

A BOLD VISION FOR THE FUTURE

— 2014-15 —
INTEGRATED ANNUAL REPORT

Auditing to build public confidence



AUDITOR-GENERAL
SOUTH AFRICA



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LETTER TO THE SPEAKER

Ms Mbete
Speaker of Parliament
PO Box 15
Cape Town
8001

August 2015

Dear Ms Mbete

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

It is an honour to submit my annual report, including the audited annual financial statements, for the financial year ended 31 March 2015 as required by our governing legislation.

It gives me great pleasure to announce that the audit committee, which was established in terms of section 40(1) of the Act, is satisfied with the audited annual financial statements of the Auditor-General of South Africa (AGSA) and the unmodified audit opinion.

This report presents the affairs of the AGSA both in terms of our financial results and the review of our performance against predetermined objectives.

I respectfully draw your attention to section 41(5) of the Public Audit Act, which requires submission within six months after the end of the financial year, and therefore request that this report be tabled in Parliament by 30 September 2015.

Yours sincerely



THEMBEKILE KIMI MAKWETU
AUDITOR-GENERAL



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.



OUR VISION

To be recognised by all our stakeholders as a relevant **SUPREME AUDIT INSTITUTION** that enhances public sector accountability.

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 VALUES

- We value, respect and recognise all 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



R2 750 MILLION



Audit income is up by **8,4%**:
R2 750 million
(2013-14: R2 536 million)
and **3,5%** above
budget.

90%

We achieved our occupancy
target of **90%** and over-
achieved on the staff
turnover target
at **10,8%**.

R138 MILLION

Surplus was R138 million
(2013-14: R99 million).

10 general reports
for each audit
cycle were
issued summarising
the results of the
audits.

36%

We recruited **1 126 employees** in 2014-15, of which **36%** were internal appointments.



30%

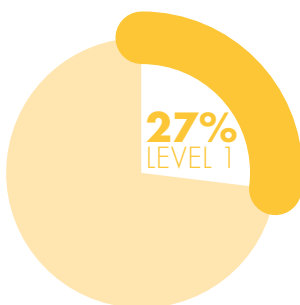


34%

We invested **30%** of our outsourced audit work expenditure
in small firms and **34%** in medium-sized firms.



Debt collection initiatives bore fruit: **16 auditees** who entered into ring-fencing agreements settled their debt of **R49 million**.



27% LEVEL 1



We are a proud level 2 contributor
to the transformation in the country:
**27% of business units were
rated as level 1 contributor
and 73% as level 2.**



73% LEVEL 2



120

We adopted 120 schools and interacted with learners, mainly in grades 9, 11 and 12 and contributions of R1,6 million were made towards the transformation of these schools.



52

We hosted a matric camp for 52 learners from our adopted schools.



87,5%

87,5% (28 out of 32) Centenary Scholarship Fund students passed their examinations.



428

Our trainee auditors (TA) intake remained over 400 as we appointed 428 new TAs in 2014-15 (2013-14:447)



Seventeen per cent of the total CWC work, or R109 million, was allocated to black-owned firms.



Gross profit was at 33%: R910 million (2013-14: R803 million).



We have 54% female representation which is higher than the 46% national average.



61% of our TAs passed the professional exams and 33 TAs would be admitted as Chartered Accountants after articles.

R72 m R72 million was invested in learning and development.

WE CURRENTLY EMPLOY **978** AUDIT PROFESSIONALS:

547

qualified Chartered Accountants (CAs)

343

Registered Government Auditors (RGA)

61

Certified Information Systems Auditors (CISA)

27

members of the Association of Chartered Certified Accountants (ACCA)

