

INTEGRATED ANNUAL REPORT 2012-13



Co-creating a sustainable organisation



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



LETTER TO THE **SPEAKER**

Mr M V Sisulu
Speaker of Parliament
PO Box 15
Cape Town
8001

August 2013

Dear Mr Sisulu

Report to the Speaker in terms of section 10(2) of the Public Audit Act, 2004 (Act No. 25 of 2004)

In terms of the provisions of section 10(2) of the Public Audit Act of 2004, it is an honour to submit my annual report, including the audited financial statements, for the financial year ended 31 March 2013.

It gives me great pleasure to announce that the Audit Committee, which was established in terms of section 40 of the act, is satisfied with the Auditor-General of South Africa's audited financial statements and unmodified audit opinion.

The report deals with the financial matters affecting the affairs of the Auditor-General of South Africa, as well as the performance review against predetermined objectives.

I respectfully draw your attention to section 41(5) of the Public Audit Act of 2004, requiring submission within six months of the end of the financial year, and therefore request that this report be tabled in Parliament by 30 September 2013. The act also requires me to simultaneously submit a copy of this report to the Standing Committee on the Auditor-General. It would therefore be appreciated if the report could be referred to this committee for its consideration.

Yours sincerely



Terence Nombembe
Auditor-General of South Africa

PREAMBLE TO THE CONSTITUTION



We, the people of South Africa,
Recognise the injustices of our past;
Honour those who suffered for justice and freedom in our land;
Respect those who have worked to build and develop our
country; and
Believe that South Africa belongs to all who live in it, united in
our diversity.

We therefore, through our freely elected representatives, adopt
this Constitution as the supreme law of the Republic so as to:

- Heal the divisions of the past and establish a society based on
democratic values, social justice and fundamental human rights;

- Lay the foundations for a democratic and open society in
which government is based on the will of the people and
every citizen is equally protected by law;
- Improve the quality of life of all citizens and free the potential
of each person; and
- Build a united and democratic South Africa able to take its
rightful place as a sovereign state in the family of nations.

May God protect our people.

Nkosi Sikelel' iAfrika. Morena boloka setjhaba sa heso.
God seën Suid-Afrika. God bless South Africa.
Mudzimu fhatutshedza Afurika. Hosi katekisa Afrika.



OUR MISSION

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

OUR VISION

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

OUR VALUES

- We value, respect and recognise our people
- Our accountability is clear and personal
- We are performance driven
- We work effectively in teams
- We value and own our reputation and independence
- We are proud to be South African



Total of R65 million spent
on study support, learning and growth

23%

Trainee auditor registration for learnership
programmes **increased** by 23%



Two unique programmes for trainee
auditors launched - ASU Jumpstart
and CTA2 Boot Camp

Officially opened
the AGSA Museum
and Library

Completed

12

years as auditors to the

United Nations



Baseline data on electricity, water
and paper usage and our carbon
footprint is reported for the first time

The combined
assurance model
was introduced to
all stakeholders

Invested
R400 000 in local
community initiatives

Piloted interim audits of
annual performance plans
to enable corrective actions
earlier in the process



Visited 127
high schools as part of
our CSI initiatives

Hosted study tours from
Libya, Kenya, Uganda,
Bahrain, Namibia, China,
Jordan, Ghana & Nigeria



Awarded **34** students AGSA
centenary scholarships



Participated in the development
of an IT governance framework
for the country approved
by Cabinet

Completed
door-to-door

visits to all nine provinces

36%

Increase in newly qualified audit
professionals of 36% compared to
previous year



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SECTION 1

REPORT OF THE AUDITOR-GENERAL

“ In order to build public confidence, our focus is on improved accountability, transparency and the values of good governance. We are committed to this ideal, which remains at the centre of our vision as the Supreme Audit Institution of South Africa.

”

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This report is an account of our performance against the predetermined objectives and targets codified in the *Strategic plan and budget 2012-15*.

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The high quality of our audit work and reports is attributed to the professional values and conduct of our people.

”



REPORT OF THE AUDITOR-GENERAL

TERENCE NOMBEMBE

It gives me pleasure to present the annual report of the Auditor-General of South Africa for the period 2012-13. This is my last annual report, since I was appointed as Auditor-General on 1 December 2006 for tenure of seven years. My tenure ends at the dawn of a general election, after which the fifth Parliament will be expected to resume its duties with renewed energy, to build on the successes of the fourth Parliament in driving the effective roll-out of the oversight model.

In order to build public confidence, our focus is on improved accountability, transparency and the values of good governance. We are committed to this ideal, which remains at the centre of our vision as the Supreme Audit Institution of South Africa.

We have had many successful audit assignments, both locally and internationally, which have given and will continue to give our staff invaluable professional exposure. It is this professionalism that enables us in the AGSA to perform our auditing duties effectively, impartially and diligently, thus demonstrating that we are capable of delivering ongoing value and benefits to society.

We continued to report meaningfully on audit findings by simplifying the messages in our audit reports. This facilitates a clearer understanding of our reports by those charged with governance and whose primary objective is to improve the quality of life of citizens.

The quality of our audit work and reports has achieved ratings that are consistently above the industry norm. This accomplishment is attributed to the professional values and

conduct of our people and the institutional investment we make in their culture of excellence.

During our leadership visibility programmes, we discussed the recommendations made in our audit reports and secured commitments from the auditees to implement measures that will result in improvement towards clean administration and good governance.

The extensive interaction during roadshows with all staff on how they experienced the audit process enables them to also understand their unique contribution to the vision and mission of the AGSA and the uniform drive towards clean administration by government.

The current stable financial management is yet another success story that has been modelled to enable the AGSA to pursue sustainability in all its operations. Our ability to pursue the overall organisational objectives economically, effectively and efficiently has gone a long way towards mitigating most of the risks we faced, including the negative effects of the slow cash

flows from the local government sector. The achievement and retention of a motivated, skilled, high-performing and diverse workforce are priorities to be sustained. We have accordingly put in place and strengthened human resource systems and values as a cornerstone to instil professionalism and build the capacity of our leadership and staff.

Equal emphasis is constantly placed on our achievement of transformation, both in our institution and in the auditing profession, and the constant desire to lead by example by adhering to the spirit of the codes of professional conduct.

As an institution that has joyfully celebrated its centenary in 2011, we pride ourselves on continuously being a model institution. We achieve this by maintaining excellent standards in all areas of our business through stringent internal controls and stable and effective governance structures.

I am grateful to the Deputy Auditor-General for his support and leadership, the AGSA employees for their dedication to the profession and the Standing Committee on the Auditor-General and various AGSA advisory structures for their guidance and direction. With the support of all our stakeholders, I am confident that the AGSA will continue to make a meaningful contribution towards strengthening our country's democracy.

I wish my successor all the best and have no doubt that he/she will enjoy the same support at home and internationally as I have.

REVIEW OF THE DEPUTY AUDITOR-GENERAL

As the Deputy Auditor-General (DAG) of the AGSA, I head the administration of the institution and perform my duties in terms of sections 32 and 43 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA). The ultimate responsibility for the overall performance of the organisation is vested in me and I am directly accountable to the Auditor-General (AG).

The appropriate use of and accounting for public funds and assets is one of the cornerstones of our young democracy. As such, our performance as an organisation is a matter of great interest to the citizens of South Africa, the executive and legislative authorities, the media and international role players. It is our role

to provide assurance on the financial status and stewardship of public organisations and entities; by reporting publicly on our findings we promote accountability and transparency.

During the 2012-13 financial year we continued to implement our strategy based on the five pillars or strategic goals we set for ourselves in 2009:

- **Goal 1:** Simplicity, clarity and relevance of messages in all communication with our internal and external stakeholders
- **Goal 2:** Visibility of our leadership to all internal and external stakeholders
- **Goal 3:** Strengthening our human resources to achieve a skilled, high-performing and diverse workforce
- **Goal 4:** Leading by example in all our internal processes
- **Goal 5:** Funding our operations in an economical, efficient and effective manner

This report is an account of our performance against the predetermined objectives and targets codified in the *Strategic plan and budget 2012-15*. Table 1 on page 19 summarises our achievements against those targets.

SIMPLICITY, CLARITY AND RELEVANCE OF OUR AUDIT MESSAGES

We have undertaken to present reports that communicate the results of our audits in a clear and understandable way to enhance oversight and governance in the public sector, as well as accountability to the general public.

We assess the three broad areas of leadership, financial and performance management, and governance on a quarterly basis, concentrating on key drivers of improved audit outcomes in each of these areas. The key drivers represent the objectives that the auditee's internal control systems should address. These quarterly assessments enable us to focus the attention of all role players – oversight, the executive, accounting officers/authorities and governance structures such as audit committees, etc. – on the improvement and monitoring of controls and obtain commitments from them to take ownership of the key controls. To support the internal audit function as one of the lines of defence against breakdown in controls, we initiated a project with the Institute of Internal Auditors to equip the internal auditors in the public sector to perform the control assessments.

In the past year we continued to raise awareness of the need for measuring results and enhancing service delivery, and also



Thembekile Kimi Makwetu
Deputy Auditor-General

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This report is an account of our performance against the predetermined objectives and targets codified in the *Strategic plan and budget 2012-15*.

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worked with relevant role players in government to address the root causes of our audit findings on performance against predetermined objectives.

The audits are showing an improvement in the reliability of the performance information but the measures and targets defined as part of the strategic planning process remain inadequate. In response we piloted interim audits of the annual performance plans, making it possible for auditees to take corrective action earlier in the performance process. The results of the pilots are promising and will be further explored in the upcoming cycles.

One of the most prevalent root causes of poor audit outcomes that our Information Systems Auditing (ISA) team identified as a whole was the lack of an IT governance framework, which had a negative effect on IT controls in government.

The AGSA collaborated with other role players to develop a governance framework that was approved by Cabinet. This framework is applicable to all three tiers of government and to public entities, and is due for implementation in phases, starting in the next financial year (2013-14).

The performance audit report on the use of consultants drew the attention of many role players in both the public and private sectors and highlighted that consultants can play a positive role in the public sector if appointed for the right reasons and managed effectively.

Another notable achievement for the past year was the publication of our first integrated annual report (IAR), which was incorporated in the Global Reporting Initiative's global database of sustainability and integrated reports.

VISIBILITY OF THE AGSA'S LEADERSHIP TO STAKEHOLDERS

The AGSA's leadership interacts intensively with both internal and external stakeholders.

Municipal door-to-door visits are the flagship interactions of the AG with the local councils. The Eastern Cape was the last of the nine provinces to be visited, thus ensuring that the AG has interacted with every municipality in our country at least once during his term of office.

The PFMA and MFMA audit outcomes were presented to the national Cabinet and we highlighted the need to intensify corrective actions in order to arrive at desirable levels of good governance and clean administration. The recent positive pronouncements on issues pertaining to the management of consequences by the Minister of Public Service and Administration clearly indicate the level of engagement and awareness among leadership.

Further, the AG also successfully engaged the coordinating ministries in the national Cabinet where specific areas of improvement were discussed and agreed, and solutions were proposed for the areas in which the impact was not visible. Some of the government interventions for dealing with the areas of concern included a response to the supply chain management action plan announced in the 2013 budget speech and the announcement of the Minister of Public Service and Administration on the strategies for professionalisation of the public service and IT governance.

In the quarterly interactions with individual executive authorities in all three spheres of government, we emphasise the need for them to ensure effective and sustainable internal controls and good governance systems. Although audit outcomes have shown less than the desired improvement, government leadership displayed commitment to respond adequately.

In the international arena, the AG delivered a keynote address at the Rio+20 Conference on Justice, Law and Governance, on the crucial role of SAs in promoting and championing the governance changes required at national, regional and global level. We hosted a number of study tours from countries such as Libya, Kenya, Uganda, Bahrain, Namibia, China, Jordan, Ghana and Nigeria, and other international stakeholders.

Our engagement at the United Nations Board of Auditors (UNBOA) came to an end on 30 June 2012, marking 12 years of distinguished leadership and membership at the UNBOA and the Panel of External Auditors of the United Nations, Specialised Agencies and the International Atomic Energy Agency.

Our processes to engage with our internal stakeholders include strategic alignment workshops, roadshows and an annual senior management workshop.

EXECUTIVE COMMITTEE OF THE AGSA



Thembekile Kimi Makwetu
Deputy Auditor-General



Barry Wheeler
Corporate Executive: Audit



Imran Vanker
National Leader: Internal Operations & Audit Support



Tsakani Maluleke
National Leader: Audit



Eugene Zungu
Corporate Executive: Audit



Jan van Schalkwyk
Corporate Executive: Audit

EXECUTIVE COMMITTEE OF THE AGSA (CONTINUED)



Mohsien Hassim
Corporate Executive: Projects & Outreach Programme



Alice Muller
Corporate Executive: Audit



Vusi Msibi
Corporate Executive: Audit



Sakiwo Ngobese
Corporate Executive: Communications & Technology



Naeem Seedat
Corporate Executive: Non-Regularity Audit



Sibongiseni Ngoma:
Corporate Executive: Internal Operations

Vacant position. Corporate Executive: Technical Support & Learning

STRENGTHENING OUR HUMAN RESOURCES

The ultimate goal of our human resource strategy is to build a skilled, motivated, high-performing and diverse workforce to enable us to deliver on our mandate. During the past year, we concentrated mainly on the implementation of an integrated and holistic approach to people management, the elevation of the intensity and quality of staff engagements, as well as the enhancement of skills and learning initiatives in the organisation.

The organisation adopted the ethical values and principles of the International Federation of Accountants (IFAC) as the main behavioural drivers at the AGSA. An innovative campaign 'Paving the way to ethical behaviour' allowed us to increase the awareness around ethics by engaging effectively with all employees. The campaign proved very successful, resulting in an increased amount of voluntary disclosures about gifts, hospitality received by employees and any conflicts of interest.

In support of our talent management efforts, we discontinued the fixed-term contracts for the levels of business executive and below, excluding trainee auditors, audit supervisors and audit clerks, with the aim of retaining the experience accumulated in the senior leadership and preventing the high turnover of the experienced staff.

In December 2012, we successfully implemented an e-Recruitment system as part of our enterprise resource planning system PeopleSoft, which allows for full integration of all recruitment processes. The portion of people appointed from the designated groups has been increasing through the years, including the reporting period, which clearly demonstrates the organisation's commitment to create and maintain a fair and equitable workplace environment by attracting and retaining suitably qualified people from those groups.

During the year under review, we achieved an occupancy level of 86,9% across the organisation (2011-12: 89%), which is just above our target of 85%. The lower staff occupancy this year was due to the creation of new positions and an increase in staff turnover in 2012. Staff turnover for the year under review was 17%, below the industry norm for the financial sector of 18,6%.

The AGSA continued to focus on building leadership capacity for strategy implementation and organisational effectiveness. A number of tools were developed to assess the current competence levels of AGSA leaders. During the year, we implemented a number of developmental programmes to equip the leaders with

coaching and mentoring skills and institutionalised a culture of developing competence through coaching.

We spent more than R65 million on study support, learning and growth. A total of 92 611 hours were spent on internal training during the year under review. The number of newly qualified professionals from our ranks increased from 56 in 2011 to 76 in 2012. Trainee auditor registrations for learnership programmes increased by 23%.

To assist our trainee auditors, the organisation launched two unique programmes: the ASU Jumpstart and the CTA2 Boot Camp. The ASU Jumpstart was rolled out as a combined initiative of the AGSA, SAICA and UNISA, whereby our CTA1 and CTA2 students attended additional live classes in Pretoria on a weekly basis. Our CTA2 Boot Camp is a proudly in-house developed programme affording an exceptional opportunity for our top 25 CTA2 students to be part of a six-week intensive study support programme in preparation for the CTA2 examination.

The AGSA also provides full-time bursaries to individuals who wish to become CA(SA)s. We currently have 118 students, studying at various SAICA-accredited universities, and our overall pass rate for last year was 68% compared to 52% in 2011.

LEADING BY EXAMPLE

The organisation achieved our target of 87% for the quality of our audit reports, which was the result of a sustained and focused effort following the previous year's drop in results. We also achieved the target set for compliance with statutory and legislative deadlines for PFMA audit reports but failed to reach the target for MFMA reports due to poor quality of the AFS received, which required extensive corrections before the audits could be completed. We achieved the targets set for timeliness of our performance audit and investigation reports, our strategic plan and budget as well as the annual report.

We focused on creating a common appreciation of the role each of our employees plays in managing the risks of the organisation in their area of work and expertise. The AGSA's *Risk management policy statement* was established and is displayed at each regional office of the organisation country-wide. In addition, we established the Risk Oversight Committee, which is independently chaired by a member of the Audit Committee.

We continue to optimise our integrated management information system (MIS), which will provide the functionality required to identify, integrate and analyse disparate data from heterogeneous sources to support management decision-making. The new module of an audit management information system (AS: MIS) was implemented in 2012-13 to capture and track our interactions with stakeholders and the commitments they make.

As part of our corporate social investment (CSI) programme we focus on supporting high schools from a previously disadvantaged background, establishing sustainable vegetable gardens in collaboration with the Agricultural Research Council and contributing to the funding of 40 students through the Thuthuka Bursary Fund of which we are a co-founder.

FUNDING

During 2012-13 we continued to implement our funding model and to run the organisation economically, efficiently and effectively.

The summary of our financial performance is as follows:

- Our audit income was R2,214 billion or just below the budget of R2,226 billion.
- Vacancies which were not filled and the increased audit work due to late submission of annual financial statements by some auditees resulted in increased spending on audit work performed on our behalf by private audit firms.
- The surplus for 2012-13 was R19 million or 0,85% against a budget of R46 million or 2,07%.
- The AGSA is in a healthy liquidity position. Our quick test/current ratio was 1.96 at the end of the financial year which is above the budgeted ratio of 1.87.

Collection of debt from local debtors remains a challenge, and the total outstanding debt now stands at R517 million. A variety of existing and new debt collection initiatives were implemented and were relatively more effective in the national and provincial spheres of government but less effective in local government.

SUSTAINABILITY OF THE ORGANISATION

Last year we published our first integrated annual report where we included elements of our sustainability performance. We have built on our experience in the current report by further reflecting on social, economic, cultural and environmental impacts of our activities. Many of those aspects are integrated in the fabric of our organisation and operations, making it natural for us to perform in a socially responsible way.

Some of the highlights of our sustainability performance are the following:

- R618 million was used for enterprise development. Of this amount, 23% was invested in small firms and 42% in medium-sized firms.
- There was a 50% reduction in disciplinary hearings and CCMA resolutions.
- For the first time we were able to estimate our carbon footprint.
- Forty-five health and safety representatives were appointed.

APPRECIATION

I take this opportunity to thank our staff for their dedication, hard work and professionalism. We achieved good results because of their tireless efforts and passion for high performance.

Our current Auditor-General, whose term of office comes to an end on 30 November 2013, has contributed immeasurably to who we are today. On behalf of all colleagues in the organisation, I express our sincere and warm gratitude for his great leadership and the contribution he has made in the execution of our mandate, aimed at improving the lives of our citizens.

I also want to thank our partners in the auditing profession for their support. In conclusion, I wish to pay tribute to the members of our oversight structures for their support and cooperation during this year.

Together, these contributions have enabled the AGSA to experience another exemplary year.

TABLE 1: SUMMARY OF ACTUAL PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

AGSA'S COMMITMENT	PERFORMANCE MEASURE	TARGET 2012-13	ACTUAL PERFORMANCE 2012-13	COMMENTS	ACTUAL PERFORMANCE 2011-12
Simplicity of our reports	Percentage of clarity of the message on root causes in all our reports	100%	100%	Achieved	100%
Visibility of leadership	High-quality, value-adding stakeholder interactions are conducted and escalated, where necessary	100%	100%	Achieved	100%
Strengthening human resources	Culture index	Industry norm: 3.2	3.73	Exceeded	3.71
	Leadership index	Industry norm: 3.2	3.74	Exceeded	3.76
	Staff engagement index	Industry norm: 3.2	4.03	Exceeded	4.01
Funding	% net surplus	2,07%	0,85%	Not achieved	4,79%
	% debt collected within 30 days (Nat. A to F, Gauteng & WC)	75-80%	78%	Achieved	67%
	% debt collected within 30 days (Limpopo, KZN)	65-70%	54%	Partially achieved	45%
	% debt collected within 30 days (NW, FS, NC, EC & MP)	55-60%	45%	Partially achieved	37%
Leading by example	Creditors' payment terms	45 days	31 days	Exceeded	31 days
	Achieve clean audit opinion on the AGSA	Clean audit opinion	Clean audit opinion	Achieved	Achieved
	Achievement of identified B-BBEE	Level 3 rating	Level 3	Achieved	Level 3
	% adherence to quality standards	Regularity audits: 87%	87%	Achieved	70%
		Non-audit: 100%	100%	Achieved	100%
	% compliance with statutory and legislative deadlines	PFMA reports: 90%	90%	Achieved	94%
		MFMA reports: 90%	88%	Partially achieved	96%
	% compliance with statutory and legislative deadlines	PFMA reports: 90%	90%	Achieved	94%
		MFMA reports: 90%	88%	Partially achieved	96%
		Integrated annual report: 100%	100%	Achieved	100%
	Strategic plan: 100%	100%	Achieved	100%	
	Investigation reports: 95%	96%	Exceeded	66%	
	Performance audit reports: 95%	100%	Exceeded	100%	

SECTION 2

REPORT PROFILE

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Integrated reporting ensures that we remain focused on the imperative of long-term sustainable value creation for our stakeholders.

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An independent external auditor audited the financial statements and the AGSA's performance information and assured the identified performance indicators for sustainability performance.

REPORT PROFILE



The integrated annual report 2012-13 covers the period 1 April 2012 to 31 March 2013 and presents the performance of the Auditor-General of South Africa (AGSA), which includes its head office in Pretoria, all its satellite offices in the nine provinces of South Africa, as well as its office at the United Nations headquarters in New York until June 2012. It incorporates the annual financial statements, reflects performance against the 2012-15 strategic plan and budget and integrates aspects of financial, economic, social and environmental sustainability addressed during the year under review.

There were no limitations on the scope and boundary of this report. There was also no need for any restatements from the previous report.

Integrated reporting ensures that we remain focused on the imperative of long-term sustainable value creation for our stakeholders. The reporting format follows the guidelines outlined in the King III code on corporate governance and reporting, as well as the *Guidelines for Sustainability Reporting* (version 3.1) of the Global Reporting Initiative (GRI).

The report is furthermore prepared in accordance with the International Financial Reporting Standards (IFRS) and the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and is based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. We have maintained the C+ application level for this report in line with GRI guidelines, having slightly increased the scope of performance indicators.

MATERIAL FOCUS OF THIS REPORT

The material focus of this report is informed by the organisation's strategic commitments made to Parliament, which are outlined in detail in the AGSA's strategic plan and budget 2012-15. The commitments are structured around the following strategic focus areas:

- Simplicity of our messages
- Visibility to our stakeholders
- Strengthening our human resources
- Leading by example
- Funding our operations

These goals are the pillars of the organisation's long-term strategy and are the result of rigorous consultation with the leadership and staff. They are reviewed and fine-tuned each year by the organisation's senior leadership through a structured process to ensure that we adequately respond to the environment in which we operate.

ASSURANCE ON THE REPORT

An independent external auditor audited the financial statements and the AGSA's performance information and assured the identified performance indicators for sustainability performance. The assurance was conducted in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000): revised, issued by the International Auditing and Assurance Standards Board. The assurance statement is reflected on page 103 of this report.

ORGANISATIONAL OVERVIEW AND BUSINESS MODEL

CONSTITUTIONAL AND LEGISLATIVE MANDATE

Chapter 9 of the Constitution of the Republic of South Africa, 1996 establishes the institution of the AGSA as one of the state institutions supporting constitutional democracy. The Constitution recognises the importance of the institution and entrenches its independence by providing that the AGSA is subject only to the Constitution and the law. The Constitution requires the AGSA to be impartial and to exercise its powers and perform its functions without fear, favour or prejudice.

The functions of the AGSA are described in section 188 of the Constitution and further regulated by chapters 2 and 3 of the PAA. The PAA differentiates between mandatory audits and those audits that the AGSA performs after exercising a statutory discretion to audit or not. The AGSA's audit reports must be made public and must be submitted to a relevant legislature and may be provided to any other legislature or organ of state if the AGSA considers it in the public interest to do so.

ACCOUNTABILITY AND REPORTING

Section 181(5) of the Constitution read with section 3(d) of the PAA requires the AGSA to account to the National Assembly. Section 10(3) of the PAA requires the National Assembly to establish an oversight mechanism in accordance with section 55(2)(b)(ii) of the Constitution. The National Assembly has given effect to this requirement by establishing the Standing

Committee on the Auditor-General (SCoAG). SCoAG assists and protects the AGSA to maintain the independence, impartiality, dignity and effectiveness of the AGSA.

Subsections 10(1) and (2) of the PAA require that the Auditor-General annually submits to the National Assembly the following:

- (a) A report on his or her activities and the performance of his or her functions
- (b) A report on his or her overall control of the administration
- (c) The annual report, financial statements and audit report on those statements

MARKETS, PRODUCTS AND SERVICES

Each year, the AGSA produces audit reports on government departments, certain public entities, municipalities and municipal and other entities. In addition to these entity-specific reports, the AGSA analyses the audit outcomes in general reports that cover the cycles of both the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Local Government: Municipal Finance Management Act, 2003 (Act No. 25 of 2003) (MFMA). The AGSA furthermore issues reports on discretionary audits, such as performance audits, and other special audits. These reports are tabled in legislatures or bodies with a direct interest in the particular audit, such as Parliament, provincial legislatures and municipal councils. These legislatures or bodies use the reports in accordance with their own rules and procedures for oversight.

BUSINESS MODEL

The AGSA is a self-funding organisation that bills its auditees (clients) based on time worked at published tariffs. This business model allows us to pay for our indirect expenditure and achieve a minimal surplus to finance our human capital and capital expenditure, and meet our operating cash-flow needs.

GEOGRAPHICAL OPERATIONS AND ORGANISATIONAL STRUCTURE

GEOGRAPHICAL OPERATIONS

The AGSA is represented in all nine provinces in South Africa. The United Nations office was closed down in June 2012 after our contract ended.

GEOGRAPHICAL OPERATIONS AND ORGANISATIONAL STRUCTURE

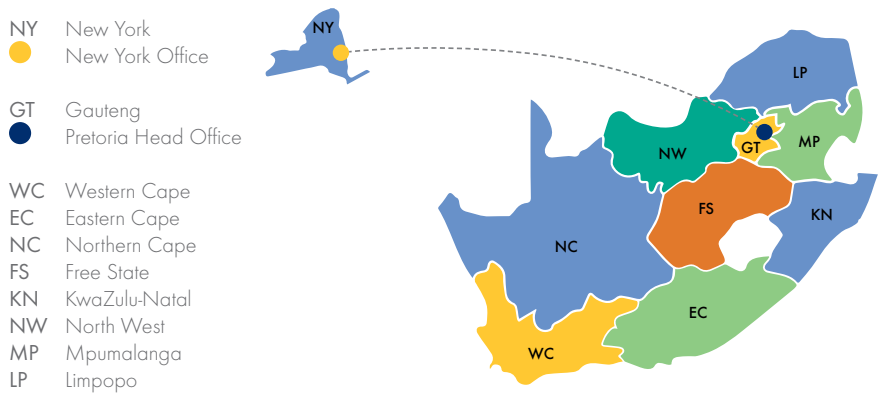


Figure 1: GEOGRAPHICAL REPRESENTATION OF THE AGSA

ORGANISATIONAL STRUCTURE

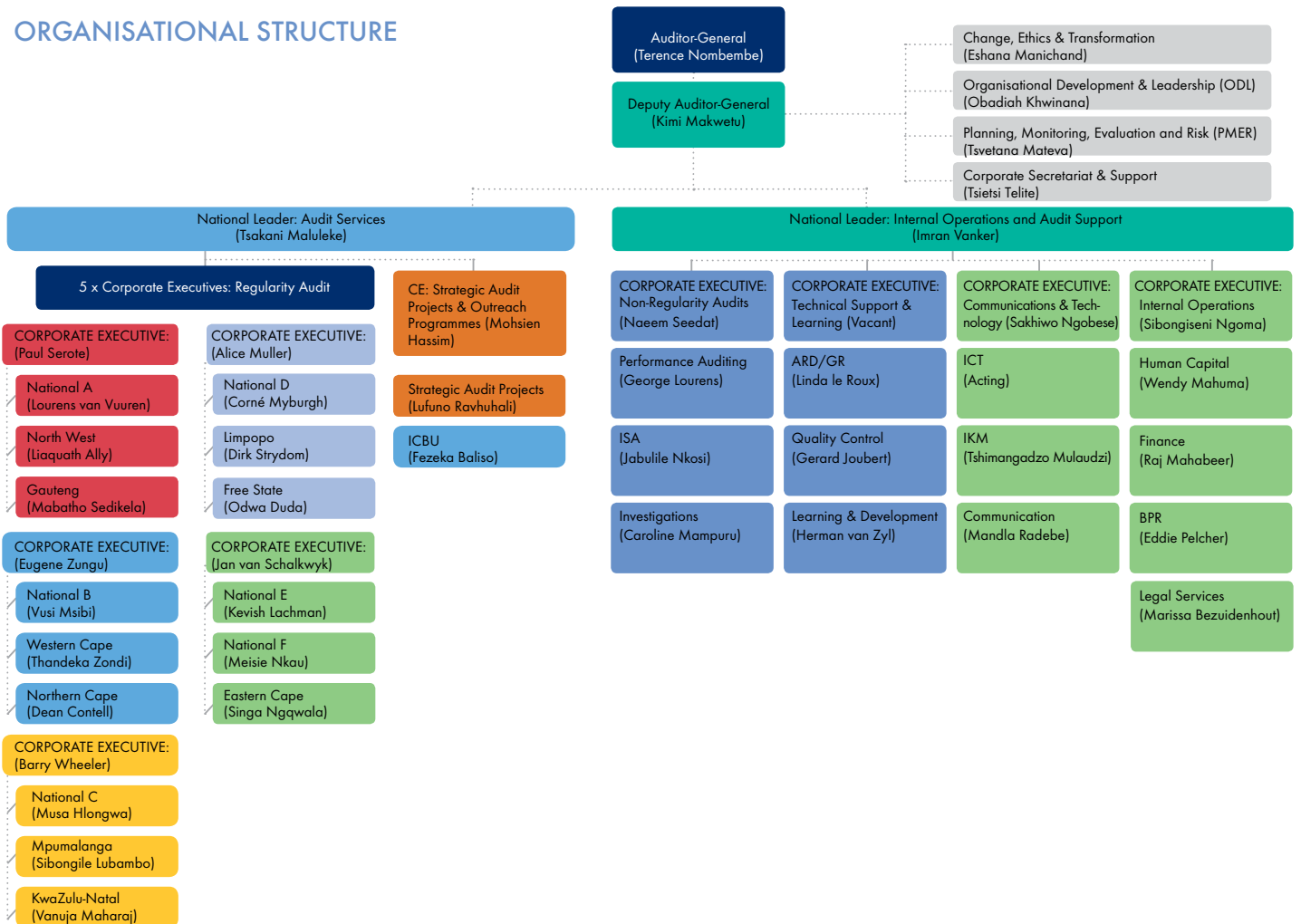


Figure 2: ORGANISATIONAL STRUCTURE OF THE AGSA AS AT 31 MARCH 2013

OPERATING CONTEXT

Our understanding of the environment in which we operate and the challenges that we encounter enables us to deliver on our mandate more efficiently, effectively and economically. Through a strategic environmental analysis we have identified the key external and internal factors and risks that have material impact on the discharge of our duties.

LEGISLATIVE CONTEXT

The foremost factor that defines the AGSA as a supreme audit institution (SAI) is its independence as enshrined in the Constitution. Exercising our mandate without fear, favour or prejudice and with the utmost integrity is critical to ensuring that we merit this privilege.

Our audits take place within rigorous statutory and regulatory frameworks that affect both us and our auditees. Compliance with those frameworks is monitored closely during our audits. The AGSA's own compliance with statutory obligations is imperative for maintaining an impeccable public reputation.

PUBLIC SECTOR CONTEXT

As the AGSA audits public organisations and entities, our understanding of the public sector at all levels will impact on the extent to which we achieve our objectives. Governmental goals and objectives affect the AGSA's priorities for 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

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. We also need to be able to comment on the fiscal health of our auditees.

To maintain 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 is affecting the availability of skilled workforce for the AGSA.

SOCIAL CONTEXT

Understanding the social context of our stakeholders will enable us to communicate more efficiently in the national, provincial and local spheres. We need to be aware of the key national challenges,

as these affect service delivery priorities for the auditees. We need to continue to encourage growth and transformation in our organisation as well as the auditing profession in South Africa in accordance with the prescripts of the Chartered Accountants Charter and other B-BBEE-related requirements.

TECHNOLOGICAL CONTEXT

The level of advancement of technologies can affect the opportunities available to us as an institution. The rapid improvement in information management technology enhances 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.

ENVIRONMENTAL CONTEXT

Internationally, SAIs are playing an increasingly important role 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.

Responsibility also rests on the AGSA to assess and address the impact of its environmental and social footprint.

STRATEGIC RISK PROFILE

Based on the material factors outlined above, the strategic risk assessment of the organisational environment for the 2012-13 performance year crystallised into these top seven strategic risks:

1. Lack of complete understanding of the basis and mechanism of our mandate by stakeholders
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 attract quality candidates and retain 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 because of increased audit costs mostly due to the expansion of audit focus and scope
7. Inability to recover debt as auditees, especially in the sphere of local government, are not able to meet financial commitments relating to audit fees

SECTION 3

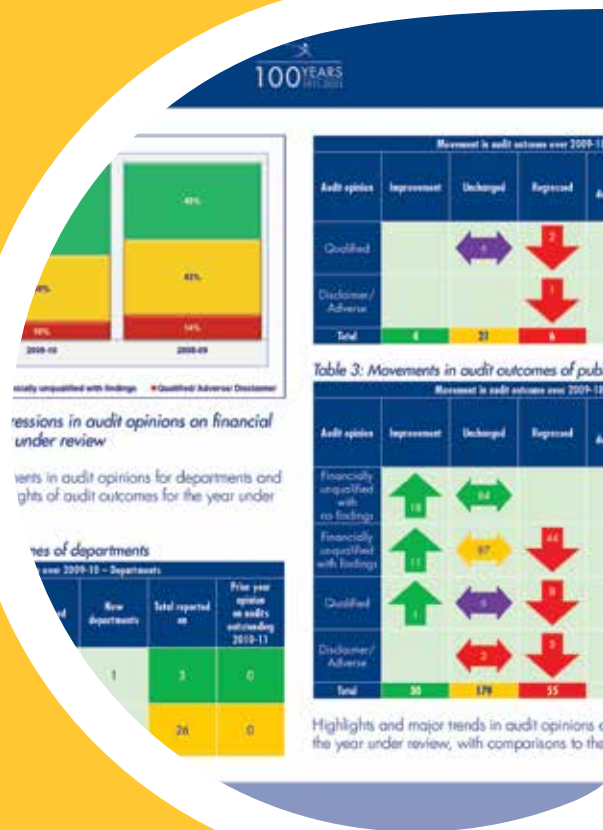
PERFORMANCE REVIEW FOR 2012-13

“

Ensuring that our audits remain relevant and inspire and enable continuous improvements in oversight, accountability and governance in the public sector is critical to achieving our mission.

