 444 011	700 000	(1 744 011)	-71%	699 996	748 996	846 365
Corporate social investment		3 693 637	1 281 304	(2 412 333)	-65%	2 372 040	2 538 083	2 868 034

Description	Notes	2012-13 budget R (A)	2012-13 forecast R (B)	Variance (B-A) R (C)	Variance (%) (B-A)/A (D)	2013-14 budget R (E)	2014-15 forecast R	2015-16 forecast R
<b>Technological services</b>	14	39 057 724	44 445 045	5 387 321	14%	55 012 389	58 863 256	66 515 480
Computer services	14.1	32 627 943	38 537 899	5 909 956	18%	47 568 572	50 898 372	57 515 160
Hiring of equipment: rental	14.2	4 561 030	4 136 078	(424 952)	-9%	5 207 290	5 571 800	6 296 134
Hiring of equipment: copy charges		1 868 752	1 771 068	(97 684)	-5%	2 236 527	2 393 084	2 704 185
<b>Insurance and legal fees</b>	15	2 572 848	2 216 490	(356 358)	-14%	2 820 632	3 210 676	3 834 146
Insurance		1 072 848	638 968	(433 880)	-40%	1 095 632	1 172 326	1 324 729
Legal costs		1 500 000	1 577 522	77 522	5%	1 725 000	2 038 350	2 509 418
<b>Office maintenance</b>	16	21 857 312	20 596 047	(1 261 265)	-6%	25 353 488	27 128 232	30 654 902
Cleaning: contracts/services		2 475 474	2 361 287	(114 187)	-5%	2 906 376	3 109 822	3 514 099
Cleaning: materials		349 041	562 688	213 647	61%	489 844	524 133	592 270
Office improvements		1 377 131	1 314 914	(62 217)	-5%	2 606 513	2 788 969	3 151 535
Refreshments		1 842 667	1 844 571	1 904	0%	1 925 135	2 059 894	2 327 681
Publications		2 337 120	2 273 785	(63 335)	-3%	2 562 543	2 741 921	3 098 371
Repairs & maintenance: Computer equipment & software		1 298 376	612 717	(685 659)	-53%	1 419 726	1 519 107	1 716 591
Repairs & maintenance: Furniture & equipment		324 111	405 248	81 137	25%	370 215	396 130	447 627
Repairs & maintenance: Site & buildings		1 288 566	1 190 024	(98 542)	-8%	1 353 001	1 447 711	1 635 914
Repairs & maintenance: Office vehicles		448 676	347 022	(101 654)	-23%	520 567	557 007	629 418
Printing of audit reports		1 831 285	1 830 238	(1 047)	0%	1 940 000	2 075 800	2 345 654
Stationery & printing		8 059 867	7 581 264	(478 603)	-6%	8 893 758	9 516 321	10 753 443
Artwork & design		25 000	72 289	47 289	189%	165 810	177 417	200 481
Medical examinations		200 000	200 000	-	0%	200 000	214 000	241 820
<b>Communication</b>	17	10 406 134	9 166 877	(1 239 257)	-12%	11 363 381	11 883 725	13 115 134
Cell phone charges	17.2	3 711 100	3 331 101	(379 999)	-10%	4 489 467	4 803 730	5 428 215
Postage & courier services		1 884 398	1 797 361	(87 037)	-5%	1 991 124	1 855 410	2 096 613
Telephone charges	17.1	4 810 637	4 038 415	(772 222)	-16%	4 882 790	5 224 585	5 590 306

Description	Notes	2012-13 budget R (A)	2012-13 forecast R (B)	Variance (B-A) R (C)	Variance (%) (B-A)/A (D)	2013-14 budget R (E)	2014-15 forecast R	2015-16 forecast R
<b>Other expenses</b>		5 127 596	4 818 233	(309 363)	-6%	20 510 531	21 946 268	24 799 283
Present value adjustment: creditors		(6 298 578)	(7 107 941)	(809 363)	13%	(7 672 655)	(8 209 741)	(9 277 007)
Present value adjustment: expenses		7 226 174	7 226 174	-	0%	8 183 194	8 756 018	9 894 300
Bad debts provision		4 200 000	4 700 000	500 000	12%	19 999 992	21 399 991	24 181 990
<b>SURPLUS BEFORE DEPRECIATION</b>		<b>86 051 656</b>	<b>55 333 223</b>	<b>(30 718 433)</b>	<b>-36%</b>	<b>72 760 775</b>	<b>104 448 495</b>	<b>115 132 480</b>
<b>Depreciation</b>	18	40 052 029	33 873 293	(6 178 736)	-15%	47 422 975	48 593 473	49 624 884
Depreciation: Motor vehicles		1 397 684	1 216 289	(181 395)	-13%	1 488 624	1 503 623	1 516 173
Depreciation: Furniture & equipment		5 198 486	4 800 554	(397 932)	-8%	5 961 475	6 146 825	6 292 682
Depreciation: Computer equipment		25 733 317	19 105 953	(6 627 364)	-26%	26 249 383	26 992 278	27 650 123
Depreciation: Computer software		5 073 098	5 754 580	681 482	13%	10 540 652	10 723 519	10 900 302
Depreciation: Leasehold improvements		2 649 444	2 995 917	346 473	13%	3 182 841	3 227 228	3 265 604
<b>NET SURPLUS</b>		45 999 627	21 459 930	(24 539 698)	-53%	25 337 800	55 855 022	65 507 596
<b>Net surplus ratio</b>		2,07%	0,97%			1,02%	2,00%	2,13%
<b>CAPITAL BUDGET</b>	19	65 451 353	69 536 036	4 084 683	6%	65 740 956	65 740 956	65 740 956
Motor vehicles	19.1	5 841 169	2 003 224	(3 837 945)	-66%	620 000	620 000	620 000
Furniture & equipment	19.2	14 582 120	14 514 274	(67 846)	0%	17 468 219	17 468 219	17 468 219
Computer equipment	19.4	27 990 564	34 730 034	6 739 470	24%	26 403 441	26 403 441	26 403 441
Computer software	19.5	7 003 000	6 755 622	(247 378)	-4%	10 422 800	10 422 800	10 422 800
Leasehold improvement	19.3	10 034 500	11 532 882	1 498 382	15%	10 826 496	10 826 496	10 826 496
<b>CAPEX AS % OF TOTAL INCOME</b>		<b>2,94%</b>	<b>3,14%</b>			<b>2,66%</b>	<b>2,35%</b>	<b>2,13%</b>

## ANNEXURE 2: NOTES ON THE BUDGET

### 2. INCOME

Budget item	Ref.	2012-13 budget R'000 (1)	2012-13 forecast R'000 (2)	Variance R'000 (2) - (1)	Variance % (2) - (1)	2013-14 budget R'000 (3)	Change R'000 (3) - (1)	Change % (3) - (1)
Own hours	2.1	1 605 214	1 543 950	(61 263)	-3,8%	1 809 852	204 638	12,7%
Contract work	2.2	554 097	621 504	67 407	12,2%	590 039	35 942	6,5%
Subsistence and travel	2.3	104 217	86 964	(17 253)	-16,6%	113 635	9 418	9,0%
International subsistence and travel		4 985	1 280	(3 706)	-74,3%	-	(4 985)	-100,0%
Present value of revenue adjustments		(42 482)	(42 482)	-	0,0%	(39 369)	3 113	7,3%
<b>Total audit income</b>		<b>2 226 031</b>	<b>2 211 217</b>	<b>(14 815)</b>	<b>-0,7%</b>	<b>2 474 157</b>	<b>248 126</b>	<b>11,1%</b>

#### EFFECT OF THE AGSA INCOME FOR 2013-14 ON TOTAL ESTIMATED STATE EXPENDITURE

The total estimated audit costs of R2,47 billion for 2013-14 (2012-13: R2,23 billion) amounts to 0,24% (2012-13: 0,23%) of estimated state expenditure of approximately R1,053 trillion for 2013-14. The estimated audit income for 2013-14 represents an 11,1% increase over 2012-13 budget and has no material effect on the total state expenditure.

#### 2.1 Calculation of own hours income

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

- number of staff members (including vacancies that are planned to be filled) (refer 2.1.1)
- recoverable hours (refer 2.1.1 A)
- tariffs (refer 2.1.2).

The 2013-14 revenue budget has been compiled using the same tariff formula applied in the 2012-13 budget.