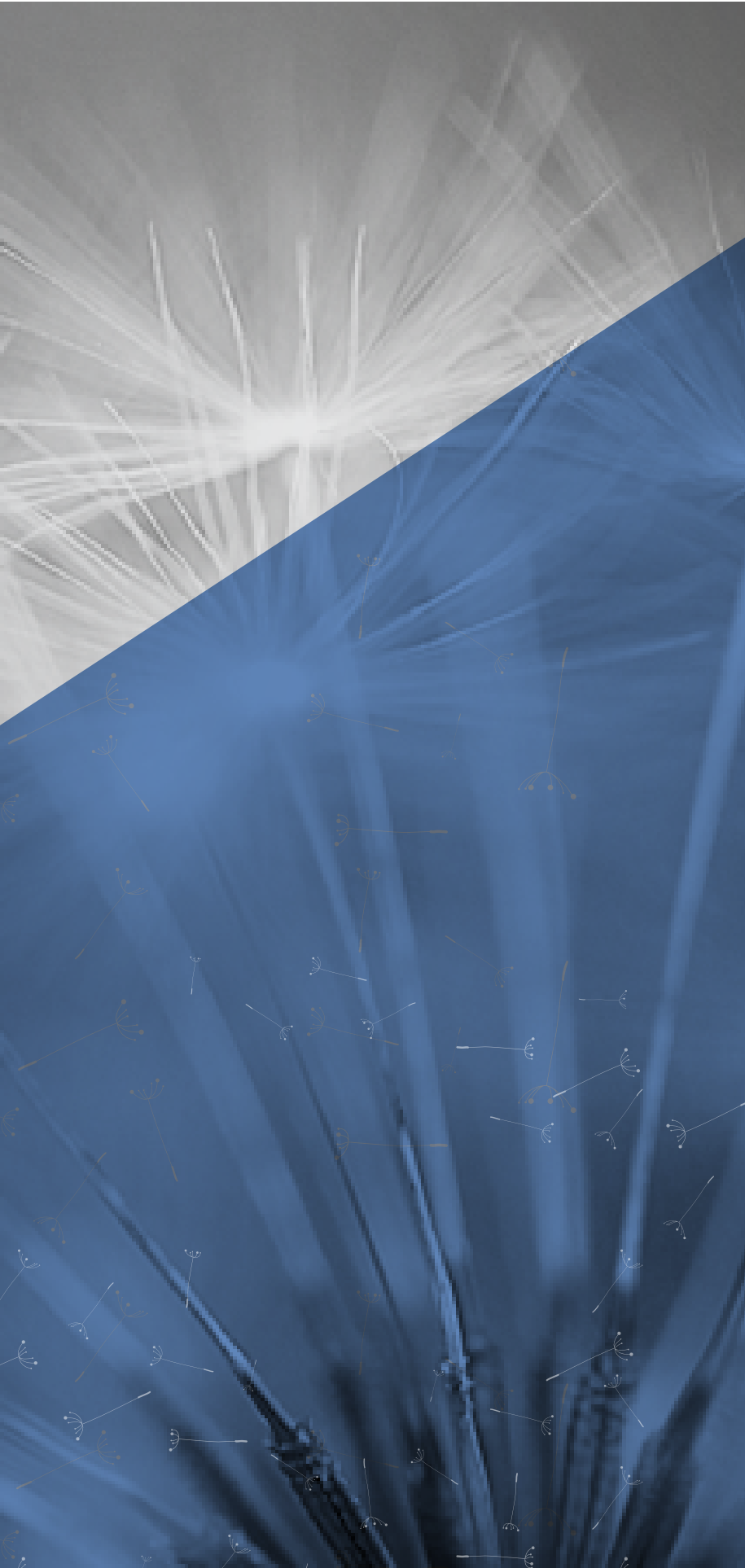
Our staff and executives held 1 936 engagements with stakeholders at oversight and executive levels to share audit outcomes and obtain commitments for corrective actions.

1 936



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MESSAGE FROM THE
AUDITOR-GENERAL



THEMBEKILE KIMI MAKWETU
AUDITOR-GENERAL

With excitement and respect
I present the *Integrated annual
report 2014-15 of the Auditor-
General of South Africa.*

This report details the
achievements and the challenges
experienced by us as a team
in striving to contribute to the
improvement of accountability in
the public sector.

The most important strategic elements for the AGSA are our independence, which is the foundation of our relevance bestowed on us by the Constitution of South Africa, and the skills and capabilities of our staff to execute our mandate. As such, we define our sustainability as the ability to deliver work with the quality and rigour for which we are known.

In line with this understanding, I proudly reflect that we have successfully concluded the implementation of the *Siyanqoba strategy*, our previous strategic blueprint, which has guided our efforts for more than a decade. The main thrusts of Siyanqoba stemmed from an overwhelming aspiration to be more professional and relevant to our stakeholders, to provide simple and clear audit messages that would trigger actions for improvement, and, most importantly, visibility of the leadership of our audit specialists. This was to be achieved on the back of running an exemplary, self-sustaining organisation. I share the view of the top leadership of the organisation that the AGSA has achieved and even surpassed the stated goals of Siyanqoba.

In the last year of the implementation of the strategy we continued our journey towards enabling accountability and good governance in the public sector through our audits by identifying the relevant root causes of failures in the key internal control environment of our auditees and the reasons for insufficient reporting on performance.

*The footnotes depict the sustainability disclosures as required by the Global Reporting Initiative (GRI) G4.

Although there are areas which have shown sustained improvement, there are still challenges to overcome by the leadership in all spheres of government in order for audit outcomes to improve. Most notably, lack of real and serious consequences of financial mismanagement and lack of timely action to implement our recommendations remain the key weaknesses.

Our stakeholder engagements, where we discuss strategic insights emanating from our audits and reflect on risks and key control deficiencies, have been productive and allowed us to secure commitments for improvements. We are working on increasing the intensity of the insights provided during our interactions in order to achieve greater impact and stimulate sustainable positive development in the management of public resources.

The leadership of the organisation has ensured that our operations are performed in an economical and efficient manner. We have succeeded in devising initiatives to improve our debt collection efforts, one of our perennial challenges especially at local government level, and we are confident that these measures will yield the desired results.

Without our highly trained staff with the required qualifications we will not be able to execute our mandate. Our extensive trainee auditor scheme not only satisfies our needs by producing scores of chartered accountants and government auditors but also produces accounting professionals for the country.

We have retained our high standards in each area of our operations, striving continuously to be a model organisation in every respect. We emphasised the area of transformation and achievement of the B-BBEE level 2 to ensure that we lead by example. Our governance structures have assisted the organisation in managing our business risks and maintaining a system of effective internal controls.

Our programme of international activities has earned us the deserved respect of our peers and has allowed us to keep abreast with the latest international audit standards, methodologies and best practice. We have continued to share our knowledge and experiences with others through key committees and working groups of the International Organisation of Supreme Audit Institutions (INTOSAI) and took part in various development and knowledge sharing initiatives in Africa.