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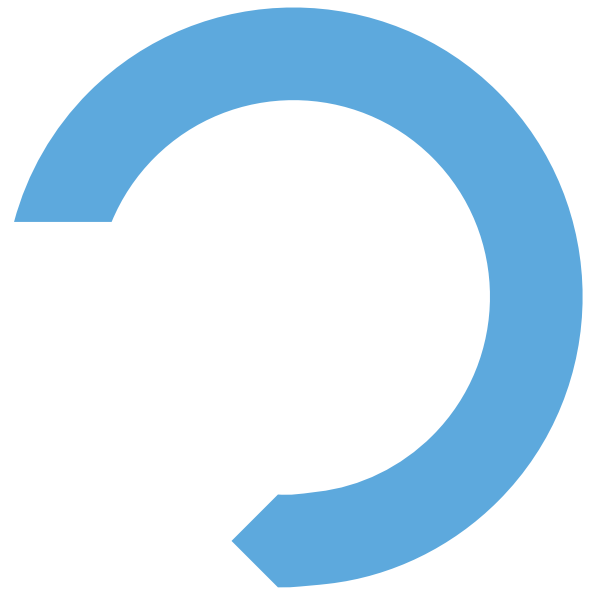
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PERFORMANCE REVIEW FOR 2012-13



In co-creating a sustainable SAI, and fulfilling our strategic vision and mission which is guided by our mandate, we set five strategic goals (commitments) for the performance year 2012-13:

- **Goal 1:** Simplicity, clarity and relevance of messages in all communication with our internal and external stakeholders
- **Goal 2:** Visibility of our leadership to all internal and external stakeholders
- **Goal 3:** Strengthening our human resources to achieve a skilled, high-performing and diverse workforce
- **Goal 4:** Leading by example in all our internal processes
- **Goal 5:** Funding our operations in an economical, efficient and effective manner

This section gives an account of our performance in relation to the above commitments.

SIMPLICITY, CLARITY AND RELEVANCE OF MESSAGES

HIGHLIGHTS

- We initiated a project with the Institute of Internal Auditors to equip internal auditors in the public sector for performing control assessments
- Our performance audit report on the use of consultants in the public sector, tabled at the end of 2012, drew the attention of many role players in both the public and private sector
- The organisation published its first integrated annual report which was incorporated in the GRI's global database of sustainability and integrated reports

Ensuring that our audits remain relevant and inspire and enable continuous improvements in oversight, accountability and governance in the public sector is critical to achieving our mission. It enhances transparency and accountability of the public sector to the citizenry of South Africa, a critical component of a sustainable society. In the process the sustainability of the organisation is also promoted. Our objective in the past year has been to further enhance the quality of our audit messages through clearly communicating our understanding of the reasons for audit outcomes (root causes) and making recommendations that can be actioned and would contribute to unmodified audit opinions.

It is our firm belief that the key to achieving and sustaining unmodified audit opinions is internal controls that operate effectively and create a control environment conducive to exemplary financial and performance management.

The most important activities we undertook to achieve our goal are detailed below.

INSTITUTIONALISED PRACTICES OF IDENTIFYING ROOT CAUSES AND MAKING RECOMMENDATIONS

The outcome/product of the annual audit is an **audit report** which provides our opinion on the fair presentation of the

PERFORMANCE REVIEW

annual financial statements of an auditee and identifies any material misstatements in those financial statements and the annual performance report as well as non-compliance with legislation. This audit report is published in the annual report of the auditee and used by Parliament, legislatures and councils to call the executive and administration to account through the constitutional oversight processes. It is therefore important that the report highlights the deficiencies in internal controls which were the root causes of poor audit results, not only to point out the shortcomings, but even more to influence improvements.

The accounting officers/authorities and the management of auditees further receive detailed management reports on identified misstatements, non-compliance and internal control weaknesses. The general reports published after each audit cycle provide a much wider view of the state of audit outcomes and the main root causes of poor audit outcomes, which enables the coordinating institutions, the provincial and national executive and the collective oversight to focus efforts on addressing those weaknesses that are affecting government as a whole.

Identifying root causes and making recommendations is now an institutionalised practice at the AGSA, as is evident from the audit and management reports of the almost 900 annual audits performed in the past year and the performance audit report on the use of consultants at national departments published on 31 January 2013. The audit firms we contract to perform audits on our behalf consistently follow the same reporting practice. The 20 general reports tabled in the period under review further demonstrated our commitment and ability to communicate the insights we obtained through our audits for the betterment of the public sector.

One of the most prevalent root causes of poor audit outcomes, which our Information Systems Auditing (ISA) team identified overall, was the lack of an IT governance framework, which had a negative effect on IT controls in government. ISA's collaboration with the government information technology officers (GITOs) and the Department of Public Service and Administration (DPSA) led to the Cabinet's approval of the IT governance framework compiled by the DPSA. This framework is applicable to all three tiers of government and to

public entities, and is due for implementation in phases, starting in the next financial year (2013-14).



The AGSA's general reports give an overview of audit outcomes.

Furthermore, through our interactions with the administrative leadership, the executive, oversight structures and various forums and other platforms, we continually encourage government to focus their efforts on correcting the internal control deficiencies which sit at the root of many failings as reported in our audit reports.

In 2010, we introduced an ongoing programme of assessments, analyses and engagement on controls. We assess the three broad areas of leadership, financial and performance management, and governance on a quarterly basis, concentrating on key drivers for improved audit outcomes in each of these areas. The key drivers represent the objectives that the auditee's internal control systems should address. These quarterly assessments enable us to focus the attention of oversight, the executive, accounting officers/authorities and governance structures such as audit committees on the improvement and monitoring of controls and obtain commitments from them to take ownership of key controls.

The outcomes of the assessment of the key drivers are presented as a dashboard report that has proven very valuable in the interactions with our stakeholders and provides a strong visual message to indicate where public sector leaders should focus their efforts. We further initiated a project with the Institute of Internal Auditors to equip internal auditors in the public sector to perform the control assessments. The section on visibility in

this report provides additional context in terms of the quarterly assessments and interactions.

The **relevance of the reported root causes and recommendations** is critical to encouraging clean administration and remains a challenge to us. Therefore, we will continue to focus on integration of our specialised audit teams and regularity audit to ensure one relevant AGSA message, continuous training and knowledge-sharing initiatives to improve understanding of government. Our audit approach further includes processes and tools to enable audit teams to obtain sufficient understanding of the public sector environment and knowledge of the auditee in particular as part of their annual audits.

CONTINUOUS IMPROVEMENT IN AUDIT APPROACH

We continued to increase the scope of our annual audits to focus on those matters that need special attention from government to address the underlying causes of poor financial management and service delivery.

Since 2004, we have phased in **audits of predetermined objectives** and reported on the usefulness and reliability of the annual performance reports of auditees. In the past year we continued to raise awareness of the need for measuring results and enhancing service delivery through our reporting and interactions with stakeholders. The audits are showing an improvement in the reliability of the performance information but the measures and targets defined as part of the strategic planning process remain inadequate. In response we piloted interim audits of the annual performance plans, making it possible for auditees to take corrective actions earlier in the performance process. The results of the pilots are promising and will be further explored in the upcoming cycles.

We have made further progress in improving the relevance of our messages on **compliance with laws and regulations** by increasing the scope to include the audit of legislation pertaining to liability management, competencies of key officials, disciplinary processes to be followed and conditional grants. Our approach has been further refined to allow for consistency in our reporting, thereby ensuring that we can take a strong stance on non-compliance and obtain commitments from role players at all levels to address non-compliance.

The focus on legislation pertaining to supply chain management, human resource management, internal audit, audit committees, expenditure, revenue, assets, liabilities and grant management, annual reporting, strategic planning, budgeting and financial misconduct is bearing fruit since auditees and coordinating institutions are taking action to improve compliance. We worked closely with the National Treasury to contribute to the development of guidance for auditees to understand and comply with legislation and disclose non-compliance and irregular expenditure. We also participate in commenting on proposed legislation with the aim of enhancing oversight, accountability and governance in the public sector.

In our auditing of **procurement and contract management**, we continue to provide more and increasingly relevant messages on instances of conflict of interest, unfair procurement processes and irregular expenditure. We improve our approach continually to ensure our teams focus on the procurement processes that carry the highest risk and can identify and respond to indicators of possible fraud and corruption. In the past year the approach was revised to improve the reporting on instances of weak contract management – the results of which will be evident next year.

We improved our auditing of **human resource (HR) management** significantly in the past year. Standard audit approaches were implemented for all auditees, which enabled us to report in a consistent manner on the impact of poor HR practices. The scope of the audits was also improved in the areas of performance management and competencies.

KEY RISK AREAS NOT RECEIVING REQUIRED ATTENTION



An extract from the latest general report on local government audit outcomes.

The performance audit report on the **use of consultants** drew the attention of many role players in both the public and private sectors and highlighted that consultants can play a positive role in the public sector if appointed for the right reasons and managed effectively. Annual audits in the past limited their focus to the regularity of the procurement of consultancy services. In the past year we revised this approach to include additional procedures that normally formed part of our performance audits. The aim of the revision was to enable reporting on the effective use of consultants at all major auditees – we expect that the impact of the changed approach will be evident next year.

We continued to increase our focus on the areas of majority spending in the government budget, i.e. on the sectors of education, health, public works, housing and social services, which enabled us to report meaningfully on the root causes of the often poor audit outcomes in these sectors. We also audited and reported on additional matters that are linked to service delivery by these sectors, for example the way in which grants were being utilised and the usefulness and reliability of performance information on specific programmes. By reporting specifically on these sectors, we continue to play a role in improving accountability and service delivery in these areas. We also recently extended our sector approach to include assessments of the role of coordinating institutions in promoting and enabling clean administration. The initial focus is on the functions of treasury, cooperative governance departments and legislatures.

REFINEMENT OF TRANSVERSAL RISK ASSESSMENT PROCESSES

The AGSA's audit approach provides for a risk assessment process at each auditee to identify the main focus areas of the audit and the nature, timing and extent of the audit procedures to be performed. In government there are, however, transversal matters that affect all auditees or groups of auditees, e.g. provinces, sectors, auditee types and spheres of government. Such transversal matters include new government initiatives, significant changes in legislation, accounting and weaknesses in governance and accountability structures.

In the past year, the risk assessment improved significantly, as it was performed at different levels in the organisation, included the input from key role players, explored all areas to ensure integration of audit teams and culminated in a documented audit strategy. The audit strategy defines not only the risks and

responses thereto but also clearly shows the responsibilities of the different role players in the organisation to execute the strategy. It is yet another significant step towards ensuring an appropriate and consistent response to the risks in the public sector. A fundamental principle throughout the audit strategy is the importance of sharing the risks with stakeholders to enable their proactive responses. We will continue to improve our efforts in refining our transversal risk assessments by also maturing the discipline of **performing comprehensive quarterly environment scanning** and increased collaboration with other public sector institutions that perform work of a similar nature.

We have initiated a process to assess our organisation's current skills versus the skills that are required to address the priority areas of government. We have further identified the need for a diversified workforce and have thus begun the process of recruiting performance auditors who will possess the non-audit expertise required to augment the current wealth of audit expertise in the organisation. The establishment of a centre of excellence to house specialists within the Performance Auditing Business Unit will further contribute to an adequately skilled and diverse workforce.

INTEGRATION OF SPECIALISED SKILLS INTO REGULARITY AUDITING

To ensure the quality and relevance of our messages, we take care to integrate specialised skills into the regularity auditing process at various levels, for example in the composition of auditing teams, the provision of a specialised audit service desk and decentralisation of specialised audit teams to provincial business units. This integration ensures that findings from performance audits, information systems audits and investigations are carried through to the regularity auditing process and also allows for consistency in our messages and cross-team learning. The collective insights will also support initiatives to improve sector auditing procedures.

IMPROVING THE WAY IN WHICH MESSAGES ARE SHARED

Our messages are sometimes very technical, as they relate to accounting and auditing standards, financial management and laws and regulations. We continue to find ways in which the same message can be conveyed to different stakeholders in a way that will enable them to understand and act on it. In the past year we continued our drive to improve all our reports by using simple language, summarising key issues, replacing narrative with graphs and tables and improving the design and layout.

We continued to supplement the written word with personal interactions. This triggered many valuable discussions at all levels of government and enabled the executives to make clear commitments based on their greater understanding of the outcomes. Another notable achievement for the past year was the publication of our first integrated annual report (IAR) which was incorporated in the GRI's global database of sustainability and integrated reports.

The AGSA recognises technological developments and the need to implement the latest technology to reach a wide stakeholder base. In isolated cases, we have used **electronic media and social networks** to promote the understanding of our key messages among our stakeholders. Although the social platforms are regarded as powerful marketing and communication tools, we consider the extent of implementation, the target audience, the topics and the potential reputational impact of the use of these tools carefully. We have done in-depth research and included our findings in a draft policy for consideration. Consultation and approval of the policy will guide its implementation.

CREATING AWARENESS OF THE AGSA'S REPORTING REQUIREMENTS AMONG PRIVATE PRACTITIONERS PERFORMING PUBLIC SECTOR AUDITS

In raising awareness among the auditing profession in general, the Public Sector Committee of the Independent Regulatory Board for Auditors (IRBA) has played an important role. The committee is a technical work group, chaired by the AGSA and with members that represent audit firms, the South African Institute of Chartered Accountants (SAICA) and the AGSA. IRBA published two guides for registered auditors developed by the committee in the past year, namely *Auditing in the public sector* and *Audit of predetermined objectives*. The committee is currently working on two further guides to be published in 2013: *Performing audits on behalf of the AGSA* and *Performing audits where the AGSA opted not to perform the audits* that will provide simple and clear guidance on the responsibilities of the audit firms in public sector audits and the auditing and reporting requirements for such audits.

TABLE 2: ACTUAL PERFORMANCE AGAINST PREDETERMINED OBJECTIVE

PERFORMANCE MEASURE	TARGET 2012-13	ACTUAL PERFORMANCE	COMMENTS
% of clarity of message on root causes in all our reports	100%	100%	Achieved

VISIBILITY OF LEADERSHIP

HIGHLIGHTS.....

- Increased interest by executive authority on key control visits
- The AG delivered a well-received keynote address on the crucial role of SAIs at the Rio+20 Conference on Justice, Law and Governance
- We hosted the INTOSAI Professional Standards Steering Committee towards finalisation of a number of International Standards of Supreme Audit Institutions (ISSAIs)

Interactions and continual engagements with both our internal and external stakeholders are beneficial to the impactful delivery of our organisational mandate. Through these engagements we ensure stakeholders' buy-in and commitment to the organisation's overarching goal to impact the lives of South African citizens positively. In doing so, we also learn to understand our stakeholders' reasonable expectations and can make sure that our operations are aligned to these expectations. In this way we make sure our organisation is sustainable in that it is firmly embedded in the society in which we operate.

ONGOING INTERACTION WITH INTERNAL STAKEHOLDERS

We have established the process of vision alignment and organisational achievement (VA/OA) as a method of engaging our employees and communicating the organisational strategy throughout the organisation. These VA/OA sessions usually take place in the form of workshops either at a portfolio or business unit (BU) level. They ensure clear understanding of and continuous alignment to the strategic direction of the AGSA and allow employees to give feedback on the adequacy, implementation and achievement of the strategy to the AGSA leadership.

The AG also conducts roadshows with all employees after the audit cycles to share audit outcomes and engage teams on their contributions and experience gained from conducting the audits. This exercise enables cross-team learning.

In addition, we hold an annual senior management workshop (SMW) which provides a platform for the AGSA leadership to have a strategic conversation about the organisation's performance and the steps required to propel it to new heights. It is attended by AGSA employees on the level of senior manager and above. This workshop is integral to the organisation's strategic planning process, as it also serves as a strategic alignment platform to ensure common understanding of the key messages among senior AGSA management.



The SMW gives senior management an opportunity for strategic discussion.



Participants in the strategic senior management workshop (SMW).

These processes are institutionalised in our organisation and are further enhanced by continual daily engagements across the organisation.

EXTERNAL STAKEHOLDERS

Table 3 maps out our high-level external stakeholder groups and highlights the nature of the relationships.



Members of Exco leading a panel discussion at the SMW.

TABLE 3: HIGH-LEVEL MAP OF EXTERNAL AGSA STAKEHOLDERS

MAIN STAKEHOLDER GROUP	SUBGROUP	NATURE OF RELATIONSHIP
Legislative oversight authorities	<ol style="list-style-type: none"> 1. NA/NCOP 2. Provincial legislatures 3. Municipal councils 4. APAC (non-statutory) 	Recipients of AGSA reports for purposes of oversight. We need to create support by the stakeholder for the mandate, mission and strategic goals of the AGSA, and collaborate in the interest of clean administration
Executive authorities	<ol style="list-style-type: none"> 1. The Presidency 2. National EAs 3. Provincial EAs 4. Municipal EAs 	Executive recipients of AGSA reports and insights. We need to create support by the stakeholder for the mandate, mission and strategic goals of the AGSA, and collaborate in the interest of clean administration
Auditees/Audited entities	<ol style="list-style-type: none"> 1. Accounting authorities 2. Accounting officers 	Recipients of management and audit reports, and audit insight. We need to facilitate management cooperation and responsiveness in the interest of clean administration
Public/citizen - via media	Print and broadcast media	Accountability information recipient. We need to create understanding and support for the mandate/mission of the AGSA, and the public utility value of audit reports
Public/citizen - via CSOs	Civil society organisations	Accountability information recipient. We need to create understanding and support for the mandate/mission of the AGSA, and the public utility value of audit reports
Institutions supporting democracy	ISDs listed in chapter 9 of the Constitution, and the Public Service Commission	Need to partner and cooperate on specific issues in the interest of improved public sector accountability and governance
Enablers and/or standard setters	<ol style="list-style-type: none"> 1. National Treasury (OAG) 2. ASB 3. IRBA 	Need to partner and cooperate on specific issues in the interest of improved public sector accountability and governance

CONSTITUTIONAL STAKEHOLDERS

Our constitutional stakeholders include our auditees, executive stakeholders and legislative stakeholders. We interacted rigorously with them before and after the PFMA and MFMA audit cycles with the aim of enabling the government leadership to focus on monitoring service delivery as reported against predetermined objectives. During these interactions we continued to provide insights and solutions that would contribute to transparent good governance and, in return, also gained insights into the challenges and complexities of the public sector, which assisted in enhancing our approach to public sector auditing.

AUDIT COMMITTEES

In the past three years we have successfully supported public sector audit committees to strengthen their relationship with oversight mechanisms and the executive authorities. The audit committees played an important role throughout the year by providing assurance on progress in the implementation of key controls and reviewing annual financial statements before submission to the external auditors. This role was codified in the combined assurance model for the public sector which we introduced to all stakeholders.

EXECUTIVE AUTHORITIES

Through our quarterly interactions with individual executive

authorities in all three spheres of government, we continued to emphasise the need for them to ensure effective and sustainable internal controls and good governance systems in the departments and entities for which they are responsible. Although audit outcomes have shown less than the desired improvement, government leadership displayed commitment to respond adequately. The next challenge is to ensure that leadership respond within a shorter time and more proactively to improve audit outcomes.

SECTOR 4(3) ENTITIES

In terms of section 25(1)(a) of the PAA, the AGSA may opt not to perform the audits of entities referred to in section 4(3) of the PAA. Such entities, however, still need to comply with the requirements of the PAA in relation to their appointment of external auditors other than the AGSA.

We continued to engage with them through attending audit committee meetings, monitoring the appointment of and interacting with the auditors of these entities. The interactions enabled us to keep the executive and Parliament informed of the audit outcomes and to elevate issues of concern during our structured quarterly engagements.

While most of the universities welcome a more stringent framework that will allow consistency in reporting on predetermined objectives, the enhancements have not been implemented yet. The change in legislation on conflict of interest resulted in additional compliance procedures that would be carried out during the 2012-13 financial year-end audit.

We continue to monitor and support the universities and further education and training (FET) colleges regarding compliance with the audit directive. While there is general understanding of and support from the Department of Higher Education and Training (DHET) to the AGSA's involvement in the audits of the universities, there are still some elements of resistance from some of the universities.

Through the transversal audit of governance conducted in the provinces in the 2011-12 financial year, we influenced the national department to create capacity and develop governance processes that will ensure that the FET colleges are well managed and have effective reporting structures and mechanisms. The department is in the process of changing legislation and regulations to include reporting on predetermined objectives which was not regulated in the Further Education and Training

Act, 2006 (Act No. 16 of 2006). However, capacity challenges in the unit that deals with FET pose a risk to the completion of the statute.

An agreement was reached with the director-general of DHET to facilitate a process where the AGSA would audit two FET colleges for the financial year ending December 2012, but this has not materialised. We will continue to explore other avenues such as auditing one or two of the FETs in the provinces as pilot projects.

The AGSA has made strides in increasing the scope of audits to include the state-owned companies (SOCs), to improve our understanding of and contributions to this significant sector. Auditing the SOCs and providing direction in reporting on these SOCs according to the expectations of the applicable oversight and governance structures has afforded many opportunities to the AGSA in our continued focus on staff development and partnership initiatives with all tiers of government as well as the auditing profession.

OTHER EXECUTIVE STAKEHOLDERS

CABINET

In presenting the PFMA and MFMA audit outcomes to the national Cabinet, the AG highlighted the need to specify or intensify corrective actions in order to arrive at desirable levels of astute governance and clean administration. The recent positive pronouncements on issues pertaining to the management of consequences by the Minister of Public Service and Administration clearly indicate the level of engagement and awareness among leadership on what must be done to improve the state of financial management of the country. The Cabinet also delegated the task of consolidating the response of government to transversal audit outcomes to the coordinating ministries.

PROVINCIAL EXECUTIVES AND PREMIERS' COORDINATING FORUMS

The AG's roadshows for provincial leadership examined the progress, or lack thereof, on the previous year's commitments and strongly emphasised the importance of managing the consequences for non-performance. Members of executive committees (MECs) for coordinating departments such as the Departments of Cooperative Governance and Traditional Affairs (CoGTA), Finance and the Premiers' Office were charged with

monitoring progress on issues of financial management and good governance to ensure that clean audit outcomes are achieved.

Our key MFMA message to the local government leadership was to intensify capacity building among councillors so that oversight over the administration could be enhanced. The message also emphasised the issue of professionalising the municipal sphere of government by hiring qualified personnel. Open and vigorous dialogue characterised the announcement of the audit outcomes by the AG, which demonstrated the MECs' commitment to taking ownership. The premiers responded by taking ownership in similar publicised events in their respective provinces.

COORDINATING MINISTRIES

The AG successfully engaged the coordinating ministries in the national Cabinet where specific areas of improvement and the institutionalisation of good practice were discussed and agreed. Solutions were proposed for the areas in which the impact was not visible. Some of the government interventions for dealing with the areas of concern included a response to the supply chain management action plan announced in the 2013 budget speech and announcement of the Minister of Public Service and Administration on the strategies for professionalisation of the public service and IT governance.

LEGISLATIVE STAKEHOLDERS

SPEAKERS' FORUM

The AG continued to interact with the Speakers' Forum as a collective to share insights into oversight effectiveness and gain additional knowledge about governance matters. This resulted in the establishment of an AGSA legislature forum which serves as a platform to improve our audit approach by gaining a better understanding of the sector governance arrangements. The AGSA addressed a seminar of the Secretaries' Association of the Legislatures of South Africa which critically examined the role of legislatures in relation to South Africa's developmental agenda.

NA / NCOP DIALOGUE

We continued our programme of increased interactions with the oversight leadership in the National Assembly (NA) and the National Council of Provinces (NCOP). The most recent information on obstacles to clean administration empowered portfolio committees (PCs) and select committee chairpersons who made themselves available for quarterly interactions. We have streamlined our work methods of support to oversight committees, and have designated frontline liaison staff to clarify and confirm key messages whenever such clarity is required.



Figure 3: INTERACTIONS WITH PORTFOLIO COMMITTEES AT THE NATIONAL ASSEMBLY



The AG concluded his municipal door-to-door visits.

Our detailed briefings on our regularity audit findings to PCs prior to their annual assessment of departments' performance were a highlight in AGSA-NA cooperation. An extensive programme of briefings on the performance audit report on the use of consultants, led by the DAG, resulted in well-informed public hearings by various PCs. Our impact on portfolio committees and their ability to improve audit outcomes and good governance is an area that we will strive to improve.

The Standing Committee on Public Accounts (SCOPA) continued to play a catalytic oversight role by structuring its hearings around the root causes of unfavourable audit outcomes that we reported on during weekly briefings to SCOPA. We look forward to SCOPA increasing its impact even more through effective follow-up actions of its recommendations.

Although our PFMA and MFMA roadshows for the NCOP continued, they have not resulted in the desired structured and regular follow-ups. As far as the NA roadshows are concerned, a welcome development has been the commitment by the AGSA's oversight authority, SCoAG, to engage the NA leadership on measures to respond more effectively to the issues highlighted by the PFMA and MFMA roadshows and general reports.

MUNICIPALITIES

The AGSA's municipal door-to-door visits were concluded with the Eastern Cape, thus the AG has now interacted with every municipality in our country at least once during his term of office. The Eastern Cape municipal dialogues addressed the key requirements for clean administration and the functions of each of the key role players, especially those of the municipal public



We were encouraged by the level of commitment shown during these visits.

accounts committees (MPACs). We were encouraged by the level of commitment on the part of the councils and coordinating role players to establish a culture of testing the credibility of information and eliminating supply chain management irregularities.

PROFESSIONAL STAKEHOLDERS IN SOUTH AFRICA

ASSOCIATION OF PUBLIC ACCOUNTS COMMITTEES

Our collaborative relationship with the Association of Public Accounts Committees (APAC) resulted in a number of successes in strengthening oversight and accountability in South Africa and on the African continent. The quarterly dialogue between the AG and APAC leadership yielded some results in that APAC required jurisdictions to present progress in the implementation of commitments to improve the effectiveness of oversight. The AG and National Treasury advocated and encouraged the establishment of MPACs, which resulted in a resolution of the 2009 APAC conference. The AGSA participated actively in the training of new MPACs by APAC.

INDEPENDENT REGULATORY BOARD FOR AUDITORS

We utilise, on a voluntary basis, the services of IRBA to provide independent assurance on the AGSA's compliance with the firm-level requirements as required by the International Standard on Quality Control referred to as ISQC 1, as well as assurance on the adequacy of our internal quality control (QC) monitoring activities. We have a representative in the Inspections Committee of IRBA, providing inputs into the assessment process of the

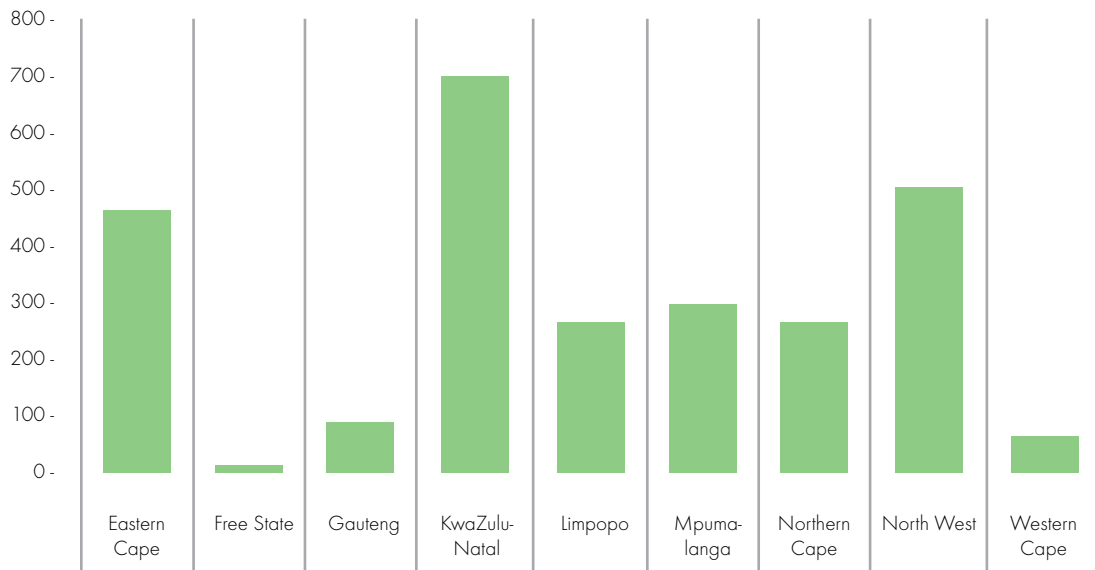


Figure 4: NUMBER OF MPAC MEMBERS TRAINED

quality of audit work of private audit practitioners, as well as obtaining invaluable experience in enhancing the QC practices in the AGSA. This also provides the AGSA with a platform to advance and influence the perspective and requirements of public sector auditing, as well as contemporary contentious issues in the public financial management domain.

CONTRACTED PRIVATE AUDIT FIRMS

We have continued to streamline the process of the appointment of private audit firms to which we allocate contractual audit work in order to supplement our internal capacity. We initiated training and information-sharing interventions with private audit firms to disseminate, build and improve awareness and knowledge of public sector auditing.

Furthermore, the allocation of audit work to private firms fulfils our strategic aims to stimulate sustainable black enterprise development and contribute to the growth of the profession. During the next financial year, we will be implementing a refined process of allocating audit work aimed at deepening the transformation in the firms that receive these allocations.

ASSOCIATION OF BLACK ACCOUNTANTS IN SOUTH AFRICA

Our staff participated in the 27th annual national convention of the Association of Black Accountants in South Africa (ABASA) and used the opportunity to strategically position the organisation among key stakeholders in the accounting and

auditing environment. Our leadership messages focused on the importance of skills development for achieving transformation targets with special attention to bursaries, capacity building at universities and among trainees in offices, and improving pass rates at the levels of Certified Theory of Accounting (CTA) and Qualifying Examination (QE).

INTERACTION WITH THE MEDIA

We recognise the critical role played by the media as key disseminators of information to the public in any democracy. We have, over time, established sound, mutually beneficial relations with the media. This enables us to convey the messages contained in our audit reports to the wider citizenry.



Interaction with the media at the release of the general report on national audit outcomes.

To this end, all media interactions for the year under review have focused on proactively providing journalists with informed insights to convey the AGSA's message. Executives were trained in how to deal with the media, including practical training in conveying simple, clear and relevant messages when interviewed for print and broadcast. Media briefings on the PFMA and MFMA audit outcomes gave journalists an opportunity to obtain explanations on key issues that could have had negative impact if misrepresented. Journalists were taken through the audit terminologies to enable them to report in an accurate and informed manner. In addition, the AGSA co-hosted its first, full media briefing to communicate the findings of the performance audit on the use of consultants.

An independent media analysis indicates that the constructive manner in which the findings of the performance audit were shared with the media generated positive media coverage of the AGSA with an advertising value equivalent (AVE) of over R8 million in the first two weeks after release of the report. The AGSA's share of voice (i.e. how the media conveyed our key messages, with the bulk of the information coming directly from the AGSA) also reached an all-time positive high of 73%¹.

INTERNATIONAL INSTITUTIONAL COLLABORATION

The AGSA collaborates in various international organisations and initiatives to build our professional capacity, share mutually beneficial knowledge and facilitate the implementation of international auditing standards. We are a member of the International Organisation of Supreme Audit Institutions (INTOSAI) and participated in a number of its committees, working groups and task forces.

CHAIRMANSHIP OF THE INTOSAI GOVERNING BOARD

In realising the strategic objective of visibility, not only in our country but globally in public sector auditing, the AG in his capacity as Chairman of the INTOSAI Governing Board continued to make significant strides by visiting all regional working groups. The central message of these visits was to urge the developing SAIs to have courage in defining their own journey towards the common destiny of the independence of SAIs. This message also encouraged the members of the organisation to give impetus to the issue of independence of SAIs and capacity-building measures.

¹Source: *Media Tenor, independent media analyst*



Steering committee of the INTOSAI Professional Standards Committee, May 2012.

The AG led INTOSAI by reinforcing the strategic objectives of the organisation through columns in the quarterly *International Journal of Government Auditing*, and presenting at high-level international forums, including delivering a keynote address at the Rio+20 Conference on Justice, Law and Governance on the crucial role of SAIs in promoting and championing the governance changes required at national, regional and global level. SAI independence in line with the landmark UN resolution endorsing the fundamental importance of SAIs, was dialogued with the Pan-African Parliament who received it favourably as a challenge to interact continually on good governance.

INTOSAI PROFESSIONAL STANDARDS COMMITTEE

Critical to the AGSA's active participation is the development of international standards on auditing. Thus the AGSA is a member of INTOSAI's Professional Standards Committee (PSC) and some of the subcommittees reporting to it, i.e. those on performance auditing (PAS), financial auditing (FAS), compliance auditing (CAS) and internal control standards. We facilitated an opportunity for the Chairperson of APAC to participate in the UN/INTOSAI symposium to give first-hand testimony of the practical value and benefits that the AGSA is bringing to its stakeholders.

WORKING GROUP ON THE VALUE AND BENEFITS OF SAIs

Our continued work as Chair of the INTOSAI Working Group on the Value and Benefits of SAIs (WGVBS) reaffirmed our commitment to contribute to improving the lives of citizens. The key outcome of this working group is the development of an international auditing standard constructed around the fundamental expectation that SAIs should make a difference to

the lives of citizens. It sets out the benefits of SAIs to society in providing assurance on the use of public funds. In demonstrating the insights gained from this working group, the AGSA leadership achieved their objectives of visibility and engaging both non-constitutional and constitutional stakeholders to encourage good governance. In addition, the WGVBS developed a guideline on the different channels SAIs can use to communicate and interact effectively with citizens and other stakeholders.

WORKING GROUP ON INFORMATION TECHNOLOGY AUDIT

The INTOSAI Working Group on Information Technology Audit (WGITA) supports SAIs in sharing knowledge and developing skills in the use and auditing of information technology. The WGITA implemented a triennial work plan with various projects based on SAIs' needs. In future, we will actively participate in the WGITA by leading and completing the project on IT audit planning and detailed audit procedures to review IT controls. The use of these procedures will also be incorporated into an INTOSAI Development Initiative (IDI) capacity-building handbook. We apply the lessons we derive from participating in the WGITA when auditing IT governance frameworks in South Africa.

TASK FORCE ON SAIS' INFORMATION DATABASE

INTOSAI established the Task Force on SAIs' Information Database (SID) to create an updated and specialised database of relevant information on SAIs in respect of aspects such as organisational structure, management features, mandate and legal attributions, and relevant reporting methods. The SID is aimed at strengthening communication and knowledge sharing among SAIs and stakeholders. The task force has drafted an appropriate procedure for identifying, organising, gathering, updating and disseminating the most relevant information to SAIs.

We continued to participate actively in the task force by leading one of the key initiatives, namely producing the INTOSAI Database: Change Management Framework. We will continue to support and add value to this project and will incorporate the themes of the database into the AGSA's management information system (MIS).

OTHER INTOSAI-RELATED INTERNATIONAL COOPERATION ACTIVITIES

Over the course of 2012, we hosted the INTOSAI Professional Standards Steering Committee where significant progress was made in finalising a number of International Standards of Supreme Audit Institutions (ISSAIs). We continued our active

participation in the harmonisation project of the ISSAIs. Our representatives contributed to the INTOSAI Task Force on Financial Foresight, among others by developing a position paper on emerging issues in the interest of INTOSAI's continued ability to remain relevant in a fast changing global environment.