### 2.1.1 Number of staff (ABU only)

Audit staff	2012-13 budget		2013-14 budget		Change		Comments
	Staff numbers (1)	Staff numbers (2)	Staff numbers (2)	Staff numbers (2) - (1)	Staff numbers (2) - (1)	% (2) - (1)	
Business executives	18	19	19	1	1	6%	Increase is due to the planned appointment of a BE for the new business unit - Strategic Audit Projects & Programmes.
Deputy business executives	17	17	17	-	-	-	
Senior managers	158	171	171	13	13	8%	Increase is due to additional centres (Northern Cape, Information Systems Audit, National E, National F) and planned growth
Audit managers	441	477	477	36	36	8%	mainly as a result of taking back some of the section 4 (3) audits
Auditors	646	696	696	50	50	8%	and other audit activities.
Trainee auditors	1 180	1 224	1 224	44	44	4%	
<b>Total recoverable audit staff</b>	<b>2 460</b>	<b>2 604</b>	<b>2 604</b>	<b>144</b>	<b>144</b>	<b>6%</b>	
Admin staff: Non-recoverable audit staff	204	217	217	13	13	6%	
<b>Total audit staff</b>	<b>2 664</b>	<b>2 821</b>	<b>2 821</b>	<b>157</b>	<b>157</b>	<b>6%</b>	

#### 2.1.1 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. The level of these recovery rates is arrived at after providing sufficient time for essential non-recoverable activities such as annual leave, study leave, sick leave, training, management and supervision. For the 2013-14 budget the targeted recovery ratios for BEs and DBEs were revised downwards (refer recovery rates and recoverable hours analysis table below) to allow more time for administration and supervision duties and to cater for increased stakeholder relations as part of the AGSA leadership's visibility programme. The average recovery rate for the 2013-14 budget is 63,13% (2012-13 budget: 62,93%), an increase of 0,2%.

The calculation of recoverable hours is based on the total available hours, which are equal to 2 017 hours per person per year (2012-13: 2 009 hours), multiplied by the recovery rate per band and multiplied by the number of recoverable staff per band per 2.1.1 above.

### Recovery rates and recoverable hours analysis.

Budget item	2012-13	2013-14	2012-13 budget	2013-14 budget	Change		Comments
	Expected recovery rate per band	Expected recovery rate per band	Hours (1)	Hours (2)	Hours (2) - (1)	% (2) - (1)	
<b>Audit staff</b>							
Business executives	32%	25%	10,127	8 687	(1 440)	-14,2%	The net increase in recoverable hours of 205 887 is due to the following:
Deputy business executives	41%	30%	13 400	9 990	(3 410)	-25,4%	<ul style="list-style-type: none"> <li>Increase of 144 in recoverable staff (refer to 2.1.1 above).</li> </ul>
Senior managers	54%	55%	152 877	166 426	13 549	8,9%	<ul style="list-style-type: none"> <li>Increase of 0,2% in average recovery rate (refer to 2.1.1A above).</li> </ul>
Audit managers	66%	65%	547 124	569 204	22 080	4,0%	<ul style="list-style-type: none"> <li>Available hours increased by 8 hours per person year on year (2013-14: 2,017; 2012-13: 2,009).</li> </ul>
Auditors	66%	68%	857 593	936 690	79 097	9,2%	
Trainee auditors	65%	66%	1 528 448	1 624 459	96 011	6,3%	
<b>Total</b>			<b>3 109 569</b>	<b>3 315 456</b>	<b>205 887</b>	<b>6,6%</b>	Refer to 2.1.3 for calculation of total own hours income

### 2.1.1 B Standard non-recoverable ratios

Budget item	2013-14 ratios					2013-14 Budget			2012-13 budget	
	Annual leave	Sick Leave	Study & other	Training	Management & super-vision	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%	28 579	1 504	24 764	1 376
Deputy business executives	11%	4%	0%	6%	49%	70%	23 857	1 403	19 402	1 176
Senior managers	11%	4%	0%	6%	25%	45%	156 805	917	144 719	917
Audit managers	11%	4%	2%	6%	12%	35%	336 759	706	297 766	675
Auditors	11%	4%	4%	6%	7%	32%	448 918	645	436 810	676
Trainee auditors	11%	4%	8%	9%	0%	34%	778 945	636	832 681	706

The increase in non-recoverable hours per band for BEs and DBEs is due to more time allowed for administration and supervision duties and to cater for increased stakeholder relations as part of the AGSA leadership's visibility programme.

### 2.1.2 Recommended tariffs

Tariffs are based on average staff costs per band and interval, mark-up factor and recoverable hours (staff cost x mark up factor ÷ recoverable hours). The average 2013-14 budget tariff is R546 per hour (2012-13: R516 per hour). The increase of R30 per hour is due to an effective salary increase of 8,07% and is explained in the table below.

Budget item	2012-13 budget		2013-14 budget		Change		Comments
	Rand/hour	(1)	Rand/hour	(2)	Rand/hour	(2) - (1)	
					%	(2) - (1)	
<b>Audit staff</b>							
Business executives	2 324		2 440	116	5%		
Deputy business executives	1 718		2 476	759	44,2%		
Senior managers	1 468		1 591	123	8,4%		
Audit managers	1 040		1 122	83	7,9%		
Auditors	534		571	36	6,8%		
Trainee auditors	200		195	(5)	-2,6%		
<b>Average</b>	<b>516</b>		<b>546</b>	<b>30</b>	<b>5,7%</b>		
Refer to 2.1.3 calculation of total own hours income. Also refer to annexure 3 for detailed tariff schedule for 2013-14.							

The increase in the average tariff is due to an effective salary increase of 8,07% (8,6%/12 x 4 months + 7,8%/12 x 8 months). This compares to 8,56% for budget 2012-13. The 2,6% decrease in the average trainee auditor's tariff is mainly due to the decrease in the mark-up factor from 2,45 (Budget 2012-13) to 2,39 (Budget 2013-14).

### 2.1.3 Calculation of own hours income

Budget item	2012-13 budget		2013-14 budget		Change	
	(1)	(2)	(1)	(2)	Hours	%
Recoverable hours (R'000)			3 110	3 315	206	6,6%
Average tariff (rand per hour)			516	546	30	5,7%
<b>Own hours income (R'000)</b>			<b>1 605 214</b>	<b>1 809 852</b>	<b>204 638</b>	<b>12,7%</b>

#### Note 1

The increase in own hours income is due to additional recoverable hours and the increase of R30 per hour in average tariff.

## 2.2 Contract work movement

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

Budget item	2012-13 budget		2013-14 budget		Comments
	R'000		R'000		
Enterprise development	390 819		429 344		This is in line with the AGSA's practice of outsourcing work to private audit firms.
Pre-issuance	39 989		49 468		Review of audit files before the finalisation of audit reports for presentation to auditees.
Vacancies	123 290		111 227		Provision for additional contract work to accommodate the AGSA's vacancies. The decrease of R12 million is due to an increase in the AGSA's recoverable staff complement.
<b>Total</b>	<b>554 097</b>		<b>590 039</b>		

## 2.3 Subsistence and travel - recoverable

Budget item	Ref.	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change	
		R'000		R'000		R'000	%	R'000	%	R'000	%
Subsistence and travel (recoverable)		104 217		86 964		(17 253)	-16,6%	113 635		9 418	9,0%
International subsistence and travel	<b>2.3.1</b>	4 985		1 280		(3 706)	-74,3%	-		(4 985)	-100,0%
<b>Total</b>		<b>109 203</b>		<b>88 244</b>		<b>(20 959)</b>	<b>-19,2%</b>	<b>113 635</b>		<b>4 433</b>	<b>4,1%</b>

### 2.3.1 Budget 2012-13 to 2013-14 budget change

The S&T calculation is based on the S&T policy rates and the planned trips to carry out the audits. For the 2013-14 budget, the rate per kilometre increased from R4,57 to R4,80 per kilometre, which together with increased audit activities resulted in the increase in budget of R9,4 million. There was no budget for international S&T due to the end of contract with the United Nations Board of Auditors in June 2012.

## 2.4 Other income

Budget item	Ref.	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change		
		R'000	(1)	R'000	(2)	R'000	(2)-(1)	%	R'000	(3)	R'000	(3)-(1)
Interest received: PIC	2.4.1	5 941		11 343		5 402		90,9%	17 651		11 710	197,1%
Interest received: Current account	2.4.1	11 113		11 044		(69)		-0,6%	6 000		(5 113)	-46,0%
Sundry income	2.4.2	14 009		5 313		(8 696)		-62,1%	15 945		1, 936	13,8%
<b>Total</b>		<b>31 064</b>		<b>27 701</b>		<b>(3 363)</b>		<b>-10,8%</b>	<b>39 596</b>		<b>8 533</b>	<b>27,5%</b>

### 2.4.1 Interest received

The increase between the 2012-13 and 2013-14 budgets in interest received on the investment account and the reduction in interest received on the current account are due to the proposed investment strategy to keep the AGSAs funds in investment accounts which offer a higher interest rate compared to the current account. The 2013-14 budget interest rates are projected to be in the range of 5 to 6,5% per annum for PIC investments and 4,5% per annum on average for the current account. We will, however, maintain a monthly average of R120 million in liquid cash for daily operational activities.

### 2.4.2 Sundry income

Sundry income is made up mainly of R12,7 million in interest to be charged on overdue debtors and recoupment of costs from AFROSA-E of R1,6 million for shared costs.

### 3. PERSONNEL EXPENDITURE

Budget item	Ref.	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change	
		R'000	(1)	R'000	(2)	R'000	%	R'000	(3)	R'000	%
						(2)-(1)	(2)-(1)	(3)	(3)-(1)		
Leave pay provision	3.1	9 035		8 226		(809)	-8,9%	8 621		(414)	-4,6%
Medical aid provision	3.2	4 772		7 523		2 751	57,7%	6 810		2 038	42,7%
Normal salary and benefits	3.3	1 100 437		1 072 215		(28 222)	-2,6%	1 252 602		152 165	13,8%
Other incentives	3.4	12 765		11 023		(1 742)	-13,6%	11 854		(911)	-7,1%
UIF & WCA	3.5	4 596		4 667		71	1,5%	5 030		434	9,4%
<b>Total</b>		<b>1 131 606</b>		<b>1 103 654</b>		<b>(27 951)</b>	<b>-2,5%</b>	<b>1 284 917</b>		<b>153 312</b>	<b>13,5%</b>
<b>Percentage of total income</b>		<b>50,8%</b>		<b>49,9%</b>				<b>51,9%</b>			

A more detailed analysis is shown in tables 3.1 to 3.5 below.