Looking back, I feel honoured to head an organisation that not only has achieved its strategic goals for the year under review, but successfully transformed itself into a valuable partner to our stakeholders. By closing the chapter on Siyanqoba, we opened the way for our enhanced vision and a long-term strategy that will carry the organisation forward in the next 10 years.

The new era of operation by the AGSA will be focused firmly on contributing towards improving the lives of the citizens of South Africa. The absolute goal of the new strategy is to build confidence in the public sector's ability to deliver quality service as it seeks to provide direct links to the constitutional values of democracy, transparency and accountability.

I would like to thank the AGSA's staff for their selfless dedication and commitment in bringing to fruition the goals of the *Siyanqoba strategy* in the last ten years. I am positive that they will apply the same passion and impeccable work ethics in achieving the goals and objectives of our new long-term blueprint named the *4V strategy*. It builds on the achievements of Siyanqoba and requires us to elevate every aspect of our work a few notches higher. From delivering simple and clear messages, we will strive to deliver *Value-adding audits* to our stakeholders.

The visibility of our leadership will be enhanced to achieve *Visibility for impact*. From looking separately after our financial and human capital, we want to see all available resources under one single goal of *Viability*. And lastly, from simply leading by example, we want to build an organisation that is *Vision and values driven*.

Time is the most precious resource and we need to act now. We can create a great future for our country. Attainment of an effective and efficient public sector that exemplifies good governance and accountability is possible where all the key players in the combined assurance model act with decisiveness.

OVERVIEW OF PERFORMANCE BY THE **DEPUTY AUDITOR-GENERAL**



TSAKANI RATSELA
DEPUTY AUDITOR-GENERAL

2014-15 was a milestone year for us. It was the first complete reporting period that the organisation performed under the skilful leadership of the Auditor-General (AG) Kimi Makwetu. It was also the last time we accomplished our objectives under the 5 pillars of the Siyanqoba strategy. During this year we also finalised our new strategic blueprint.

Against that background we continued to contribute to trust, efficiency and effectiveness in the public sector by providing assurance on the financial status and stewardship of public organisations and entities and reporting publicly on our findings in order to promote accountability and transparency.

Simplicity, clarity and relevance of our audit messages

We completed 964 regularity audits. Based on the audit results, the deficiencies in financial and performance management and the reasons for non-compliance with legislative requirements were outlined in our general reports, which we continued to simplify and enhance with the aim of assisting our stakeholders in preparing action plans for addressing those deficiencies.

We have progressed towards the goal of clean administration and good governance in the public sector and we are encouraged by the increased understanding of this priority by those charged with governance.

Since 2011-12, the number of municipalities and municipal entities with what is commonly called a 'clean audit' has more than trebled while a quarter of all public departments and entities have attained the clean audit status.

With the intention of providing deeper insights to our stakeholders, we made significant progress towards integrating the work of our specialist audit experts into the regularity audit process. Our Information Systems Auditing and Investigations teams provided direct input towards the planning, execution and reporting on regularity audits in both the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA) audit cycles while insights from our performance audit experts were incorporated into the audit process and reported in the general reports.

In support of this objective, we worked tirelessly on improvements to our audit methodology aimed at providing a solid foundation for expressing conclusions on the reporting on predetermined objectives as well as its further alignment with the requirements of the Public Audit Act (PAA), the audit standards and local and international best practices in auditing. We expect to pilot the updated audit methodology as from the 2015-16 audit cycles.

We continued with the emphasis on performance auditing to support sustainable public service delivery. Two stand-alone performance audits were completed in the reporting period, namely the audit of rural household infrastructure grants at the Department of Human Settlements and the audit of the use of consultants at selected departments in the Eastern Cape. Transversal performance audits at the Department of Basic Education and Higher Education and Training were completed and the insights gained during these audits were incorporated in the 2013-14 Education sector report.

Following our pilot of the interim review of the annual performance plans in 2012-13, we undertook more such reviews at a number of national departments and selected provincial departments which contributed to improvements in the quality of the performance indicators and adherence to the principles of the performance information framework.

Another exciting achievement was the audit of two more state-owned companies i.e. the South African Post Office (SAPO) and Airports Company South Africa (ACSA). This followed the successful take-on of the audits of SAFCOL, SA Express and SABC in the previous periods.

We also effectively completed the first 15 audits of the Technical Vocational Education and Training (TVET) colleges and assisted them in developing appropriate action plans to address the root causes of the identified control deficiencies.

Our firm belief is that the quality of our audit engagements should be of the highest possible standard. Our internal target has been consistently above the industry average for the last few years. This year we subjected 68 audit engagements to a post-issuance review and we achieved 84% against a target of 87%, missing the target by 3%. This minimal underachievement was a result of lack of adequate and appropriate documentation on certain audit files. Corrective steps are being taken and monitored to ensure that this root cause is addressed.

Visibility of our leadership

Engagements with the administrative and executive leadership of our auditees matured to a point where we are confident that we have achieved our original intent with this goal – sharing knowledge and insights in a proactive way to empower leadership to take action on these and ensure solid financial and performance management.