INCOSAI SUPPORT

In the light of our experience as hosts of the XXth INCOSAI in 2010, we have been supporting the National Audit Office of China - the next host country - with their planning and preparation, concentrating on factors that would determine the success of the conference outputs. In addition, the AGSA provided expert opinions, insights and inputs to various surveys, papers and guides, and supported the IDI by representing it at the international Conference on Effective Institutions on various aspects of building effective governance systems.

SADCOPAC, EAAPAC AND AFROPAC

The partnership with APAC discussed earlier in this chapter has resulted in the replication of APAC's good practices by the Southern African Development Community Organisation of Public Accounts Committees (SADCOPAC). APAC, supported by the AGSA, facilitated the adoption by SADCOPAC and the East African Association of Public Accounts Committees (EAAPAC) of the UN resolution on the importance of SAIs and their independence. Another collaborative success was the AGSA-APAC support of the formation of a steering committee for the establishment of an African Organisation of Public Accounts Committees (AFROPAC).

AGSA'S LEADERSHIP AT THE UNITED NATIONS BOARD OF AUDITORS

Our engagement at the United Nations Board of Auditors (UNBOA) came to an end on 30 June 2012, marking 12 years of distinguished leadership and membership at the UNBOA and the Panel of External Auditors of the United Nations, Specialised Agencies and the International Atomic Energy Agency. The DAG attended the 66th Regular Session of the board in July 2012, which saw the finalisation and delivery of seven reports to the General Assembly.

In the period June to September 2012, the AGSA completed a hand-over process of its activities at the United Nations. The AGSA was succeeded by the Comptroller and Auditor-General of the Tanzania National Audit Office (TNAO). The AG has also continued his participation in the Panel of



The United Nations Board of Auditors.



In the spirit of *Mutual experience benefits all* we visited other countries.



A delegation from the SAI of Nigeria on a knowledge-sharing study tour to the AGSA in January 2013.



The AG of Ghana and his delegation met with the AG and members of Exco during their September 2012 study tour.

External Auditors, an association of 10 SAIs which audit the United Nations system organisations and the specialised agencies. With the support of the South African Department of International Relations and Cooperation, the AGSA aims to identify new audits of international institutions worldwide that are of suitable size and strategic fit to allow for invaluable international audit exposure to AGSA staff and advancement of the AGSA's leadership in the international public sector arena.

STUDY VISITS

In support of the INTOSAI motto, 'Mutual experience benefits all', we hosted a number of study tours from countries such as Libya, Kenya, Uganda, Bahrain, Namibia, China, Jordan, Ghana and Nigeria, and other international stakeholders. The delegations included members of parliament accompanied by staff of their SAIs. The success of these study tours led to additional requests

for the AGSA to facilitate similar knowledge-sharing initiatives in developing countries. We also visited other SAIs to provide capacity-building support, e.g. Liberia, Jordan and Australia.

WHAT OTHER STAKEHOLDERS SAY

During the 12 years that South Africa served on the United Nations Board of Auditors, the Auditor-General and his team were very active and engaging partners. They provided valuable advice and guidance on several reform efforts and, through their audit reports and management letters, helped to strengthen the culture of accountability. I commend them for their professionalism and commitment to improving the work of the United Nations.
Office of the Secretary-General of the United Nations.

The AGSA audit team was pleasant to relate and to work with, they were mature, hardworking and conducted themselves

TABLE 4: ACTUAL PERFORMANCE AGAINST PREDETERMINED OBJECTIVE

PERFORMANCE MEASURE	TARGET 2012-13	ACTUAL PERFORMANCE	COMMENTS
High-quality, value-adding stakeholder interactions are conducted, and escalated where necessary	100%	100%	Achieved

with the highest integrity. From a professional standpoint, they had mastered the audit profession and represented it with great esteem, while observing the ethical standards expected of all auditors. As a result, in performing its advisory role to the General Assembly, the ACABQ had no doubt whatsoever in placing significant reliance on the good work done by the Board of Auditors.

Statement by Mr. Collen V. Kelapile, Chairman, United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ).

As the Portfolio Committee on Public Works, we appreciate the support we get from the Office of the Auditor-General.

Hon. Catherine Mabuza (Chairperson of PC on Public Works).

STRENGTHENING OUR HUMAN RESOURCES

HIGHLIGHTS

- Pass rate for external bursary holders increased to 68,6% (2011-12: 51,7%)
- PeopleSoft e-Recruitment system implemented
- Team effectiveness model enhanced and rolled out to most BUs

The achievement of the AGSA’s mandate depends on a skilled and motivated workforce. Building on our leadership’s

commitment that ‘People are the agenda’ made in the previous year, the AGSA continued its journey to becoming a high-performing organisation. The main elements included the implementation of an integrated and holistic approach to people management, the elevation of the intensity and quality of staff engagements as well as the enhancement of skills and learning initiatives in the organisation.

A motivated workforce is not only critical for achieving organisational objectives, but also for the well-being of employees and their families. Together the organisation and its employees build a sustainable organisation.

THE JOURNEY OF OUR ORGANISATIONAL CULTURE

During the reporting period we focused strongly on the integration of culture and ethics interventions and activities. This integration is one of the key requirements to enhance the demonstration of sound ethical principles. Trustworthy employees are critical to our continued success, and the required level of ethical behaviour is achieved through ongoing efforts to raise employees’ awareness and a culture of zero tolerance for ethical misconduct. To remain relevant and in line with best practice, in 2012 we reviewed and revised our ethics policy and procedures. We adopted the ethical values and principles of the International Federation of Accountants (IFAC) as the main behavioural drivers at the AGSA.

An innovative campaign ‘Paving the way to ethical behaviour’ allowed us to increase the awareness around ethics by engaging effectively with all employees. The campaign proved very successful, resulting in an increased amount of voluntary disclosures about gifts, hospitality received by

employees and any conflict of interests. During 2012-13 100% of employees completed their ethics awareness sessions and over 90% completed the compulsory annual ethics training.

During the year we conducted a survey, managed by an independent provider, to determine our progress on the journey

towards a high-performance culture. We set a target of 3.2 (on a 1-5 scale) which is the industry norm determined by the Human Sciences Research Council. Figure 5 summarises the results for the three organisational indices. We fared well above the industry norm on the three indices, which confirmed our effective utilisation of strengthening human resource processes and tools.

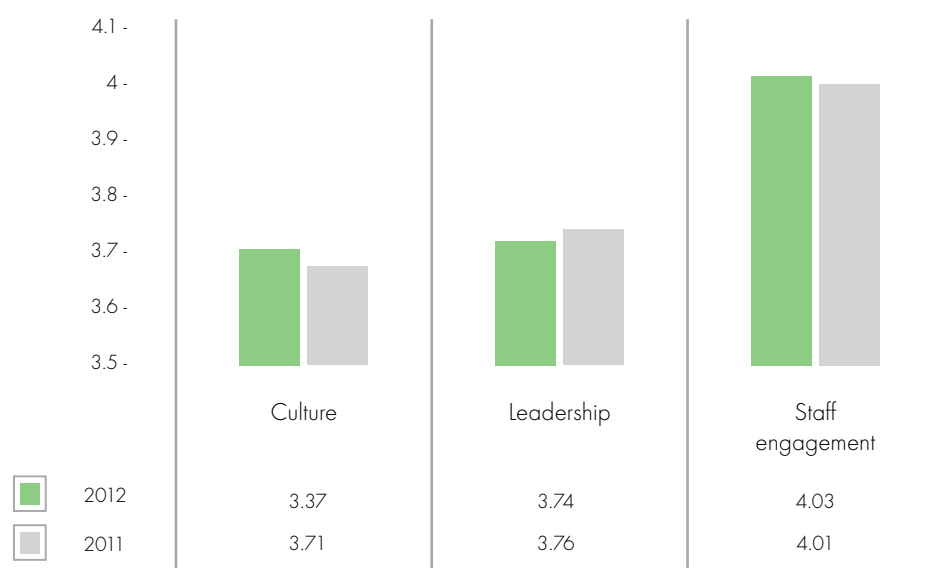


Figure 5: PERFORMANCE REGARDING ORGANISATIONAL INDICES

TALENT MANAGEMENT, RETENTION AND RECRUITMENT

Talent management is aimed at supporting the AGSA's retention and succession planning efforts. To achieve this, we continue to enhance, monitor and evaluate the effectiveness of the talent management framework and particularly its implementation.

The outcomes of the Talent Exco for the performance year focused the organisation's attention on key pillars (trust, accountability, communication, succession planning, diversity and transformation) with the aim of breaking down barriers that hinder effective talent management.

In support of talent management efforts, we changed our approach to the use of fixed-term contracts (FTCs) as a staffing

model. This model had assisted us to create an equitable workplace environment; however, it was having a diverse effect on talent management and retention in the organisation. The FTCs were discontinued for the levels of business executive and below, excluding trainee auditors, audit supervisors and audit clerks.

RECRUITMENT AND RETENTION

In December 2012, we successfully implemented an e-Recruitment system as part of our enterprise resource planning system, PeopleSoft, which allows for full integration of all recruitment processes. Online approval of employment offers speeded up the approval process and eliminated the need to courier documents to various regional offices. The recruitment process for the level of manager and below was decentralised, allowing business units

to achieve a quicker turnaround time. Further developments for efficiencies are planned for the 2013-14 financial year.

We expanded the use of tools such as the social media to increase awareness of the AGSA brand and source passive candidates. We are exploring the use of greener and more efficient methods of recruitment, such as online interviewing, online contracts and online administration.

During the year under review, we achieved an occupancy level of 86,9% across the organisation (2011-12: 89%) which is above our target of 85%. The lower staff occupancy this year was due to the creation of new positions and an increase in staff turnover in 2012.

Employee retention is a challenge facing the AGSA and other similar institutions due to the shortage of skills in the auditing profession. To drive employee retention, the AGSA continues to enhance the practices of rewarding and recognising employee performance. The organisation has made progress in developing a total reward framework with the intent to reposition and enhance the AGSA's employee value proposition that would differentiate it as an employer of choice. This will incorporate broader aspects of reward than just the traditional remuneration components (guaranteed and variable pay) to ensure that the entire work experience drives the retention results.



Staff recruitment processes were diversified.

Staff turnover for the year under review was 17% (523 resignations out of a staff complement of 3 035), below the industry norm for the financial sector of 18,6%.

Table 5 shows that 80% of these resignations fall in the age group of 25-35 years. There are a number of reasons why staff leave the organisation and we are in the process of addressing these as is evident in the decision to abandon the FTCs.

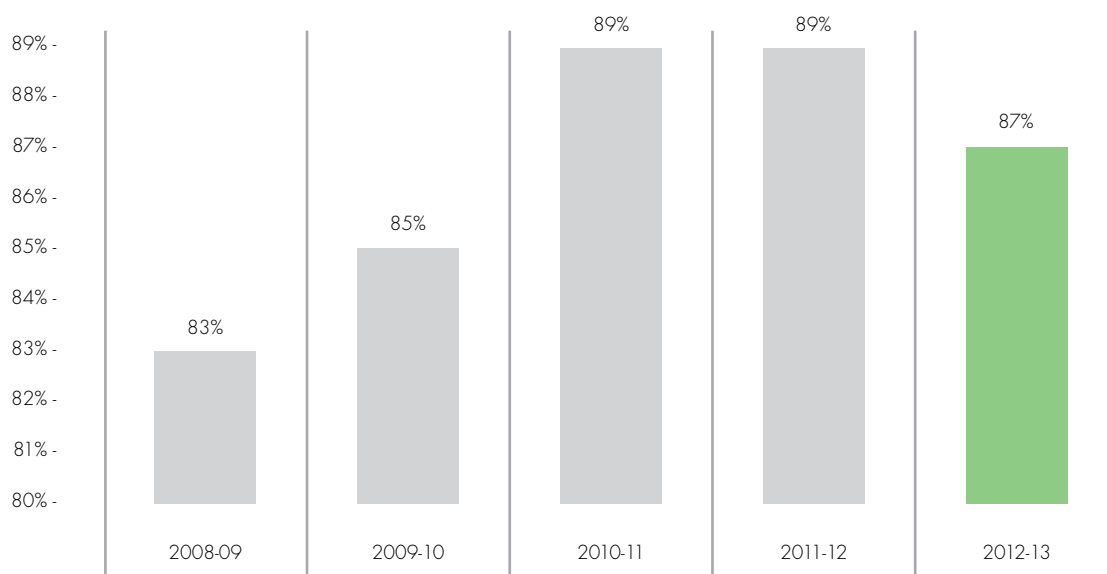


Figure 6: ORGANISATIONAL OCCUPANCY LEVELS

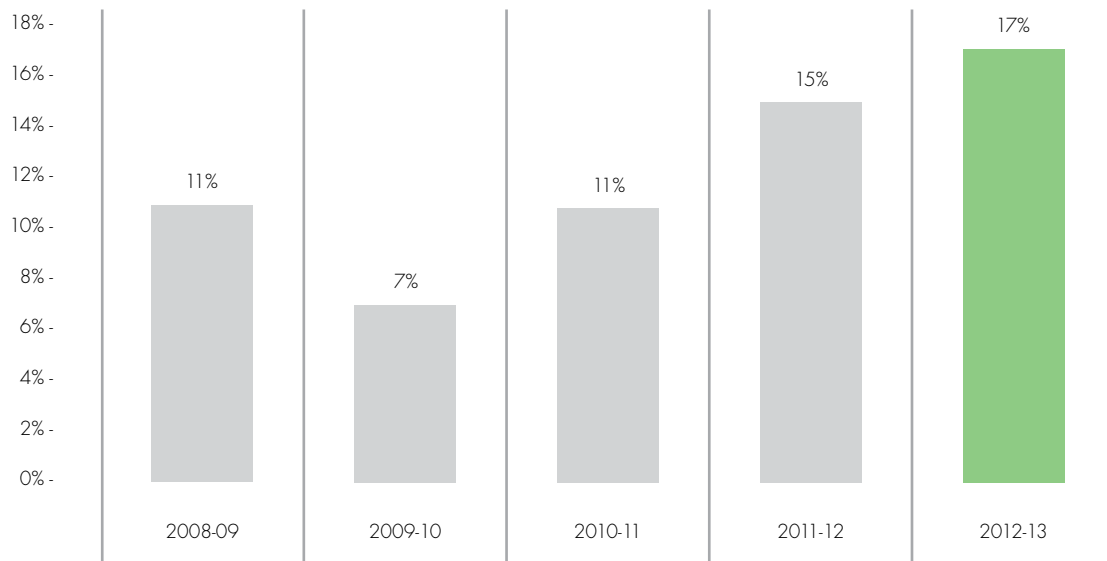


Figure 7: STAFF TURNOVER LEVELS

TABLE 5: STAFF TURNOVER BY AGE GROUP

AGE GROUP	MALE	FEMALE	TOTAL
<25 years	7	11	18
25-35	206	212	418
36-55	33	39	72
>55	12	3	15



TABLE 6: STAFF TURNOVER BY RACE, GENDER AND OCCUPATIONAL LEVEL

OCCUPATIONAL LEVEL	MALE				FEMALE				Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Corporate executive	1	0	0	0	1	0	0	0	2
Business executive	1	1	0	1	0	0	0	0	3
Deputy business executive	0	1	0	1	1	0	0	0	3
Senior manager	8	5	3	4	3	0	3	2	29
Manager	16	5	4	6	15	2	7	12	69
Assistant manager specialist	20	1	8	4	16	1	4	6	60
Supervisor	22	3	3	1	26	2	1	2	61
Auditor	1	1	0	0	1	0	0	0	3
Trainee auditor	59	3	3	1	53	0	1	1	121
Administrator	2	0	0	0	8	7	1	2	20
STC/Audit clerk	50	4	11	4	77	5	11	7	169

ENHANCING THE EFFECTIVENESS OF OUR LEADERS

The AGSA continued to focus on building leadership capacity for strategy implementation and organisational effectiveness. A number of tools were developed to assess the current competence levels of AGSA leaders. The assessment results determined appropriate development interventions to enhance leadership.

Our participation in executive development programmes, exchange and sabbatical programmes and specific programmes offered in partnership with SAs continued to underpin our broader leadership development and capacity-building initiatives. To ensure the AGSA is in touch with what is happening both in the broader public sector environment and internally, we introduced a platform for knowledge sharing and dialogue through the invitation of thought leaders from the broader public service as well as institutions that have an

understanding of the workings of the public service. The public sector awareness programme, aimed at assisting our leadership and audit teams to know and understand our public sector auditing environment better, continued to yield positive results. Our leaders as well as their teams benefited from this intervention.

FOCUSED ORGANISATIONAL DEVELOPMENT AND LEADERSHIP

During the past few years, the AGSA enhanced its strategy beyond just reporting on audit outcomes, to ensure that the audit results are communicated to and interrogated by stakeholders so that they understand the underlying reasons for these results. It became necessary for the AGSA to review its organisational structure to accelerate the implementation of the strategy. We added the role of national leader for both the auditing and support parts of the organisation and refined some portfolios that needed focused

attention with regard to their performance delivery. The management approval framework was reviewed and updated. Further refinements and enhancements of the structure are expected in order to continue responding to further internal and external environmental changes.

EXECUTIVE COACHING AND MENTORING

The AGSA continued with its approach of developing executives through coaching and mentoring. During the year, we implemented a number of developmental programmes to equip the leaders with coaching and mentoring skills and institutionalised a culture of developing competence through coaching. To ensure that the coaching and mentoring processes are accessible to all employees, we are investigating a number of coaching and mentoring delivery methods (e.g. e-mentoring and e-coaching) for future implementation.

LEADERSHIP PIPELINE DEVELOPMENT AND SUCCESSION PLANNING

The leadership pipeline and succession planning process as a platform for effective management of AGSA talent received more focused attention during the performance year. The process involved the profiling of the AGSA talent, identification of the readiness level of employees as well as addressing development needs for profiled employees.

BUILDING EFFECTIVE BUSINESS TEAMS

The AGSA continued to live up to its value of working effectively in teams. The interventions for building effective teams focused on enabling them to do self-assessments of their level of team performance and then define gaps, which formed the basis of the team-building efforts. A number of business units initiated and implemented team effectiveness interventions at middle management and supervisory levels as well.



Forging effective teams through informal challenges.

TOTAL PERFORMANCE MANAGEMENT

To improve performance, the AGSA introduced the concept of total performance management for all employees. This initiative included the identification of critical minimum performance results and outputs for each job level to aid employees' performance assessment process. We assessed the implementation of both performance results and performance-rating guidelines during the mid-year and year-end performance evaluations and are satisfied with the results achieved.

CONTINUING LEARNING AND PROFESSIONAL DEVELOPMENT

Our people strategy aims to develop and retain talent and create long-term growth prospects for our people. The investment in people development is depicted in table 7. Awarding bursaries is the starting point for the creation of a talent pool that will ensure that our workforce demands are met.

It is encouraging to see so many staff members utilising the internal bursary scheme to improve their academic qualifications. This will position them well for a long and rewarding career in the AGSA. The substantive amount invested in professional fees is indicative of the sizeable community of our staff who are affiliated to professional bodies.

Based on organisational training needs assessment that was conducted among staff in May 2012, our first annual learning plan was rolled out in October 2012. In the main this plan incorporates the compulsory annual ethics training for all staff as part of the organisational culture journey; offers foundation training for all staff as induction into their new positions in the organisation; and covers 12 technical and 21 customised soft-skill learning interventions aimed at developing our trainee auditors into qualified professionals and our professional staff into skilled individuals that possess the required competencies for the positions they fill. The continuing professional development (CPD) journeys were mapped out for the relevant employees to ensure that the learning process will ultimately improve our business results. The key drivers of this process are coaching, mentoring and on-the-job training to promote the application of skills and knowledge in the workplace. Our focus for the forthcoming year will therefore be on transferring learning from the classroom to the workplace and measuring its impact on business results.

We invested R65,5 million in study support, learning and growth of our employees for the current year, significantly higher than the R56,2 million spent in the previous year. The

underspending on the overall study support budget resulted from the trainee auditors that did not progress academically and were subsequently transferred to the position of audit clerk.

TABLE 7: CATEGORIES OF STUDY SUPPORT, LEARNING AND GROWTH

ASSISTANCE	BUDGET (R MILLION)	%	ACTUAL (R MILLION)	%
Bursaries for tuition, study materials & accommodation	15,29	18,50%	13,21	20,16%
Study support by tuition providers	14,63	17,70%	11,91	18,18%
Internal training	15,07	18,23%	13,33	20,35%
External training	5,80	7,01%	3,14	4,79%
Subsistence and travel for training	15,32	18,53%	8,26	12,61%
Professional membership fees	10,06	12,17%	10,99	16,78%
Innovation and learning development projects	0,86	1,04%	1,73	2,64%
Mandatory grant received from the SETA	-5	-6,05%	-8,28	-12,61%
Skills development levy paid	10,64	12,87%	11,22	17,09%
Total	82,67	100%	65,51	100%



Figure 8: NEWLY QUALIFIED PROFESSIONALS

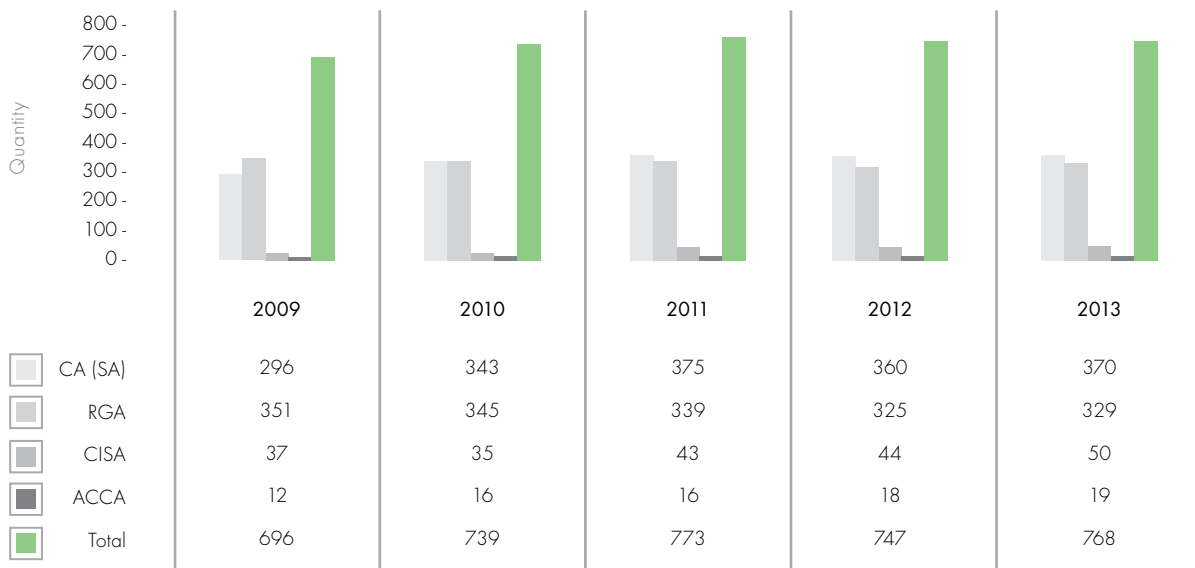


Figure 9: PROFESSIONAL MEMBERSHIP PROFILE OF EMPLOYEES

CREATING A HIGHLY SKILLED WORKFORCE

GROWTH IN THE NUMBER OF QUALIFIED AUDIT PROFESSIONALS

We have seen an increase in the number of newly qualified audit professionals to 76 (2011: 56). This can be attributed to our internal study bursary and loan schemes, beneficial study leave days, the high quality of our learnership programmes, technical and soft skills training, as well as academic progress monitoring. Figure 8 indicates the number of newly qualified professionals during the year under review. Figure 9 reflects the professional membership of our employees over the past five years.

TRAINEE AUDITOR SCHEME

In the trainee auditor scheme (TA scheme) we are driven by our ideal to improve the financial skills shortage the country faces. This has led us to research our programmes and

develop improved initiatives. During the financial year, we introduced a number of new study support initiatives and aligned our policies and procedures with our core values of personal accountability and recognising our people. Our initiatives focus on allowing the TAs access to all the support they need to become successful qualified professionals. These include the AGSA's internal study bursary and loan schemes, study leave, academic progress monitoring and our high-quality learnership programmes which include technical and soft skills training.

The AGSA currently offers learnerships for chartered accountant, registered government auditor and certified information systems auditor. Figure 10 indicates a steady increase in our learnership numbers over the past three years. This is in line with the organisational focus on building a highly skilled workforce.

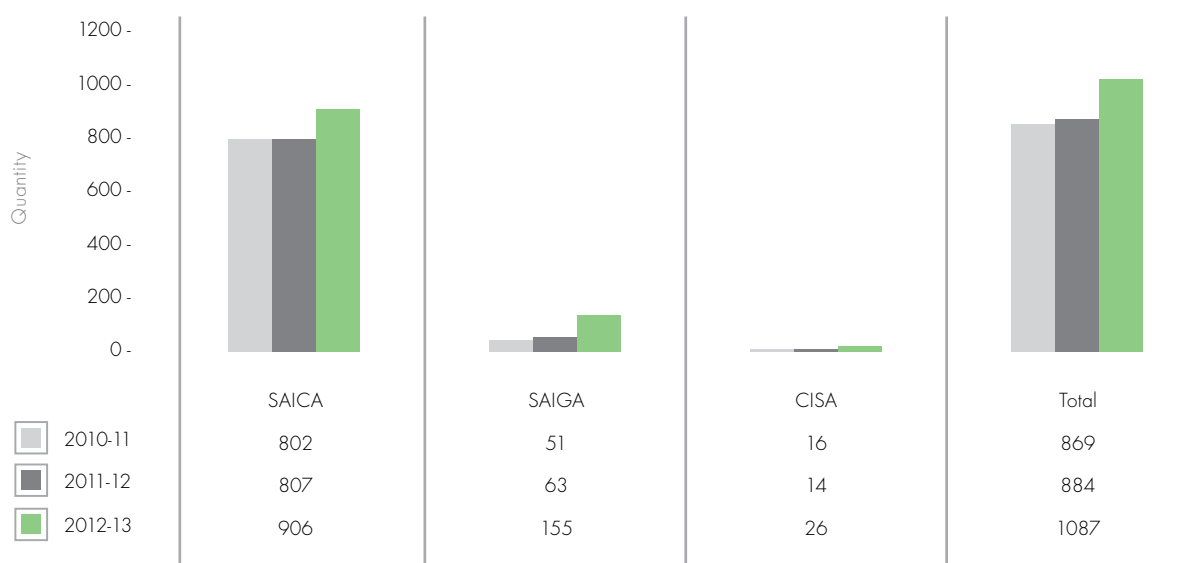


Figure 10: TRAINEE AUDITORS REGISTERED FOR DIFFERENT LEARNERSHIP PROGRAMMES

TRAINEE AUDITORS' STUDY RESULTS

Last year our TAs worked diligently to ensure that they made academic progress. We are proud of them and acknowledge the tremendous effort they have put in to work full-time and study part-time. We have seen more improved academic results in comparison to previous years as outlined in table 8.

In 2012, 14 SAICA TAs and 13 SAIGA TAs passed their final qualifying examinations. These 27 TAs now only need to complete their practical experience in order to be accepted by the professional bodies as qualified CA(SA)s and RGAs.

TABLE 8: PASS RATE OF TAs OVER FIVE YEARS

YEAR	SAICA final qualifying exam				SAIGA final qualifying exam			
	PASS	FAIL	TOTAL	% PASS	PASS	FAIL	TOTAL	% PASS
2008	4	7	11	36	N/A	N/A	N/A	N/A
2009	6	7	13	46	N/A	N/A	N/A	N/A
2010	10	2	12	83	7	1	8	88
2011	11	14	25	44	23	0	23	100
2012	14	13	27	52	13	2	15	87

The majority of our TAs are studying towards CTA. To assist them, we launched two unique programmes for South Africa: the AGSA-SAICA-UNISA (ASU) Jumpstart and the CTA2 Boot Camp. The ASU Jumpstart was rolled out in the AGSA as a combined initiative of the AGSA, SAICA and UNISA, whereby our CTA1 and CTA2 students attended additional live classes by UNISA lecturers in Pretoria on a weekly basis. The classes were video-recorded and the recordings made available for the benefit of our trainees in the regional offices.

Our CTA2 Boot Camp is a proudly in-house developed programme affording an exceptional opportunity for our top 25 CTA2 students to be part of a six-week intensive study support programme at an outside venue, where all their basic needs were cared for, allowing them the time to concentrate entirely on their studies in preparation for the CTA2 examination. At the Boot Camp, they received face-to-face lessons from top lecturers, wrote mock exams and received individual feedback on their test results. In addition, they had sessions on exam technique, stress management, healthy diet to improve brain power and study methods, participated in group sessions and weekly motivational sessions, marked one another's scripts and received files with notes and integrated questions.

Of the 25 trainees that had failed CTA the previous year, 19 (76%) passed CTA2 after the Boot Camp, which is well above the pass rate for 2012: 17% (2011: 7%). Of the 19 that went on to write SAICA's Initial Test of Competence (ITC) examination in January, 16 succeeded – a pass rate of 84%. The success



Our top achievers undergo a unique training opportunity.

of these TAs encourages us to develop other successful programmes to help us produce more young professionals in the public sector and share our experience with other institutions. Many have since been promoted to managerial roles and all of them are in one way or another giving back and providing support to the other TAs.

Over and above the three learnership programmes in the AGSA, we also provide full-time bursaries to individuals who wish to become CA(SA)s. We currently have 118 students, studying at various SAICA-accredited universities, and our overall pass rate for the last year was 68%. Our continuous support of these students, the monitoring of their academic results and our study support initiatives with SAICA have delivered the return we expected on our R8 100 000 investment.

TABLE 9: TREND IN THE EXTERNAL BURSARY HOLDERS' RESULTS FOR THE PAST THREE YEARS

YEAR	TOTAL NUMBER OF BURSARY HOLDERS		UNDERGRADUATE BURSARY HOLDERS		CTA BURSARY HOLDERS	
	Enrolled	% passed	Enrolled	% passed	Enrolled	% passed
2010	109	55,7	94	60,7	15	20,0
2011	119	51,7	94	57,1	25	16,0
2012	118	68,6	101	70,3	17	58,8

WORKFORCE PLANNING

The AGSA has embarked on enhancing its workforce planning with the intention to have the right talent with the right skills and competencies, at the right time and cost, to support the AGSA’s mandate and business strategy. A formal workforce planning policy and procedures were approved by Exco in December 2012 and will be implemented in the 2013-14 financial year.

AGSA CENTENARY SCHOLARSHIP PROGRAMME

The AGSA centenary scholarship fund is a legacy project launched during our centenary celebrations in November 2011 which changed the lives of a group of young South Africans. The unique, one-off initiative will enable 34 young students, who proved to be high performers amidst challenging circumstances, to pursue their studies in the financial or accounting streams of SAICA-accredited universities throughout the country.

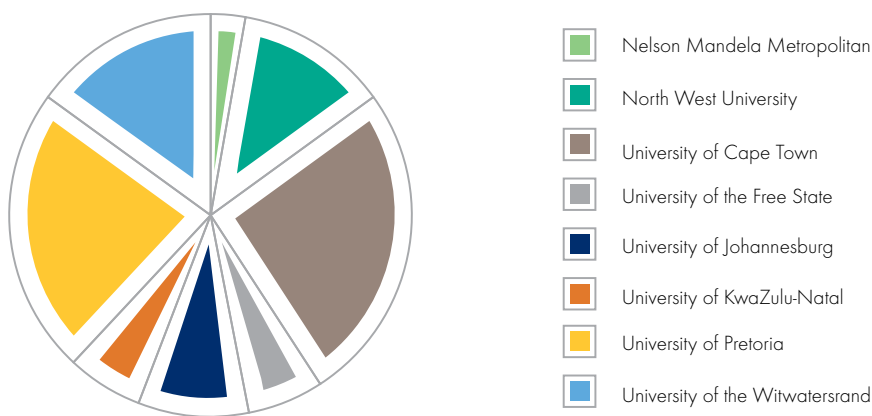


Figure 11: BREAKDOWN OF SCHOLARSHIP AWARDS PER UNIVERSITY

Seventy per cent of the recipients of scholarships were learners from the AGSA-adopted schools for our CSI programme, which illustrates our commitment to strengthening our country by addressing both the education of our youth and the auditing profession’s skills shortage.

The scholarship fund was aimed at high-school learners, undergraduates and postgraduates and was open to all South African citizens in all nine provinces, attracting 215 applications from around the country. The scholarship not only provides financial assistance, but also offers valuable support in terms of life skills. Through our mentoring and coaching programme, we will be monitoring their personal and academic growth as well as honing their leadership skills, a vital quality for young professionals. The students will also gain valuable first-hand corporate knowledge and experience through vacation work at the AGSA.

CAPACITY BUILDING

RECOGNISING ACHIEVEMENT

The AGSA believes in recognising and rewarding employees to ensure we have a high-performance culture. During the year under review, we recognised not only individuals, but also business units and the leadership. The leadership award was granted for the most transformational leader. The team awards primarily recognise team effectiveness and are sponsored by the AG. This financial year, business units received five PFMA awards and six MFMA awards for improved performance during the two audit cycles. The last category of awards was for quality control and these were awarded to eight individuals.

We will continue to reward and recognise both individual and team excellence to inspire our employees to achieve even higher performance levels.

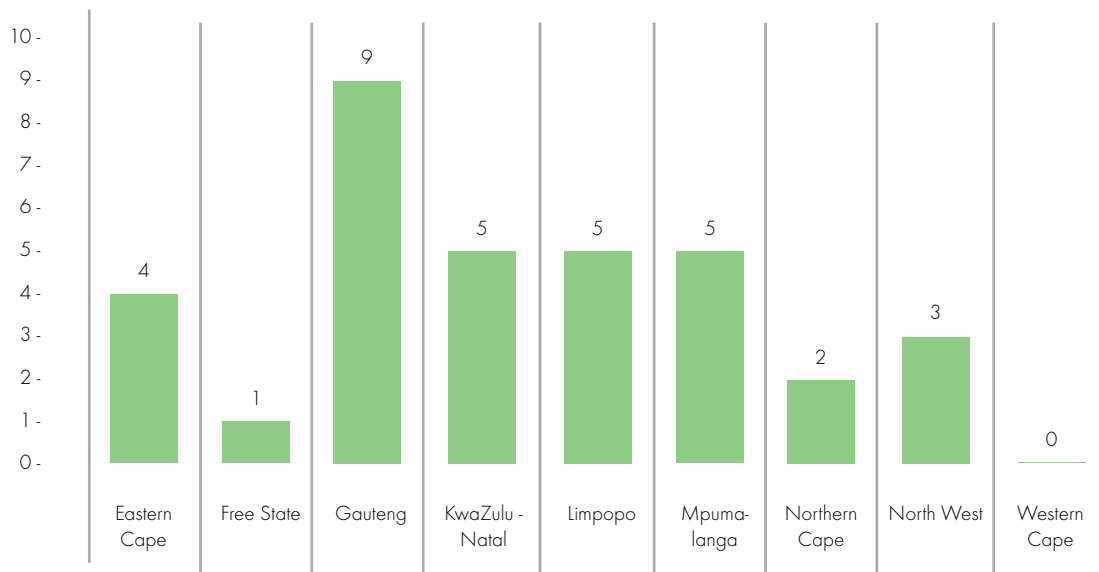


Figure 12: BREAKDOWN OF SCHOLARSHIP AWARDS PER PROVINCE

PARTNERSHIPS WITH OTHER STAKEHOLDERS

The AGSA is one of the bigger donors to the Thuthuka Bursary Fund (TBF), which is managed by SAICA as a transformation project and is geared to assist previously disadvantaged individuals to obtain a CA(SA) qualification. We are sponsoring 40 students each year at a total cost of R1,6 million per annum.