#### 3.1 Leave pay provision

Leave pay provision is influenced by the accumulation of leave days allowed in terms of the policy and salary increases. The leave policy has been revised. The number of accumulated leave days to be paid out will be limited to a maximum of 30 days per year at resignation and 120 days on retirement.

#### 3.2 Post-retirement medical aid provision (PRMA)

The PRMA estimates were based on actuarial projections for the 2012-13 forecast. The 2013-14 budget follows the trend of 2012-13.

### 3.3 Normal salary

#### 3.3.1 Audit staff

Employee group	Total		Average salary per band R'000	Positioning against benchmark – range R'000	Comments
	Number of employees	R'000			
Business executives	19	26 907	1 416	1 240-1 850	
Deputy business executives	17	18 828	1 108	1 017-1 526	
Senior managers	171	165 559	968	723-1 225	
Managers	477	336 956	706	433-937	
Auditors	696	264 738	380	230-674	The average salary per band is in line with the salary surveys conducted by Human Capital Business Unit.
Trainee auditors	1 224	132 314	108	76-343	
Admin staff	217	51 982	240	157-302	
<b>Total audit staff</b>	<b>2 821</b>	<b>997 284</b>	<b>353</b>		

Note: The total audit staff cost includes overtime and staff employed on a fixed-term contract for a period of one year or less.

#### 3.3.2 Support staff

Employee group	Total		Average salary per band R'000	Positioning against benchmark – range R'000	Comments
	Number of employees	R'000			
Corporate executive group	14	27 590	1 971		Includes salaries of the AG and DAG.
Business executives	15	18 569	1 238	1 174-1 761	
Senior managers	45	39 255	872	721-1 082	
Managers	169	102 811	608	364-838	The average salary per band is in line with the salary surveys conducted by Human Capital Business Unit.
Specialists	169	60 634	359	234-461	
Admin staff	25	6 459	258	157-302	
<b>Total support staff</b>	<b>437</b>	<b>255 318</b>			

### 3.3.3 Total staff

Employee group	Total		Average salary per band R'000	Positioning against benchmark – range R'000	Comments
	Number of employees	R'000			
Total audit staff	2 460	882 669	2 604	997 284	The increase is influenced by the projected average salary increase rate of 7,8% per annum (effective rate of 8,07%) and 175 increase in the staff complement (recoverable staff 144; nonrecoverable staff 31)
Total support staff	623	217 769	654	255 318	
<b>Total</b>	<b>3,083</b>	<b>1 100 438</b>	<b>3 258</b>	<b>1 252 602</b>	

From the above analysis it is clear that the average salary levels are in line with the industry norm that was established in the previous year, hence the effective salary increase of 8,07% is in line with the salary survey.

### 3.4 Other incentives

Budget item	2012-13 budget		2012 - 13 forecast		Variance		2013-14 budget		Change		Comments		
	R'000	(1)	R'000	(2)	R'000	(2) - (1)	%	R'000	(3)	R'000		(3) - (1)	%
Group life scheme	7 610		8 912	(2)	1 301	(2) - (1)	17,1%	10 772		3 162	(3) - (1)	41,5%	The increase is in line with salary increases and the growth in the number of staff.
Long service awards	4 230		1 258		(2 973)		-70,3%	-		(4 230)		-100,0%	Included in the long-service award budget 2012-13 is a provision of R4,23 million for early retirement of staff over 55 years of age. The provision of R5 million for the 2013-14 budget is now included in the staff remuneration.
Business unit recognition scheme	925		854		(71)		-7,7%	1 081		156		16,9%	This is used for team excellence recognition initiatives and the growth is driven by the number of staff.
<b>Total</b>	<b>12 765</b>		<b>11 023</b>		<b>(1 742)</b>		<b>-13,6%</b>	<b>11 853</b>		<b>(912)</b>		<b>-7,1%</b>	

### 3.5 UIF and WCA

Budget item	2012-13 budget	2013-14 budget	Change		Comments
	R'000	R'000	R'000	%	
	(1)	(2)	(2) - (1)	(2) - (1)	
UIF employer's contribution	3 996	4 218	222	5,5%	The increase is due to an increase in the number of staff as well as the salary increase.
Workmen's compensation premiums	600	812	212	35,3%	The budget is based on the last assessment.
<b>Total</b>	<b>4 596</b>	<b>5 030</b>	<b>434</b>	<b>9,4%</b>	

These levies are based on the full staff complement of 3 258 and have been calculated for the full year. The rates used are in terms of the relevant legislation.

### 3.6 Performance Bonus

Performance bonus budget is R78,3 million for 2013-14 budget (2012-13 : R68,4 million). The actual performance bonus paid in 2011-12 was R76,5 million. The AGSA has a performance management system and process that commit the organisation to recognise and reward employees when they have achieved the agreed work performance targets.

## 4. CONSULTANTS' FEES

Budget item	2012-13 budget	2012 -13 forecast	Variance		2013-14 budget		Change	
	R'000	R'000	R'000	%	R'000	%	R'000	%
	(1)	(2)	(2) - (1)	(2) - (1)	(3)	(3) - (1)	(3) - (1)	(3) - (1)
Ongoing	23 078	23 826	748	3,2%	13 222	(9 856)	-42,7%	
One-off ad hoc projects	3 851	3 976	125	3,2%	4 171	320	8,3%	
<b>Total</b>	<b>26 929</b>	<b>27 802</b>	<b>873</b>	<b>3,2%</b>	<b>17 393</b>	<b>(9 536)</b>	<b>-35,4%</b>	

The decrease in consultants' fees from R26,9 million in the 2012-13 budget to R17,4 million in the 2013-14 budget is due to the reclassifying of some consultant costs to CAPEX and the use of our internal resources where possible. The analysis below reflects details of the nature of consultant expenditure.

## Consultants' fees analysis

Budget item	2013-14 budget			Comments
	Ongoing	Once-off	Total	
	R'000	R'000	R'000	
Quality control	828	-	828	External firm-level review and annual quality control reviews by IRBA. Experts for mandatory quality control, e.g. ISA audit. Experts for firm-level reviews performed by the internal QC component.
Finance	227	788	1,015	External audit fees for the audit of new billing rates after salary adjustments; Actuarial fees for the post retirement medical evaluations; budget tool maintenance and the audit of CWC tender.
Corporate Secretariat	90	147	237	Consultants to evaluate governance committees (audit committee, remuneration committee, policy committee and MAF review committee) per King III requirements.
Communication	670	390	1 060	Consultants for media monitoring, technical writer for the Annual Report and audit of content to ensure that our messages are simple, clear and relevant.
Information Communication & Technology: ICT technical support	4 754	-	4 754	External support for the ERP, audit software, infrastructure and other projects.
Performance Monitoring Evaluation & Reporting	-	110	110	Consultant work for the enhancement of the internal control tool.
Research & Development	1 311	916	2 227	Consultants' fees in respect of AoPI specialist, methodology transfer to new audit software and MIS programmer continuity.
Performance Audit	1 500	-	1 500	Research conducted on performance auditing themes by Human Science Research Council (HSRC).
Investigations	-	300	300	Consultants' fees for training on the implementation of ISA240 methodology. ISA240 is an auditing standard that deals with auditors' responsibility relating to fraud during the audit process. Due to the lack of in-house trainers this will have to be outsourced.
Human Capital projects:				
Team mentoring survey	100	-	100	Consultant fees for conducting anonymous surveys to test and measure team effectiveness.
AGSA survey	701	-	701	Fees for climate surveys done by Deloitte on behalf of the AGSA.
Target selection programme	-	400	400	Consultants' fees for the implementation of target selection recruitment process.
Workforce planning programme	-	600	600	Consultants' fees for the implementation of workforce planning.
Knowledge management	-	170	170	Fees for the production of Information Management Policy.
National leader 2	-	350	350	Consultants fees for special audit support projects conducted through the office of the National Leader.
Strategic Organisational Development & Leadership	3 041	-	3 041	Fees payable to service providers for the development of the leadership programmes (succession planning, executive coaching & thought development leadership).
<b>Total</b>	<b>13 222</b>	<b>4 171</b>	<b>17 393</b>	

One-off initiatives are defined as those projects necessary to establish capabilities that have not previously existed and/or to upgrade current capabilities and technologies.