In that regard, we welcome the establishment of the Public Administration Ethics, Integrity and Disciplinary Technical Assistance Unit within the Department of Public Service and Administration (DPSA) and we trust that we will see fast-tracking of consequence management in the public sector.

Progress was made in engaging stakeholders at the highest level when the AG presented the 2013-14 MFMA audit outcomes to a joint sitting of the Chairpersons' Committee of the National Assembly (NA) and National Council of Provinces (NCOP) for the first time, firmly believing that such a session will ensure high-impact oversight. This engagement allowed the leadership of both houses to structure their respective oversight programmes to reflect and focus on areas of governance as reported by the AG.

Our provincial roadshows on MFMA and PFMA audit outcomes allowed the AG to further cement working relations with premiers, legislators, members of executive councils and other senior officials that were forged and maintained by the AGSA leadership throughout the year. The provincial oversight and executive leadership made commitments that should enable progress towards the achievement of good financial and performance management in local and provincial government.

In engagements with APAC and MPAC, the AGSA's in-depth analysis and narrative approach allowed a deeper understanding of drivers of audit outcomes by the APAC leadership and representatives of the MPAC. This created a great opportunity for APAC and MPAC representatives to receive clarity on focus areas that would encourage accountability and transparency in the various spheres of government.

International visibility

The AGSA continued to be an active leader within INTOSAI in working groups, subcommittees and task forces. We played a leading role in the working group on key national indicators where our experience in the auditing of predetermined objectives enabled extensive inputs to the guidelines being developed.

The AG held a number of leadership positions during the past year, including the chairmanship of the capacity building committee (CBC). At the annual CBC meeting in Lima, Peru in September 2014, he presented a revised CBC strategy focusing on greater participation by the INTOSAI regions which was very well received and subsequently was endorsed by the INTOSAI Governing Board in Vienna in November 2014.

Since 2005 we have been hosting the Executive Secretariat of AFROSAI-E, enabling it to roll out more than 70 training and other developmental programmes to its 24 member Supreme Audit Institution (SAIs). While many of our staff benefit from the world-class training interventions offered by African Organisation of Supreme Audit Institutions (AFROSAI-E), some of our senior staff have also gained much experience and knowledge by participating as trainers in AFROSAI-E training programmes.

Strategic interactions with staff

2014-15 was dominated by interactions aimed at formulating and cascading our enhanced long-term strategy, as conceptualised by the AG at the start of his term in office. He visited each business unit to describe personally the intention of our *4V strategy* and the desired end state for the public service. Following the tabling of our strategic

plan, I embarked on an internal roadshow to support alignment across the organisation on strategic initiatives and to encourage the commitment of staff required to execute the new strategy. The internal PFMA and MFMA roadshows continued to be an effective way of engaging staff on the outcomes of the audit cycles and provided an invaluable opportunity for the AGSA leadership to enhance its understanding of the challenges facing our auditors.

Strengthening our human capital

The organisation's multifaceted strategy to build a motivated, high-performing and diverse workforce continued to yield positive results.

Our full staff complement stood at 3 435 as at 31 March 2015 which represents a 6% growth, mainly in the core business (audit) units. We recruited 1 126 employees of which 36% overall and 62% of the executives were internal appointments. This strongly demonstrates the maturity of our talent development and pipeline management efforts.

Our success with the TA programme resulted in the addition of 151 newly qualified specialists to the auditing profession which was the largest qualifying group in comparison to any other prior year.

For the second year in a row our intake of trainee auditors was above 400. Our increased focus on marketing and recruitment drives combined with the extensive trainee auditors study support programmes and initiatives contributed to this success, which is very encouraging, as the learnerships serve as the main pipeline of audit

professionals feeding into the organisation. Our success with the TA programme resulted in the addition of 151 newly qualified specialists to the auditing profession which was the largest qualifying group in comparison to any other prior year.

This brought the total number of auditing professionals employed by us to 978. We currently have 547 qualified chartered accountants (CAs), 343 registered government auditors (RGA), 61 certified information systems auditors (CISA) and 27 members of the Association of Chartered Certified Accountants (ACCA).

This overall growth has ensured that the AGSA has a wide range of auditing skills, clearly demonstrates the extent of the professionalisation of the organisation and shows that the AGSA

has become an employer of choice for talented and skilled young professionals.

We were acknowledged by Association of Black Accountants in South Africa (ABASA) for our contribution to the growth of the accountancy profession in the public sector, specifically for having the highest number of newly qualified Chartered Accountants (CAs) in the Gauteng region. Four of our training offices were accredited by South African Institute of Chartered Accountants (SAICA) as low risk, which is the highest rating provided to an office.

As the largest recognised training office of chartered accountants in the country, we are proud to develop professionals that not only satisfy our needs but also feed into the workforce of the public sector at large.

Ethical behaviour is a key component of the values and desired behaviour of the staff of the AGSA and as such the identified desirable behavioural indicators are now included in the performance management process. We continuously strive to create an environment where employees embrace diversity, strive for high performance and are given opportunities to realise their full potential. We foster a workplace where each employee is valued and encouraged to continuously contribute to the work of the AGSA for the ultimate benefit of the people of South Africa.

As we recognise and celebrate positive steps, we continue to take stock of areas that require our attention and commitment to achieve our goals. Areas where opportunities for improvement were identified in the organisational culture survey will become priorities in the next performance period.