Interaction with AGSA bursary holders.

The AGSA has provided funding of over R3 million to the University of Fort Hare to maintain their SAICA accreditation. This strategic initiative is another example of how we support the transforming of the accounting profession by increasing the number of financially qualified professionals for the country as a whole.

The AGSA is a founding member of the Chartered Accountants' Public Sector Forum (CAPSF) launched on 1 February 2013, which aims to collectively address the shortage of financial management skills (specifically of chartered accountants) in the country and the retention of the qualified students in the public sector. We furthermore researched various alternative learnerships and we will be introducing the Association of Chartered Certified Accountants (ACCA) learnership in 2014.

DELOITTE MANAGEMENT SECONDMENT

The Deloitte management secondment programme (DMS) is a unique initiative undertaken by the AGSA, to bridge the competence gaps of trainees and middle management in the AGSA. Throughout this programme, we have leveraged on the experience and skills of the secondees who have contributed to the skills development of the trainee auditors and AGSA employees. There has been a definite increase in successful training, mentoring and coaching sessions by the DMS candidates. Monitoring of the skills transfer is also reflecting attitudinal and behavioural changes that have taken place over time.

EMPLOYEE WELLNESS

The employee assistance programme is available at any time of the day to all AGSA employees including their immediate family members. This service offers emotional counselling, including trauma counselling. The service assists employees in dealing with their financial problems, including budgeting and

investment, and provides financial counselling onsite in Pretoria once a month. Employees receive advice on various legal matters excluding labour issues, as the AGSA has a contracted service provider for this purpose.

The programme provides employees with a concierge service, ranging from a tutor for school-going children’s assignments to travel assistance to personal advice on motor and household insurance. Through an e-Care service, employees receive a customised weekly email that talks directly to their condition or that of persons close to them. e-Care further affords employees the opportunity to ask a professional doctor, nurse or personal

trainer any question online that might benefit the employee. Table 10 reflects the utilisation of the above services.

The employee wellness programme (EWP) conducted wellness days at all regional offices. The EWP champions played a vital role in coordinating these activities in which invited service providers offered health risk assessments and HIV counselling and testing. The participation rate is reflected in table 10.

The breakdown of the most frequent problems handled by the service providers is given in table 11.

TABLE 10: UTILISATION OF THE EMPLOYEE WELLNESS PROGRAMME

EWP UTILISATION RATE	NUMBER OF CASES	TOTAL HEADCOUNT	% UTILISATION RATE
Employee assistance programme	1 987	2 834	70%
Wellness days	856	2 834	30%
Incapacity & disability cases	25	2 834	0,8%

TABLE 11: UTILISATION OF THE EAP IN THE MOST FREQUENT PROBLEM CLUSTERS

PROBLEM CLUSTER	NUMBER OF CASES	TOTAL HEADCOUNT	% UTILISATION RATE
Legal issues	108	2 834	4%
Relationship issues	141	2 834	5%
Stress	107	2 834	4%
Money management	81	2 834	3%
Organisational issues	59	2 834	2%
Mental illness	39	2 834	1%

BENEFITS OF FULL-TIME EMPLOYEES

The AGSA offers a range of benefits to employees:

- Group life (3x annual salary)
- Disability (75% of employee's monthly salary)
- Funeral cover (up to R10 000 depending on criteria)
- Medical aid – the AGSA subsidises medical contributions only for bands F and G employees on the BERYL (GEMS) option. For the remainder of the staff this is contributed via the total cost-to-company (TCC) remuneration structure.
- Retirement funding (contributed via the TCC remuneration structure)
- Leave (study, maternity, special etc.)

Although these benefits are in line with market practices, there is an inherent risk of exposure to employees relating to the administration of these benefits. The risks have been identified as having a huge impact on the organisation's ability to increase the economic security of its employees.

LEADING BY EXAMPLE

HIGHLIGHTS.....

- Achieved targeted 87% for quality of audits performed
.....
- Maintained the status of a B-BBEE contributor level 3
.....
- Successful implementation of the ethics awareness campaign
.....

We undertook to enhance the quality and timeliness of our products, adhere to standards of clean administration and maximise our contribution to transformation, with the focus on auditing methodology, quality control, risk management and the transformation agenda for the year under review. By doing so, we contribute to the creation of a sustainable organisation

AUDITING STANDARDS AND METHODOLOGY

In accordance with the PAA the AGSA determines the standards and methodology to be applied during audits, taking into account international and national best auditing practice. The AGSA is one of only a few SAIs in the world that has fully implemented the International Standards on Auditing (ISAs) in

its regularity audits. Our methodology, working papers and templates are sound and in adherence with these standards, as confirmed by an external firm-level review by IRBA.

The International Standards of Supreme Audit Institutions (ISSAIs) provide public sector-specific standards and guidance on performance audits and the auditing of financial statements, internal control and legislative compliance. The AGSA contributed substantially to developing guidelines, which include standards for harmonisation and the value and benefits of SAIs, through INTOSAI for adoption at INCOSAI 2013.

Our methodology for the auditing of reporting against predetermined objectives has matured to the level of being able to express an audit opinion. This final phase of the approach, however, will only be implemented when we have confirmed the state of readiness by government to fully report on their performance. We have also substantially improved our methodology for the auditing of compliance with legislation, also with a view to expressing an opinion in future as required by the PAA. This places us at the forefront of developments in the INTOSAI community and has further increased the relevance of our audit messages.

QUALITY OF AUDITS PERFORMED

Audit quality is one of our primary focus areas and one of our key performance measures for leading by example. We have established policies and procedures designed to provide us with reasonable assurance that the system of QC in the AGSA is relevant, adequate, operating effectively and complied with. The monitoring and review process is performed by our internal Quality Control Business Unit and the quality of this internal review process is annually evaluated by the IRBA.

This financial year's quality results are consistent with the targeted performance and have improved significantly when compared to the previous year's results. Although we achieved the targeted results, we will continue to improve these high quality results. The significant improvement in the quality results may be attributed to the following:

- The audit business units designed and implemented comprehensive corrective and preventative actions.
- We also monitored the adequacy of the corrective and preventative actions on a quarterly basis.

- Our Audit Research and Development Business Unit provided additional guidance to the audit business units and the product champions also played a significant role to emphasise and improve on audit quality.
- Our Quality Control Business Unit held sessions at all audit business units to raise awareness of audit quality control.
- The national leaders and corporate executives introduced and drove elevated quality assurance measures at executive management level.
- Best practices that had led to good quality audit files in the previous year were reiterated and communicated to all audit staff as a knowledge-sharing initiative.

The extensive assessment of the organisational learning and development needs included a renewed approach to training, mentoring and coaching. Business units refined performance management processes to incorporate an increased emphasis on audit quality. Diligent and enhanced supervision, review and sign-off processes by the different levels of review of audit engagements also contributed to the improved quality results.

A comparison of the results in this category for the last four year is presented in figure 13.

TABLE 12: ANNUAL QUALITY CONTROL RESULTS

PERFORMANCE MEASURE	TARGET 2012-13	ACTUAL PERFORMANCE
% adherence to quality standards	Excellent & good performance: 87%	87%

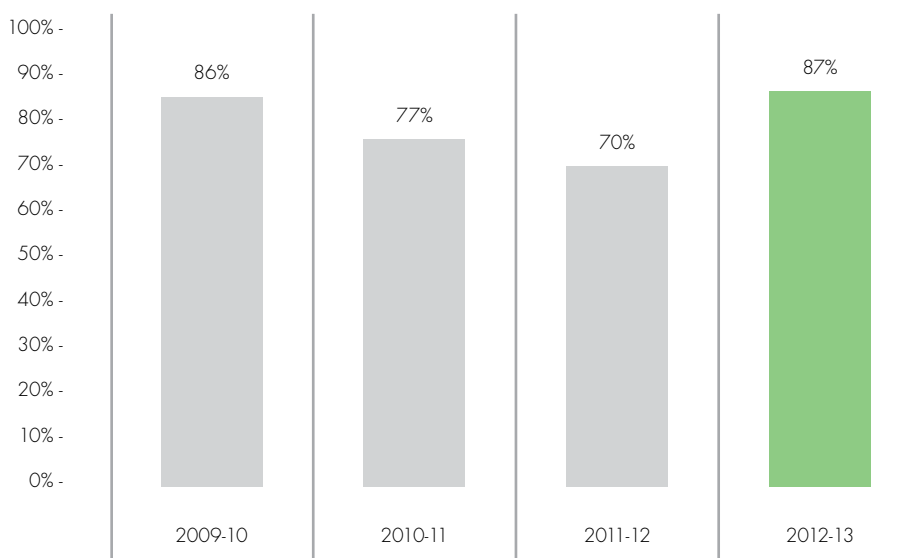


Figure 13: QUALITY RESULTS FOR THE PERIOD 2009-2013

OUTCOME OF INDEPENDENT FIRM-LEVEL REVIEW

The ISQC 1 systems of QC relating to leadership, ethical requirements, acceptance and continuation of client relationship, human resources and monitoring have a direct impact on the quality of audit performance. IRBA reviewed the implementation of our QC policies and procedures (phase II), and followed up weaknesses identified during their phase I review of 2011. The outcome of the review indicated a satisfactory level of compliance with ISQC 1 and effective functioning of our internal control monitoring processes, as no high-risk findings were raised. Our QC Business Unit will continue to monitor compliance with ISQC 1 requirements.

In order to lead by example, benchmark our audit practices internationally and obtain assurance from independent external resources, the AGSA has decided to subject itself to an international quality peer review by a team of reviewers from other SAIs in the next three years.

TIMELINESS OF AUDIT REPORTS

The timeliness measure of our annual audits pertains to all annual financial statements that were received and required to be completed within the financial year as per the deadlines legislated by the PFMA, MFMA or the AGSA's audit directive.

Table 13 summarises our performance in meeting legislative deadlines for the completion of annual audits.

For the year under review, we set a target of 90% for compliance with statutory and legislative deadlines for our audit reports. We achieved this target for the PFMA audits. However, for the MFMA audits we performed 2% below our target due to the poor quality of the annual financial statements (AFS) received, which required extensive corrections before the audit could be completed.

TABLE 13: PERFORMANCE IN MEETING LEGISLATIVE DEADLINES FOR THE COMPLETION OF ANNUAL AUDITS

APPLICABLE LEGISLATION	TOTAL NUMBER OF AUDITEES	NUMBER OF AUDITEES THAT SUBMITTED AFS IN FINANCIAL YEAR		NUMBER OF AUDITS COMPLETED WITHIN LEGISLATIVE DEADLINE	
		Number	%	Number	%
PFMA and AG's directive	546	532	97%	480	90%
MFMA	335	332	97%	291	88%
Total	881	864	98%	771	89%



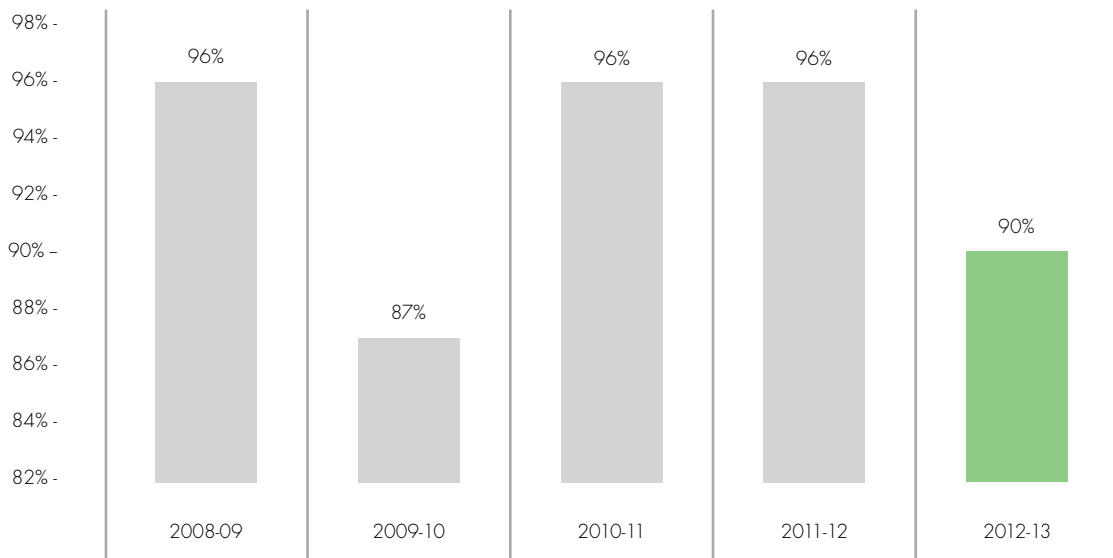


Figure 14: TIMELINESS OF PFMA AUDIT REPORTS FOR THE PERIOD 2009-2013

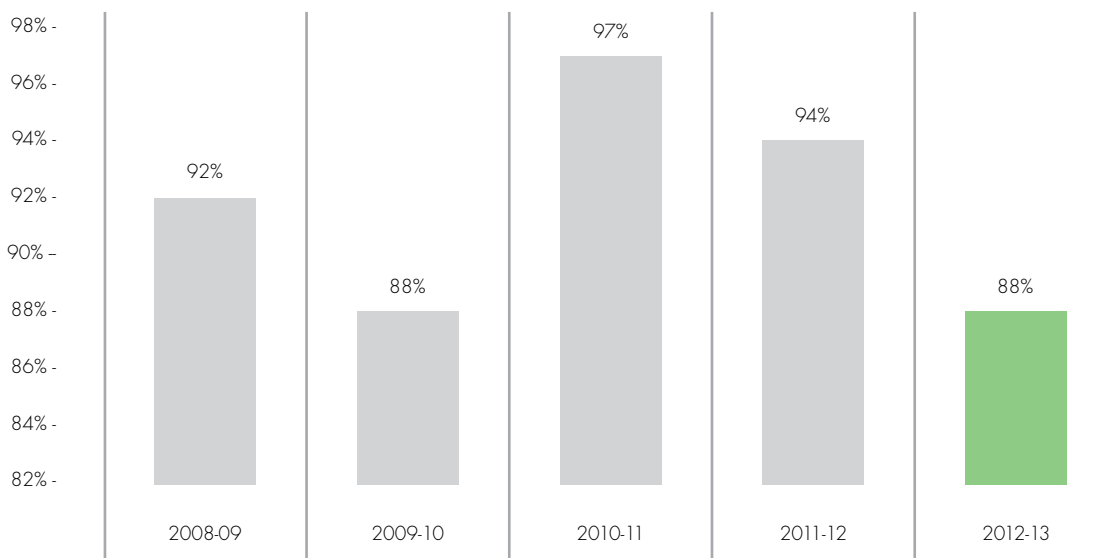


Figure 15: TIMELINESS OF MFMA AUDIT REPORTS FOR THE PERIOD 2009-2013

TIMELINESS OF PERFORMANCE AUDIT AND INVESTIGATION REPORTS

The performance audit report on the use of consultants was tabled in Parliament on 31 January 2013 and we achieved our set timelines on all investigation projects, including those run jointly with the regularity audits.

TABLE 14: TIMELINESS OF THE AGSA'S PERFORMANCE AUDIT AND INVESTIGATION REPORTS

PERFORMANCE MEASURE		TARGET 2012-13	ACTUAL PERFORMANCE
% compliance with statutory deadlines	Performance audit report	95%	100%
	Investigation report	95%	96%

TIMELINESS OF CORPORATE REPORTS

We continued to submit the strategic plan and budget as well as the annual report on time as required by the PAA.

TABLE 15: TIMELINESS OF THE AGSA'S CORPORATE REPORTS

PERFORMANCE MEASURE		TARGET 2012-13	ACTUAL PERFORMANCE
% compliance with statutory deadlines	Integrated annual report	100%	100%
	Strategic plan and budget	100%	100%

TOWARDS A RISK-INTELLIGENT ORGANISATION

Effective risk management continues to be an essential strategic imperative for the activities of the AGSA by aiding the co-creation of the AGSA as a sustainable organisation.

INDIVIDUAL AND COLLECTIVE ACCOUNTABILITY

Previously we focused on enhancing the processes to enable the AGSA to proactively and effectively manage its risks.

For the year 2012-13, we focused on creating a common appreciation of the role each of our employees plays in managing the risks of the organisation. Our approach recognises that every employee is a risk manager in their area of work and

expertise; however, the leadership of our organisation should not only be seen as leading, but should continue to reaffirm the commitment to building a risk-intelligent organisation.

As a demonstration of this commitment, the AGSA's *Risk management policy statement* was established, and is displayed at each regional office country-wide. It is our belief that this constant reminder will enhance our consciousness and appreciation of this important responsibility. The awareness campaigns, engagements and training sessions held throughout the year were aimed at ensuring that our people are capacitated to implement risk management and that risk management is a daily priority.

We committed to strengthening our governance structures to implement their oversight responsibilities. One of these

improvements was the establishment of the Risk Oversight Committee, which will be independently chaired by a member of the Audit Committee. The scope, authority and composition of this committee were aligned to good governance principles, as recommended by King III. We are excited about the value this committee will add to the organisation, while strengthening our overall and holistic risk management processes.

We have previously reported on the improvements in our control environment, influenced by, among others, our regular internal controls monitoring process. The importance of this first line of control cannot be over-emphasised, which is why internal controls monitoring became an organisation-wide performance measure that carries consistent focus. This step improved our individual and collective accountability.

One of the most valuable lessons we learnt in this reporting period, was the significance of the integration of controls in multiple business processes. The unfortunate incidents of theft of laptops from some of our regional offices and head office were the main contributors to this lesson.

We continued to refine our business processes by identifying root causes where process controls had failed. To ensure that these improvements were sustainable, we also monitored the recurrence of control weaknesses and the timelines of putting in corrective measures, where required. The fruits of this initiative were realised throughout the year, and best evidenced by process owners' enthusiasm to include their respective business processes in the self-assessment process.

PROACTIVE MANAGEMENT OF RISK

It is the AGSA's position that planning for strategic and business objectives without identifying and assessing potential threats to the achievement of these objectives compromises the value of the planning process. We continued to assess our risk environment at a strategic, business and process level. The improvements in our risk assessment approach in the past year contributed to a collaborative and integrated approach in managing key risks to the organisation.

In preparation for the financial year 2013-14, we reviewed our current strategic risk profile and the following risks remain relevant:

- Lack of a full understanding of the basis and mechanism of our mandate

- Failure to adequately understand and respond to the priorities of our external stakeholders responsible for leadership, governance and oversight
- Challenges in gaining access to the right people and other resources to carry out our mandate
- Unaffordable and unrealistic fees
- Inability to recover debt

These risks are identified by focusing on both the internal and external environments. We believe our environment is paramount in influencing the successful achievement of our strategies.

One of the critical risks the AGSA addressed in the past year was the possibility of disruption of critical business processes. We developed a business continuity plan based on a business impact analysis. This plan enables us to focus our resources in the right areas and ensures minimal negative impact on our operations, our employees and our stakeholders if such risk materialises.

COMPLIANCE WITH LEGISLATIVE AND REGULATORY REQUIREMENTS

Our approach to managing the risk of non-compliance with applicable legislation and regulations was further enhanced by developing and implementing a framework to manage organisational compliance. While we previously reported that our business processes are deliberately designed to ensure compliance, we are confident that this framework will improve the consistency of our approach. We continued to ensure that our register of regulatory compliance reflected a complete, relevant and updated picture by applying the risk assessment methodology in maintaining it.

INDEPENDENT ASSURANCE

Independent assurance on the effectiveness of a control environment is important to ensure transparency and true reporting. The role of our appointed internal and external auditors is paramount in providing our oversight structures with a true reflection of the environment in which we operate. We are proud to have received independent reports that validate the strength of our processes and confirm our adherence thereto.

Although the AGSA has sustained this achievement for a number of years, we cannot underplay the importance of achieving an unmodified audit opinion, indicating a sound and clean administration. The AGSA is, yet again, proud to have received an unmodified audit opinion from our appointed external auditors.

TABLE 16: PERFORMANCE AGAINST PREDETERMINED OBJECTIVES ON EFFECTIVENESS OF INTERNAL CONTROLS

PERFORMANCE MEASURE	TARGET 2012-13	ACTUAL PERFORMANCE
Achieve clean audit opinion on the AGSA	Clean audit opinion	Achieved

COLLECTIVE EFFORT

The AGSA recognises the value of a coordinated and collaborative effort in providing assurance to our governance structures. Although we have followed the combined assurance model for a number of years, this year saw the formalisation of this model, approved by the Audit Committee. This approach will enable us to realise maximum benefit, while capitalising on the objectives, strength and experience of all role players.

ENTERPRISE DEVELOPMENT AND PREFERENTIAL PROCUREMENT

In strengthening our democracy we commit to the objectives as set out in the B-BBEE Act and the CA Charter (the chartered accountancy profession’s sector code). Through consultations

with our internal stakeholders a better understanding was created with the implementation of the B-BBEE plan. During 2012-13, the business units were rated individually on the application of the codes of good practice as per the targets set in the B-BBEE plan. We implemented the BU B-BBEE rating process where business units are rated bi-annually and a contributor level allocated at the end of the financial year as per the outcome of the rating. A big improvement was made as 87% of the business units obtained the status of a level 2 contributor.

Table 17 represents the contributor level achieved by the 31 BUs in 2012-13 and table 18 rates the overall organisational performance against the target.

TABLE 17: BREAKDOWN OF B-BBEE RESULTS PER BUSINESS UNIT

CONTRIBUTOR LEVEL	NO. OF BUs	% ACHIEVED
Level 2	27	87%
Level 3	4	13%
Total	31	100%

TABLE 18: ORGANISATIONAL PERFORMANCE AGAINST PREDETERMINED OBJECTIVE ON B-BBEE

PERFORMANCE MEASURE	TARGET 2012-13	ACTUAL PERFORMANCE	COMMENTS
Achievement of identified B-BBEE	Level 3 rating	Level 3 rating	Achieved

STRIVING TOWARDS AN ETHICAL CULTURE

MANAGEMENT OF ETHICS CONTROLS

During 2012-13, the improved method of monitoring and reporting all monitoring controls was implemented as per the provisions in the AGSA procedures for ethical and independence requirements. Analysis of the findings on the annual ethics declarations shows that employees are aware of the code of ethics and know that they must declare outside interests and gifts received or given.

The electronic gifts, hospitality and interest register was automated and launched in 2012-13. This system has been established to enhance compliance with ISQC1 requirements and facilitate the management of gifts, hospitality and interests in the AGSA. We are committed to leading by example through evaluating our independence and professional judgement and avoiding the receipt or provision of gifts and hospitality of a significant value, as it can create a threat to our independence.

The rotation of senior managers and our contracted-out firms aimed to reduce the threat of familiarity with our stakeholders. We ensured accuracy of information to enable timely succession planning for the rotation of engagement managers and the review and approval of rotation plans. Independence is required to safeguard individual members of our audit engagement teams and our organisation against influences that compromise professional judgement. It is also required to avoid facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a member of the audit team's integrity and objectivity or professional scepticism has been compromised. Therefore, during the performance year we focused on monitoring compliance with ethical requirements by engagement managers and teams.

ETHICS

To maintain our reputation, independence and objectivity, employees were required to submit annual declarations, to which they demonstrated an exceptionally high response rate.

TABLE 19: ANNUAL DECLARATIONS SUBMISSIONS

PERFORMANCE MEASURE	TARGET 2012-13	ACTUAL PERFORMANCE	COMMENTS
Submission of annual declarations	100%	100%	Achieved

INVESTING IN EXCELLENCE THROUGH CORPORATE SOCIAL INVESTMENT

Corporate social investment (CSI) is an integral part of our contribution towards the transformation of our country. Our CSI interventions provide sufficient scope for enhancing social development initiatives in the previously disadvantaged groups in South Africa. For this purpose, our CSI effort focuses on alleviating poverty through the schools programme and teaching learners to set realistic goals for success through education. To enhance the growth of the auditing and accounting profession, we conducted awareness sessions and presentations to influence learners to choose Mathematics as a subject in grades 9, 11 and 12. We also

bought learning materials, such as grade 11/12 Mathematics and English study guides and scientific calculators, which assisted the learners in exams, improving their results. In each of the nine provinces we adopted a high school from previously disadvantaged backgrounds. The total number of high schools visited during 2012-13 was 127.

This year the AGSA hosted an Investment in Excellence Teachers' Day. This training session was well received by teachers who attended. The one-day workshop was a pilot project and will be rolled out in all provinces during 2013-14.

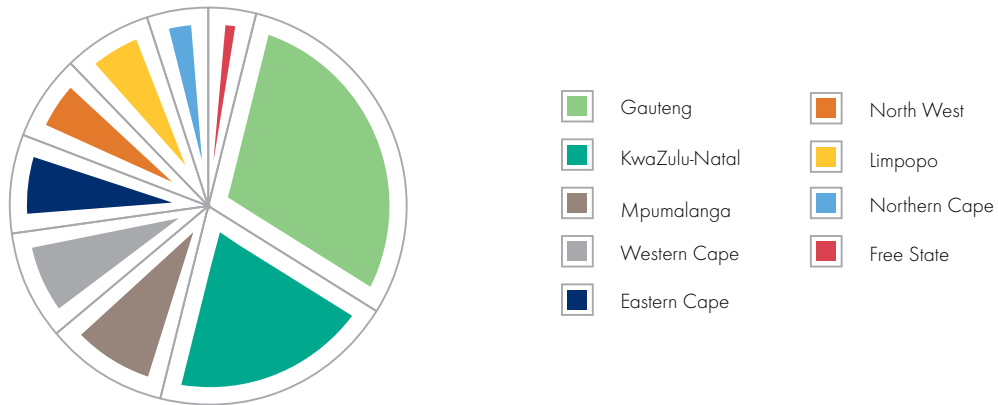


Figure 16: CSI BREAKDOWN BY PROVINCE

TABLE 20: CSI SCHOOLS PROGRAMME DISTRIBUTION BY PROVINCE

PROVINCE	2012-13	2011-12	2010-11
	Actual expenditure	Actual expenditure	Actual expenditure
Eastern Cape	R47 836	R53 423	R19 945
Free State	R134 179	R53 103	R19 945
Gauteng	R1 268 784	R244 450	R19 945
KwaZulu-Natal	R102 761	R54 734	R19 945
Limpopo	R0	R63 013	R19 945
Mpumalanga	R8 772	R53 103	R19 945
Northern Cape	R5 348	R59 022	R19 945
North West	R211 765	R64 958	R19 944
Western Cape	R741 157	R53 103	R19 944
Total	R2 520 602	R698 909	R179 503

To increase awareness of the accounting and auditing profession, the AGSA has regularly hosted 'Bring a girl child to work' in celebration of Women's month. During this financial year, we also hosted the first 'Bring a boy child to work'. These sessions created a platform for learners to interact with AGSA employees and experience a day in the life of an AGSA employee. Through audit simulations some of the learners had an opportunity to visit the auditees where they experienced the interaction with AGSA stakeholders. AGSA employees also participated in the national events on Nelson Mandela day; each BU was allocated R10 000 from the CSI budget to be used for the upliftment of communities or any other initiative towards this day.

Our partnership with the Agricultural Research Council (ARC) continued and two more vegetable gardens were established in Mpumalanga and Gauteng, which brings the total of vegetable gardens we have created to six. During 2013-14 we plan to develop three more vegetable gardens in KwaZulu-Natal, Free State and the Western Cape.

MUSEUM AND LIBRARY

The AGSA celebrated its centenary in November 2011 and a year later the AGSA Museum and Library were officially launched on 30 November 2012. The AG identified this as a legacy project that will preserve our achievements; the pride of this organisation's independence, growth and dedication throughout the years. The museum and library commemorate the AGSA's contribution to the country over the past 100 years and will document and showcase our current achievements as we keep on growing. Scholars who visit the museum and library would gain insight into the auditing profession from the AGSA's perspective and be inspired to pursue a career in accounting and auditing.

LAYING THE FOUNDATION FOR AN EQUITABLE TOMORROW

The AGSA has maintained the approach of utilising the national economically active population (EAP) as well as statistics on regions and professions to set realistic employment equity targets. By integrating all legislative requirements, the AGSA creates an environment that provides equal opportunities to all employees and promotes fair and consistent behaviour throughout the organisation.

The organisation is aware of the challenges relating to the financial skills shortage in the profession as well as attraction of those skills in some provinces. To address these challenges the exemption policy for the placement of non-target candidates was introduced to ensure business



Introducing 100 years of history.



A timeline in the museum shows the AGSA's history.

continuity while providing space and time for the development of potential target candidates. Progress in the development of identified candidates is monitored on a quarterly basis.

The portion of people appointed from the designated groups has been increasing through the years, which clearly demonstrates the organisation's commitment to create and maintain a fair and equitable workplace environment by attracting and retaining suitably qualified people from those groups.

During 2012-13 the AGSA focused on gender equality and the attraction and retention of persons with disabilities. We embarked on a disability awareness campaign and distributed posters to all the AGSA's offices, encouraging employees to disclose their disability status.

TABLE 21: AGSA'S EMPLOYMENT EQUITY PROFILE VS ECONOMICALLY ACTIVE POPULATION IN SOUTH AFRICA

RACE	2012-2013				2011-2012	
	Economically active SA population - male	Economically active SA population - female	Male	Female	Male	Female
			Actual	Actual	Actual	Actual
African	40,7%	34,2%	31,2%	33,9%	29,6%	34,7%
Coloured	5,8%	5,0%	3,9%	3,2%	3,9%	3,7%
Indian	1,9%	1,1%	6,1%	4,5%	5,4%	4,6%
White	6,4%	4,9%	8,0%	8,4%	8,4%	9,0%
Disabled	0,0%	0,0%	0,5%	0,3%	0,4%	0,3%

The regression in the achievement of some of the EE targets as depicted in table 21 is due to resignations by target group employees.

TABLE 22: ACHIEVEMENT OF B-BBEE TARGETS IN RESPECT OF EMPLOYMENT EQUITY INCLUDING TRAINEE AUDITORS

LEVEL	2012-2013			2011-2012		
	Designated group	Designated group	Non-designated group	Designated group	Designated group	Non-designated group
	Target	Actual		Target	Actual	
Band B	N/A	70%	30%	N/A	67%	33%
Band C	55%	52%	48%	50%	60%	40%
Band D	70%	61%	39%	65%	61%	39%
Bands E & F	80%	79%	21%	75%	81%	19%
Band G	N/A	98%	2%	N/A	98%	2%

TABLE 23: ACHIEVEMENT OF EE TARGETS IN RESPECT OF DESIGNATED GROUP VERSUS NON-DESIGNATED GROUP INCLUDING TRAINEE AUDITORS

LEVEL	2012-2013		2011-2012		2010-2011	
	Designated group	Non-designated group	Designated group	Non-designated group	Designated group	Non-designated group
Band B	80%	20%	77%	23%	90%	10%
Band C	77%	23%	74%	26%	68%	32%
Band D	83%	17%	80%	20%	78%	22%
Bands E & F	94%	6%	92%	8%	100%	0%
Band G	99%	1%	98%	2%	99%	1%

SYSTEMS AUTOMATION AND IMPROVEMENT

Information technology (IT) is a strategic enabler to the organisation, playing a key role in the achievement of strategic goals and objectives set out in the AGSA strategic plan. In the year under review, we succeeded in implementing technology-enabled business solutions.

ENTERPRISE RESOURCE PLANNING

The paper-based performance management system was successfully replaced by implementing an enterprise e-performance system for the AGSA.

COLLABORATION AND COMMUNICATION

The pilot project to implement Microsoft SharePoint technology to improve collaboration and communication among internal stakeholders was successful. The pilot focused on the development of centralised repositories to manage quarterly and annual reporting processes, as well as a collaboration and communication website for the 2013 Senior Management Workshop (SMW 2013) conference.

Based on the success of the pilot project, the phased implementation of SharePoint across the AGSA will start in the 2013-14 financial year, focusing on the delivery of three sub-projects:

- Migration of the current intranet to a SharePoint technology platform to mitigate risk of system downtime
- Implementation of electronic document management to improve information sharing in a secure environment
- Knowledge sharing through online collaboration and communication by internal staff

We also delivered the general reports on the PFMA and MFMA audit outcomes, the AGSA's strategic plan and annual report in e-book formats that enable the target audience to access and read our messages in a simplified manner.

We achieved great success in the implementation of the AGSA's museum website, which is one of the AGSA's centenary celebration legacy projects. The website can be accessed through Apple iPads available inside the museum at Head Office.

BUSINESS INTELLIGENCE/MANAGEMENT INFORMATION SYSTEM

A new project was launched to implement an integrated management information system (MIS), which would provide a functionality required to identify, integrate and analyse disparate data from heterogeneous sources to support management decision-making. The scope of the MIS project will also be increased and phased in during 2013-14, allowing business to realise the benefits of integrated information delivered in small manageable increments and enhance user adoption.

INFRASTRUCTURAL ELEMENTS

Server and storage equipment was upgraded at the Durban, Pietermaritzburg, Polokwane, Rustenburg, Nelspruit, Johannesburg and Potchefstroom offices. The upgrade of the equipment in the other regional offices is planned for 2013-14. The upgraded infrastructure improved system performance, particularly in the monthly billing processes, and also created an infrastructural platform that will support future projects and organisational growth. The virtual data centre environment at Head Office and the disaster recovery site were also upgraded.

Encryption software was rolled out to all notebook computers, which will safeguard AGSA data in the event of computer theft. Secure management of mobile devices such as tablets and mobile phones was also implemented.

The upgrading of video conferencing equipment at all regional offices will lead to reduced travel expenditure, as the system allows for inter-site video conferencing communication and also provides a platform to broadcast training videos directly to trainee auditors' computers.

Data connectivity for email communication was more than doubled during this period and significantly improved the speed of delivery and receipt of external email messages.

Systems availability was maintained at a very high level and on average the wide area network, email, Internet and ERP systems were available for 99% of the time.

AUDIT MANAGEMENT INFORMATION SYSTEM

We developed the audit management information system (AS: MIS) in 2009. The purpose of the system was to provide management with key information from the audits conducted countrywide. The system allows the tracking of audit progress, capturing and analysis of audit outcomes for the general reports and assessment of the key drivers of

audit outcomes to enable quarterly reporting. A new module was implemented in 2012-13 to capture and track our interactions with stakeholders and the commitments they make.

IT GOVERNANCE AND RISK MANAGEMENT

The review and strengthening of IT governance processes and structures received special attention. IT risks are managed strategically on an ongoing basis through assessment of the internal and external environments. In 2012-13 a number of consultative workshops were held with business units to review and update the IT risk register.

IT SERVICE MANAGEMENT

A fully integrated customer relationship management (CRM) system successfully replaced the Helpdesk system and is being used to monitor service delivery by various corporate service business units. During the year the Service Desk achieved an average compliance with service level agreements of 81%.