## 5. SUBSISTENCE AND TRAVEL - IRRECOVERABLE

Budget item	2012-13 budget	2012-13 forecast	Variance		2013-14 budget	Change	
	R'000	R'000	R'000	%	R'000	R'000	%
	(1)	(2)	(2) - (1)	(2) - (1)	(3)	(3) - (1)	(3) - (1)
Subsistence and travel (irrecoverable)	17 295	17 485	189	1,1%	21 223	3 928	22,7%
<b>Total</b>	<b>17 295</b>	<b>17 485</b>	<b>189</b>	<b>1,1%</b>	<b>21 223</b>	<b>3 928</b>	<b>22,7%</b>
<b>Percentage of total income</b>	<b>0,8%</b>	<b>0,8%</b>			<b>0,9%</b>		

The 22,7% increase is due to more planned interactions with both external and internal stakeholders, as well as the increase in travel allowance per kilometre as a result of fuel price increases. The 2013-14 S&T budget was calculated based on planned trips and the AGSA's revised S&T policy that was reviewed in April 2012.

## 6. ACCOMMODATION

### 6.1 Rentals

The 4% decrease in rentals from R51,75 million in the 2012-13 budget to R49,95 million is due to the lower provision for straightlining of leases.

Location	2012-13		2013-14			Comments
	Square metres occupied	Average monthly cost per square metre	Square metres occupied	Total staff establishment	Basic rental cost	
Western Cape	1 839	69	1 839	238	1 607 764	73
Eastern Cape	4 504	100	3 827	310	5 089 298	111
Mpumalanga	1 210	101	1 210	139	1 634 081	113
KwaZulu-Natal	2 245	95	2 330	229	2 764 126	99
North West	1 352	97	1 804	110	2 404 010	111
Limpopo	2 130	157	2 130	116	4 422 647	173
Free State	2 000	90	1 960	185	2 169 720	92
Johannesburg	2 671	96	2 672	264	3 527 040	110
Northern Cape	1 022	69	2 000	155	2 232 000	93
Pretoria	14 805	164	14 865	1 512	24 108 758	135
<b>Total</b>	<b>33 778</b>	<b>102</b>	<b>34 637</b>	<b>3 258</b>	<b>49 959 444</b>	<b>120</b>

### 6.2 Operating costs

The operating costs for the 2013-14 budget are based on service agreements, which are linked to the rental agreements and reflect much higher cost of utilities.

## 7. STAKEHOLDER RELATIONSHIP

Budget item	Ref.	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change	
		R'000	(1)	R'000	(2)	R'000	%	R'000	(3)	R'000	%
						(2) - (1)	(2) - (1)	(3)	(3) - (1)	(3) - (1)	
Liaison	7.1.1	3 800		2 673		(1 127)	-29,7%	9 458		5 658	148,9%
Internal stakeholders	7.1.2	9 412		9 528		116	1,2%	9 658		246	2,6%
External stakeholders	7.1.3	4 579		4 161		(418)	-9,1%	5 036		456	10,0%
<b>Total</b>		<b>17 791</b>		<b>16 362</b>		<b>(1 430)</b>	<b>-8,0%</b>	<b>24 152</b>		<b>6 360</b>	<b>35,3%</b>

### 7.1 Stakeholder relationship

#### 7.1.1 Liaison

Included under liaison are costs for employee communication, media management, events management and branding. The increase is due to the one-off provision of R6,8 million for events, stakeholder interactions and plans related to the retirement of the AG.

#### 7.1.2 Internal stakeholder activities

Budget item	2012-13 budget			2013-14 budget			Variance		Comments
	Number of employees	Amount	Total	Number of employee	Amount	Total	Rate	Volume	
	(1)	(2)	(1) X (2)	(3)	(4)	(3) X (4)			
BU team interventions/ CE-led strategic alignment interventions	3 083	3 053	9 412	3 258	2 964	9 658	(274)	519	These are activities that occur every year and are integrated into the CEs' strategic alignment plans in order to achieve maximum impact and cost effectiveness.
<b>Total</b>	<b>3 083</b>	<b>3 053</b>	<b>9 412</b>	<b>3 258</b>	<b>2 964</b>	<b>9 658</b>	<b>(274)</b>	<b>519</b>	

### 7.1.3 External stakeholder activities

Budget item	2012-13 budget			2013-14 budget			Variance (6) - (3) R'000
	Number of employees (1)	Allowance R'000 (2)	Total R'000 (3)	Number of employee (4)	Allowance R'000 (5)	Total R'000 (6)	
	Business executive – National	22	24	528	25	24	
Business executive – Provincial	9	24	216	9	24	216	-
Deputy business executive	17	18	306	17	18	306	-
Senior manager	192	12	2 304	216	12	2 592	288
Executive committee (Exco)	11	111	1 225	14	94	1 322	97
<b>Total</b>	<b>251</b>		<b>4 579</b>	<b>281</b>		<b>5 036</b>	<b>457</b>

The cost relates to the improvement of relationships and communication with internal and external stakeholders. The objective with regards to interaction with external stakeholders is to improve the consistency of our messages and to provide insight into the purpose and outcome of audits. Internal stakeholder interaction with staff is aimed at enabling them to understand their unique contribution to the AGSA's vision and mission. The allowance applied per band to compute the budget has remained the same over the two previous budget periods and therefore the increase of R457 000 is due to the increase in the number of employees.

### 7.1.4 Culture expenses

Budget item	2012-13 budget			2013-14 budget			Variance (6) - (3)	Comments
	Number of employees (1)	Allowance R'000 (2)	Total R'000 (3)	Number of employees (4)	Allowance R'000 (5)	Total (6)		
	Culture building activities	3 083	1 192	3 675	3 258	-		

## 7.2 Regional congresses (strategic alignment workshops (Vision Alignment/Organisation Alignment))

Budget item	2012-13 budget		2013-14 budget			Variance R'000	Comments	
	Number of employees (1)	Allowance R'000 (2)	Total R'000 (1) x (2) = (3)	Number of employees (4)	Allowance R'000 (5)			Total R'000 (4) x (5) = (6)
BE/CE workshop	3 083	1 453	4 478	3 258	3 009	9 803	5 325	The 2013-14 budget allowance is R3 009 per employee compared to the budget guideline of R2 000 per employee due to the following: Included in the 2013-14 budget are additional amounts of R5,6 million from various BU's such as Knowledge Management (R854 000), National leaders (R446 000), Western Cape (R348 000), National F (R249 000), PMER (R280 000), Eastern Cape (R222 000), etc. for other activities. This has resulted in the 2013-14 budget allowance per employee increasing to R3 009 (2012-13 budget: R1 453).
Senior management workshop	251	12 271	3 080	281	8 322	2 338	(742)	The decrease is due to the alignment of the 2013-14 budget to the actual cost of the senior management workshop (SMWV) held in August 2012.

## 7.3 Foreign visitors

Budget item	2012-13 budget	2012 -13 forecast		Variance		2013-14 budget		Change	
	R'000 (1)	R'000 (2)	R'000 (2) - (1)	R'000 (2) - (1)	% (2) - (1)	R'000 (3)	R'000 (3) - (1)	R'000 (3) - (1)	% (3) - (1)
Foreign visitors	77	31	(47)	(47)	-60,4%	170	93	120,3%	
<b>Total</b>	77	31	(47)	(47)	-60,4%	170	93	120,3%	

These expenses relate to foreign visitors to the AGSA from other supreme audit institutions (SAIs) and are based on the expected number of visitors. The increase in budget is due to more visitors expected in the 2013-14 year compared to the 2012-13 financial year.

#### 7.4 Overseas travel

Budget item	2012-13 budget		2012 -13 forecast		Variance		2013-14 budget		Change		Comments		
	R'000	(1)	R'000	(2)	R'000	(2) - (1)	%	R'000	(3)	R'000		(3) - (1)	%
Auditor-General (AG) & Deputy Auditor-General (DAG)	1 643		1 643		-		0,0%	1,718		75		4,6%	
Institutional Cooperation and Other	4 080		4 080		-		0,0%	3,867		(213)		-5,2%	
<b>Total</b>	<b>5 723</b>		<b>5 723</b>		<b>-</b>		<b>0,0%</b>	<b>5,585</b>		<b>(138)</b>		<b>-2,4%</b>	

Planned trips for the AG and DAG's participation in the INTOSA and other SAI activities.

The decrease is due to the closure of the International Audit Business Unit. Provision has also been made for one staff member (CE, BE or SM) to attend meetings of INTOSA working groups/committees. Three trips have been provided for a CE to support the AG as chair of the Governing Board meetings.

#### 8. OVERSIGHT GOVERNANCE

Budget item	2012-13 budget		2012 -13 forecast		Variance		2013-14 budget		Change		Comments		
	R'000	(1)	R'000	(2)	R'000	(2) - (1)	%	R'000	(3)	R'000		(3) - (1)	%
Parliamentary oversight mechanism (SCoAG)	-		100		100		0,00%	100		100		100%	
labour and staff relations	-		-		-		0,00%	200		200		100%	
Corporate governance boards (AG advisory board, audit committee, risk committee and quality control assessment committee)	1 444		4		(1 440)		-99,7%	988		(456)		-31,6%	
<b>Total</b>	<b>1 444</b>		<b>104</b>		<b>(1 340)</b>		<b>-92,8%</b>	<b>1 288</b>		<b>(156)</b>		<b>-10,8%</b>	

Provision for labour relations issues

This provision is for expenses relating to various advisory committees of the AGSA. These costs are mainly driven by the number of meetings held per annum. The decrease is due to the removal of two SCoAG workshops and the reduction of the number of AGSA staff members attending SCoAG meetings.