Leading by example

While we strive to be the best in all aspects of our work, a few are of the utmost importance to us.

Our contribution to the transformation in the country was demonstrated by the achievement of the overall level 2 B-BBEE contributor status. 27% of our business units achieved the ultimate level 1 while 73% achieved level 2.

We placed emphasis on the advancement of women and improved female representation at executive and senior management level. The proportion of females overall within the organisation has reached 54%, which is well above the country average of 46%.

The organisation also made strides in defining its long-term approach towards enterprise development. This year saw the launch of an empowerment project to address skills transfer and development of selected emerging audit firms.

A key component of our contribution to the transformation of the accounting and auditing profession was the work allocated to private firms to the value of R655 million (R665 million in the prior financial year). 30% of our contracted audit work expenditure was invested in small firms, 34% in medium-sized firms and 36% in large firms. 17% of the total CWC work, or R109 million, was allocated to black-owned auditing firms.

We are aware of the potential impact of inefficient and ineffective business controls on the organisation and its reputation. We continued to refine our control environment and take the actions necessary to address our own identified areas for improvement.

As part of an INTOSAI-wide initiative, we had an opportunity to also assess our vulnerability to integrity breaches by applying a methodology specifically adapted for supreme audit institutions. This allowed us an opportunity to strengthen our integrity controls as well as to create better awareness around prevention of integrity breaches.

Financial performance

Our financial performance was adequate and our report demonstrates that we were able to execute our mandate economically, efficiently and effectively.

- Our audit income was up by 8,4% at R2 750 million (2013-14: R2 536 million)
- Gross profit was at 33% or R910 million (2013-14: R803 million or 32%)
- The cash balance increased by 2,7% from R496 million to R510 million
- We paid our creditors on average every 33 days compared to a target of 45 days
- On the negative side, trade debtors increased by 16,9% from R607 million to R709 million, with the local government debt comprising 52% or R366 million (2013-14: R322 million). Provision for bad debts increased from R115 million to R146 million
- Overheads were up by 8,1% from R753 million in 2013-14 to R814 million in 2014-15, but this was less than the increase in revenue.

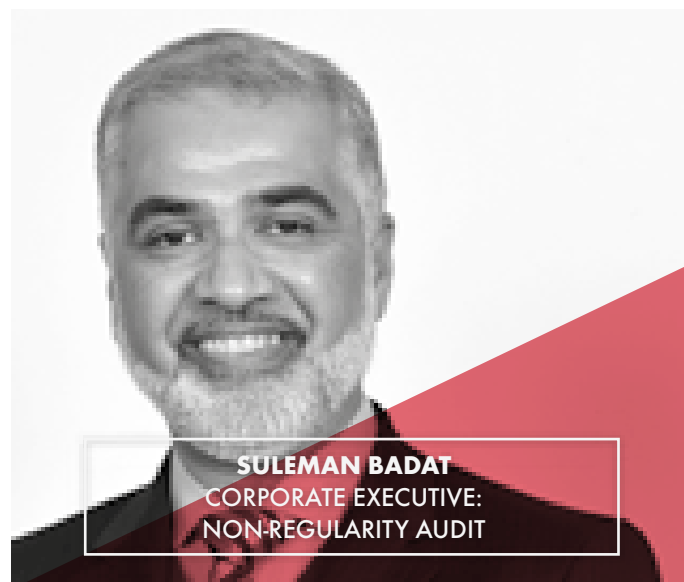
The low audit fee collection, especially from local government debtors, continues to pose a risk to our financial stability. Whilst implementation of the ring-fencing mechanism and other debt collection initiatives are beginning to bear fruit, the continued deterioration of the debtor's book is a risk that requires urgent attention.

Conclusion

At the end of the reporting period, through a wide-spread survey, we asked our stakeholders whether they believed our messages were adding value. We are pleased to report that more than three quarters of them enthusiastically confirmed that we are on the right track of providing audit information that is indeed useful and is needed by all who are tirelessly working towards clean administration in the public sector. This confidence humbles us and we are determined to increase our efforts and remain a relevant and valuable partner in this noble quest of instilling good governance.