BUSINESS PROCESS IMPROVEMENTS

Business process improvements continue to be a priority to ensure that the processes provide our stakeholders with effective and efficient services. Processes are amended if policies and procedures change and reviewed at least every second year to ensure that the policies and procedures are current and remain relevant. A project also commenced during the year under review to integrate product, process and information technology better. This will be taken further during 2013-14 with the enhancement of the AGSA's project management capability.

RECORDS AND DOCUMENT MANAGEMENT SEMINAR

Thanks to the work performed at the two records management seminars held last year and the year before, we have seen records management forums supported and encouraged and new ones established nationwide. We have for the third consecutive year hosted the seminar successfully, attended by more than 776 delegates from across the three spheres of government, including public entities. Also in attendance was the AGSA leadership, including SCoAG members.

For the first time in the history of auditing in South Africa, we have developed an audit procedure which incorporates elements of the National Archives and Records Services of South Africa Act, 1996 (Act No. 43 of 1996), which will be included in the AGSA's quarterly key controls review with auditees. This also led to a strategic partnership with the National Archives and a memorandum of understanding was signed by both parties.

KNOWLEDGE-SHARING MECHANISM

To deliver on our mandate, the AGSA's workforce must be professional, motivated, skilled and knowledgeable about the environment we operate in. In this regard, knowledge sharing provides a platform where different BUs share their critical knowledge and processes on various topics and renowned speakers are invited to share their knowledge and experience with the organisation.

FUNDING

HIGHLIGHTS

- Audit income up by 6,75%: R2 214 million (2011-12: R2 074 million)
- Surplus down by 81%: R19 million (2011-12: R99 million)
- Gross profit at 29%: R641 million (2011-12: R625 million)
- Overheads up by 18%: R688 million (2011-12: R583 million)
- Cash balance increased from R415 million to R464 million
- Creditors' payment days remained at 31 days compared to our target of 45 days

- Total debtors increased from R480 million to R517 million
- Local government debt collection remained a challenge, debt increased from R206 million to R262 million
- High increase in bad debt provision from R74 million to R115 million

In co-creating a sustainable organisation we are determined to execute the AGSA's mandate economically, efficiently and effectively by ensuring that our services to auditees provide value-for-money audits with positive impact to the public sector while at the same time creating long-term financial sustainability for the AGSA.

Key contributing factors to our financial results are as follows:

- Additional income/return generated from investments
- Underspending on indirect overheads
- Our charge-out rates as approved through the funding model are proving to be effective.

The key drivers of our financial position and results are discussed in the sections that follow.

FINANCIAL PERFORMANCE (ABRIDGED AFS)

STATEMENT OF COMPREHENSIVE INCOME

TABLE 24: BRIEF STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 APRIL 2010 TO 31 MARCH 2013

	BUDGET	ACTUAL		
	2013 (R mil)	2013 (R mil)	2012 (R mil)	2011 (R mil)
Revenue	2 226	2 214	2 074	1 850
Direct audit cost	(1 545)	(1 573)	(1 449)	(1 298)
Gross profit	680	641	625	552
Gross profit %	31%	29%	30%	30%
Other income	0	5	5	44

TABLE 24: BRIEF STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 APRIL 2010 TO 31 MARCH 2013 (CONTINUED)

	BUDGET	ACTUAL		
	2013 (R mil)	2013 (R mil)	2012 (R mil)	2011 (R mil)
Contribution to overheads	700	646	630	596
Overheads	700	(688)	(583)	(510)
Surplus / (deficit) from operations	0	(42)	47	86
Net interest income	51	65	60	47
Other comprehensive income	(5)	(4)	(8)	-
Total comprehensive income	46	19	99	133

STATEMENT OF FINANCIAL POSITION

TABLE 25: BRIEF FINANCIAL POSITION AT 31 MARCH 2011, 2012 AND 2013

	BUDGET	ACTUAL		
	2013 (R mil)	2013 (R mil)	2012 (R mil)	2011 (R mil)
Assets				
Non-current assets	148	101	76	76
Current assets	795	880	835	717
Total assets	943	981	911	793
Equity & liabilities				
Equity	440	459	440	341
Non-current liabilities	78	72	75	82
Current liabilities	425	450	396	370
Total equity and liabilities	943	981	911	793

AUDIT INCOME

Audit income is made up of revenue generated by our employees i.e. own income, revenue generated through audit work performed on our behalf by private audit firms and recovery of subsistence and travel costs from our auditees. We generate our revenue by providing regularity audits (external audit), performance audits, information systems audits and investigations to national, provincial and local government departments. Our actual audit income was R2 214 million

(2011-12: R2 074 million) against a budget of R2 226 million (2011-12: R2 088 million).

The audit work performed on our behalf by private audit firms exceeded the budgeted amount by R71 million as a result of our vacancies and the increased audit work which was due to late submission of previous years' annual financial statements by our auditees.

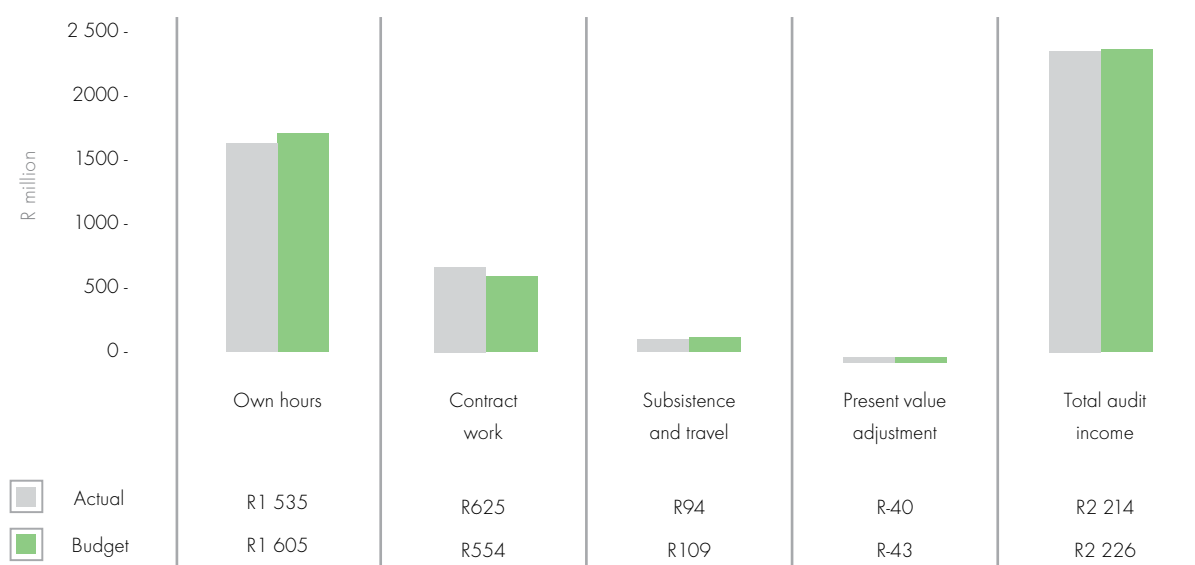


Figure 17: ACTUAL AUDIT INCOME COMPARED TO BUDGETED AUDIT INCOME AS AT 31 MARCH 2013

TARIFFS (CHARGE-OUT RATE PER HOUR)

Our revenue is generated by billing auditees for hours spent on audits based on published tariff rates per level of employee. The actual average tariff rate per hour was R517 (2011-12: R489) against a budgeted average tariff rate per hour of R516 (2011-12: R489).

TABLE 26: CHARGE-OUT RATE PER HOUR 2011-2013

	BUDGET	ACTUAL		
	2013	2012-13	2011-12	2010-11
Average tariffs per hour (R)	516	517	489	491

GROSS PROFIT

Gross profit for the current year was 29% (2011-12: 30%) against the target of 31% (2011-12: 33%). We generate gross profit on our own income and not on outsourced audits (contract work creditors). The work done by outsourced auditors is billed at cost without any mark-up to our clients.

TABLE 27: ANALYSIS OF GROSS PROFIT 2011-2013

	BUDGET 2012-13		ACTUAL 2012-13		ACTUAL 2011-12		ACTUAL 2010-11	
	R mil	%	R mil	%	R mil	%	R mil	%
National departments	400	18%	415	19%	374	18%	341	18%
Provincial departments	530	24%	523	23%	535	26%	485	26%
Local government	720	32%	713	32%	631	30%	547	30%
Listed and other entities	472	21%	549	25%	495	24%	451	24%
Total government entity audit income	2 122	95%	2 200	99%	2 035	98%	1 824	98%
International audits	104	5%	14	1%	39	2%	26	2%
Total audit income	2 226	100%	2 214	100%	2 074	100%	1 850	100%
Audit staff expenses	883	40%	861	39%	781	38%	689	37%
Contract work - audit related	548	25%	618	28%	580	28%	537	29%
Audit-related subsistence and travel costs	109	5%	94	4%	88	4%	72	4%
Direct expenditure	1 540	69%	1 573	71%	1 449	70%	1 298	70%
Gross contribution to fixed and operational costs	686	31%	641	29%	625	30%	552	30%

DIRECT AND INDIRECT OVERHEADS

To control the increase in our audit fees we have managed our direct and indirect overhead expenditure. The actual direct overheads amounted to R1,573 billion or 71% (2011-12: R1,449 billion / 70%) against a budget of R1,540 billion or 69% (2011-12: R1,400 billion / 67%). The actual indirect overhead expenditure was 31% in 2012-13 (2011-12: 28%) against a budgeted expenditure of 31% (2011-12: 31%).

NET SURPLUS

The surplus for 2012-13 was R19 million or 0,85% (2011-12: R99 million or 4,79%) against a budget of R46 million or 2,07% (2011-12: R78 million or 3,76%). The reduced surplus was mainly due to revenue being less than budgeted by R13 million and increased bad debt and leave provisions by R41 million and R25 million respectively (budgeted amounts R5 million and R9 million respectively).

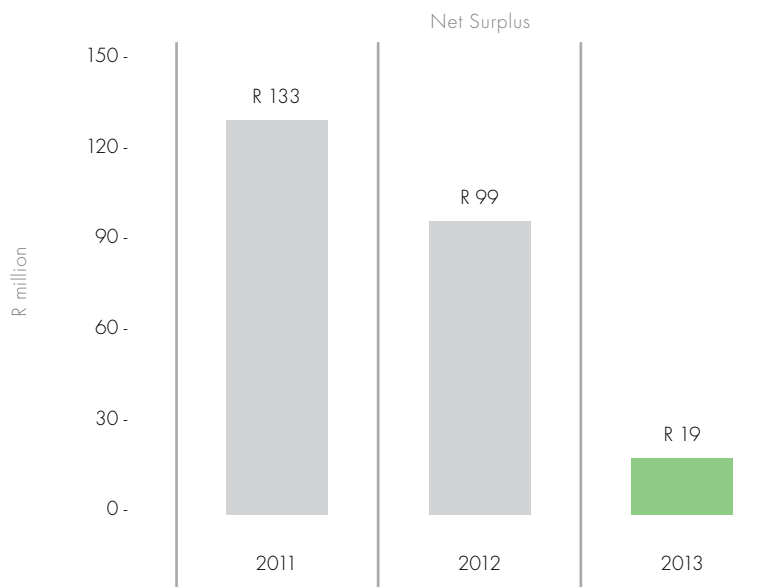


Figure 18: NET SURPLUS TREND ANALYSIS FROM 2011 TO 2013

KEY FINANCIAL INDICATORS

Our key financial indicators and their movements for the last three years are summarised in figure 19 which demonstrates stable trends.

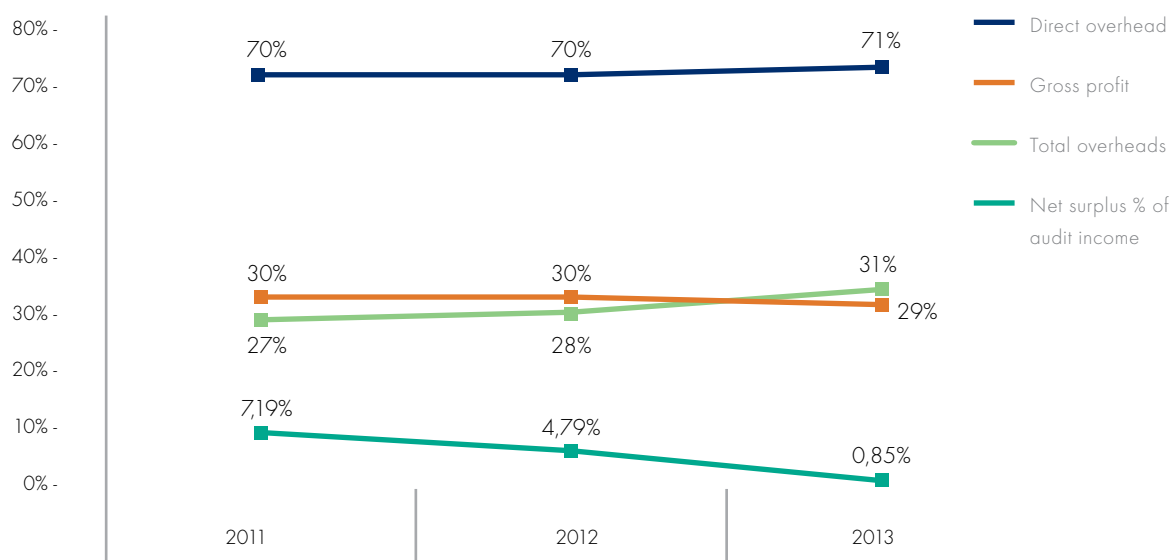


Figure 19: KEY FINANCIAL INDICATORS FOR THE PERIOD 31 MARCH 2011 TO 31 MARCH 2013

FINANCIAL POSITION

FUNDING MODEL

For the past four years since the implementation of the funding model in 2009, we maintained our funding model principles and still achieved a positive and healthy financial position.

TABLE 28: FUNDING MODEL AND ACTUAL BUDGET COMPLIANCE SINCE 2009-10

FUNDING MODEL PRINCIPLES	BUDGET COMPLIANCE			
	2012-13	2011-12	2010-11	2009-10
1. Tariff increase in line with salary increase	Yes	Yes	Yes	Yes
2. No capping on tariffs	Yes	Yes	Yes	Yes
3. Mark-up factor of 2.28	Maintained throughout			
4. Self funding	Yes	Yes	Yes	Yes
5. Budgeted surplus of 4%	2,07%	3,76%	3,74%	3,7%

The financial position of the AGSA at the end of the year showed that an increase in assets compared to the prior financial year-end had placed the AGSA in a healthy liquidity position. The cash and cash equivalents at the end of the year was R464 million (2011-12: R415 million).

DEBTORS AND DEBT COLLECTION

As at 31 March 2013, the total outstanding debt was R517 million (2011-12: R480 million) which amounted to 23% (2011-12: 23%) of total revenue.

Collection of debt from local government debtors remains a challenge, as the local government debtors tend to be slow payers. The ageing remains skewed towards 120 days and longer. Local government debt increased from R206 million in the previous year to R262 million as at 31 March 2013, which makes up 51% (2011-12: 43%) of the total debtors' book value before provision for bad debts. Table 30 indicates that local government debtors' days outstanding have increased from 233 days in 2011-12 to 253 days in 2012-13.

Table 29 shows some improvement in the debt collection year on year.

We continued with the following debt collection interventions:

- Charging of interest on overdue accounts
- Engagement with the National Treasury and Department of Cooperative Governance and Traditional Affairs (CoGTA)
- Quarterly visits to auditees by our audit business unit leadership
- Engagement with political leaders by the AGSA leadership

Additionally we implemented new debt collection steps:

- Re-introduction of payment arrangements for the long outstanding debts.
- Monthly portfolio reports are prepared for the portfolio heads highlighting those auditees with long outstanding debt. This assists portfolio heads in directing their attention to those highlighted areas so that they may take the necessary steps, whether internally or externally, to influence the collection of this debt.

The debt collection interventions are relatively more effective in the national and provincial spheres of government but less effective in local government due to the financial challenges faced by this sphere of government.

BAD DEBT PROVISION

In calculating the provision for bad debts we took into account the collection of debt from local government debtors who remained a challenge from previous years. The bad debt provision was also

calculated taking into consideration the report of the National Treasury titled *The State of Local Government Finances and Financial Management* dated 26 October 2012. In this report 94 municipalities are reported as being 'financially distressed'. As a result, the bad debt provision as at 31 March 2013 amounted to R115 million (2011-12: R74 million).

COLLECTION OF DEBT

Table 29 shows the results of collection of debt per province.

TABLE 29: DEBT COLLECTION TREND ANALYSIS

	BUDGET 2012-13	ACTUAL 2013-12	ACTUAL 2011-12
Percentage debt collected within 30 days (all national departments, Gauteng and Western Cape)	75% - 80%	78%	67%
Percentage debt collected within 30 days (Limpopo and KwaZulu-Natal)	65% - 70%	53%	45%
Percentage debt collected within 30 days (North West, Free State, Northern Cape, Eastern Cape and Mpumalanga)	55% - 60%	45%	37%

TABLE 30: AGEING FOR MAJOR CATEGORIES OF DEBTORS INCLUDING ACCRUALS

	ACTUAL 31 MARCH 2013		ACTUAL 31 MARCH 2012		ACTUAL 31 MARCH 2011	
	R mil	Days outstanding	R mil	Days outstanding	R mil	Days outstanding
National departments	65	35	63	15	50	19
Provincial departments	93	41	124	37	110	59
Local government	262	253	206	233	170	162
Statutory bodies	55	114	58	79	49	94
Total amount	475		451		379	

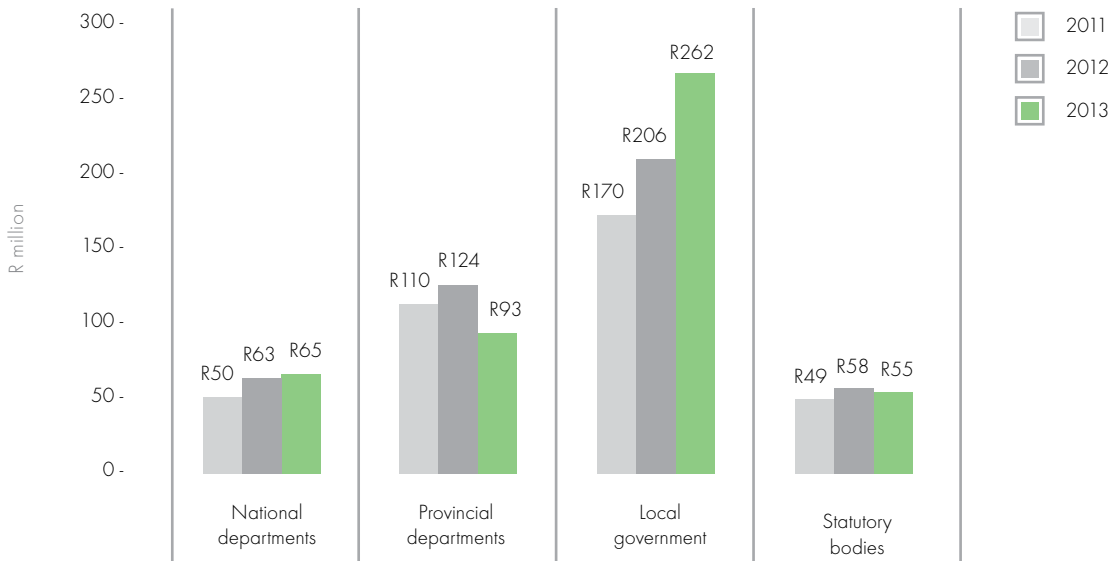


Figure 20: TOTAL DEBT BY SPHERE OF GOVERNMENT 2011-2013

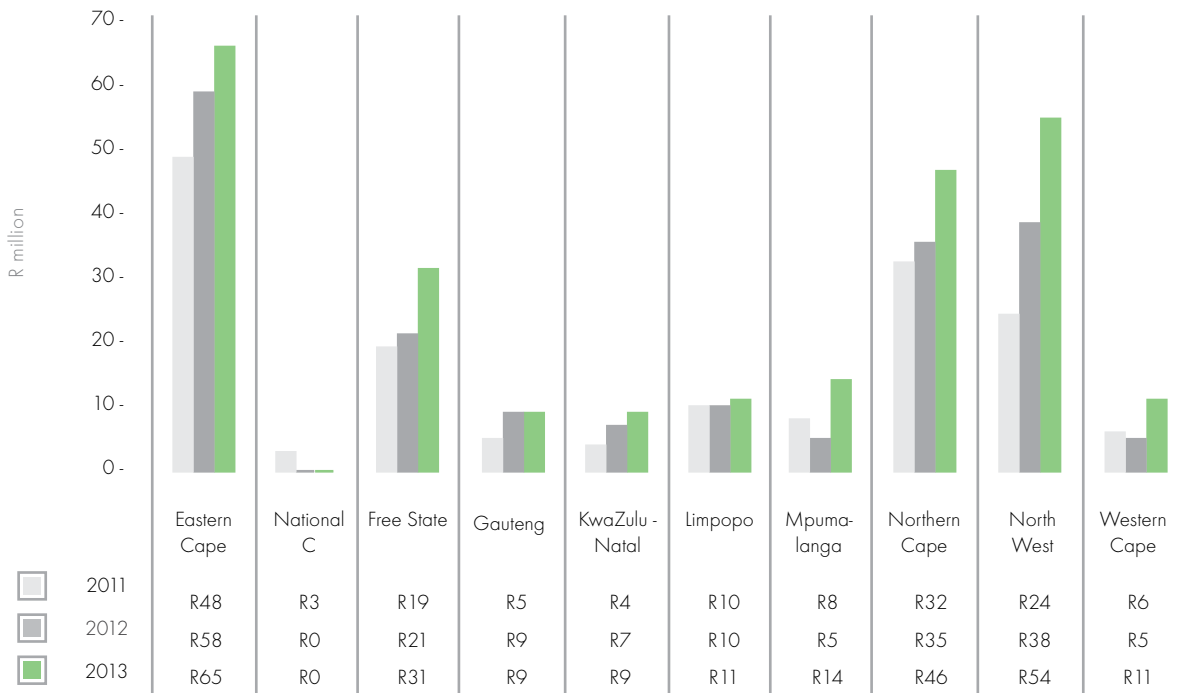


Figure 21: LOCAL GOVERNMENT DEBT BY PROVINCE 2011-2013

TABLE 31: CREDITORS' PAYMENT TERMS

PERFORMANCE MEASURE	BUDGET 2012-13	ACTUAL 2012-13	ACTUAL 2011-12	ACTUAL 2010-11
Creditors' days	45 days from voucher date	31	31	34

TRADE CREDITORS

The trade creditors' balance decreased slightly from R110 million in 2011-12 to R109 million in 2012-13. We paid our creditors within an average of 31 days although our target is an average of 45 days from the date the supplier invoice is authorised for payment on the AGSA system as shown in table 31. In line with our strategic plan, we intend to retain our current payment target of 45 days for the foreseeable future.

WORKING CAPITAL

We have an effective management of working capital which enables us to meet our ongoing financial obligations. To contribute to the financial sustainability of our organisation we placed our funds with selected financial institutions where we generated interest of R34 million (2011-12: R29 million). Our actual quick test ratio is 1.96 (2011-12: 2.11) against budget of 1.87 (2011-12: 1.48).

Section 38(4) of the PAA states that the organisation may after consultation with the National Treasury and by agreement with the oversight mechanism retain the surplus reflected in the financial statements or a portion thereof. After reviewing the 2011-12 financial statements, SCoAG recommended for approval that the AGSA retains the surpluses achieved in order to partially fund current projects. This decision would positively affect the organisation's working capital.

FUTURE OUTLOOK

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 1,02% is set (compared to 2,07% for 2012-13). This will allow us to generate the minimum funds for the required reinvestment in the AGSA's infrastructure and people; for example, upgrades in our IT infrastructure, our physical infrastructure in terms of office accommodation and our human capital developmental needs.

KEY ACTIVITIES TO SUSTAIN OUR FINANCIAL STABILITY

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

IMPROVED DEBT COLLECTION AND PRACTICES

We aim to improve debt collection and practices by doing the following:

- 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 auditees to enter into payment agreements to enable them to catch up with long-outstanding debt
- Taking legal action against persistently defaulting debtors

AUDIT OPTIMISATION/AUDIT FEES

Audit fees are crucial to any audit organisation and the AGSA's fees reflect the cost of all our audit activities. These costs, although charged to auditees, are ultimately borne by the taxpayer. Over the last several years, the AGSA has seen a gradual overall increase in audit fees. The AGSA is undergoing a self-reflection audit optimisation project to identify and understand the factors that drive its audit costs. Based on this, we will develop implementation plans to drive a general reduction in our audit costs through improved audit efficiencies and better practices in the management of audit costs across the organisation.

SECTION 4

SUSTAINABILITY PERFORMANCE REVIEW

“

At the AGSA, we believe that sustainability is our destiny and not a temporary objective. We strive to be a model institution that leads by example and consider both the direct and indirect impacts of our core business.

”

SECTION 4 CONTENTS

Sustainability 80
performance review



To add value for the public, we strive for efficiencies in our audit process, audit fees that are affordable to auditees and jobs that are created internally. Through our value supply chain we give access to wealth-creating opportunities to various layers of society.

SUSTAINABILITY PERFORMANCE REVIEW



HIGHLIGHTS.....

- Our carbon footprint is estimated to be at least 9 683 metric tons of carbon dioxide equivalent
- Invested R400 000 in CSR programmes rolled out to all nine provinces on 'go green' initiatives
- Achieved 100% submission of annual declarations
- Adopted 127 schools across South Africa bringing the total number of adopted schools to 207 since the programme's inception
- Spent R2,5 million in the current financial year (2011-12: R0,699 million) on the rural schools development
- Invested a total of R65,5 million in study support, learning and growth
- For the first time we reported on electricity, water and paper use as well as business travel by employees

We acknowledge that we, as an organisation, 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 performance. The link between the work of a supreme audit institution and the societal objectives of the respective country is set out in the text of the UN Resolution A/66/209 (adopted by the General Assembly) which states that SAIs have an important role 'in promoting the efficiency, accountability, effectiveness and transparency of public administration, which is conducive to the achievement of national development objectives and priorities as well as the internationally agreed development goals, including the Millennium Development Goals'.

Our considerations are also consistent with the INTOSAI recommendations regarding the importance of sustainability and the principles of good governance, transparency and accountability. Furthermore, the AGSA strives to be recognised

as a model institution that makes a difference to the lives of individuals and organisations.

THE AGSA'S SUSTAINABILITY STATEMENT

At the AGSA, we believe that sustainability is our destiny and not a temporary objective. We strive to be a model institution that leads by example and consider both the direct and indirect impacts of our core business. We are committed to supporting our auditees' ability to use and account for public funds. Through quality audit reports and impactful interaction with our auditees, employees, partners and vendors, we strive to contribute to the creation of sustainable communities and a sustainable nation. We continue to integrate the all-encompassing meaning of sustainability into every aspect of our operations and seek new ways to enhance our own efficiency and effectiveness in order to benefit the South African community.

ECONOMIC SUSTAINABILITY

The economic dimension of sustainability concerns our impact on the economic conditions of our stakeholders and 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. The organisational procurement policies are also aimed at supporting and promoting the participation of small and medium companies.

VALUE-ADDED STATEMENT

The AGSA continued to create sustainable value for its internal and external stakeholders through sustainable economic growth and development encompassing a number of elements.

SUSTAINABILITY PERFORMANCE REVIEW



Figure 22: THE AGSA'S SUSTAINABILITY MODEL

To add value for the public, we strive for efficiencies in our audit process, audit fees that are affordable to auditees and jobs that are created internally. Through our value supply chain we give access to wealth-creating opportunities to various layers of society. We commit to continue to provide our stakeholders with

quality services and subscribe to high ethical business practices and standards. Table 32 reflects the flow of capital from auditees on the one hand (responsible for revenue) to other stakeholders, i.e. suppliers, employees, providers of capital and the community.

TABLE 32: SUMMARISED VALUE-ADDED STATEMENT FOR THE PERIOD 31 MARCH 2011 TO 31 MARCH 2013

	2013		2012		2011	
	%	R mil	%	R mil	%	R mil
Revenue		2 214		2 074		1 850
Paid to suppliers		964		(891)		(757)
- Value added by operation		1 250		1 183		1 093
Interest income		74		71		57
= Total value added		1 324		1 254		1 150

**TABLE 32: SUMMARISED VALUE-ADDED STATEMENT FOR THE PERIOD
31 MARCH 2011 TO 31 MARCH 2013 (CONTINUED)**

	2013		2012		2011	
	%	R mil	%	R mil	%	R mil
Applied as follows:						
Paid on external empowerment	1,28%	17	1,12%	14	1,13%	13
• Corporate social investment	0,23%	3	0,08%	1	0,09%	1
• Corporate social responsibility	0,08%	1	0,08%	1		
• Bursaries – external	0,98%	13	0,96%	12	1,04%	12
Paid on employees and internal empowerment	93,13%	1 217	87,88%	1 102	84,26%	969
• Salaries, wages and benefits	90,79%	1 187	85,33%	1 070	82,09%	944
• Employee wellness	0,15%	2	0,24%	3	0,09%	1
• Study assistance	0,91%	12	0,72%	9	0,69%	8
• Training	1,28%	16	1,59%	20	1,39%	16
To pay providers of capital	0,68%	9	0,80%	10	0,87%	10
• Finance cost	0,68%	9	0,80%	10	0,87%	10
Re-invested in the business	4,91%	5	10,20%	128	13,74%	158
• Depreciation and amortisation	2,64%	35	2,31%	29	2,17%	25
• Retained income	2,27%	19	7,89%	99	11,57%	133
Total value added	100%	1 324	100%	1 254	100%	1 150

PREFERENTIAL PROCUREMENT

We spent a total of R619 million as part of our enterprise development commitment. Of this amount, 23% was invested in small and 42% in medium-sized firms.



Figure 23: ALLOCATION OF CONTRACT WORK TO PRIVATE AUDIT FIRMS

B-BBEE SCORECARD

Based on our scorecard as depicted in the table below, we achieved the status of a level 3 contributor.

TABLE 33: SUMMARISED B-BBEE SCORECARD RESULTS

B-BBEE CATEGORY	B-BBEE COMPONENT	MAX. SCORE	AGSA SCORE	
			2012-13	2011-12
Direct empowerment	Ownership	N/A to AGSA	N/A to AGSA	N/A to AGSA
	Management & control	15.00	15.00	11,91%
HR development	Employment equity	15.00	14.00	13,89%
	Skills development	20.00	12.86	13,98%
Indirect empowerment	Preferential procurement	20.00	19.86	19,40%
	Enterprise development	15.00	0.0	1,20%
	Social economic development	15.00	14.34	15%
Total score		100.00	76.05	75,38%
Recognition status			Level 3 contributor	Level 3 contributor

SOCIAL SUSTAINABILITY

The social part of sustainability relates to the impact we have on the society in which we operate. Our impact is realised through labour practices that 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 better the lives of citizens.

RURAL SCHOOLS PROGRAMME

We made CSI contributions towards the transformation of our communities, channelled through schools programmes where we conduct auditing and accounting lectures. For the year under review, we adopted 127 schools across South Africa bringing the total number of adopted schools to 207 since inception. We spent R2,5 million in the current financial year (2011-12: R0,699 million) (refer to page 62 for more details).

STUDY BURSARIES

We invested a total of R65,5 million in study support, learning and growth which includes internal (20% of total) and external (5% of total) bursaries (Table 7 on page 48).

LOCAL COMMUNITY ENGAGEMENT

We strive to contribute to the development and sustainability of the communities in which we operate through the corporate social responsibility (CSR) programme, which started in 2010. We donated a sum of R400 000 to the nine provinces, which was spent on any one of the following categories: education, environmental initiatives (e.g. 'go green' initiatives), health, prevention of the abuse of women and children, people with disabilities, orphanages, small enterprise development, sports and cultural initiatives.

CULTURAL SUSTAINABILITY

The cultural dimension of sustainability concerns the beneficial impact the organisation has on our employees through the value system that we embody, focusing on their holistic development and training plus the wellness programmes. The central place of culture in our organisational life is evidenced by all our activities aimed at the unleashing of our human capital.

EMPLOYEE PROFILE

Table 34 and figure 24 below indicate our employee profile; 60% of the workforce constitutes employees in the 24-35 age category.

TABLE 34: WORKFORCE PROFILE BY RACE, GENDER AND OCCUPATIONAL LEVEL

OCCUPATIONAL LEVEL	MALE				FEMALE				Other	Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White		
Corporate executive	4	0	3	2	2	0	0	1	0	12
Business executive	7	1	3	5	7	0	2	3	0	28
Deputy business executive	1	1	3	2	1	1	0	4	0	13
Senior manager	33	10	15	43	30	4	15	22	3	175
Manager	105	21	43	103	110	27	35	102	10	556
Assistant manager specialist	140	20	34	50	158	17	27	64	5	515
Supervisor	72	6	7	2	96	4	4	5	2	198

TABLE 34: WORKFORCE PROFILE BY RACE, GENDER AND OCCUPATIONAL LEVEL (CONTINUED)

OCCUPATIONAL LEVEL	MALE				FEMALE				Other	Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White		
Auditor	13	0	0	5	21	1	0	1	0	41
Trainee auditor	428	39	39	17	517	34	35	7	2	1118
Administrator	32	4	4	1	96	22	12	34	0	205
STC/Audit clerk	53	1	10	3	88	9	3	6	1	174

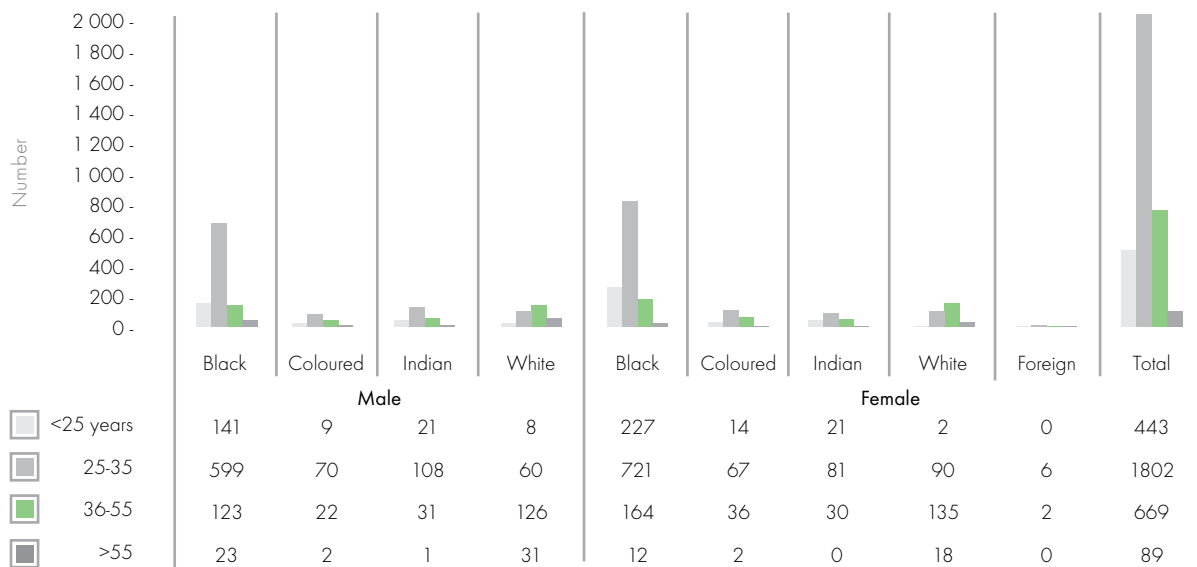


Figure 24: WORKFORCE PROFILE BY RACE AND GENDER

EXECUTIVE COMMITTEE

Table 35 presents executive demographic representation.