## 9. AUDIT FEES

### 9.1 External audit fees

Budget item	2012-13 budget		2012-13 forecast		2013-14 budget		Change		Comments
	R'000	(1)	R'000	(2)	R'000	(3)	R'000	%	
Annual financial statement audit	1 369		1 898		1 898		529	38,6%	The audit costs are based on the estimates provided by our external auditors and cover planning, interim audit, final audit, BU visits and internal control reviews.
Performance information audit (balanced scorecard)	593		822		822		229	38,7%	The costs are based on the time estimated to conduct the balance scorecard audit by the external auditors.
Salary review	347		481		480		133	38,4%	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.
<b>Total</b>	<b>2 309</b>		<b>3 200</b>		<b>3 200</b>		<b>891</b>	<b>38,5%</b>	

### 9.2 Internal audit fees

Budget item	2012-13 budget		2012-13 forecast		2013-14 budget		Change	
	R'000	(1)	R'000	(2)	R'000	(3)	R'000	%
Routine financial audits	619		660		364		(255)	-41,2%
Routine human capital related audits	550		587		438		(112)	-20,4%
Routine internal control audits	337		360		984		647	192,0%
Business unit visits	383		409		479		96	25,1%
Ad hoc assignments and system queries (CAATs application)	278		297		396		118	42,4%
Project management and attendance of audit committee meetings	241		257		436		195	80,9%
Risk management meetings and strategic risk assessment	120		128		141		21	17,5%
Disbursements	122		130		162		40	32,8%
<b>Total</b>	<b>2 650</b>		<b>2 828</b>		<b>3 400</b>		<b>750</b>	<b>28,3%</b>

The forecast 2012-13 and budget 2013-14 are a reflection of the internal audit costs based on the internal audit coverage plan.

## 10. FINANCE CHARGES

Budget item	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change		
	R'000	(1)	R'000	(2)	R'000	(2) - (1)	%	R'000	(3)	R'000	(3) - (1)
Finance costs		1 686	813	(873)	-51,8%	144	(1 542)	-91,5%			
<b>Total</b>		<b>1 686</b>	<b>813</b>	<b>(873)</b>	<b>-51,8%</b>	<b>144</b>	<b>(1 542)</b>	<b>-91,5%</b>			
<b>% of total income</b>		<b>0,1%</b>	<b>0,0%</b>			<b>0,0%</b>					

The finance charges for budget 2013-14 of R144 000 are lower than the 2012-13 budget of R1,7 million as notebook computers were purchased for cash since the beginning of January 2012, and are no longer financed.

## 11. RECRUITMENT EXPENSES

Budget item	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change		Comments
	R'000	(1)	R'000	(2)	R'000	(2) - (1)	%	R'000	(3)	R'000	
Advertisements	1 200	1 375	175	14,6%	3 274	2 074	172,8%	The increase is due to the drive to fill vacancies, particularly in core business, and branding the AGSA as an employer of choice in order to attract good quality candidates.			
Personnel agency fees	3 000	1 943	(1 057)	-35,2%	3 000	-	0,0%	The increase is due to interview costs for recruitment which were previously budgeted under consultants' fees.			
Interviews	178	177	(1)	-0,4%	2 375	2 197	1235,8%	The decrease is due to the completion of the project of relocating the Mthatha and Port Elizabeth offices' employees to East London in the 2012-13 financial year. The project started in the 2010-11 financial year.			
Transfer and relocation expenses	4 500	3 162	(1 338)	-29,7%	1 900	(2 600)	-57,8%				
<b>Total</b>	<b>8 878</b>	<b>6 656</b>	<b>(2 221)</b>	<b>-25,0%</b>	<b>10 549</b>	<b>1 671</b>	<b>18,8%</b>				

## 12. LEARNING AND DEVELOPMENT

In 2012 the Learning and Development BU was established to focus on training, learning and development for AGSA staff. The BU has worded its statement of intent as follows:

- Serve the audit and oversight learning needs of our stakeholders
- Providing continuous innovative learning experiences to capacitate high performers
- Creating a trusted learning brand
- Assisting the AGSA in achieving its mandate to improve the lives of all citizens and becoming leaders in public sector auditing.

This relates to the investment the office is making towards continuous learning and development for staff, the details of which are as follows:

Budget item	Ref.	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change			
		R'000	(1)	R'000	(2)	R'000	(2) - (1)	%	R'000	(3)	R'000	(3) - (1)	%
Membership fees	12.1	10 055		8 801		(1 254)		-12,5%	15 761		5 705		56,7%
Training:	12.2	36 166		34 027		(2 139)		-5,9%	37 097		932		2,6%
Internal training		15 069		15 197		127		0,8%	13 155		(1 914)		-12,7%
External training		5 776		4 969		(807)		-14,0%	5 563		(213)		-3,7%
S&T: training		15 320		13 861		(1 459)		-9,5%	18 379		3 059		20,0%
Study assistance: employee bursaries	12.3	14 634		13 504		(1 129)		-7,7%	19 751		5 117		35,0%
HC development projects		863		1 416		553		64,0%	2 209		1 346		155,9%
Bursaries	12.4	15 292		15 040		(252)		-1,6%	11 976		(3 315)		-21,7%
Tertiary assistance	12.4	-		-		-		0,0%	3 977		3 977		100,0%
Study support for trainee auditors		-		-		-		0,0%	4 088		4 088		100,0%
Foundation programmes		-		-		-		0,0%	8 000		8 000		100,0%
Skills development levy		10 659		10 349		(310)		-2,9%	11 894		1 235		11,6%
Skills development levy - recovered		(5 000)		(5 000)		-		0,0%	(6 000)		(1 000)		20,0%
<b>Total</b>		<b>82 668</b>		<b>78 137</b>		<b>(4 531)</b>		<b>-5,5%</b>	<b>108 753</b>		<b>26 085</b>		<b>31,6%</b>

### 12.1 Membership fees

The 2013-14 budget for membership fees is based on current staff numbers, anticipated staff intake and the annual increase in membership fees. The membership fees with respect to AGSA audit professionals in the 2013-14 budget is R13,6 million.

### 12.2 Training

Budget item	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change	
	R'000	(1)	R'000	(2)	R'000	(2) - (1)	R'000	(3)	R'000	(3) - (1)
						%				%
Internal	15 069		15 197		127	0,8%	13 155	(1 914)	(1 914)	-12,7%
External	5 776		4 969		(807)	-14,0%	5 563	(213)	(213)	-3,7%
S&T for training activities	15 320		13 861		(1 459)	-9,5%	18 379	3 059	3 059	20,0%
<b>Total</b>	<b>36 166</b>		<b>34 027</b>		<b>(2 139)</b>	<b>-5,9%</b>	<b>37 097</b>	<b>932</b>	<b>932</b>	<b>2,6%</b>

### 12.3 Study assistance: employee bursaries

Course of study	2012-13 budget		2013-14 budget		Comments
	R'000		R'000		
Diploma	601		15	15	Only one employee will be registered for a diploma course.
Degree	2 065		239	239	The decrease is due to fewer employees qualifying for study assistance due to their lower pass rates.
CTA/ Honours	7 277		12 482	12 482	The UNISA CTA programme is running over two years as CTA1 and CTA2 from 2012 onwards. This effectively increases the cost of support to our employees.
FQE support courses	2 807		3 014	3 014	Assistance to AGSA's employees for preparation of final qualification examinations which will enable employees to qualify as professionals through their respective professional bodies.
Nonaccounting degrees and diplomas	195		225	225	
MBA	681		35	35	Fewer employees are registered for the MBA programmes.
Postgraduate, RGA, CISA	1 008		3 741	3 741	The figure of R3,741 million includes post-graduate courses and the RGA and CISA programmes. The CISA learnership programme (R1,4 million) is an AGSA-designed programme run by UNISA.
<b>Total</b>	<b>14 634</b>		<b>19 751</b>	<b>19 751</b>	

### 12.4 External student bursaries and tertiary assistance

The programme of awarding bursaries and the support given to tertiary institutions are intended to create a future employee pool for the industry.

Budget item	2012-13 budget	2012 - 13 forecast	2013-14 budget
	R'000	R'000	R'000
Thuthuka	1 600	1 574	1 800
External bursaries	8 949	8 801	9 200
Study support	541	532	277
Sponsorship, functions & other	248	244	699
Fort Hare	3 954	3 889	-
Tertiary assistance (including Fort Hare)	-	-	3 977
<b>Total</b>	<b>15 292</b>	<b>15 040</b>	<b>15 953</b>

#### Thuthuka

This amount is per the signed agreement. It relates approximately to the funding of 40 students (2012-13 budget: 40 students) whom the AGSA sponsors on the Thuthuka programme.