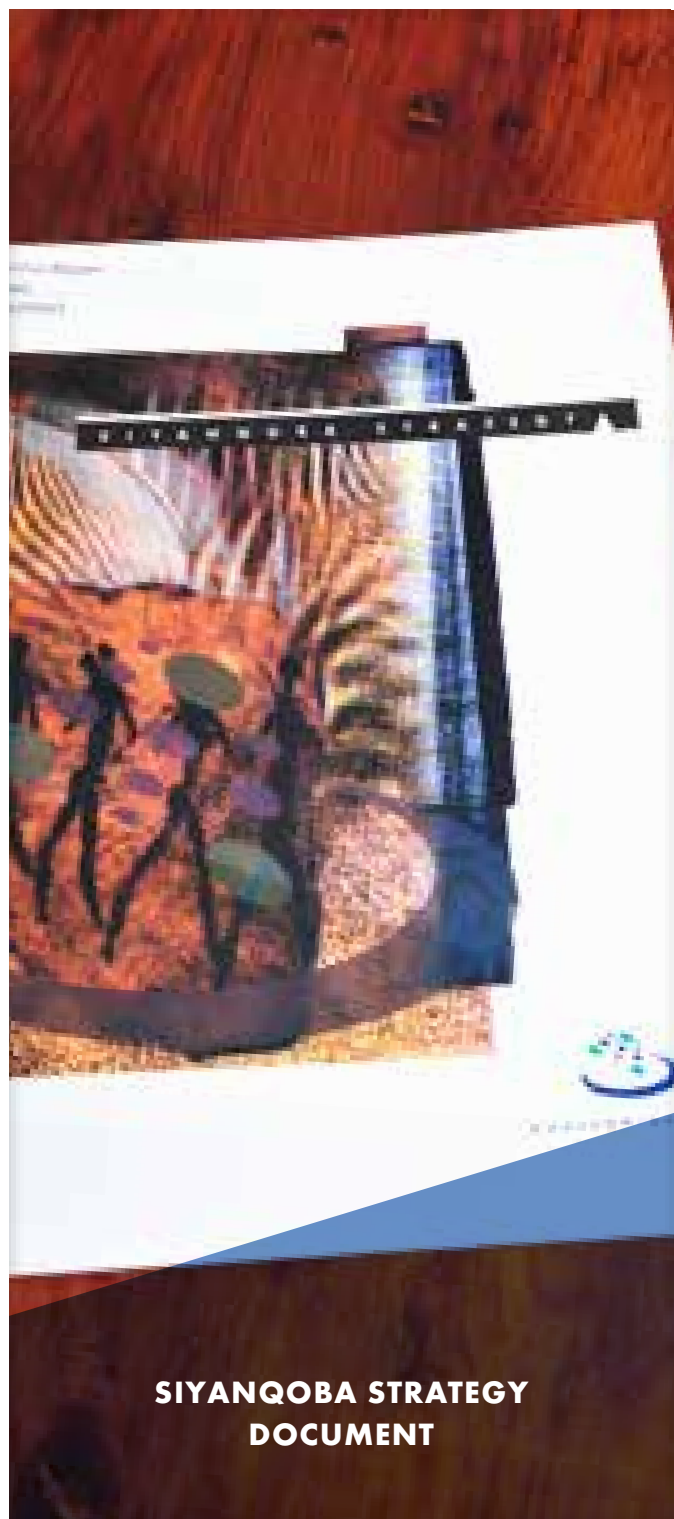
Such feedback is recognition of the perseverance and commitment of our professional staff and I am immensely proud to be part of team AGSA. My gratitude goes to the AG for his superb leadership and to every team member for their relentless pursuit of excellence.

EXECUTIVE COMMITTEE OF THE AGSA





REFLECTION ON THE ORGANISATIONAL STRATEGY AND ACHIEVEMENTS



SIYANQOBA STRATEGY

The strategy called Siyanqoba, a Zulu word meaning ‘we are conquering’, has been our guiding document for a decade and a half. Back in 2001 we felt that the office needed proper structure, adequate processes, required skills and competencies, appropriate audit focus and great leadership and culture in order to be able to deliver best on our mandate as set out in the Constitution and our governing legislation.

In simple terms we wanted to be seen as: ‘a key organisation in measuring the effectiveness of government in delivering services to the taxpayer...a completely independent organisation with the interests of the nation at heart...a valued national institution with a clear constructive approach for the country and the continent.’

We wanted to be known ‘...to provide balanced reports aimed at enhancing governance within the public sector’ and to be seen ‘...as fulfilling (our) reason for existence...’

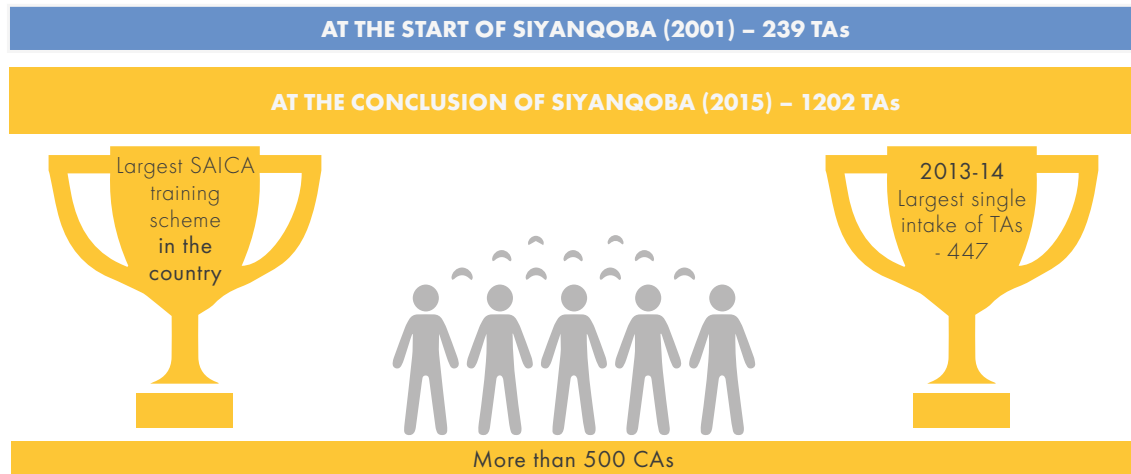
Fifteen years later we have achieved the intention of the strategy:

- ✓ Our products have been continuously enhanced
- ✓ Our reports are taken seriously by all our stakeholders
- ✓ We have professionalised our organisation
- ✓ The AGSA has become an employer of choice
- ✓ Our improved funding model together with the provision of the governing legislation, the Public Audit Act, 2004 (Act No. 25 of 2004), allows us to be independent
- ✓ Our business processes and governance have improved and in many cases matured and equalled best practice
- ✓ Most importantly, the organisation has experienced an amazing transformation in our workforce profile

The following are the highlights of our journey:

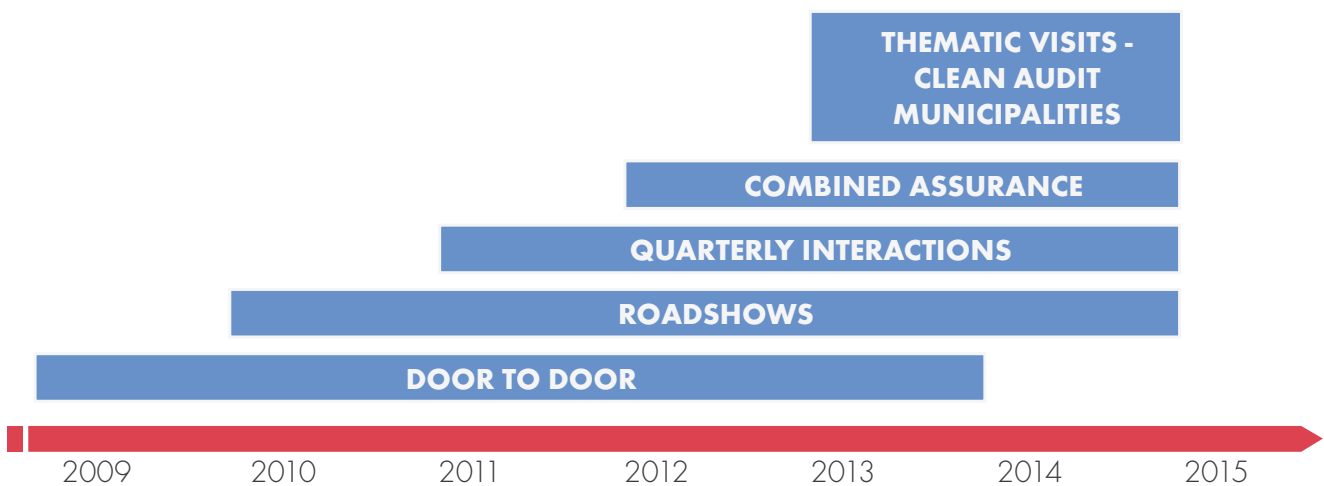
We are the training hub of audit professionals for the public sector, having imparted knowledge and experience to thousands of young auditors since 2001.

EVOLUTION OF THE TRAINEE AUDITOR SCHEME



The AGs who served during this period personally visited at least once every municipality in the country. We have continually introduced new ways of engaging our stakeholders on the outcomes of our audits.

EVOLUTION OF THE STAKEHOLDER ENGAGEMENT





OUR FINANCIAL POSITION HAS STABILISED SINCE THE INTRODUCTION OF OUR FUNDING MODEL.

This has allowed us to select audit areas that are of relevance to our stakeholders and to attract the people whose skills sets match our organisational aspirations.

Our reputation as an employer of choice has increased immensely, culminating in the ranking of the AGSA among the top 20 most attractive employers in the country by Universum, an international corporation that delivers surveys to millions of students and professionals and provides career preference insights, based on the results of a survey among 44 640 South African students between July and September 2014.

We also received a unique award for being an employer associated with 'High Ethical Standards by Professionals in the Field of Business/Commerce/Management'.





OUR EFFORT TO ACHIEVE EXCELLENCE HAS BEEN REWARDED YEAR AFTER YEAR WITH CLEAN AUDIT OPINIONS BY OUR EXTERNAL AUDITORS.

Being able to demonstrate what we expect of others has made it possible to have a firm base for engagement with our stakeholders.

The organisation has almost three times more employees than in 2001, representing well the country's demographics.

GROUP	2001		2015	
	Total	%	Total	%
African	593	43,63%	2 423	70,54%
Coloured	75	5,52%	219	6,38%
Indian	92	6,77%	293	8,53%
White	594	43,71%	452	13,16%
Disabled	5	0,37%	20	0,58%
Foreign	-	-	28	0,81%
Total	1 359	100%	3 435	100%

WE CELEBRATE THE SUCCESS OF THE SIYANQOBA STRATEGY.

While doing so, we acknowledge that achieving good management of public funds and resources in the country requires intense concerted effort by all players in the public sector. Our new direction - the *4V strategy* - recognises the challenges and responds with

appropriate goals and objectives aimed at contributing to good governance in the country and improving the lives of citizens. A description of the strategy and our performance indicators appears in section 5 of this report.

ABOLD

We are co-creating the future of our country

REPORTING PROFILE

INTRODUCTION

An integrated and balanced account of our challenges and successes as an organisation for the period 1 April 2014 to 31 March 2015 is contained in this report. It specifies our approach to addressing all aspects of work, environmental and governance issues and risks that have a material impact on the long-term success of the AGSA and are important to our key stakeholders.