TABLE 35: EXECUTIVE COMMITTEE PROFILE

	BLACK	COLOURED	INDIAN	WHITE	TOTAL
Male	4	0	3	2	9
Female	2	0	0	1	3

VALUING AND MANAGING DIVERSITY

Embracing and managing diversity is another significant part of our organisational culture journey. The management of diversity has an impact on transformation and the change in mindset of considering people first has empowered our organisation. The people-driven approach has addressed generational, gender, racial and cultural gaps through continued dialogue. This has filtered through knowledge-sharing and storytelling initiatives to further promote developments, integration and communication among teams.

PERFORMANCE REVIEWS

Two reviews are performed for each performance cycle: a mid-year and year-end performance review. All BUs conducted the mid-year performance reviews online (using the e-performance system) including the 360 degree-evaluation which allows staff members to be evaluated based on the behavioural competencies and values of the organisation.

The purpose of the performance reviews is for managers to facilitate constructive performance discussions with employees and identify relevant development areas and interventions for the next performance period.

DISCRIMINATION AND GRIEVANCE

During the reporting period a total of 13 individual formal grievances were raised and heard in line with the AGSA's *Grievance policy*. These include:

- Nine grievances in relation to the outcome of the year-end performance reviews for the period 2011-12 performed in April/May 2012
- One grievance regarding unfair treatment by the line manager
- One grievance for not being remunerated appropriately as per the AGSA's salary scales
- Two grievances related to the expiry of the employee's fixed-term contract and the employer's reluctance to provide clear direction on renewal

No grievance was raised as a response to the procedure and/or outcome under the AGSA's *Disciplinary policy and code*.

EMPLOYEE RELATIONS

Table 36 summarises the disciplinary enquiry outcomes by type of sanction in 2011-12 and 2012-13.

TABLE 36: DISCIPLINARY ENQUIRY OUTCOMES BY TYPE OF SANCTION IN 2011-12 AND 2012-13

TYPE OF SANCTION	2011-12		2012-13	
	No. of cases	% of cases of total	No. of cases	% of cases of total
Written warning	4	18,2%	0	0%
Final written warning	10	45,5%	2	20%
Dismissal	4	18,2%	6	60%
Alternative to dismissal	3	13,6%	0	0%
Employee resigned before process was completed	1	4,5%	1	10%
Employee found not guilty	0	0%	1	10%
Total	22		10	

TABLE 37: DISPUTE RESOLUTIONS AT THE CCMA

TYPE OF DISPUTE	2011-12		2012-13	
	No. of cases	% of cases of total	No. of cases	% of cases of total
Favourable decisions	4	36,36%	5	50%
Unfavourable decisions	2	18,18%	2	20%
Settled	3	27,27%	1	10%
Withdrawn by applicant	2	18,18%	2	20%
Total	11		10	

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 and minimise the waste of water, energy and paper.

CARBON FOOTPRINT

We are mindful of our responsibility to reduce our carbon footprint (CF) in order to lower our greenhouse gas (GHG) emissions. As a first step we commissioned our first CF report in the past year to establish a baseline for future management. For this baseline study we included the following:

- Water use
- Electricity use
- Paper use

TABLE 38: SUMMARISED CARBON FOOTPRINT OF THE AGSA: 2012-2013

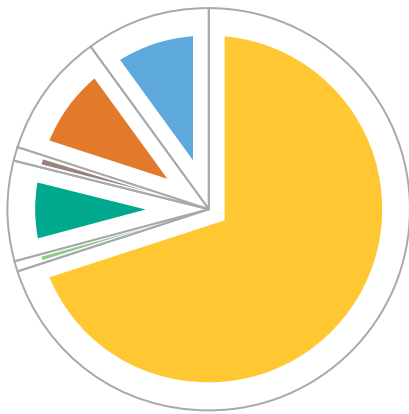
DESCRIPTION	GHG EMISSIONS (METRIC TONS CO ₂ -E)	PROPORTION (%)
Scope 1 (direct GHG emissions):	None	
Scope 2 (indirect energy GHG emissions):		
Electricity use	6 098	62,97
Scope 3 (other indirect GHG emissions):		
Road travel (employee vehicles)	2 117	21,87
Road travel (rental vehicles)	160	1,65
Air transport (domestic)	821	8,48
Air transport (international)	388	4,01
Paper use	92	0,95
Water use	9	0,09
Total	9 683	

- Road transport (employee vehicles, but excluding commuting between home and office)
- Road transport (rental vehicles)
- Air transport (domestic and international)

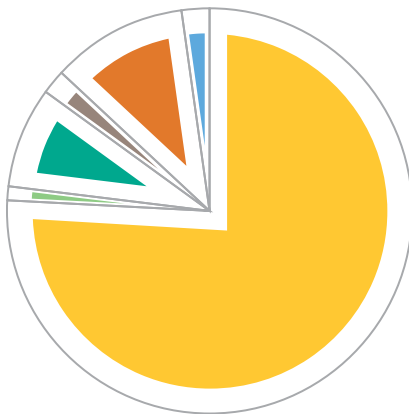
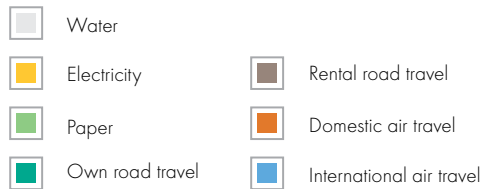
dioxide equivalent per employee. Initiatives to offset metric tons of carbon dioxide are underway such as green initiatives with local communities, and we will also explore partnering with renowned organisations already implementing initiatives to offset the carbon footprint.

The table above reflects a summary of our carbon footprint. Our activities are associated with a total of approximately 9 683 metric tons of carbon dioxide equivalent or 3,3 metric tons of carbon

The carbon footprint of employees at head office differed markedly from that of employees at regional offices.



Head Office: National business units



Head office: Support business units



Regional offices

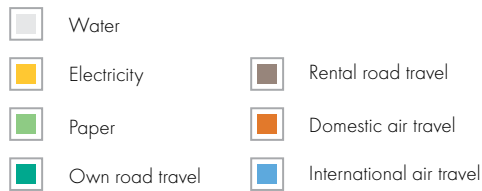


Figure 25: PROPORTIONAL COMPOSITION OF GHG EMISSIONS PER EMPLOYEE (%)

This first calculation of our carbon footprint sets the basis for future carbon footprinting and comparing of data over time.

ENERGY

During the reporting period data on energy consumption was collected and will form the baseline for future reporting and comparison. The total electricity purchased and consumed was 6 159 067 kWh.

TABLE 39: ELECTRICITY PURCHASED

	MEASUREMENT UNIT	HEAD OFFICE: NATIONAL	HEAD OFFICE: SUPPORT	REGIONAL OFFICES	TOTAL
Electricity purchased	kWh	2 306 508	1 761 228	2 091 331	6 159 067

WATER

Data on water use was collected during the reporting period and forms the baseline for future reporting. Although water efficiency initiatives were already implemented, the savings could not be measured. Water savings will be monitored and reported on during the next reporting period.

TABLE 40: WATER USED

	MEASUREMENT UNIT	HEAD OFFICE: NATIONAL	HEAD OFFICE: SUPPORT	REGIONAL OFFICES	TOTAL
Water used	kl	2 123	1 621	9 708	13 452

PAPER USAGE

A total of 48 451 kg of paper was purchased during the year, which will serve as baseline for future initiatives to reduce the use of paper.

TABLE 41: PAPER USAGE

	MEASUREMENT UNIT	HEAD OFFICE: NATIONAL	HEAD OFFICE: SUPPORT	REGIONAL OFFICES	TOTAL
Paper purchased	Kg	10 445	11 362	26 645	48 451

BUSINESS TRAVEL

As part of the carbon footprint assessment we recorded various forms of business travel.

TABLE 42: TOTAL KILOMETRES TRAVELLED BY EMPLOYEES

	MEASUREMENT UNIT	HEAD OFFICE: NATIONAL	HEAD OFFICE: SUPPORT	REGIONAL OFFICES	TOTAL
Road transport (employees)	Km	1 049 446	749 249	7 346 585	9 145 280
Road transport (rental vehicles)	Km	94 004	172 140	422 984	689 128
Domestic flights	Km	2 439 872	1 920 722	1 886 886	6 247 480
International flights	Km	2 434 364	278 245	0	2 712 609

We have undertaken several initiatives to reduce our carbon footprint on which we will report in the next financial period.

ENVIRONMENTAL INITIATIVES AND PROGRESS

TABLE 43: NEW ENVIRONMENTAL INITIATIVES

INITIATIVE	DESCRIPTION	BENEFITS
Waste minimisation and waste management	Procured 20 iPads for Exco use	Reduced paper usage
	Standardised settings on multifunction printing devices that enable efficient use of paper, i.e. back-to-back printing by default	Saving approximately 40% paper
	Discontinued the use of printed newspapers and introduced electronic ones	Reduced paper usage
	Sorted waste for disposal, i.e. separated paper, glass, cartridges and hazardous waste	Re-use of recyclable materials and a cleaner environment
Business travel minimisation	Video-conferencing systems were used for 454 meetings	Minimised the need for travel Monetary saving of approximately R1,3 million Reduced the carbon footprint
	Used remote connection to the AGSA systems from laptops to reduce travelling	Reduced the requirement to travel

OCCUPATIONAL HEALTH AND SAFETY

The AGSA recognises the importance of occupational health and safety (OHS) and its impact within the organisation and externally. The management of OHS has drawn increasing attention in the year under review where the OHS policy was approved and a number of initiatives were implemented. In line with the key strategic goals of the AGSA, the purpose of OHS is to ensure that AGSA staff and stakeholders function in a safe and secure environment in accordance with the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993) and any other applicable legislation.

OHS ACHIEVEMENTS

- Approved OHS policy and procedures
- Appointment of 45 health and safety representatives
- Training of staff at Head Office and the regional offices in first aid
- Compliance with the amended Tobacco Products Control Act, 1993 (Act No. 83 of 1993)
- Implementation of evacuation plans and emergency contact numbers

- Installation of OHS notice boards
- Successful completion of Lefika House refurbishment project with accident/incidents reported
- Approved fire plans from the Tshwane Fire Department for Lefika House project
- Completion of fire detection plans and sign-off by the Mangaung Fire Department for the Bloemfontein project
- Installation of fire detection, signage and fire fighting; access control and CCTV system for new Bloemfontein offices
- Fire inspection audit conducted by a fire officer of the Tshwane Municipality at Head Office, Lefika House and Brooklyn Gardens with no significant findings

ACCIDENTS REPORTED AND INVESTIGATED

During the year under review, a total of five accidents were reported, of which one led to amputation and one to a fatality. There were sixteen motor vehicle accidents of which ten involved hired vehicles.

SECTION 5

KEY STRATEGIC PRIORITIES FOR 2013-14

“

These commitments ensure that we remain focused on improving our organisational competencies holistically, with an overarching commitment to improving organisational performance and co-creating a sustainable organisation.

”

SECTION 5 CONTENTS

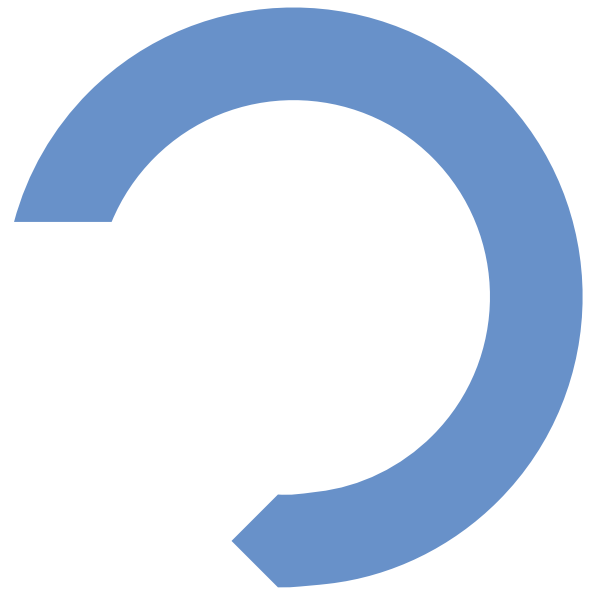


Key strategic priorities for 2013-14 94

For 2013-14 and beyond we will also focus on managing our sustainability footprint, as we acknowledge that, like any other organisation, we have an impact on the physical environment and the society in which we operate.

KEY STRATEGIC PRIORITIES FOR 2013-14

The AGSA continues on its strategic path, as has been articulated in the past six years, which is underpinned by five strategic commitments.



Strategic commitment	Strategic objectives	Impact to be achieved
Simplicity	<ul style="list-style-type: none"> Identify root causes and make recommendations Continued excellence of quality of audits 	Improving the lives of SA citizen through executing our constitutional mandate of strengthening our country democracy
Visibility of leadership	<ul style="list-style-type: none"> Develop stakeholder relationships so as to encourage clean administration 	
Funding	<ul style="list-style-type: none"> Executing the organisational mandate economically, efficiently and effectively 	
Strengthen human resources	<ul style="list-style-type: none"> To have a motivated, high-performing and diverse workforce 	
Lead by example	<ul style="list-style-type: none"> To continuously adhere to standards of excellence for clean administration Continued excellence of quality of audits 	
Sustainable organisational practices		

Figure 26: ORGANISATIONAL STRATEGIC PATH

These commitments ensure that we remain focused on improving our organisational competencies holistically, with an overarching commitment to improving organisational performance and co-creating a sustainable organisation.

and the society in which we operate. In the 2013-14 performance year we will emphasise quantifying such impact and establish baseline information upon which to base plans for improvement going forward.

For 2013-14 and beyond we will also focus on managing our sustainability footprint, as we acknowledge that, like any other organisation, we have an impact on the physical environment

Table 44 is a summary of strategic initiatives that the AGSA will be undertaking for the 2013-14 performance year to ensure the achievement of our strategic objectives.

KEY STRATEGIC PRIORITIES

TABLE 44: 2013-14 STRATEGIC INITIATIVES

STRATEGIC GOAL	STRATEGIC INITIATIVE
Simplicity, clarity and relevance of our messages	<ul style="list-style-type: none"> • Identify the root causes of poor financial discipline in the public sector • Report those in the simplest possible way • Encourage the implementation and sustainability of correct internal controls and financial management practices at the auditees • Continue to acquire extensive knowledge and understanding of the public sector goals and functioning • Fine-tune our audit process • Achieve further integration of our diverse expertise and products and the deployment of multi-skilled audit teams • Increase the volume of performance audits and capacitate the performance auditing component of the organisation • Proactively evaluate fraud risks through fraud risk assessments in process and financial statement reporting • Prepare a growth strategy and plan for Performance Auditing for the medium term to 2018 • Deliver a consolidated audit message • Achieve quality assessment results above our own targets (already above industry standard level)
Visibility of our leadership	<ul style="list-style-type: none"> • Continue with the established key controls discussions • Provide the executive and oversight leadership with the right diagnosis to take corrective measures • Elevate our audit recommendations to commitments and actionable decisions • Improve stakeholders' realistic understanding of good governance and internal controls • Enhance the packaging of our messages to reach as many of our stakeholders as possible • Increase the rigour of the analysis in our general reports • Ensure continuity in understanding the audit outcomes • Encourage acceptance of ownership of internal controls by the appropriate responsible officials • Intensify our visibility at all levels, widening the circle of engagements • Increase our participation in various governance forums
Funding	<ul style="list-style-type: none"> • Ensure stable cash flow • Increase the efficiency and effectiveness of our audits • Enhance the outsourcing of the contract audit work • Provide for minimum surplus margins
Strengthening our human resources	<ul style="list-style-type: none"> • The trainee auditor scheme continues to form the basis of our human resources pipeline • Intensify relevant training and skills development • Develop audit professionals with impeccable integrity and ethics • Succession planning and leadership pipeline development • High-performing teams and regular and timely feedback through the total performance system
Leading by example	<ul style="list-style-type: none"> • Identify and institutionalise critical good practices • Make operational excellence the standard method of work • Audit and corporate reports will be provided to Parliament within the legislated timetables • Own clean audit opinion • Information and communications technology • Optimise infrastructure • ERP PeopleSoft • Enhance our audit software and solutions • Mature information governance of the AGSA • Strong support to the B-BBEE policy with a focus on the CA charter
Sustainability performance	<ul style="list-style-type: none"> • Set baseline performance targets • Implement tracking and monitoring systems and processes

SECTION 6

GOVERNANCE AND REMUNERATION POLICIES

“

We have undertaken an assurance engagement on selected sustainability information as described below and presented in the Integrated Annual Report (the report) of the Auditor-General for the year ended 31 March 2013.

”

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Governance 98
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assurance report

Report of the 105
Audit Committee

The AG is responsible for determining the terms and conditions of employment of all employees in the organisation in accordance with section 34(3) of the PAA.

GOVERNANCE AND REMUNERATION POLICIES

GOVERNANCE FRAMEWORK OF THE AGSA

Our governance structure is depicted in figure 27 to demonstrate the way important decisions are made in the organisation.

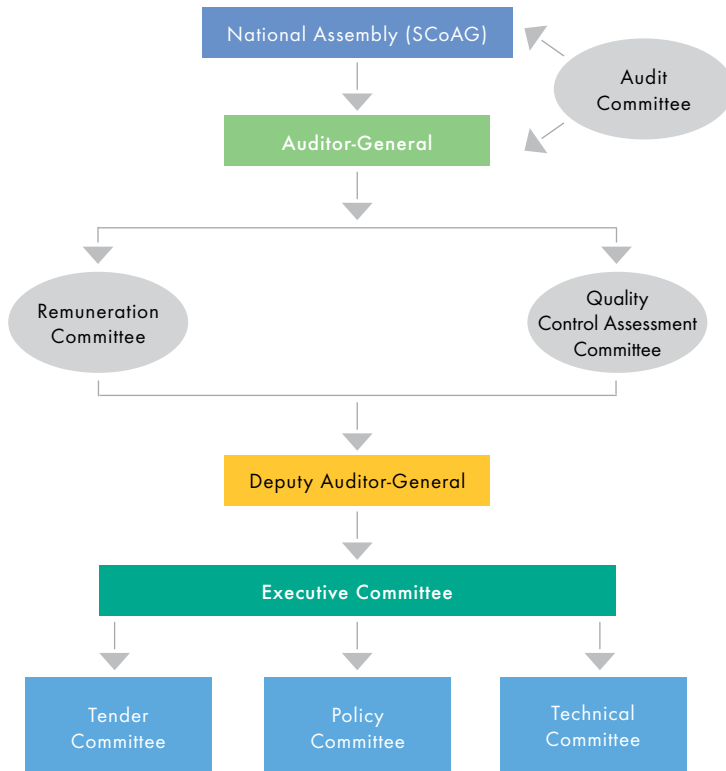


Figure 27: GOVERNANCE FRAMEWORK OF THE AGSA

CORPORATE GOVERNANCE AND COMPLIANCE

We have adopted the King III code of corporate governance. To ensure that we are fully aligned with all aspects of the code, our outsourced internal auditor has completed a benchmarking review. No material findings were determined; only value-adding recommendations were made which we will address to refine and enhance the governance of the AGSA once the review report has been finalised and submitted. In addition we undertook an independent review of our governance via the IRBA ISQC1 review where similarly only recommendations were made to us.

An internal team of specialists completed a review of our governing legislation, the PAA, against the King III code and

the proposed amendments to the legislation which will be submitted to our oversight body for consideration.

STANDING COMMITTEE ON THE AUDITOR-GENERAL

The Constitution and the PAA determine the oversight function of the Standing Committee on the Auditor-General (SCoAG). In terms of its legislative mandate SCoAG is required to fulfil the following role:

- Assist and protect the AG in order to ensure the independence, impartiality, dignity and effectiveness of the AG and to advise the National Assembly accordingly.
- Provide general oversight requirements in terms of section 55(2)(b)(ii) of the Constitution.
- Make recommendations to the President on the conditions of employment of the AG.

POLICIES

- Annually appoint an independent firm of external auditors.
- Consider:
 - a) the annual report, financial statements and audit report (the annual report has to include performance against predetermined objectives, verified by the external auditor)
 - b) and agree to the retention of surplus by the AG
 - c) concerns raised by the Audit Committee
 - d) the budget and business plan of the AG and make recommendations to be forwarded to the Speaker for tabling in the National Assembly and to the National Treasury
 - e) any report from the DAG on any actual or impending under-collection of revenue, shortfalls in budgeted revenue and overspending of the budget or expenditure not in accordance with the budget
 - f) any report from the DAG on a decision of the AG to incur irregular expenditure.
- Give an opinion on:
 - a) the appointment of a Deputy Auditor-General (DAG)
 - b) any regulations the AG intends to submit
 - c) the basis for calculating the audit fees to be recovered from auditees
 - d) the standards to be applied to audits, nature and scope of such audits and procedures for the handling of complaints when performing such audits
 - e) the code of conduct for authorised auditors, including standards of professional conduct, disciplinary steps for misconduct, and any other relevant matter.

TABLE 45: MEMBERS OF THE NATIONAL ASSEMBLY WHO SERVED ON SCOAG IN 2012-13

POLITICAL PARTY	REPRESENTATIVE
ANC	Adv. M Masutha (Chairperson) Ms S Tsebe Mr L Ndabandaba Ms D Nxumalo Mr K Moloto Ms L Yengeni* Ms F Bikani Ms A N Luthuli
DA	Dr D T George Mr J Steenheissen
COPE	Ms L Mashiane
IFP	Mr N Singh Mr P S Lebenya (Alt)

*Ms L Yengeni is no longer a member as of 5 February 2013

TABLE 46: DATES AND PURPOSE OF SCOAG MEETINGS HELD IN 2012-13

DATE OF MEETING	PURPOSE OF MEETING
14 September 2012	Discuss the annual report. Listen to the report of the Audit Committee on the state of internal controls and governance of the AGSA
21 September 2012	Final annual report hearing in the presence of the AG
26 October 2012	Discuss and provide comments on the <i>Strategic plan and budget of the AGSA</i>

AUDIT COMMITTEE

Section 40(6)(a) of the PAA establishes the Audit Committee of the AGSA as an oversight body and the committee does not have any management responsibility. It assists the DAG in discharging his duties, as set out in section 43 of the PAA, with regard to:

- Maintaining effective, efficient and transparent systems of financial management, risk management and internal control
- Maintaining an effective internal audit function

For the overview of the Audit Committee (AC) activities and attendance for the year, refer to the AC chairperson’s report on page 105.

REMUNERATION COMMITTEE

The AG is responsible for determining the terms and conditions of employment of all employees in the organisation in accordance with section 34(3) of the PAA. The AG established the Remuneration Committee (Remco) to provide specialised advice to the AG on remuneration and related issues. The committee plays an advisory role and the final decision-making power rests with the AG.

In fulfilling its advisory role, Remco reviews and makes recommendations on the following matters:

- General trends and practices regarding employment benefits, including the structuring of conditions of employment and remuneration packages
- The framework or broad policy for the remuneration of executive and senior management
- Targets and rules for any performance-related pay schemes, whether current or proposed
- General salary increases
- Any other human resource management issue which the AG may wish to table for discussion

During the year, Remco also:

- a) monitored SCoAG’s process on the AG’s conditions of employment
- b) provided inputs on the proposed amendments of the PAA regarding the formalisation of its role in determining the AG’s conditions of employment.



TABLE 47: ATTENDANCE RECORD OF REMCO IN 2012-13

MEMBER	29 FEBRUARY 2012	25 JUNE 2012	25 MARCH 2013
Dr Mark Bussin	√	√	√
Mpuseng Moloji	√	√	√
Bernard Nkomo	√	√	X
Nazlie Samodien	√	√	√
Thembekile Makwetu	√	√	√
Jabavu Lindelwa	√	√	*

EXECUTIVE COMMITTEE

The PAA gives both the AG and the DAG the authority to delegate any power and duty assigned to them to any member of staff. The Executive Committee (Exco) was established to assist the DAG to manage the business and affairs of the organisation in terms of the delegation of authority as per the AG’s management approval framework.

Exco is chaired by the DAG and consists of all the corporate executives. The committee meets on average eight times during the year and holds special meetings where and when needed. It focuses on reviewing and directing the implementation of the AGSA’s business and strategic plans throughout the year. Exco has the power to establish subcommittees to assist it.

Existing subcommittees are the Tender Committee, Technical Committee and Policy Committee:

- The Tender Committee promotes a fair tender culture by ensuring that all procurement policies and procedures are correctly and consistently applied. The committee has an evaluation working group whose key function is to promote a transparent, fair and effective evaluation process.
- The Technical Committee gives effect to the requirements of section 13 of the PAA, which deals with the confirmation of auditing standards and the development of related audit methodology.
- The Policy Committee reviews all policies and recommends them to Exco for approval to ensure an integrated approach and strategic alignment of policies.

Exco met seven times during the 2012-13 financial year to deal with the implementation of strategic initiatives and monitor management information for issues and trends.

TABLE 48: ATTENDANCE RECORD OF EXCO IN 2012-13

MEMBER	31 MAY 2012	21 JUNE 2012	5 JULY 2012	7 SEPT 2012	17 SEPT 2012	30 OCT 2012	25 FEB 2013
Thembekile Makwetu	√	√	X	X	√	√	√
Paul Serote	√	√	√	√	√	√	*
Eugene Zungu	√	√	√	√	√	√	√

TABLE 48: ATTENDANCE RECORD OF EXCO IN 2012-13

MEMBER	31 MAY 2012	21 JUNE 2012	5 JULY 2012	7 SEPT 2012	17 SEPT 2012	30 OCT 2012	25 FEB 2013
Barry Wheeler	✓	✓	✓	✓	✓	✓	✓
Lindelwa Jabavu	✓	X	✓	*	*	*	*
Alice Muller	✓	✓	✓	✓	✓	✓	✓
Jan van Schalkwyk	✓	✓	X	✓	✓	✓	✓
Imran Vanker	X	✓	✓	✓	✓	✓	✓
Tsakani Maluleke	NA	✓	✓	✓	✓	✓	✓
Hassim Mohsien	NA	NA	NA	NA	NA	✓	✓
Naeem Seedat	NA	NA	✓	✓	✓	✓	✓
Sakhiwo Ngobese	NA	NA	NA	NA	NA	NA	✓
Sibongiseni Ngoma	NA	NA	NA	NA	NA	NA	✓

✓ Present NA Not appointed * Resigned X Apology

QUALITY CONTROL ASSESSMENT COMMITTEE

The Quality Control Assessment Committee (QCAC) is an oversight body that assists the AG and DAG to fulfil their responsibilities for implementing a system of quality control in the AGSA as mandated in the policy on the monitoring of QC compliance to ensure adherence to standards as per section 13(1)(a) of the PAA.

The committee is required to monitor the elements of a system of quality control through the performance of quality control reviews, at both institutional and engagement level. This is also a requirement of the International Standards on Auditing (ISAs).

TABLE 49: ATTENDANCE RECORD OF THE QCAC IN 2012-13

MEMBER	2 MAY 2012
Terence Nombembe	✓
Karin Barac	✓
John Biesman-Simons	X
Thembekile Makwetu	✓

REMUNERATION POLICIES

The AGSA's approach to the remuneration of all employees including senior managers and executives is informed by comprehensive salary market benchmarks that are conducted on a regular basis. The benchmarks are utilised to develop competitive pay scales. The following key principles are considered when implementing remuneration for employees:

- Broad-banded pay scales to enable progression within a job grade
- Paying for performance to ensure remuneration differentiation between performers and non-performers
- Affordability
- Total cost to company offers that are competitive
- Observing governance requirements of applicable reward and recognition

The AGSA's reward structure integrates a combination of reward and recognition options such as the guaranteed package, benefits, performance bonuses, recognition programmes, career development opportunities and the entire work experience. With reward and recognition being viewed as one of the contributors to attraction and retention, the AGSA continually reviews and enhances its reward offerings. Future factors that will most likely influence remuneration include but are not limited to:

- Inflation fluctuation
- Demand for and supply of skills
- Governance requirements in respect of remuneration

INDEPENDENT ASSURANCE REPORT ON SELECTED SUSTAINABILITY INFORMATION

TO THE AUDITOR-GENERAL

We have undertaken a limited assurance engagement on selected sustainability information as described below and presented in the Integrated Annual Report of the Auditor-General for the year ended 31 March 2013 (the report).

WE ARE REQUIRED TO PROVIDE ASSURANCE AS FOLLOWS:

1. Limited assurance on the following sustainability information

Environmental sustainability - The initiatives undertaken in respect of electricity use; water use; paper purchased; paper waste generated; business travel: flights; business travel: vehicles and carbon footprint.

Stakeholder engagements - The list of stakeholders engaged: Employees; cabinet; executive authorities; oversight bodies; auditees; media and regulatory professional bodies and contract private firms.

Social sustainability - Amounts and initiatives in respect of study bursaries; rural school programme and enterprise development and trainee auditor scheme.

Cultural sustainability - Employee profile; staff turnover; diversity; completion of annual disclosure of interest declarations; incidents of integrity breach by staff; employee training; occupational health and safety and employee wellness programme.

Economic sustainability - Value-added statement; funding model; defined benefit plan; corporate social investment and preferential procurement.

2. Limited assurance on the Auditor-General's self-declaration of the Global Reporting Initiative (GRI) C+ Application Level.

DEPUTY AUDITOR-GENERAL'S RESPONSIBILITIES

The Deputy Auditor-General is responsible for the selection, preparation and presentation of the sustainability information in accordance with the GRI G3.1 Guidelines. This responsibility includes the identification of stakeholders, stakeholder requirements and material issues; commitments with respect to sustainability performance; and the design, implementation and maintenance of internal control relevant to the preparation of a report that is free from material misstatement, whether due to fraud or error.

INDEPENDENCE AND QUALITY CONTROL

We have complied with the International Federation of Accountants (IFAC) *Code of Ethics for Professional Accountants*, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express limited assurance conclusions on the selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements other than the Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of the AGSA's use of GRI G3.1 Guidelines as the basis of preparation for the selected sustainability information, assessing the risks of material misstatement of the selected sustainability information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

The evaluation criteria used for our assurance are based on:

- The GRI G3.1 Sustainability Reporting Guidelines for Level C+ Application; and
- Relevant reporting guidelines and methodologies for selected GRI G3.1 indicator parameters as set out in the report.

SUMMARY OF WORK PERFORMED

Our work included the following evidence-gathering procedures:

- Interviews with management to evaluate the application of the GRI G3.1 Guidelines and to obtain an understanding of the control environment relative to the reported sustainability information;
- Inspecting documentation to corroborate the statements of management in our interviews;
- Testing the processes and systems to generate, collate, aggregate, monitor and report the selected sustainability information;
- Inspecting supporting documentation;
- Conducting an application level check on the report to evaluate whether all disclosure requirements of the GRI C+ Application Level have been adhered to; and
- Evaluating whether the information presented in the report is consistent with our findings, overall knowledge and experience of sustainability management at the Auditor-General.

CONCLUSIONS

On the selected sustainability information on which we are required to express limited assurance

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected sustainability information for the year ended 31 March 2013 is not fairly stated, in all material respects, in accordance with the Global Reporting Initiative (GRI) G3.1 Guidelines.

On the self-declaration in respect of the GRI G3 C+ Application Level on which we are required to express limited assurance

Based on our work performed, nothing has come to our attention that causes us to believe that the self-declaration of a C+ Application Level is not fairly stated, in all material respects, in accordance with the GRI G3 Guidelines.

KwinanaEquifin Inc

KwinanaEquifin Incorporated
Registered Accountants & Auditors
Tendai Mapenda
31 July 2013
Alenti Office Park, Block A, 457 Witherite Street
The Willows Ext 82, Pretoria



Mthandazo Peter Moyo
Chairperson of the Audit Committee

REPORT OF THE AUDIT COMMITTEE

INTRODUCTION

This report is issued in compliance with section 40(6) of the Public Audit Act (Act No. 25 of 2004) (PAA), and in line with the King Code of Governance Principles (King III) as adopted by the organisation.

The AGSA's Audit Committee (the committee) has conducted its work and discharged its responsibilities in accordance with its terms of reference, reviewed annually and approved by the Auditor-General.

COMMITTEE MEMBERSHIP AND ATTENDANCE

The committee consisted of three independent, non-executive members. The skills and competencies of the committee members are complementary to the execution of their duties, such that they adequately cover business, financial and risk management matters.

In May 2013 a fourth independent non-executive member, S Gounden, was appointed and his contribution to the work of the committee will be included in the committee's report in the next reporting period.

The committee met three times during the period under review:

COMMITTEE MEMBER	AUG 2012	DEC 2012	FEB 2013
M P Moyo (Chairperson)	✓	✓	✓
R J Biesman-Simons	✓	✓	✓
N Mthombeni	✓	✓	✓

The Deputy Auditor-General (DAG), National Leader: Audit, National Leader: Internal Operations and Audit Support, CE: Internal Operations, Chief Financial Officer, Business Executive: Planning, Monitoring and Risk, Senior Manager: Risk and Compliance and representatives of the external and internal auditors were invited to attend the committee meetings.

All members of the committee attended the SCoAG briefing on the integrated annual report on 14 September 2012 and presented their report directly to the oversight committee.

Furthermore, in line with the terms of reference, members, invitees and the auditors attended an update workshop in January 2013.

OVERVIEW OF ACTIVITIES

In respect of the external auditor and the internal audit function, the committee, among other matters, in consultation with executive management:

- reviewed and approved the internal audit coverage plan and the budgeted fee for the 2013-14 financial year
- revised and approved the *Internal audit charter*
- reviewed the internal audit progress reports throughout the year
- approved the external auditor's engagement letter, audit plan and budgeted audit fees for the 2012-13 financial year.

The committee has overseen the integrated annual reporting process and more specifically the following:

In respect of the **financial statements**, the committee, among other matters:

- considered whether the annual financial statements fairly present the financial position of the organisation as at the end of the 2012-13 financial year and the results of operations and cash flows for the financial year and considered the basis on which the organisation was determined to be a going concern
- reviewed the external auditor's audit report
- reviewed the management representation letter relating to the financial statements which was signed by the DAG
- reviewed the summary of uncorrected misstatements.
- With regard to the performance information the committee reviewed the report on the performance of the organisation against predetermined objectives and the report on selected sustainability parameters. The committee attended a

dedicated workshop that outlined the duties of the committees concerning the assurance of sustainability information.

In respect of internal control systems and environment, the committee, among other matters:

- considered the reports of the internal auditor on the systems of internal controls and the effectiveness thereof
- received assurance that proper and adequate accounting records were maintained and that the internal control systems safeguarded the assets against unauthorised use or disposal
- reviewed significant issues raised by the internal auditor and the adequacy of corrective actions in response to significant audit findings
- as represented by the chairperson, met separately with the internal auditors periodically throughout the year to discuss the results of the evaluations they performed during the period under review, as well as the representations and recommendations regarding the system of controls
- considered the expertise and resources employed in the finance function.