### External bursaries

This refers to the cost of our 120 external bursary holders (budget 2012-13: 110) as shown in the table below:

Name of University	Number of students
Cape Town	14
Fort Hare	13
Free State	5
Johannesburg	17
KwaZulu-Natal	14
Limpopo	1
Nelson Mandela Metro	6
North West	19
Pretoria	6
Rhodes	2
Stellenbosch	8
UNISA	4
Western Cape	5
Wits	6
<b>Total</b>	<b>120</b>

### 13. EMPLOYEE WELLNESS PROGRAMMES

Budget item	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change		Comments
	R'000		R'000		R'000	%	R'000		R'000	%	
	(1)	(2)	(2)	(2) - (1)	(2) - (1)	(2) - (1)	(3)	(3) - (1)	(3) - (1)	(3) - (1)	
Employee wellness programmes	3 444	4 569	1 125	32,7%	4 723	37,1%	1 279				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 budget is based on the service provider's contract amounts and the AGSAs investment in its people's wellness.
Employee social responsibility	650	492	(158)	-24,3%	345	-46,9%	(305)				The decrease is due to the alignment of the 2013-14 budget to the 2011-12 actual historical spend.
AG social responsibility	2 444	700	(1 744)	-71,4%	700	-71,4%	(1 744)				
Corporate social responsibility	3 694	1 281	(2 412)	-65,3%	2 372	-35,8%	(1 322)				Corporate social responsibility relates to the AGSAs contribution to enterprise development and social responsibility for community involvement. The cost includes programmes such as poverty eradication, bring-a-girl-child-to-work day and Metro FM's bring-a-boy/girl-child-to-work day. The decrease is due to the alignment of the 2013-14 budget to the 2011-12 actual historical spend.
<b>Total</b>	<b>10 232</b>	<b>7 043</b>	<b>(3 189)</b>	<b>-31,2%</b>	<b>8 140</b>	<b>-20,4%</b>	<b>(2 092)</b>				

## 14. TECHNOLOGICAL SERVICES

Budget item	Ref.	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change			
		R'000	(1)	R'000	(2)	R'000	(2) - (1)	%	R'000	(3)	R'000	(3) - (1)	%
Computer services	14.1	32 628		38 538		5 910	18,1%	47 568		14 940		45,8%	
Hiring of equipment – rental	14.2	4 561		4 136		(425)	-9,3%	5 207		646		14,2%	
Hiring of equipment – copy charges		1 869		1 771		(98)	-5,2%	2 237		368		19,7%	
<b>Total</b>		<b>39 058</b>		<b>44 445</b>		<b>5 387</b>	<b>13,8%</b>	<b>55 012</b>		<b>15 954</b>		<b>40,8%</b>	

### 14.1 Computer services

Budget item	2012-13 budget		2012-13 forecast		2013-14 budget		Variance		Change		Comments		
	R'000	(1)	R'000	(2)	R'000	(3)	R'000	(2) - (1)	%	R'000		(3) - (1)	%
IT maintenance and support	15 114		17 852		24 875		2 738	18,1%	9 761		64,6%	Increase in software licence fees for PeopleSoft, Team Mate, Microsoft, ACL and Oracle to maintain operations.	
Networks	12 370		14 611		16 287		2 241	18,1%	3 917		31,7%	Due to the increase in the number of users who need network access and the capacity of the network needs to be increased. New applications of PeopleSoft programs which are in development will be implemented in 2013-14 and will need increased network capacity. There are also a number of applications planned to be implemented in the 2013-14 financial year (e.g. management information system and new audit software solutions).	
Security	3 872		4 573		5 599		701	18,1%	1 727		44,6%	Due to the increase in the number of users there will be a need for an increase in antivirus and encryption software licenses, as well as the new rollout of security software for mobile devices (iPads) which will be rolled out for the first time in the 2013-14 year.	
Telecommunications	1 272		1 502		807		230	18,1%	(465)		-36,6%	The decrease is due to the budget amount for voice telecoms being budgeted under telecommunications. The bulk of the telecommunication is included under networks investment in telecommunications.	
<b>Total</b>	<b>32 628</b>		<b>38 538</b>		<b>47 568</b>		<b>5 910</b>	<b>18,1%</b>	<b>14 940</b>		<b>45,8%</b>		

### 14.2 Hiring of equipment

The increase of 14,2% is due to an increase in the number of multifunctional devices and annual rental charges.

### 15. INSURANCE AND LEGAL FEES

Budget item	2012-13 budget	2012 -13 forecast	Variance		2013-14 budget	Change		Comments
	R'000	R'000	R'000	%	R'000	R'000	%	
Insurance premiums	1 073	639	(434)	-40,4%	1 096	23	2,1%	The increase of 2,1% is within our budgeted CPX of 5,6% and is based on the AGSA's claims history.
Legal fees and contingency	1 500	1 578	78	5,2%	1 725	225	15,0%	The budget for 2013-14 is based on the actual costs incurred in 2011-12 and projected costs for 2012-13 forecast.
<b>Total</b>	<b>2 573</b>	<b>2 216</b>	<b>(356)</b>	<b>-13,9%</b>	<b>2 821</b>	<b>248</b>	<b>9,6%</b>	

### 16. OFFICE MAINTENANCE

Budget item	2012-13 budget	2012 -13 forecast	Variance		2013-14 budget	Change	
	R'000	R'000	R'000	%	R'000	R'000	%
Office maintenance	21 857	20 596	(1 261)	-5,8%	25 354	3 497	16,0%
<b>Total</b>	<b>21 857</b>	<b>20 596</b>	<b>(1 261)</b>	<b>-5,8%</b>	<b>25 354</b>	<b>3 497</b>	<b>16,0%</b>

Included in office maintenance are costs for cleaning (R3,4 million), office improvements (R2,6 million), refreshments and publications (R7,1 million), repairs and maintenance (R3,1 million) and stationery & printing (R8,9 million). The increase of 16% is mainly due to the establishment of eight new centres and the new Strategic Audit Projects & Outreach Programmes Business Unit.

## 17. COMMUNICATION

Budget item	Ref.	2012-13 budget	2012-13 forecast	Variance		2013-14 budget	Change	
		R'000	R'000	R'000	%	R'000	R'000	%
Telephone charges	17.1	4 811	4 038	(772)	-16,1%	4 883	72	1,5%
Cell phone charges	17.2	3 711	3 331	(380)	-10,2%	4 489	778	21,0%
Postage and courier services		1 884	1 797	(87)	-4,6%	1 991	107	5,7%
<b>Total</b>		<b>10 406</b>	<b>9 167</b>	<b>(1 239)</b>	<b>-11,9%</b>	<b>11 363</b>	<b>957</b>	<b>9,2%</b>
<b>Percentage of total income</b>		<b>0,5%</b>	<b>0,4%</b>			<b>0,5%</b>		

### 17.1 Telephone charges

The costs are mainly influenced by the planned increased staff complement of 3 258 (Budget 2012-13: 3 083). The increase of 1,5% year on year is within our budgeted CPIX of 5,6%.

### 17.2 Cell phone charges

The increase is due to the planned growth in the number of users. The monthly cell phone allowance per user is R1 000 (2012-13 budget: R1 000).

## 18. DEPRECIATION

Budget item	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Change		Useful life	Comment		
	R'000	(1)	R'000	(2)	R'000	(2) - (1)	%	R'000	(3)	R'000			(3) - (1)	%
Motor vehicles	1 398		1 216	(181)	-13,0%	1 489	91	6,5%	5 years					
Furniture & equipment	5 198		4 801	(398)	-7,7%	5 961	763	14,7%	6 - 15 years					
Computer equipment	25 733		19 106	(6 627)	-25,8%	26 249	516	2,0%	3 - 6 years			Depreciation is calculated based on the expected useful life for each assets category		
Computer software	5 073		5 755	681	13,4%	10 541	5 468	107,8%	5 years					
Leasehold improvements	2 649		2 996	346	13,1%	3 183	533	20,1%	Over the period of the lease					
<b>Total</b>	<b>40 052</b>		<b>33 873</b>	<b>(6 179)</b>	<b>-15,4%</b>	<b>47 423</b>	<b>7 371</b>	<b>18,4%</b>						

The depreciation expense budget is based on existing assets and the expected capital expenditure using the current depreciation policy. The increase in depreciation expense of R7 million is due to the fact that more than 50% of CAPEX is spent on computer equipment and software with a three-to-six year life cycle. The computer equipment and software CAPEX budget for 2013-14 is R36,8 million or 56% of the total CAPEX budget (2012-13 budget: R35 million or 54% of CAPEX budget).

## 19. CAPITAL EXPENDITURE

### 19.1 Motor vehicles

Description	2012-13 forecast NCV		Acquisition 2013 - 14		Depreciation		2013-14 budget NCV	
	R'000		R'000		R'000		R'000	
Motor vehicles		2 321		620		1 489		1 452
<b>Total</b>		<b>2 321</b>		<b>620</b>		<b>1 489</b>		<b>1 452</b>

Location	2012-13 budget		2012-13 forecast		2013-14 budget	
	R'000		R'000		R'000	
Replacement of pool cars that are older than five years for Limpopo and Free State		5 841		2 003		620
<b>Total</b>		<b>5 841</b>		<b>2 003</b>		<b>620</b>

## 19.2 Furniture & equipment

Description	2012-13 forecast NCV	Acquisition 2013 -14	Depreciation	2013-14 budget NCV
	R'000	R'000	R'000	R'000
Furniture & equipment	31 216	17 468	5,961	42,723
<b>Total</b>	31 216	17 468	5,961	42,723

Location	2012-13 budget	2012 -13 forecast	2013-14 budget	Comments
	R'000	R'000	R'000	
Pretoria and other regional offices	14 582	14 514	17 468	New furniture acquisition is budgeted centrally at head office for all the offices. The increase is due to new leases and furniture replacements and to create more seating space for staff.
<b>Total</b>	<b>14 582</b>	<b>14 514</b>	<b>17 468</b>	

## 19.3 Leasehold improvements

Description	2012-13 forecast NCV	Acquisition 2013 -14	Depreciation	2013-14 budget NCV
	R'000	R'000	R'000	R'000
Leasehold improvements	23 778	10 826	3 183	31 421
<b>Total</b>	<b>23 778</b>	<b>10 826</b>	<b>3 183</b>	<b>31 421</b>

Location	2012-13 budget	2012 -13 forecast	2013-14 budget	Comments
	R'000	R'000	R'000	
Pretoria and other regional offices	10 034	11 533	10 826	New leasehold improvements are budgeted centrally at head office for all the AGSA offices. The leasehold improvements will take place in the following business units: Northern Cape, Western Cape, Gauteng, Mpumalanga, KwaZulu-Natal and Pretoria head office.
<b>Total</b>	<b>10 034</b>	<b>11 533</b>	<b>10 826</b>	

### 19.4 Computer hardware, network and security

Description	2012-13 forecast	Acquisition	Depreciation	2013-14 budget	Comment
	NCV	2013 -14	R'000	NCV	
	R'000	R'000	R'000	R'000	
Computer hardware	45 123	26 403	26 249	45 277	R11 million is for the purchase of mobile devices, server equipment, network equipment & security upgrade. The balance of R15,7 million relates to the purchase of new laptops for new employees and the replacement of old laptops for existing employees.
<b>Total</b>	<b>45 123</b>	<b>26 403</b>	<b>26 249</b>	<b>45 277</b>	

Budget item	Ref.	2012-13 budget	2012 -13 forecast	Variance		2013-14 budget	Change	
		R'000	R'000	R'000	%	R'000	R'000	%
		(1)	(2)	(2) - (1)	(2) - (1)	(3)	(3) - (1)	(3) - (1)
Computer hardware		7 886	9 785	1 899	24,1%	7 439	(447)	-5,7%
Networks	19.4.1	1 983	2 460	477	24,1%	1 871	(112)	-5,7%
Security		1 473	1 828	355	24,1%	1 389	(84)	-5,7%
Notebooks	19.4.2	16 649	20 657	4 008	24,1%	15 704	(945)	-5,7%
<b>Total</b>		<b>27 991</b>	<b>34 730</b>	<b>6 739</b>	<b>24,1%</b>	<b>26 403</b>	<b>(1 588)</b>	<b>-5,7%</b>

#### 19.4.1 Computer hardware, network equipment and security

ICT budgeted R11 million for the purchase of mobile devices and server equipment as well as network equipment and security.

#### 19.4.2 Notebooks

R15,7 million relates to the purchase of new laptop notebooks for new employees and the replacement of old laptops for existing employees.

## 19.5 Computer software

Description	2012-13 forecast NCV		Acquisition		Depreciation		2013-14 budget NCV	
	R'000		R'000		R'000		R'000	
Computer software		10 415		10 423		10 541		10 297
<b>Total</b>		<b>10 415</b>		<b>10 423</b>		<b>10 541</b>		<b>10 297</b>

Budget item	2012-13 budget		2012-13 forecast		Variance		2013-14 budget		Comments
	R'000		R'000		R'000	%	R'000		
	(1)	(2)	(2)	(2)	(2) - (1)	(2) - (1)	(3)	(3)	
Regional systems	3 200	3 087	(113)	-3,5%	-		-		There is no new budget for regional systems in 2013-14 because the regional servers upgrade was included in 2012-13 budget and is sufficient for the next three years.
Systems	3 803	3 669	(134)	-3,5%	-		-		
New software licence	-	-	-	-	2 362				Due to growth in staff numbers within the AGSA, additional licences, e.g. Oracle, Microsoft, Mercury testing software licences and business requirement tools will need to be procured.
New systems implementation	-	-	-	-	8 061				There are several systems being implemented, such as PeopleSoft E-services, e.g. Workforce Planning, Collaboration Software to secure mobile devices (iPads), etc. Software tools to strengthen internal controls within ICT, such as Active Directory Audit Software, Database Compliance Software, etc. to reduce ICT-related risks and ensure compliance to governance structures.
<b>Total</b>	<b>7 003</b>	<b>6 756</b>	<b>(247)</b>	<b>-3,5%</b>	<b>10 423</b>		<b>10 423</b>		

## ANNEXURE 3: PROPOSED INTERNAL RATES FOR 2013-14

**Annexure 3 : Proposed internal rate**

Categories	Salary Interval		Tariff
	Lower	Upper	Budget 2013-14
	R	R	R
<b>Business executive</b>	1 288 480	1 675 024	2 440
<b>Deputy business executive</b>	1 007 000	1 028 400	2 271
	985 600	1 007 000	2 223
	964 200	985 600	2 176
	942 800	964 200	2 128
	921 400	942 800	2 080
	900 000	921 400	2 032
	878 600	900 000	1 985
	857 200	878 600	1 937
	835 800	857 200	1 889
	814 400	835 800	1 841
	793 000	814 400	1 794
	771 600	793 000	1 746
	750 200	771 600	1 698
	728 800	750 200	1 650
	707 400	728 800	1 603
	686 000	707 400	1 555
	664 600	686 000	1 507
	643 200	664 600	1 459
	621 800	643 200	1 412
	600 400	621 800	1 364
	579 000	600 400	1 316
	557 600	579 000	1 268
	536 200	557 600	1 221
	514 800	536 200	1 173

**Annexure 3 : Proposed internal rate**

Categories	Salary Interval		Tariff
	Lower	Upper	Budget 2013-14
	R	R	R
<b>Senior managers</b>	1 183 400	1 204 800	2 295
	1 162 000	1 183 400	2 254
	1 140 600	1 162 000	2 213
	1 119 200	1 140 600	2 172
	1 097 800	1 119 200	2 130
	1 076 400	1 097 800	2 089
	1 055 000	1 076 400	2 048
	1 033 600	1 055 000	2 007
	1 012 200	1 033 600	1 966
	990 800	1 012 200	1 925
	969 400	990 800	1 884
	948 000	969 400	1 843
	926 600	948 000	1 801
	905 200	926 600	1 760
	883 800	905 200	1 719
	862 400	883 800	1 678
	841 000	862 400	1 637
	819 600	841 000	1 596
	798 200	819 600	1 555
	776 800	798 200	1 513
	755 400	776 800	1 472
	734 000	755 400	1 431
	712 600	734 000	1 390
	691 200	712 600	1 349
	669 800	691 200	1 308
	648 400	669 800	1 267
	627 000	648 400	1 226
	605 600	627 000	1 184
	584 200	605 600	1 143
	562 800	584 200	1 102
	541 400	562 800	1 061
	520 000	541 400	1 020
	498 600	520 000	979
<b>Audit managers</b>	1 070 600	1 092 000	1 976

### Annexure 3 : Proposed internal rate

Categories	Salary Interval		Tariff
	Lower	Upper	Budget 2013-14
	R	R	R
	1 049 200	1 070 600	1 937
	1 027 800	1 049 200	1 898
	1 006 400	1 027 800	1 859
	985 000	1 006 400	1 819
	963 600	985 000	1 780
	942 200	963 600	1 741
	920 800	942 200	1 702
	899 400	920 800	1 663
	878 000	899 400	1 624
	856 600	878 000	1 585
	835 200	856 600	1 546
	813 800	835 200	1 507
	792 400	813 800	1 468
	771 000	792 400	1 428
	749 600	771 000	1 389
	728 200	749 600	1 350
	706 800	728 200	1 311
	685 400	706 800	1 272
	664 000	685 400	1 233
	642 600	664 000	1 194
	621 200	642 600	1 155
	599 800	621 200	1 116
	578 400	599 800	1 076
	557 000	578 400	1 037
	535 600	557 000	998
	514 200	535 600	959
	492 800	514 200	920
	471 400	492 800	881
	450 000	471 400	842
	428 600	450 000	803
	407 200	428 600	764
	385 800	407 200	725
	364 400	385 800	685
	343 000	364 400	646
<b>Audit managers</b>	321 600	343 000	607

**Annexure 3 : Proposed internal rate**

Categories	Salary Interval		Tariff
	Lower	Upper	Budget 2013-14
	R	R	R
	300 200	321 600	568
<b>Auditors</b>	667 800	678 500	1 076
	657 100	667 800	1 059
	646 400	657 100	1 042
	635 700	646 400	1 025
	625 000	635 700	1 008
	614 300	625 000	991
	603 600	614 300	973
	592 900	603 600	956
	582,200	592 900	939
	571 500	582 200	922
	560 800	571 500	905
	550 100	560 800	888
	539 400	550 100	871
	528 700	539 400	854
	518 000	528 700	837
	507 300	518 000	819
	496 600	507 300	802
	485 900	496 600	785
	475 200	485 900	768
	464 500	475 200	751
	453 800	464 500	734
	443 100	453 800	717
	432 400	443 100	700
	421 700	432 400	683
	411 000	421 700	666
	400 300	411 000	648
	389 600	400 300	631
	378 900	389 600	614
	368 200	378 900	597
	357 500	368 200	580
	346 800	357 500	563
	336 100	346 800	546
<b>Auditors</b>	325 400	336 100	529