In respect of risk management, the committee, in so far as it is relevant to its functions:

- reviewed and approved the strategic risk profile, including risks as they pertain to the strategic direction of the AGSA
- reviewed the notice and purpose of the Risk Oversight Committee established to assist and support the DAG in the execution of his risk management responsibilities in terms of section 43(3)(b)(i) of the PAA
- reviewed and approved the organisation's *Combined assurance model*, formulated to provide a coordinated approach to all assurance activities in the organisation
- considered the *Risk management policy statement*, which aims to enhance the organisation's consciousness of and responsibility towards risk management
- received a written assessment of the adequacy and effectiveness of the AGSA's system of internal controls and risk management from SizweNtsalubaGobodo, as the appointed internal auditors for the period under review.

EFFECTIVENESS OF INTERNAL CONTROLS

In line with the committee's activities and based on assessments by the internal and external auditors, other assurance providers as well as management reports, the committee formed the opinion that the controls in the AGSA were adequate and

effective for the reported year. The committee also takes note of the lapse in internal controls specifically pertaining to breaches of physical security, and is satisfied that the remedial action taken, as well as the pace of management's response to reported control gaps, will improve the control environment.

No findings have come to the attention of the committee to indicate that any material breakdown in internal controls has occurred during the financial year under review, thus the AGSA's system of internal controls is effective and forms a basis for the preparation of reliable financial statements.

It is the committee's view that effective leveraging off the different assurance providers, as defined in the adopted combined assurance model, has resulted in improved efficiencies in the assurance landscape.

EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

Following the review of the annual financial statements of the AGSA for the year ended 31 March 2013, the committee is of the view that in all material respects they comply with the relevant provisions of the PAA and fairly present the financial position, state of affairs, financial results and operations as at that date.

The committee recommended to the DAG that he may sign the annual financial statements.

EVALUATION OF SUSTAINABILITY ISSUES

The committee reviewed the sustainability performance results disclosed in the integrated annual report and is satisfied that the information is reliable and does not conflict with the financial information as disclosed in the financial statements.

INTERNAL AUDITORS

Internal audit is an independent, objective assurance and consulting activity, outsourced to SizweNtsalubaGobodo. Internal audit's risk-based audit plan and related fees are approved by the committee, prior to the plan's execution. Similarly, any revision to the approved internal audit plan is agreed to and approved by the committee.

The committee is satisfied that the internal auditors have effectively fulfilled their independent assurance function in line with the functional reporting to the Audit Committee and the administrative reporting to the DAG.

EXTERNAL AUDITOR'S APPOINTMENT AND INDEPENDENCE

The committee is satisfied with the independence and objectivity of KwinanaEquifin Inc. as the appointed external auditor of the AGSA after taking the following factors into account:

- Representations made by KwinanaEquifin Inc. to the committee.
- The auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the organisation.
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor.
- The criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

APPRECIATION

On behalf of the committee, I would like to thank the AGSA's management team for their dedication and support in improving the organisation's internal control environment, governance and risk management activities. I would also like to extend our gratitude to SCoAG for their continued support and guidance in discharging our duties.

Lastly, as the tenure of the Auditor-General comes to an end in the current financial year, we would like to thank him for his unwavering support and the leadership he has provided to the organisation over the years. We wish him well in his future endeavours.



Mthandazo Peter Moyo
Chairperson of the Audit Committee

SECTION 7

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

“ We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

”

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DEPUTY AUDITOR-GENERAL'S RESPONSIBILITIES & APPROVAL

As the Deputy Auditor-General I am required by the Public Audit Act, 2004 (Act No. 25 of 2004) to maintain adequate accounting records and am responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is my responsibility to ensure that the annual financial statements fairly present the financial position of the Auditor-General as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and the Public Audit Act of 2004. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and the Public Audit Act of 2004 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the Auditor-General and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, the Auditor-General, after consultation with the parliamentary oversight committee, sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Auditor-General and all employees are required to maintain the highest ethical standards in ensuring the Auditor-General's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Auditor-General is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operational risk cannot be fully eliminated, the Auditor-General endeavours to minimise it by ensuring that appropriate infrastructure, controls,

systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

I have reviewed the Auditor-General's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, I am satisfied that the Auditor-General has or has access to adequate resources to continue in operational existence for the foreseeable future.

I am not aware of any matter or circumstance arising since the end of the financial year that will materially affect these annual financial statements.

The annual financial statements set out on pages 114 to 150, which have been prepared on the going concern basis, were approved and signed by me on 31 July 2013 on behalf of the Auditor-General.



Thembekile Makwetu
DEPUTY AUDITOR-GENERAL

INDEPENDENT AUDITORS' REPORT TO PARLIAMENT

REPORT ON FINANCIAL STATEMENTS

Introduction

We have audited the financial statements of the Auditor-General set out on pages 114 to 150, which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Deputy Auditor-General's responsibility for the financial statements

The Deputy Auditor-General is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of section 41(1)(a) of the Public Audit Act, 2004 (Act No. 25 of 2004) of South Africa, and for such internal control as the Deputy Auditor-General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Auditor-General as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Audit Act, 2004 (Act No. 25 of 2004).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON PREDETERMINED OBJECTIVES

Introduction

We have audited the report on performance against predetermined objectives of the Auditor-General for the year ended 31 March 2013, as set out on pages 28 to 76.

The Deputy Auditor-General's responsibilities

The Deputy Auditor-General is responsible for the preparation and fair presentation of the report on performance against predetermined objectives as required by section 41(1)(a) of the Public Audit Act, 2004 (Act No. 25 of 2004),

and for such internal control as determined necessary to enable the preparation of the report on performance against predetermined objectives that is useful and reliable.

Auditor's responsibility

As required by section 41(4)(b) of the Public Audit Act, 2004 (Act No. 25 of 2004), our responsibility is to express an audit conclusion on the report on performance against predetermined objectives.

Assurance work performed

We conducted our audit in accordance with the International Standards on Assurance Engagements (ISAE) 3000: *Assurance engagements other than audits or reviews of historical information*.

We report on whether we have received all the information and explanations required to conduct the engagement, or if we became aware of additional information, the omission of which may result in the report on performance against predetermined objectives being materially misstated or misleading.

We provide reasonable assurance with respect to the usefulness of the information contained in the annual performance report. We further provide reasonable assurance with respect to the reliability of the following selected material objectives as set out in the annual performance report:-

- Simplicity of reports;
- Visibility of leadership;
- Strengthen human resources;
- Funding; and
- Lead by example

The criteria used as a basis for the audit conclusion are as follows:

Usefulness of information:

Presentation: Performance against predetermined objectives is reported using the relevant principles from the National Treasury guidelines.

Consistency: Objectives, indicators and targets are consistent

between planning and reporting documents as required by the National Treasury Regulations.

Measurability: Indicators are well defined and verifiable, and targets are specific, measurable and time bound, as required by the National Treasury Framework for managing programme performance information.

Relevance: The indicators/measures relate logically and directly to an aspect of the institution's mandate and the realisation of strategic goals and objectives, as required by the National Treasury Framework for managing programme performance information.

Reliability of information

Validity: Reported performance has occurred and relates to the institution.

Accuracy: Amounts, numbers and other data relating to reported performance have been recorded and reported correctly.

Completeness: All actual performance that should have been recorded has been included in the report on performance against predetermined objectives.

The audit involves performing procedures to obtain audit evidence about the usefulness of the annual performance report and reliability of the objectives as set out in the annual performance report. The procedures selected depend on the auditor's judgement, including our assessment of the risks of material misstatement of the annual performance report. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the ISAE 3000. The procedures performed include the following:

- Understanding and testing the internal policies, procedures and controls relating to the management of and reporting on performance information.
- Evaluating and testing processes, systems, controls and review of documentation in place at a detail level to support the generation, collation, aggregation, monitoring and reporting of the performance indicators and targets.
- Evaluating, testing and confirmation of the existence and consistency of planned and reported performance information as well as the presentation and disclosure

thereof in accordance with applicable requirements and guidance.

- Conducting detailed audit testing and obtaining sufficient appropriate audit evidence to verify the validity, accuracy and completeness of reported indicators and targets.

We believe that the evidence obtained from the work performed provides an appropriate basis for the reasonable assurance conclusions expressed below.

Conclusion

On the basis of our procedures described in this report, we conclude that in our opinion the report on performance against predetermined objectives is fairly stated, in all material respects, in accordance with the predetermined criteria.

KwinanaEquifin Inc

KwinanaEquifin Incorporated
Registered Accountants & Auditors

Tendai Mapenda
31 July 2013
Alenti Office Park, Block A
457 Witherite Street
The Willows Ext 82
Pretoria

STATEMENT OF FINANCIAL POSITION

	Notes	2013 R'000	2012 R'000
ASSETS			
Non-current assets			
		100 893	76 235
Property, plant and equipment	2	91 090	67 776
Intangible assets	3	9 803	8 459
Current assets			
		880 311	834 850
Trade and other receivables	4	416 243	419 889
Cash and cash equivalents	5	464 068	414 961
Total assets		981 204	911 085
EQUITY AND LIABILITIES			
EQUITY			
		459 152	440 440
General reserve	6	103 897	103 897
Special audit services reserve	7	4 964	4 964
Accumulated surplus	8	350 291	331 579
LIABILITIES			
Non-current liabilities			
		72 047	75 038
Finance lease obligation	9	-	5 460
Retirement benefit obligations	10	72 047	69 578
Current liabilities			
		450 005	395 607
Trade and other payables	11	438 607	376 711
Provisions	12	5 947	5 947
Current portion of finance lease obligation	9	5 451	12 949
Total equity and liabilities		981 204	911 085

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2013 R'000	2012 R'000
Revenue	13	2 213 512	2 073 643
Local services rendered		2 199 302	2 034 768
International services rendered		14 210	38 875
Direct audit cost		(1 573 131)	(1 448 979)
Recoverable staff cost	14	(860 739)	(780 957)
Contract work	15	(618 372)	(580 094)
Subsistence and travel		(94 020)	(87 928)
Gross surplus		640 381	624 664
Other income	13.1	2 490	4 208
Foreign exchange gain	28.4	2 903	1 125
Contribution to overheads		645 774	629 997
Non-recoverable staff cost	14	(398 980)	(330 531)
Depreciation expense	16	(27 687)	(24 530)
Amortisation expense	17	(7 613)	(4 312)
Other operational expenditure	18	(253 133)	(222 607)
Hosting of International conferences	18.1	(89)	(1 251)
Operating (deficit) / surplus before finance charges		(41 728)	46 766
Interest income	21	73 780	70 593
Interest expense	21	(8 637)	(10 135)
Surplus for the year		23 415	107 224
Other comprehensive income	22	(4 703)	(7 927)
Total comprehensive surplus for the year		18 712	99 297

STATEMENT OF CHANGES IN EQUITY

	General reserve R'000	Special audit services reserve R'000	Accumulated surplus R'000	Total R'000
Opening balance at 1 April 2011	103 897	4 964	232 282	341 143
Total comprehensive surplus for the year	-	-	99 297	99 297
Balance at 31 March 2012	103 897	4 964	331 579	440 440
Total comprehensive surplus for the year	-	-	18 712	18 712
Balance at 31 March 2013	103 897	4 964	350 291	459 152
Notes	6	7	8	

STATEMENT OF CASH FLOWS

	Notes	2013 R'000	2012 R'000
Cash flow from operating activities			
Total revenue from auditees	28.1	2 177 223	1 992 051
Total direct audit cost payments	28.2	(1 547 469)	(1 435 496)
Operating expenditure payments	28.3	(570 805)	(511 682)
Interest received	21	73 780	70 593
Interest paid	21	(8 637)	(10 135)
Realised foreign exchange (losses) / gains	28.4	(204)	840
		123 888	106 171
Cash flow from investing activities			
Additions to property, plant and equipment	28.5	(58 166)	(25 993)
Additions to intangible assets	28.6	(8 957)	(3 729)
Proceeds from sale of property, plant and equipment	2	2 216	2 265
		(64 907)	(27 457)
Cash flow from financing activities			
Payment on obligations under finance lease		(12 958)	(16 189)
		(12 958)	(16 189)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		414 961	351 984
Exchange differences in cash and cash equivalents	28.4	3 084	452
Cash and cash equivalents at end of the year	28.7	464 068	414 961

ACCOUNTING POLICIES

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Public Audit Act, 2004 (Act No. 25 of 2004). The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, or amortised cost, and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous year, except for post-employment medical care benefits – defined benefit plan, which was updated due to the early implementation of IAS19.

a) Amendments to published standards effective in 2013:

Relevant to the operations of the Auditor-General:

Standard / Interpretation	Effective	Details
IFRS 7 - Financial Instruments: Disclosures	01-Jul-11	Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period

Not relevant to the operations of the Auditor-General:

Standard / Interpretation	Effective	Details
IAS 12 - Income Taxes	01-Jan-12	This amendment deals with the rebuttable presumption introduced that an investment property will be recovered in its entirety through sale

b) Standards, amendments and interpretations not yet effective but adopted early:

Relevant to the operations of the Auditor-General:

Standard / Interpretation	Effective	Details
IAS 1 - Presentation of Financial Statements	01-Jul-12	New requirements to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity
IAS 1 - Presentation of Financial Statements	01-Jan-13	Annual Improvements 2009-2011 Cycle: Amendments clarifying the requirements for comparative information including minimum and additional comparative information required
IAS 16 - Property, Plant and Equipment	01-Jan-13	Annual Improvements 2009-2011 Cycle: Amendments to the recognition and classification of servicing equipment
IAS 19 - Employee Benefits	01-Jan-13	Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans

Standard / Interpretation	Effective	Details
IAS 32 - Financial Instruments: Presentation	01-Jan-13	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations Annual Improvements 2009 - 2011 Cycle: Amendments to clarify the tax effect of distribution to holders of equity instruments.
IFRS 7 - Financial Instruments: Disclosures	01-Jan-13	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations
IFRS 9 - Financial Instruments	01-Jan-15	New standard that forms the first part of a three-part project to replace IAS 39 - Financial Instruments: Recognition and Measurement
IFRS 13 - Fair Value Measurements	01-Jan-13	New guidance on fair value measurement and disclosure requirements

Not relevant to the operations of the Auditor-General:

Standard / Interpretation	Effective	Details
IAS 27 - Consolidated and Separate Financial Statements	01-Jan-13	Consequential amendments resulting from the issue of IFRS 10, 11 and 12
IAS 27 - Consolidated and Separate Financial Statements	01-Jan-14	Requirement to account for interests in 'Investment Entities' at fair value under IFRS 9 - Financial Instruments, or IAS 39 - Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent
IAS 28 - Investments in Associates	01-Jan-13	This amendment deals with consequential amendments resulting from the issue of IFRS 10, 11 and 12
IAS 34 - Interim Financial Reporting	01-Jan-13	Annual Improvements 2009-2011 Cycle: Amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities
IFRS 10 - Consolidated Financial Statements	01-Jan-13	New standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS27 - Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept to control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. Amendments to the transition guidance of IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.
IFRS 10 - Consolidated Financial Statements	01-Jan-14	IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must be accounted for at fair value under IFRS 9 - Financial Instruments, or IAS 39 - Financial Instruments: Recognition and Measurement

Standard / Interpretation	Effective	Details
IFRS 12 - Disclosure of Interests in Other Entities	01-Jan-13	<p>New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles</p> <p>Amendments to the transition guidance of IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.</p> <p>New disclosures required for Investment Entities (as defined in IFRS 10)</p>
IFRS 1 - First-time Adoption of International Financial Reporting Standards	01-Jan-13	<p>Amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 - Financial Instruments and IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRSs.</p> <p>Annual Improvements 2009-2011 Cycle amendments clarify the options available to users when repeated application of IFRS 1 is required and to add relevant disclosure requirements.</p> <p>Annual Improvements 2009-2011 Cycle amendments to borrowing costs</p>
IFRS 11 - Joint Arrangements	01-Jan-13	<p>New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.</p> <p>Amendments to the transition guidance of IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information</p>
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	01-Jan-13	<p>Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining.</p>

1.1 Significant judgements and accounting estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. In addition, management is required to exercise its judgement in the process of applying the Auditor-General's accounting policies. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Revenue recognition

In order to recognise revenue relating to long-term contracts, management estimates the percentage of completion of these contracts based on estimated total audit hours and completed audit hours excluding budget overruns.

Post-employment medical care benefits

The costs and liabilities of the post-employment medical care benefits are determined using methods relying on actuarial estimates and assumptions. Advice is taken from the independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the statement of comprehensive income and statement of financial position.

Provision for impairment of receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Auditor-General will not be able to collect all amounts due according to the original terms of receivables. The calculation of the amount to be provided for impairment of receivables requires the use of estimates and judgements.

Annual evaluation of property, plant and equipment and intangibles

In order to review property, plant and equipment and intangibles for possible impairment, changes in useful life and changes in residual values at the end of each financial year, reference is made to historical information and intended use of assets.

Government grant

Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants receivable as a compensation for costs already incurred or for immediate financial support with no future related costs are recognised as income in the period in which they are receivable.

1.2 Property, plant and equipment

Property, plant and equipment (owned and leased) is stated at historical cost less accumulated depreciation and adjustment for any impairments. Costs include costs incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it if it is probable that future economic benefits associated with the replacement will flow to the Auditor-General and the cost can be measured reliably. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Estimates are mainly based on historical information relating to use of the asset. Depreciation is calculated on the straight-line method to write off the cost, less residual value, of each asset over their estimated useful lives as follows:

Item	Useful life	
	2013	2012
Computer equipment	3 to 6 years	3 to 6 years
Notebooks	3 years	3 years
Motor vehicles	5 years	5 years
Furniture and fittings	6 to 15 years	6 to 15 years
Office equipment	3 years	3 years
Leasehold improvements	Over the period of the lease	Over the period of the lease

The depreciation charge for each period is recognised in the statement of comprehensive income.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The effects of any changes to residual values, useful lives and depreciation methods are accounted for on a prospective basis.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

Computer software

Acquired computer software licences are carried at cost less any accumulated amortisation and any impairment losses. Estimates are mainly based on historical information relating to use of the asset and all residual values are nil. Amortisation on these costs is provided to write down the intangible assets, on a straight-line basis, over their useful lives as follows:

Item	Useful life	
	2013	2012
Enterprise resource management system - PeopleSoft	14 years	14 years
Other software	3 years	3 years

Expenditure on research is recognised as an expense when it is incurred. Development cost is capitalised when all the conditions for capitalisation have been met.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any changes to residual values, useful lives and amortisation methods are accounted for on a prospective basis.

The gain or loss arising from the derecognition of an intangible asset is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.4 Impairment of non-financial assets

Assets are assessed at the end of each reporting period for any indication that they may be impaired. If indications exist, the recoverable amount of the asset is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The Auditor-General assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the statement of comprehensive income.

1.5 Financial instruments

Financial instruments are recognised when the Auditor-General becomes party to the contractual provisions of the instrument. Financial instruments carried in the statement of financial position include cash and bank balances, trade and other receivables, trade and other payables and borrowings. These instruments (excluding cash and bank) are carried at their amortised cost.

Financial assets

The Auditor-General classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Auditor-General has not classified any of its financial assets as held to maturity, fair value through profit and loss or available for sale. The accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Auditor-General will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows discounted at the original effective interest rate associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within operational expenditure in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. The loans and receivables comprise trade and other receivables at reporting date.

Financial liabilities

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derecognition

Gains or losses arising from changes in financial assets or financial liabilities carried at amortised cost are recognised in the statement of comprehensive income when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand and deposits held at call.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease liability. This liability is not discounted. Any contingent rents are expensed in the period in which they are incurred.

1.8 Employee benefits

Pension plan - Defined contribution plan

Contributions to a pension plan, of the employee's choice, in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of comprehensive income in the year to which they relate as part of the cost of employment. Certain employees on the Staff rules terms and conditions, who transitioned under the Audit Arrangements Act, 1992 (Act No. 122 of 1992) chose to retain membership of the Government Employees Pension Fund (GEPF). The Auditor-General has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. In respect of early retirements the Auditor-General is required to incur the cost of early retirement penalties.

Post-employment medical care benefits - Defined benefit plan

The Auditor-General provides post-retirement medical care benefits to certain employees and their legally recognised spouse (and/or dependants) at time of death. The entitlement to post-retirement medical benefits is based on the employee being on the Staff rules terms and conditions, remaining in service up to retirement age of 65 (or when reaching 50 in the case of early retirement) and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to other comprehensive income in the statement of comprehensive income in the period in which they occur. In the past actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, were charged or credited to surplus or deficit in the statement of comprehensive income in the period in which they occurred. This change in accounting policy is due to the early adoption of IAS 19. The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation. Valuations of these obligations are carried out annually by independent qualified actuaries.

1.9 Provisions

Provisions are recognised when the Auditor-General has a present obligation (legal or constructive) as a result of past events, if it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure taking risks and uncertainties into account. Provisions are discounted where the time value of money is material using a rate that reflects current market assessments of the time value of money.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provision will be reversed.

1.10 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue arising from rendering of audit services consists of the invoiced value charged net of value-added tax. Revenue arising from fixed sum contract audits where the outcome can be estimated reliably is recognised by reference to the stage of completion of the contract activity at reporting date. The stage of completion is determined with reference to the budgeted and actual hours excluding budget overruns. Revenue arising from fixed sum contract audits where the outcome cannot be estimated reliably, is recognised to the extent of costs incurred.

1.11 Interest income

Interest is recognised based on the effective interest rate which takes into account the effective yield on the asset over the period it is expected to be held.

1.12 Foreign currencies

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date.

1.13 Government grants

Government grants are accounted for through the statement of financial position and statement of comprehensive income. The grants received in relation to compensation for expenses or losses already incurred are recognised through the statement of comprehensive income in the period in which they become receivable. Grants related to future obligations are presented as deferred income in the statement of financial position. This will be amortised as and when the expenses are incurred.

1.14 Losses through criminal conduct

Losses through criminal conduct, and any amounts recovered, are disclosed separately.

1.15 Related parties

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the Auditor-General. All individuals from the Executive Management are regarded as key management per the definition of IFRS.

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

Other related party transactions are also disclosed in terms of the requirements of IFRS. The objective of IFRS and the annual financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2 Property, plant and equipment

2013

Computer equipment	108 366	(66 158)	42 208
Motor vehicles	6 023	(3 406)	2 617
Office equipment	3 303	(2 699)	604
Furniture and fittings	43 477	(19 468)	24 009
Leasehold improvements	34 312	(12 660)	21 652

**Cost
R'000**

**Accumulated
depreciation
R'000**

**Carrying
amount
R'000**

195 481

(104 391)

91 090

Assets under finance lease agreements included above comprise:

Computer equipment (refer to note 9)

39 138

(36 152)

2 986

**The carrying amounts can be
reconciled as follows:**

	Opening carrying amount R'000	Additions R'000	Disposals R'000	Depreciation charge R'000	Closing carrying amount R'000
Computer equipment	29 499	37 996	(7 150)	(18 137)	42 208
Motor vehicles	1 534	1 699	-	(616)	2 617
Office equipment	804	223	(28)	(395)	604
Furniture and fittings	20 698	8 276	6	(4 971)	24 009
Leasehold improvements	15 241	9 972	7	(3 568)	21 652
	67 776	58 166	(7 165)	(27 687)	91 090

*Assets under finance lease
agreements included above
comprise:*

Computer equipment
(refer to note 9)

12 142

-

(377)

(8 779)

2 986

Proceeds on disposal of property, plant and equipment

**2013
R'000**

2 216

2 Property, plant and equipment (continued)

2012	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Computer equipment	82 665	(53 166)	29 499
Motor vehicles	4 325	(2 791)	1 534
Office equipment	3 053	(2 249)	804
Furniture and fittings	37 152	(16 454)	20 698
Leasehold improvements	24 259	(9 018)	15 241
	151 454	(83 678)	67 776

Assets under finance lease agreements included above comprise:

Computer equipment (refer to note 9)	44 053	(31 911)	12 142
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The carrying amounts can be reconciled as follows:

	Opening carrying amount R'000	Additions R'000	Disposals R'000	Depreciation charge R'000	Closing carrying amount R'000
Computer equipment	36 448	12 171	(677)	(18 443)	29 499
Motor vehicles	1 599	367	(23)	(409)	1 534
Office equipment	884	424	(10)	(494)	804
Furniture and fittings	18 543	5 982	(268)	(3 559)	20 698
Leasehold improvements	9 846	7 049	(29)	(1 625)	15 241
	67 320	25 993	(1 007)	(24 530)	67 776

Assets under finance lease agreements included above comprise:

Computer equipment (refer to note 9)	26 296	-	(537)	(13 617)	12 142
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					2012 R'000
Proceeds on disposal of property, plant and equipment					2 265

The Auditor-General has operating leases for all of the premises occupied by its head office and regionally based staff in the major centres of the country (refer to note 23)

3 Intangible assets

2013	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Computer software - purchased			
Enterprise resource management system - PeopleSoft	18 950	(17 786)	1 164
Other software	26 183	(17 544)	8 639
	45 133	(35 330)	9 803

The carrying amounts can be reconciled as follows:

	Opening carrying amount R'000	Additions R'000	Disposals R'000	Amortisation charge R'000	Closing carrying amount R'000
Computer software - purchased					
Enterprise resource management system - PeopleSoft	1 978	-	-	(814)	1 164
Other software	6 481	8 957	-	(6 799)	8 639
	8 459	8 957	-	(7 613)	9 803

2012	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Computer software - purchased			
Enterprise resource management system - PeopleSoft	18 950	(16 972)	1 978
Other software	17 039	(10 558)	6 481
	35 989	(27 530)	8 459

The carrying amounts can be reconciled as follows:

	Opening carrying amount R'000	Additions R'000	Disposals R'000	Amortisation charge R'000	Closing carrying amount R'000
Computer software - purchased					
Enterprise resource management system - PeopleSoft	4 360	-	-	(2 382)	1 978
Other software	4 682	3 729	-	(1 930)	6 481
	9 042	3 729	-	(4 312)	8 459

4 Trade and other receivables

	2013 R'000	2012 R'000
Trade receivables (refer to note 26.2)	516 559	480 247
Provision for impairment of receivables [1]	(115 368)	(74 483)
Present value of trade receivables adjustment (refer to note 21)	(5 354)	(5 025)
Net trade receivables	395 837	400 739
Staff debtors	13 131	11 774
Prepayments	7 127	7 107
Other debtors	148	269
	416 243	419 889

[1] Provision for impairment of receivables

Opening balance	(74 483)	(45 851)
Additional provision for impairment of receivables (refer to note 18)	(40 885)	(28 632)
Closing balance (refer to note 26.2)	(115 368)	(74 483)

5 Cash and cash equivalents

Call account at Public Investment Corporation	112 726	107 686
Investment reserved for specific liabilities [2]	94 166	89 931
Investment to fund working capital requirements	18 560	17 755
Overnight call account	157 208	100 823
Current bank account	175 799	202 705
Foreign bank account (USD) (refer to note 26.1.1)	18 335	3 747
	464 068	414 961

[2] Investment reserved for specific liabilities

The liabilities covered by this investment include the following:

Post-retirement benefits: medical care contributions [3] (refer to note 10)	72 047	69 578
13th cheque accrual (refer to note 11)	6 498	5 317
Leave pay accrual (refer to note 11) [4]	59 996	48 938
The National Treasury for salary over-payments in the former TBVC states	3 531	3 525
Advances from the National Treasury for assistance with the local authority debtors	6 363	6 363
Payments made by staff in terms of the Auditor-General's notebook ownership policy	531	599

148 966 **134 320**

5 Cash and cash equivalents (continued)

[3] The future service liability for post-retirement benefit: medical care contributions totalling R12 003 000 (2012: R12 206 000) is not included in the investment reserved for specific liabilities. Future service costs are recognised when the services are delivered by the employees during the employment terms.

[4] Only R34 007 000 (2012: R14 579 000) of the leave pay accrual is provided for as cash for leave days that can be accrued. The rest of the leave days must be taken as leave within a specified period or else it will be forfeited.

6 General reserve

Opening and closing balance [5]

[5] Accumulated surplus that was approved by the Minister of Finance (in terms of section 38(4) of the Public Audit Act, 2004 (Act No. 25 of 2004)) to be retained for purposes of recapitalising the Auditor-General.

7 Special audit services reserve

Opening and closing balance

A fund set aside to finance special investigations or audits for which the Auditor-General may not be able to recover the cost from a specific auditee. The former Audit Commission instructed that the reserve should not be increased before further guidance is provided by the Standing Committee on the Auditor-General established in terms of section 55(2)(b)(ii) of the Constitution.

8 Accumulated surplus

Opening balance

Total comprehensive surplus for the year [6]

Closing balance

	2013 R'000	2012 R'000
Opening and closing balance [5]	103 897	103 897
Opening and closing balance	4 964	4 964
Opening balance	331 579	232 282
Total comprehensive surplus for the year [6]	18 712	99 297
Closing balance	350 291	331 579

[6] Accumulated surplus is available to fund the Auditor-General's ongoing activities after consultation with the National Treasury and by agreement with the Standing Committee on the Auditor-General (in terms of section 38(4) of the Public Audit Act, 2004 (Act No. 25 of 2004)). The Auditor-General will engage the Standing Committee on the Auditor-General to give effect to the requirements of the Public Audit Act of 2004 with regard to the retention of surplus. As part of its oversight responsibilities in terms of the Public Audit Act of 2004, during the review of the annual financial statements for 2012, the Standing Committee on the Auditor-General recommended for approval that the Auditor-General retains the surpluses achieved in order to partially fund current projects.

9 Finance lease obligation

Finance lease obligation in respect of computer equipment
Less: Current portion

	2013 R'000	2012 R'000
	5 451	18 409
	(5 451)	(12 949)
	-	5 460

Liabilities under finance lease obligations are payable over periods from 1-3 years in instalments of R633 528 (2012: R1 148 626) at an effective interest rate of between 6,75% and 9,0% (2012: 7,0% and 13,5%). Secured by computer equipment with a carrying value of R2 986 000 (2012: R12 142 000) (refer to note 2). The difference between the balance for 2012 and what will be paid during the following year is due to a capital portion paid in the month that the finance cost rate changed.

	Up to 1 year R'000	1 to 5 years R'000	More than 5 years R'000	Total R'000
2013				
Minimum lease payments	5 594	-	-	5 594
Finance cost	(143)	-	-	(143)
Present value	5 451	-	-	5 451
2012				
Minimum lease payments	13 784	5 614	-	19 398
Finance cost	(835)	(154)	-	(989)
Present value	12 949	5 460	-	18 409

10 Retirement benefit obligations

Post-retirement benefits: medical care contribution

	2013 R'000	2012 R'000
	72 047	69 578
Opening balance	69 578	63 845
Current year provision (included in other comprehensive income in the statement of comprehensive income. Refer to note 22)	4 703	7 927
Current service cost	1 201	1 112
Actuarial (gain) / loss	(2 140)	1 374
Interest adjustment	5 642	5 441
Less: Payments made	(2 234)	(2 194)
Closing balance (refer to note 5)	72 047	69 578

The liability can be reconciled as follows:

Opening balance
Current year provision (included in other comprehensive income in the statement of comprehensive income. Refer to note 22)
Current service cost
Actuarial (gain) / loss
Interest adjustment
Less: Payments made
Closing balance (refer to note 5)

10 Retirement benefit obligations (continued)

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed as at 31 March 2013 by Alexander Forbes using the Projected Unit Credit Method.

The valuation is based on the following principal actuarial assumptions:

The discount rate reflects the timing of benefit payments and is based on market bond yields.

Subsidy increase rate (based on the inflation rate)

Expected retirement age

Number of continuation members

Average age of continuation members

Percentage continuation members married

Number of in-service members

Average age of in-service members

Average past service of in-service members

No explicit assumption was made about the mortality and health care cost due to HIV/AIDS

	2013	2012
	8,9%	8,5%
	6,6%	6,0%
	63	63
	192	184
	65,8	65,2
	75%	73%
	211	223
	50,4	50,0
	24,7	24,7

Sensitivity analysis

The value of the liability could be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.

Below is the recalculated liability showing the effect of:

A one percentage point decrease or increase in the discount rate;

No increase in the subsidy increase rate (2012: A one percentage point decrease or increase in the subsidy increase rate); and

A one-year decrease or increase in the expected retirement age.

2013

	Discount rate		
	Assumption 8,90%	-1%	+1%
Accrued liability 31 March 2013 (R'000)	72 047	84 862	61 986
% change	-	17,8%	-14,0%

	Subsidy increase rate	
	Assumption 6,60%	0%
Accrued liability 31 March 2013 (R'000)	72 047	31 159
% change	-	-56,8%

10 Retirement benefit obligations (continued)

2013

	Expected retirement age		
	Assumption 63 years	1 year younger	1 year older
Accrued liability 31 March 2013 (R'000)	72 047	74 127	70 371
% change	-	2,9%	-2,3%

2012

	Discount rate		
	Assumption 8,50%	-1%	+1%
Accrued liability 31 March 2012 (R'000)	69 578	82 026	59 820
% change	-	17,9%	-14,0%

	Subsidy increase rate		
	Assumption 6,00%	-1%	+1%
Accrued liability 31 March 2012 (R'000)	69 578	59 648	82 067
% change	-	-14,3%	17,9%

	Expected retirement age		
	Assumption 63 years	1 year younger	1 year older
Accrued liability 31 March 2012 (R'000)	69 578	71 475	67 839
% change	-	2,7%	-2,5%

11 Trade and other payables

	2013 R'000	2012 R'000
Trade payables	108 542	110 193
Straightlining of leases	53 319	47 746
Present value of trade payables adjustment (refer to note 21)	(206)	(334)
Net trade payables	161 655	157 605
Accruals	93 090	59 506
13th cheque accrual (refer to note 5)	6 498	5 317
Accrued leave pay (refer to note 5) [7]	59 996	48 938
Performance bonus accrual	87 878	72 503
United Nations contract - prepaid income	-	3 343
Staff creditors	9 788	9 798
Value-added tax	13 339	13 338
Advance on local authority debtors	6 363	6 363
	438 607	376 711

11 Trade and other payables (continued)

[7] The increase in the leave pay accrual is influenced by a change in the leave policy.

Ageing of trade payables:

	Total R'000	Current R'000	30 - 120 R'000	120+ R'000
2013				
Trade payables	108 542	83 830	24 356	356
	108 542	83 830	24 356	356
2012				
Trade payables	110 193	68 910	41 028	255
	110 193	68 910	41 028	255

12 Provisions

Government Employees Pension Fund

Opening balance

Additional provision [8]

Closing balance

	2013 R'000	2012 R'000
Opening balance	5 947	5 346
Additional provision [8]	-	601
Closing balance	5 947	5 947

[8] The amount of R5 947 000 is made up of a penalty portion of R4 040 000, which is due to early retirement of employees allowed by the Auditor-General, and an interest portion of R1 907 000. During 2006 the Government Employees Pension Fund Board made a decision to impose penalties for early retirees for the first time. The Auditor-General was only notified of this decision during April 2007 at which time there were six claims that attracted penalties per the Government Employees Pension Fund Board decision of 2006. This resulted in a dispute between the Auditor-General and the Government Employees Pension Fund. Despite protracted discussions and two offers of settlement made by the Auditor-General to the Government Employees Pension Fund, the matter remains unresolved. Subsequent to the initial six claims that are in dispute, three subsequent claims also resulted in a dispute. To date all nine claims have prescribed in law. The Auditor-General is committed to amicably resolving the dispute with the Government Employees Pension Fund.