### Annexure 3 : Proposed internal rate

Categories	Salary Interval		Tariff
	Lower	Upper	Budget 2013-14
	R	R	R
	314 700	325 400	512
	304 000	314 700	495
	293 300	304 000	477
	282 600	293 300	460
	271 900	282 600	443
	261 200	271 900	426
	250 500	261 200	409
	239 800	250 500	392
	229 100	239 800	375
	218 400	229 100	358
	207 700	218 400	341
	197 000	207 700	323
	186 300	197 000	306
	175 600	186 300	289
	164 900	175 600	272
	154 200	164 900	255
	143 500	154 200	238
	132 800	143 500	221
	122 100	132 800	204
	111 400	122 100	187
	100 700	111 400	170
	79 300	90 000	135
<b>Trainee auditors</b>	413 100	423 800	785
	402 400	413 100	765
	391 700	402 400	745
	381 000	391 700	725
	370 300	381 000	705
	359 600	370 300	685
	348 900	359 600	665
	338 200	348 900	645
	327 500	338 200	625
	316 800	327 500	604
	306 100	316 800	584
<b>Trainee auditors</b>	295 400	306 100	564

**Annexure 3 : Proposed internal rate**

Categories	Salary Interval		Tariff
	Lower	Upper	Budget 2013-14
	R	R	R
	284 700	295 400	544
	274 000	284 700	524
	263 300	274 000	504
	252 600	263 300	484
	241 900	252 600	464
	231 200	241 900	444
	220 500	231 200	424
	209 800	220 500	404
	199 100	209 800	384
	188 400	199 100	364
	177 700	188 400	343
	167 000	177 700	323
	156 300	167 000	303
	145 600	156 300	283
	134 900	145 600	263
	124 200	134 900	243
	113 500	124 200	223
	102 800	113 500	203
	92 100	102 800	183
	81 400	92 100	163
	70 700	81 400	143
	60 000	70 700	123
	49 300	60 000	103

## ANNEXURE 4: SAICA RATES

Rates for audits conducted on behalf of the AGSA

Period: 1 April 2013 to 31 March 2014

Rates (excluding value-added tax)

Partners

2 424

Specialists (maximum)

2 424

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

<b>STAFF</b>	
<b>MONTHLY EARNINGS</b>	<b>RATE PER HOUR</b>
<b>R</b>	<b>R</b>
17 800 and more	473
18 600 and more	494
19 400 and more	515
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
81 000 and more	2 309

## **ANNEXURE 5: PERFORMANCE AUDITING INITIATIVES FOR 2013-14**

Over the next two financial years the focus will be on the following:

- Basic education with specific focus on early childhood development, Kha Ri Gude, the National School Nutrition Programme and the No-fee Schools Programme
- Higher education. Emphasis will be on finalisation of the audit on Adult Basic Education and Training and the continued provision of insights into audits on Further Education and Training Colleges
- The delivery and maintenance of road infrastructure
- The provision of basic water and sanitation services
- Oversight by shareholder departments and municipalities over entities

From a strategic point of view, the Performance Auditing BU's focus in 2013-14 will be on the following:

- Increased integration of performance audit initiatives, observations and outcomes into regularity audits to ensure consistent and comprehensive audit messages
- Enhanced interactions with internal and external stakeholders to ensure an understanding of performance audit messages and to influence corrective action in areas where deficiencies have been identified
- Creating sufficient capacity to perform research and conduct performance audits
- Effective utilisation of specialist capacity within the Performance Auditing BU to demystify complex areas within the various spheres of government.

## ANNEXURE 6: BBBEE PLAN FOR THE AGSA 2013 - 2016

BBBEE components	Strategic objective	Key performance indicators	Performance targets		
			2014	2015	2016
<b>Ownership</b>	Not applicable to the AGSA				
<b>Management control</b>	Encourage proper representation of black people on company boards in an executive and non-executive capacity.	Guiding and providing assistance to the Governance BU in respect of representation targets for governance structures and top management.	55%	60%	60%
<b>Employment equity</b>	Strive towards an equitable workforce Black disabled employees as a percentage of all employees – all levels Black employees in senior management as a percentage of all such employees using the adjusted recognition for gender – Band C and above Black employees in middle management as a percentage of all such employees using the adjusted recognition for gender – Band D Black employees in junior management as a percentage of all such employees using the adjusted recognition for gender – Band E	<b>Setting of numerical goals that are aligned with the EAP</b>			
		2%	3%	3%	
		55%	60%	60%	
		70%	75%	75%	
		80%	85%	85%	
<b>Skills development</b>	Promote a diverse and skilled workforce which is representative of national demographics		3%	3%	3%
	Skills development expenditure on learning programmes Adjusted skills development expenditure on learning programmes for black people with disabilities as a percentage of leviabale amount	Skills development expenditure on learning programmes for black employees as a percentage of leviabale amount		0.3%	0.3%
	Bursary expenditure	Specific bursary expenditure on potential black Employees, which includes amounts spent on the Thuthuka Bursary Fund as a percentage of NPAT or turnover	4% of NPAT or 0,5% of turnover	4% of NPAT or 0,5% of turnover	4% of NPAT or 0,5% of turnover
	Learning programmes	Adjusted number of black employees participating in learning programmes as a percentage of total employees – all study programmes; conferences, forums etc.	55%	60%	60%
<b>Preferential procurement</b>	Promote use of preferential (including targeted) procurement schemes to achieve BBBEE within the overall procurement spend	Achieve a BEE procurement spend on all suppliers based on the BEE procurement recognition levels as a percentage of the total procurement spend	65%	70%	70%
		BBBEE procurement spend from suppliers that are 30% black women owned	7%	8%	8%
<b>Enterprise development</b>	Support the development of black entrepreneurs and business	Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by AGSA as a percentage of NPAT or turnover	3% of NPAT or 0,375% of turnover	3% of NPAT or 0,375% of turnover	3% of NPAT or 0,375% of turnover

BBBEE components	Strategic objective	Key performance indicators	Performance targets		
			2014	2015	2016
<b>Socio-economic development Corporate Social Investment</b>	The objective is to ensure that beneficiaries have sustainable access to the economy – Add value via schools poverty eradication programme.	Implementation and facilitation of support for the schools poverty eradication programme; upliftment of the communities; working with charities, children homes and homes for the aged Direct costs will be addressed centrally Indirect costs will be the time spent per BU this intervention	1% of NPAT or 0,125% of turnover	1% of NPAT or 0,125% of turnover	1% of NPAT or 0,125% of turnover

## Notes

**Adjusted recognition for gender:** Indicators are adjusted to take into account the participation of Black women. In each case a formula is used to calculate the Adjusted Recognition for Gender.

**BEE procurement recognition level:** means the percentage BEE procurement recognition levels as determined – (a) for Enterprises that are neither Qualifying Small Enterprises nor Exempted Micro-Enterprises; (b) for Qualifying Small Enterprises; and (c) for Exempted Micro-Enterprises, a deemed BEE Procurement Recognition of 100% and BEE Status of Level 4 Contributor.

**Leviable amount:** Is the amount the organisation pays toward Skills Levy as per the Skills Development Levy Act.

**Learning programmed matrix:** means the learning programme matrix annexed as in code 400 of the Charter.

**Net profit after tax (NPAT):** means the operating profit of a measured entity after tax. It incorporates both the equity / loss figures and abnormal items, but excludes extraordinary items as determined by Generally Accepted Accounting Practices (GAAP).

**Occupational levels:** means the occupational levels specified in Form EEA9 gazetted as a regulation under the Employment Equity Act.

**QSE:** means a Qualifying Small Entity that qualifies for measurement under the Qualifying Small Enterprise Scorecard, with a turnover of between R5 and R35 million.

**Skills development expenditure:** comprises the money that AGSA spends on skills development. It excludes the skills development levy payable by AGSA in accordance with the Skills Development Levies Act.

**Turnover:** means the revenue of the entity which refers only to income that arises in the course of the ordinary activities of AGSA and includes fees from rendering services and royalties.

## GLOSSARY OF TERMS

AG	The Auditor-General (the person)
AGSA	Auditor-General of South Africa (the institution)
AFS	Annual Financial Statements
BEE	Black economic empowerment
BBBEE	Broad-based black economic empowerment
BU	Business unit
CA	Chartered accountant
CAC	Chartered Accountant Charter
CSI	Corporate Social Investment
CTA	Certificate in the Theory of Accounting
CW	Contract work
DAG	Deputy Auditor-General
EE	Employment equity
ERP	Enterprise resource planning
FTE	Fulltime employee
GAAP	Generally Accepted Accounting Practices
GP	Gross profit margin
ICT	Information and Communications Technology
IFAC	International Federation of Accountants
INCOSAI	International Congress of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
ISQC 1	International Standard on Quality Control
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
MFMA	Municipal Finance Management Act
NGO	Non-Government Organisation
NT	National Treasury
OM	Oversight mechanism
PAA	Public Audit Act
PFMA	Public Finance Management Act
RPL	Recognition of prior learning
SAI	Supreme audit institution
SCoAG	Standing committee on the Auditor-General
SMME	Small, medium and micro enterprises
UN	United Nations

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