13 Revenue

	2013 R'000	2012 R'000
Local services rendered	2 199 302	2 034 768
Own hours	1 523 698	1 407 383
Contract work (refer to note 15)	624 885	586 594
Subsistence and travel	90 901	79 502
Present value of revenue adjustment (refer to note 21)	(40 182)	(38 711)
International services rendered	14 210	38 875
Own hours	11 091	31 106
Subsistence and travel	3 119	8 426
Present value of revenue adjustment (refer to note 21)	-	(657)
	2 213 512	2 073 643

13.1 Other income

Sundry income	1 817	2 643
Telephone charges recovered	304	307
Profit on sale of property, plant and equipment (refer to notes 18, 20 and 28.3)	369	1 258
	2 490	4 208

14 Staff cost

Management salaries	33 425	21 952
Other non-recoverable staff salaries	169 365	150 539
Other staff expenditure	99 429	80 201
Performance bonus	83 866	67 546
Group life scheme	8 670	8 160
Other employer contributions (UIF, workmen's compensation, long service awards, early retirement penalties - Government Employees Pension Fund, etc.)	6 893	4 495
Course fees and study assistance	72 252	58 802
Accrued leave pay provision	24 509	19 037
Total non-recoverable staff cost	398 980	330 531
Recoverable staff salaries (part of direct audit cost)	860 739	780 957
Total staff cost	1 259 719	1 111 488
Average number of staff	3 000	2 875

15 Contract work recoverable

Contract work recoverable (refer to note 13)
Present value of expenditure adjustment (refer to note 21)

	2013 R'000	2012 R'000
Contract work recoverable (refer to note 13)	624 885	586 594
Present value of expenditure adjustment (refer to note 21)	(6 513)	(6 500)
	618 372	580 094

This represents work done by external audit firms on behalf of the Auditor-General.
No mark-up is applied to contract work.

16 Depreciation

Computer equipment
Motor vehicles
Office equipment
Furniture and fittings
Leasehold improvements

Computer equipment	18 137	18 443
Motor vehicles	616	409
Office equipment	395	494
Furniture and fittings	4 971	3 559
Leasehold improvements	3 568	1 625
	27 687	24 530

17 Amortisation

Computer software
Enterprise resource management system - PeopleSoft
Other software

Enterprise resource management system - PeopleSoft	814	2 382
Other software	6 799	1 930
	7 613	4 312

18 Other operational expenditure

Auditors' remuneration
Statutory audit services
Outsourced services
Fruitless and wasteful expenditure (refer to note 19)
Governance costs
ICT services
Internal audit fees
Legal costs
Material losses (refer to note 20 and 28.3)
Other operational expenses (excluding staff cost)
Operating leases - land and buildings
Operating leases - equipment
Provision for impairment of receivables (refer to note 4)
Recruitment costs
Stakeholder relations
Stationery and printing
Subsistence and travelling
Telephone and postage
Present value of expenditure adjustment (refer to note 21)

Statutory audit services	2 697	1 912
Outsourced services	18 830	19 305
Fruitless and wasteful expenditure (refer to note 19)	-	18
Governance costs	446	396
ICT services	24 337	23 638
Internal audit fees	3 028	2 040
Legal costs	1 462	378
Material losses (refer to note 20 and 28.3)	5 318	-
Other operational expenses (excluding staff cost)	10 454	10 182
Operating leases - land and buildings	75 458	69 817
Operating leases - equipment	3 821	4 436
Provision for impairment of receivables (refer to note 4)	40 885	28 632
Recruitment costs	14 524	9 161
Stakeholder relations	18 971	22 828
Stationery and printing	7 799	8 201
Subsistence and travelling	18 952	15 649
Telephone and postage	7 344	7 187
Present value of expenditure adjustment (refer to note 21)	(1 193)	(1 173)
	253 133	222 607

18 Other operational expenditure (continued)

18.1 Hosting of international conferences

INCOSAI conference (net of reimbursements)

2013
R'000

2012
R'000

89

1 251

89

1 251

XXth INCOSAI, hosted from 15 to 28 November 2010, was attended by approximately 600 delegates, observers and accompanying persons from 152 countries. The congress therefore had one of the largest numbers of participants in the history of INCOSAI. The Auditor-General of South Africa was appointed chairperson of INTOSAI until the next INCOSAI in 2013. Invoices issued to delegates to the amount of R89 000 was written off as non-recoverable.

19 Fruitless and wasteful expenditure

Other [9]

-

18

[9] This relates to interest paid on overdue accounts and cancellation of accommodation costs.

20 Notebook losses

619 (2012: 63) notebook computers stolen and written off at the carrying amount [10]

(5 936)

(364)

[10] In January 2013, the Auditor-General had to replace 888 existing notebooks that had reached the end of their three-year cycle and issue 385 notebooks to trainee auditors and 30 anticipated new hires who were to join the Auditor-General during January and February 2013. 1203 notebooks were ordered and received in four batches between 11 February 2013 and 27 February 2013 instead of in January 2013 due to a delay by the supplier. On 22 March 2013, 483 new notebooks were found missing from a secure walk-in safe storage area. The theft was reported to the police (as with all stolen notebooks) and the matter is currently under investigation. It was determined that the theft had occurred due to collusion. Management took immediate steps to further secure the property and internal controls around the movement and storage of notebooks have been further strengthened. No amounts have been recovered as the Auditor-General self-insures notebook computers.

21 Net interest cost

Interest income

Interest income on bank and investments

18 406

16 621

Other interest income

15 521

12 859

Present value of revenue and trade receivables adjustment [11]

39 853

41 113

Present value of revenue adjustment (refer to note 13)

40 182

39 368

Increase in present value of trade receivables adjustment (refer to note 4)

(329)

1 745

73 780

70 593

21 Net interest cost (continued)

Interest expense

Interest on obligation under finance lease agreements	(803)	(1 951)
Present value of expenditure and trade payables adjustment [11]	(7 834)	(8 184)
Present value of expenditure adjustment (refer to notes 15 and 18)	(7 706)	(7 673)
Decrease in present value of trade payables adjustment (refer to note 11)	(128)	(511)

2013	2012
R'000	R'000
(803)	(1 951)
(7 834)	(8 184)
(7 706)	(7 673)
(128)	(511)
(8 637)	(10 135)

[11] In terms of Circular 9 of 2006, which explains the implementation of IAS 18, trade receivables, trade payables, revenue and expenditure must be disclosed at fair value at year-end. The discount rate used is 8,5% (2012: 9%).

22 Other comprehensive income

Defined benefit expense (refer to note 10)	(4 703)	(7 927)
--	---------	---------

(4 703)	(7 927)
----------------	----------------

23 Commitments

Operating lease commitments

The future minimum commitments are as follows:

Due within one year	52 669	47 949
Accommodation	51 458	46 074
Office equipment	1 211	1 875

52 669	47 949
51 458	46 074
1 211	1 875

Between one and five years	247 319	239 616
Accommodation	247 140	238 808
Office equipment	179	808

247 319	239 616
247 140	238 808
179	808

More than five years	27 981	67 701
Accommodation	27 981	67 701

27 981	67 701
27 981	67 701

327 969	355 266
----------------	----------------

The office premises are leased for periods between two and thirteen years. The average lease payments are R4 288 135 (2012: R3 747 805) per month. The leases escalate between 6,5% and 10% annually. The lease agreements are renewable for periods between one month and ten years at the end of the lease term and the Auditor-General does not have the option to acquire the buildings.

Certain items of office equipment are leased for a period of three years. The average lease payments are R100 918 (2012: R156 262) per month. The lease agreements are renewable at the end of the lease term and the Auditor-General does not have the option to acquire the office equipment.

23 Commitments

Other commitments

Thuthuka

The Auditor-General has committed to fund 40 undergraduate students for a period of 3 years while completing their studies, at a rate per student that is determined every year by the Thuthuka Bursary Fund Trustees and on condition that the Auditor-General can stop its financial contribution by written notice. Due to the fact that the rate per student is determined yearly, the commitment cannot be quantified, however, the yearly commitment at current rates amounts to R1 600 000 (40 students x R40 000 per student).

Scholarship fund

The Auditor-General launched the Centenary Scholarship Fund during the centenary celebrations in November 2011. This once-off initiative enables 34 young students to pursue careers in the financial management or accounting streams at SAICA accredited universities. The Auditor-General funds the students from undergraduate till post graduate studies if they progress academically. The maximum years of studies will be for a duration of four years. The funds provided to the awardees include tuition, accommodation, books and living allowance. Due to the uncertainties around the varying costs of studies across the universities and the pass rate, the amount cannot be quantified, however, the yearly commitment at current rates is estimated at R3 180 100.

External bursaries

External bursaries are awarded annually to full-time students to undertake under- and post graduate studies until completion of the qualification and on condition that all subjects must be passed. Failed subjects are repeated at the student's own expense. If a student fails repeatedly, the bursary is cancelled and the amounts advanced must be repaid to the Auditor-General, or in certain instances redeemed through employment in the Auditor-General. Due to the uncertainties around the varying costs of studies across the universities and the pass rate, the amount cannot be quantified, but will be managed within the budgeted amount of R9 200 000 for the 2013-14 financial year.

24 Contingent liabilities

Guarantees

2013 R'000	2012 R'000
137	137

Guarantees provided by the Auditor-General to various financial institutions for portions of home loans granted to five staff (2012: five staff). This policy has been discontinued since 1993.

25 Related parties

25.1 Key management personnel compensation

Total short-term, long-term and termination benefits paid to management.

Management Position	Name	Appointment date	Termination date	2013		
				Gross remuneration R'000	Performance bonus R'000	Total remuneration R'000
Auditor-General [12]	TM Nombembe	1 Dec 2006		8 820	-	8 820
Deputy Auditor-General	T Makwetu	1 Jul 2007		3 209	680	3 889
National Leader	T Maluleke	1 Jun 2012		1 817	367	2 184
National Leader	I Vanker	1 Oct 2012		1 081	433	1 514
Corporate Executive	L Jabavu	1 Aug 2007	31 Jul 2012	441	-	441
Corporate Executive	AH Muller	1 Mar 2008		1 841	378	2 219
Corporate Executive	BR Wheeler	1 Mar 2008		1 841	378	2 219
Corporate Executive	PKK Serote	1 Apr 2008	31 Dec 2012	1 440	-	1 440
Corporate Executive	EM Zungu	1 Feb 2009		1 953	400	2 353
Corporate Executive	JH v Schalkwyk	1 Nov 2010		1 827	468	2 295
Corporate Executive (appointed National Leader on 1 October 2012)	I Vanker	1 Jan 2011		861	-	861
Corporate Executive	G Lourens (Acting)	1 Oct 2011	31 Jul 2012	459	-	459
Corporate Executive	H van Zyl (Acting)	1 Oct 2012	31 Mar 2013	751	142	893
Corporate Executive	NE Seedat	1 Jul 2012		1 314	264	1 578
Corporate Executive	M Hassim	1 Oct 2012		876	175	1 051
Corporate Executive	SS Ngoma	1 Nov 2012		672	134	806
Corporate Executive	SN Ngobese	1 Jan 2013		403	-	403
				29 606	3 819	33 425

[13]

25.1 Key management personnel compensation (continued)

Position	Name	Appointment date	Termination date	Gross remuneration R'000	2012	Total remuneration R'000
					Performance bonus R'000	
Auditor-General [12]	TM Nombembe	1 Dec 2006		2 816	-	2 816
Deputy Auditor-General	T Makwetu	1 Jul 2007		2 682	565	3 247
Chief Operating Officer	L Jabavu	1 Aug 2007		1 715	-	1 715
Corporate Executive	P Bhana	1 Oct 2006	30 Sep 2011	886	-	886
Corporate Executive	AH Muller	1 Mar 2008		1 695	350	2 045
Corporate Executive	BR Wheeler	1 Mar 2008		1 695	350	2 045
Corporate Executive	PKK Serote	1 Apr 2008		1 783	368	2 151
Corporate Executive	EM Zungu	1 Feb 2009		1 796	370	2 166
Corporate Executive	JH v Schalkwyk	1 Nov 2010		1 647	347	1 994
Corporate Executive	I Vanker	1 Jan 2011		1 622	335	1 957
Corporate Executive	G Lourens (Acting)	1 Oct 2011		795	135	930
				19 132	2 820	21 952

[13]

[12] Included in the Auditor-General's salary is deferred compensation of R269 000 (2012: R256 000) and back pay of R5 857 000 (2012: R0).

[13] This includes all remuneration paid to management.

	2013 R'000	2012 R'000
Compensation to management is summarised as follows:		
Short-term employee benefits	33 156	21 696
Long-term employee benefits - termination	269	256
	33 425	21 952

25.2 Other related parties

The Executive Secretariat of AFROSAI-E is hosted by the Auditor-General and headed by the Auditor-General as Chief Executive Officer. In addition to free office accommodation, communication and IT facilities, the Auditor-General provides the Executive Secretariat with adequate full-time human resources on a secondment basis. The Auditor-General also provides in its annual budget for the expenditure related to the services of a senior manager to undertake the responsibilities as Executive Officer for AFROSAI-E. The costs of the seconded human resources are recovered at a mutually agreed monthly rate that covers the actual cost plus a 10% mark-up to provide for overheads.

25.2 Other related parties (continued)

Related party balances

Trade receivables

2013	2012
R'000	R'000
-	202

Trade payables

-	-
---	---

Related party transactions

Revenue

1 371	1 126
-------	-------

Expenses

4 272	4 428
-------	-------

Transactions from related parties are on an arm's length basis at market-related prices.

26 Financial instruments

26.1 Market risk

26.1.1 Foreign currency risk management

The Auditor-General delivers a small portion of its audit services based on fixed sum contracts in foreign currencies.

Trade accounts receivable include receivables of Euro 0 (2012: Euro 8 635) and 0 USD (2012: 372 109 USD) in respect of services delivered in foreign currencies not hedged by forward exchange contracts. These balances have been translated at the year-end exchange rate of Euro 1 = R11,8423 (2012: Euro 1 = R10,2789) and 1 USD = R9,2570 (2012: 1 USD = R7,6999).

Included in the bank balances at 31 March 2013 is an amount of 1 980 649 USD (2012: 486 589 USD). These balances have been translated at the year-end exchange rate of 1 USD = R9,2570 (2012: 1 USD = R7,6999).

It is the policy of the Auditor-General not to take out forward cover on foreign exchange transactions.

Foreign currency sensitivity

Below is the recalculated financial assets and liabilities showing the effect of:

A one percentage point decrease or increase in the USD and Euro exchange rate.

	2013		
	USD and Euro exchange rate		
	Current balance	+1%	+1%
Net surplus (R'000)	18 712	18 967	18 457
% change		1,4%	-1,4%
Foreign bank account balance (R'000)	18 335	18 518	18 512
% change		1,0%	-1,0%
International debtor balance (R'000)	-	-	-
% change		0,0%	0,0%

26.1.1 Foreign currency risk management (continued)

	2012		
	USD and Euro exchange rate		
	Current balance	+1%	-1%
Net surplus (R'000)	99 297	99 799	98 972
% change		0,5%	-0,3%
Foreign bank account balance (R'000)	3 747	3 784	3 710
% change		1,0%	-1,0%
International debtor balance (R'000)	2 954	2 982	2 926
% change		0,9%	-0,9%

26.1.2 Interest rate risk management

The exposure to changes in interest rates relates primarily to the Auditor-General's current and call accounts and finance lease arrangements.

Interest rate sensitivity

Below are the recalculated financial assets and liabilities showing the effect of:

A one percentage point decrease or increase in the current account interest rate.

A one percentage point decrease or increase in the call account interest rate.

A one percentage point decrease or increase in the finance lease agreement interest rate.

	2013		
	Current & call account interest rate		
	Current balance	+1%	-1%
Net surplus (R'000)	18 712	23 225	14 233
% change	-	24,1%	-23,9%
Current bank and call account balances (R'000)	445 733	450 248	441 256
% change	-	1,0%	-1,0%

	Finance lease agreement interest rate		
	Current balance	+1%	-1%
	Net surplus (R'000)	18 712	18 601
% change	-	-0,6%	0,6%
Finance lease agreements balance (R'000)	5 451	5 490	5 412
% change	-	7,2%	-0,7%

	2012		
	Current & call account interest rate		
	Current balance	+1%	-1%
Net surplus (R'000)	99 297	103 174	95 455
% change	-	3,9%	-3,9%
Current bank and call account balances (R'000)	411 214	415 089	407 371
% change	-	0,9%	-0,9%

26.1.2 Interest rate risk management (continued)

	2012		
	Finance lease agreement interest rate		
	Current balance	-1%	+1%
Net surplus (R'000)	99 297	99 554	99 040
% change	-	0,3%	-0,3%
Finance lease agreements balance R'000)	18 409	18 547	18 273
% change	-	0,7%	-0,7%

26.2 Credit risk

Financial assets which potentially subject the Auditor-General to concentrations of credit risk consist principally of cash and short-term deposits which are placed with a financial institution with a short-term bank deposit credit rating by Fitch of F-1 (2012: F-2) as well as with the Public Investment Corporation. The Public Investment Corporation is wholly owned by the South African Government and invests funds on behalf of public sector entities based on investment mandates set by each client and approved by the Financial Services Board. Trade receivables are presented net of the allowance for doubtful receivables. Credit risk with respect to trade receivables is limited to some degree due to the constitutionally enshrined audit mandate of the Auditor-General. However, the Auditor-General has a significant concentration of credit risk with local government.

All financial assets are unsecured. The carrying amount of financial assets included in the statement of financial position represents the Auditor-General's exposure to credit risk in relation to these assets. Investment in the Public Investment Corporation is governed by the Auditor-General's investment strategy which requires 95% of funds to be invested in conservative money market instruments where the initial capital investment is guaranteed and the balance in cash.

An analysis of the ageing of debtors that are 30 days and over is as follows: R231 363 000 (2012: R188 354 000) of debtors, comprising 44,8% (2012: 39,2%) of total debtors, is in arrears. Local government arrears comprise R175 705 000 (2012: R138 832 000) or 75,9% (2012: 73,7%) of total arrears.

A breakdown of the ageing and concentration of credit risk that arises from the Auditor-General's receivables in relation to the type of auditees is as follows:

2013 Debtor type	Total R'000	Current R'000	30 - 120 R'000	120+ R'000
National	65 288	58 551	(55)	6 792
Provincial	92 739	69 163	4 112	19 464
Local	262 478	86 773	71 488	104 217
Statutory	54 884	39 227	3 331	12 326
Other (including unallocated deposits) [14]	41 170	31 482	3 162	6 526
	516 559	285 196	82 038	149 325

26.2 Credit risk (continued)

2012	Total	Current	30 - 120	120+
Debtor type	R'000	R'000	R'000	R'000
National	63 077	60 080	669	2 328
Provincial	124 302	107 757	6 825	9 720
Local	206 046	67 214	52 600	86 232
Statutory	57 337	42 212	3 841	11 284
Other (including unallocated deposits) [14]	29 485	14 630	9 021	5 834
	480 247	291 893	72 956	115 398

Financial assets subject to credit risk

2013	Total	Fully Performing	Past due but not impaired	Impaired
Debtor type	R'000	R'000	R'000	R'000
National	65 288	58 551	3 606	3 131
Provincial	92 739	69 163	19 991	3 585
Local	262 478	86 773	82 033	93 672
Statutory	54 884	39 227	5 266	10 391
Other (including unallocated deposits) [14]	41 170	31 482	5 099	4 589
	516 559	285 196	115 995	115 368

2012				
National	63 077	60 080	545	2 452
Provincial	124 302	107 757	10 929	5 616
Local	206 046	67 214	83 987	54 845
Statutory	57 337	42 212	8 052	7 073
Other (including unallocated deposits) [14]	29 485	14 630	10 359	4 496
	480 247	291 893	113 872	74 482

[14] Other debtor types include unlisted public entities, ex-staff debtors, municipal entities, utility agency corporations and certain auditees that are defined as '1% auditees' and funded as such by the National Treasury.

26.3 Liquidity risk

Liquidity risk is the risk that the Auditor-General will not be able to meet its financial obligations as they fall due.

The Auditor-General has substantial cash balances at its disposal and minimum long-term debt which limits liquidity risk. Nevertheless, budgets are prepared on an annual basis to ensure liquidity risks are monitored.

26.3 Liquidity risk (continued)

Maturity profile of financial instruments

	1 year or less R'000	1 to 5 years R'000	Total R'000
31 March 2013			
Assets			
Trade and other receivables	416 243	-	416 243
Cash			
- Local			
- Current account	175 799	-	175 799
- Overnight call account	157 208	-	157 208
- Call account - PIC	112 726	-	112 726
- Foreign	18 335	-	18 335
Total financial assets	880 311	-	880 311
Liabilities			
Interest-bearing borrowings	5 451	-	5 451
Trade and other payables	438 607	-	438 607
Total financial liabilities	444 058	-	444 058
<i>Net financial assets / (liabilities)</i>	436 253	-	436 253
31 March 2012			
Assets			
Trade and other receivables	419 889	-	419 889
Cash			
- Local			
- Current account	202 705	-	202 705
- Overnight call account	100 823	-	100 823
- Call account - PIC	107 686	-	107 686
- Foreign	3 747	-	3 747
Total financial assets	834 850	-	834 850

26.3 Liquidity risk (continued)

Liabilities	1 year or less R'000	1 to 5 years R'000	Total R'000
31 March 2012			
Interest-bearing borrowings	12 949	5 460	18 409
Trade and other payables	376 711	-	376 711
Total financial liabilities	389 660	5 460	395 120
<i>Net financial assets / (liabilities)</i>	445 190	(5 460)	439 730

26.4 Additional information in relation to financial instruments

2013

Line items presented in the statement of financial position summarised per category of financial instrument

	Carrying amount R'000	Adjustment R'000	Amortised cost R'000
Financial assets			
<i>Loans and receivables</i>			
Trade and other receivables (refer to note 4)	421 597	(5 354)	416 243
Cash and cash equivalents (refer to note 5)	464 068	-	464 068
	885 665	(5 354)	880 311
Financial liabilities			
<i>Financial liabilities measured at amortised cost</i>			
Finance lease agreements (refer to note 9)	5 451	-	5 451
Trade and other payables (refer to note 11)	438 813	(206)	438 607
	444 264	(206)	444 058

2012

Line items presented in the statement of financial position summarised per category of financial instrument

Financial assets

Loans and receivables

Trade and other receivables (refer to note 4)	424 914	(5 025)	419 889
Cash and cash equivalents (refer to note 5)	414 961	-	414 961
	839 875	(5 025)	834 850

26.4 Additional information in relation to financial instruments (continued)

	Carrying amount R'000	Adjustment R'000	Amortised cost R'000
2012			
Financial liabilities			
Financial liabilities measured at amortised cost			
Finance lease agreements (refer to note 9)	18 409	-	18 409
Trade and other payables (refer to note 11)	377 045	(334)	376 711
	395 454	(334)	395 120

The table above provides information that permits the comparison of the amortised cost of financial instruments with their carrying amounts. The amortised cost in the 'amortised cost' column has been determined for disclosure purposes only. The following assumptions were applied:

	2013	2012
Average days outstanding - receivables	173	129
Average days outstanding - payables	34	31
	R'000	R'000
Approved and contracted for [15]	17 768	-
Approved but not yet contracted for	47 973	65 451
Total approved [16]	65 741	65 451
Source of funding		
Internal financing	65 741	65 451
	65 741	65 451

[15] Approved and contracted for in 2012-13 but for financial year 2013-14.

[16] This relates to property, plant and equipment approved during 2012-13 for the 2013-14 budget.

28 Notes to the cash flow statement

28.1 Revenue collectable from auditees

	2013 R'000	2012 R'000
Revenue	2 213 512	2 073 643
Net increase in trade receivables	(36 289)	(81 592)
	2 177 223	1 992 051

28.2 Direct audit cost payables

Direct audit cost	(1 573 131)	(1 448 979)
Net increase in trade payables	25 662	13 483
	(1 547 469)	(1 435 496)

28.3 Operational expenditure payments

Operational expenditure	(621 669)	(525 367)
Adjusted for:		
Straightlining of leases	5 573	7 020
Interest income	(73 780)	(70 593)
Interest expense	8 637	10 135
Foreign exchange gains (refer to note 28.4)	(2 903)	(1 125)
Depreciation	27 687	24 530
Amortisation	7 613	4 312
Increase in provision for impairment of receivables	40 885	28 632
Increase in provision for post-retirement medical aid benefits	2 469	5 733
Loss / (profit) on the loss and disposal of property, plant and equipment and intangible assets (refer to notes 13.1 and 20)	4 949	(1 258)
Increase in provisions	-	601
	(600 539)	(517 380)
Other working capital changes	29 734	5 698
Increase in other receivables	(927)	(2 047)
Increase in other payables	30 661	7 745
	(570 805)	(511 682)

28.4 Foreign exchange gains

Realised foreign exchange gains / (losses)	(204)	840
Unrealised foreign exchange differences in the international debtor [17]	23	(167)
Unrealised foreign exchange differences in the foreign bank balance [17]	3 084	452

Foreign exchange gains (refer to note 28.3)

2013	2012
R'000	R'000
(204)	840
23	(167)
3 084	452
2 903	1 125

[17] The difference between the closing and opening exchange rate applied to the foreign bank balance and international debtor balance at year-end.

28.5 Acquisition of property, plant and equipment

Computer equipment	(37 996)	(12 171)
Motor vehicles	(1 699)	(367)
Office equipment	(223)	(424)
Furniture and fittings	(8 276)	(5 982)
Leasehold improvements	(9 972)	(7 049)

(58 166) **(25 993)**

28.6 Acquisition of intangible assets

Other software	(8 957)	(3 729)
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(8 957) **(3 729)**

28.7 Cash and cash equivalents

Call account at Public Investment Corporation	112 726	107 686
Investment reserved for specific liabilities	94 166	89 931
Investment to fund working capital requirements	18 560	17 755
Overnight call account	157 208	100 823
Current bank account	175 799	202 705
Foreign bank account	18 335	3 747

464 068 **414 961**

29 Taxation

No provision is made for income tax as the Auditor-General is exempt in terms of section 10(1)(cA)(i) of the Income Tax Act, 1962 (Act No. 58 of 1962).

30 Professional indemnity insurance

It is not the policy of the Auditor-General to take professional indemnity insurance cover.

31 Events after the reporting period

No matters or circumstances arose after the end of the financial year that will materially affect these annual financial statements.

32 Change in accounting policy

The accounting policy for post-employment medical care benefits - defined benefit plan was changed so that actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to other comprehensive income in the statement of comprehensive income in the period in which they occur. In prior years, actuarial gains and losses were charged or credited to surplus or deficit in the statement of comprehensive income in the period in which they occurred. The change in accounting method is due to the early adoption of IAS 19.

The effect of the change in accounting policy in the prior year was as follows:

	2012	
	Restated R'000	Originally disclosed R'000
Effect in the statement of comprehensive income		
Defined benefit expense	-	(7 927)
Other comprehensive income	(7 927)	-
Effect in the notes		
Note 22 - Other comprehensive income		
Defined benefit expense	(7 927)	-

GRI INDEX

This report has been compiled in accordance with the *Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting* version 3.1. We self-declare this report as a GRI Level C+ report (this has been confirmed by the external assurance). This index guides the reader to the page(s) where information relating to GRI parameters and performance indicators can be found. In addition to page references, the index also indicates whether

the level of detail on a parameter or performance indicator is partial (yellow) or complete (green) with reference to the requirements of the GRI guidelines and performance indicator protocols. The **bolded** parameters are a minimum requirement for a GRI Level C report. Only parameters and performance indicators on which information is disclosed, are included in this index.

(N/A = Not applicable)

TABLE 50: GRI INDEX

PARAMETER OR PERFORMANCE INDICATOR		LEVEL OF DETAIL	PAGE NUMBER(S)
No.	Brief description		
Parameters: Strategy and analysis			
1.1	CEO (and Chairman) statement	Green	10-19
1.2	Description of key impacts, risks and opportunities	Yellow	25
Parameters: Organisational profile			
2.1	Name of the organisation	Green	23
2.2	Primary brands, products and/or services	Green	23
2.3	Operational structure of the organisation	Green	23-24
2.4	Location of organisation's headquarters	Green	24
2.5	Countries where the organisation operates	Green	24
2.6	Nature of ownership and legal form	Yellow	23
2.7	Markets served	Green	23
2.8	Scale of the reporting organisation	Green	24,84-85
2.9	Significant changes regarding the organisation during the reporting period	Green	22
2.10	Awards received	N/A	

TABLE 50: GRI INDEX (CONTINUED)

PARAMETER OR PERFORMANCE INDICATOR		LEVEL OF DETAIL	PAGE NUMBER(S)
No.	Brief description		
Parameters: Report			
3.1	Reporting period		22
3.2	Date of most recent previous report		28
3.3	Reporting cycle		22
3.4	Contact point for questions		196
3.5	Process for defining report content		22
3.6	Boundary of the report		22
3.7	Specific limitations on scope or boundary of report		22
3.8	Basis for reporting on joint ventures	N/A	
3.10	Explanation of the effect of any re-statements of information	N/A	
3.11	Significant changes from previous reporting period regarding the report	N/A	
3.12	GRI content index		191
3.13	Assurance		23,103-104
Parameters: Governance, commitments and engagement			
4.1	Governance structure of the organisation		98
4.2	Status of CEO vs chair	N/A	
4.3	Number and gender of independent and/or non-executive directors	N/A	
4.4	Mechanisms for shareholder and employee inputs to board		33
4.14	List of stakeholder groups engaged		33-34
4.15	Basis for identification of stakeholders		33
4.16	Approaches to stakeholder engagement		33-41

TABLE 50: GRI INDEX (CONTINUED)

PARAMETER OR PERFORMANCE INDICATOR		LEVEL OF DETAIL	PAGE NUMBER(S)
No.	Brief description		
Performance indicators: Economic			
EC1	Direct economic value generated and distributed	Light Green	81-82
EC6	Policy, practices and proportion of spending on local suppliers	Yellow	82-83
EC8	Development and impact of infrastructure investments and services primarily for public benefit	Yellow	62-64
Performance indicators: Environment			
EN1	Materials used	Yellow	89
EN4	Indirect energy consumption	Yellow	89
EN8	Total water withdrawal	Yellow	89
EN16	Greenhouse gas emissions	Light Green	87-88
EN18	Initiatives to reduce greenhouse gas emissions	Yellow	90
Performance indicators: Labour practices and decent work			
LA1	Total workforce	Light Green	84-85
LA2	Employee turnover	Yellow	44-46
LA3	Benefits available to full time employees	Light Green	55
LA7	Rates of injury, occupational diseases and fatalities	Yellow	91
LA10	Employee training	Light Green	47-53
LA13	Composition of governance bodies and employees according to diversity indicators	Light Green	84-85
Performance indicators: Human rights			
HR11	Grievances	Yellow	86-87

GLOSSARY OF TERMS

A

ABASA	Association of Black Accountants in South Africa
ABU	Audit business unit
AC	Audit Committee
ACABQ	Advisory Committee on Administrative Budgetary Questions
ACCA	Association of Chartered Certified Accountants
AFROPAC	African Organisation of Public Accounts Committees
AFROSAI	African Organisation of Supreme Audit Institutions
AFS	Annual financial statements
AG	Auditor-General
AGSA	Auditor-General of South Africa
ANC	African National Congress
APAC	Association of Public Accounts Committees
ARC	Agricultural Research Council
ARD	Audit Research and Development
ASB	Accounting Standards Board
ASU	AGSA-SAICA-UNISA
AVE	Advertising Value Equivalent

B

B-BBEE	Broad-Based Black Economic Empowerment
BCP	Business continuity plan
BCTA	Bridging Certificate in the Theory of Accounting
BU	Business unit

C

CA	Chartered accountant
CAPSF	Chartered Accountants Public Sector Forum
CCMA	Commission for Conciliation, Mediation and Arbitration
CE	Corporate executive
CFAS	Committee for Auditing Standards (IRBA)
CF	Carbon footprint
CFO	Chief financial officer
CGE	Commission for Gender Equality
CISA	Certified information systems auditor
CMM	Capability maturity model
CoGTA	Department of Cooperative Governance and Traditional Affairs
COPE	Congress of the People
COSO	Committee of Sponsoring Organisations
CPD	Continuing professional development
CRM	Customer relations management
CSI	Corporate social investment
CSR	Corporate social responsibility

GLOSSARY OF TERMS (CONTINUED)

CTA	Certificate in the Theory of Accounting
CWC	Contract work creditors
D	
DA	Democratic Alliance
DAG	Deputy Auditor-General
DHET	Department of Higher Education and Training
DMS	Deloitte management secondment
DPSA	Department of Public Service and Administration
DRP	Disaster recovery plan
E	
EAAPAC	East African Association of Public Accounts Committees
EAP	Employee assistance programme
EE	Employment equity
ERP	Enterprise resource planning
Exco	Executive Committee
F	
FET	Further education and training
FTC	Fixed-term contract
G	
GHG	Greenhouse gas
GITO	Government information technology officers
GRAP	Generally Recognised Accounting Practice
GRI	Global Reporting Initiative
H	
-	
I	
IBU	Investigations Business Unit
ICT	Information and communications technology
IFAC	International Federation of Accountants
IFP	Inkatha Freedom Party
IFRS	International Financial Reporting Standards
IMFO	Institution of Municipal Finance Officers
INCOSAI	International Congress of Supreme Audit Institutions
INTOSAI	International Organisation of Supreme Audit Institutions
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
ISA	Information Systems Auditing
ISACA	Information Systems Audit and Control Association

GLOSSARY OF TERMS (CONTINUED)

IT	Information technology
ITC	Initial Test of Competence
ISAE	International Standard on Assurance Engagements
ISO	International Organisation for Standardisation
ISQC1	International Standard on Quality Control
ISSAIs	International Standards of Supreme Audit Institutions

J

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K

KZN	KwaZulu-Natal
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L

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M

MECs	Members of Executive Council
MFMA	Municipal Finance Management Act
MIS	Management information system
MPAC	Municipal Public Accounts Committee

N

NA	National Assembly
NCOP	National Council of Provinces
NT	National Treasury

O

OHS-	Occupational health and safety
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P

PAA	Public Audit Act
PAC	Public Accounts Committee
PAA	Public Audit Act
PAC	Public Accounts Committee
PC	Portfolio Committee
PCF	Premiers' Coordinating Forum
PDO	Predetermined objectives
PFMA	Public Finance Management Act
PPE	Public Professional Examination

Q

QC	Quality control
QCAC	Quality Control Assessment Committee

GLOSSARY OF TERMS (CONTINUED)

R

Remco	Remuneration Committee
RGA	Registered government auditor

S

SADCOPAC	South African Development Community Organisation of Public Accounts Committees
SAI	Supreme audit institution
SAICA	South African Institute of Chartered Accountants
SAIGA	Southern African Institute of Government Auditors
SALGA	South African Local Government Association
SCO	State-owned companies
SCoAG	Standing Committee on the Auditor-General
SCOPA	Standing Committee on Public Accounts
SETA	Sector Education and Training Authority
SID	SAIs' Information Database
SLA	Service level agreement
SMW	Senior Management Workshop

T

TA	Trainee auditors
TBF	Thuthuka Bursary Fund
TNAO	Tanzania National Audit Office

U

UNBOA	United Nations Board of Auditors
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V

VA/OA:	Vision alignment and organisational achievement
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W

WGITA	Working Group on Information Technology Audit
WGVBS	Working Group on the Value and Benefits of SAIs

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RP272/2013

ISBN: 978-0-621-42187-3

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