Our integrated way of reporting follows the integrated thinking of the leadership and the executive teams in defining the imperatives for long-term, sustainable value creation for our stakeholders.

This report incorporates our annual financial statements, the outcome of assurance reviews performed by the independent auditors and a statement by our audit committee.

The performance of all business units comprising the organisation, including its head office and all its offices in the nine provinces, is reflected here. During the compilation process we applied the lessons learnt from our previous integrated reports.

Material focus and the process to determine the content 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 2014-17* regarding the following aspects:

- Simplicity, clarity and relevance of our messages
- Visibility of the AGSA's leadership to our stakeholders
- Funding our operations
- Strengthening the organisation's human Resources
- Leading by example
- Sustainability of the organisation

These material aspects are applicable to all business units within the organisation. The aspects of simplicity of messages and visibility of leadership are applicable to all our key stakeholders as identified in section 3.

There were no changes to or limitations on the scope and boundary of the identified material aspects. There was also no need for any restatements from the previous report.

Reporting principles, policies and practice

The *Guidelines for sustainable reporting* of the Global Reporting Initiative (GRI) G4 informed the content and format of the report and it meets the information and reporting requirements in accordance with the 'Core' version.

The report reflects the requirements of our governing legislation, the PAA, and the recommendations of the King III code on corporate governance and reporting. The annual financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

FUTURE

Reporting period

Every year the AGSA compiles an annual report to account to Parliament for its performance during each financial year which begins in April and ends in March the following year. The last annual report was tabled in Parliament on Friday, 29 August 2014.

EXTERNAL ASSURANCE ON THIS REPORT

Organisation’s policy and practice on seeking external assurance

The AGSA adheres to the principles of good governance as outlined in the King III code. As such our combined assurance model defines the various role players in providing assurance to the organisation. Where required, we seek independent assurance.

An independent external auditor audits the financial statements, financial management and the AGSA’s performance information and assures the information on the selected sustainability performance indicators.

Furthermore, at certain intervals, the organisation voluntarily subjects itself to a firm-level review by the Independent Regulatory Board for Auditors (IRBA).

The assurance on this report 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 111 of this report.

Relationship between the organisation and the assurance providers

The external auditor is completely independent from the organisation. It does not receive any allocation of audits to be done on behalf of the AGSA and its income from the audit of the AGSA is less than 10% of the firm’s annual revenue.

Involvement of the highest governance body in seeking assurance on the organisation’s sustainability report

The Standing Committee on the Auditor-General (SCoAG), which oversees the work of the AGSA on behalf of Parliament, appoints the external auditor for a period of three years (reviewed annually).

The contracting of the external auditor is facilitated by the audit committee in accordance with a process that is fair, equitable, transparent, competitive and cost-effective.

The audit committee further examines the auditor’s capacity and competence to provide assurance on the sustainability performance information. The committee members are trained annually by certified service providers on their responsibilities regarding the assurance of the integrated report.

ORGANISATIONAL OVERVIEW AND BUSINESS MODEL

Organisation’s name, mandate and function, nature of ownership and legal form

Chapter 9 of the Constitution of the Republic of South Africa, 1996, establishes the institution of the Auditor-General of South Africa as one of the state institutions supporting constitutional democracy. The Constitution entrenches the AGSA’s independence by directing that it is subject only to the Constitution and the law. The Constitution requires the AGSA to be impartial and to exercise its powers and perform its functions without fear, favour or prejudice. The functions of the AGSA are described in section 188 of the Constitution. These functions, together with the powers necessary to perform those functions, are further regulated by chapters 2 and 3 of the PAA.

The AGSA exercises powers and performs functions in terms of the Constitution. As a result, it also fits the definition of an organ of state in accordance with sub-section 239(b)(i) of the Constitution. The organisation has full legal capacity under the law to act as a juristic person.

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 assists and protects the AGSA to maintain its independence, impartiality, dignity and effectiveness.

Sub-section 10(2)(b) of the PAA requires the AGSA to account to the National Assembly through the submission of an annual report, its annual financial statements and the audit report on those financial statements. In addition, the Auditor-General annually submits reports to the National Assembly on his or her activities and the performance of his or her duties [sub-section 10(1)].

Markets served (geographical breakdown, sectors served, types of customers and beneficiaries), products and services

Each year, the AGSA conducts mandatory audits of government departments, certain public entities, municipalities and municipal entities (our clients or auditees). The AGSA furthermore conducts discretionary audits, special audits, such as performance audits and investigations.

For each audit a report is prepared. These reports are made public and are tabled in the legislatures or bodies with a direct interest in the particular audit, such as Parliament, provincial legislatures and municipal councils. In addition, audit reports may be provided to any other legislature or organ of state if the AGSA considers it in the public interest to do so. In addition to these audit-specific reports, the AGSA publishes two general reports in which the outcomes of the audits at national and provincial levels and at municipal level, respectively, are analysed.

Location of the organisation’s branches and headquarters

The AGSA consists of a head office located in Pretoria and provincial offices in each of the nine provinces in South Africa. The main reasons for the deployment of local offices are to enhance accessibility to our clients and to deliver our services in the most cost-effective manner possible.

Countries where the organisation operates

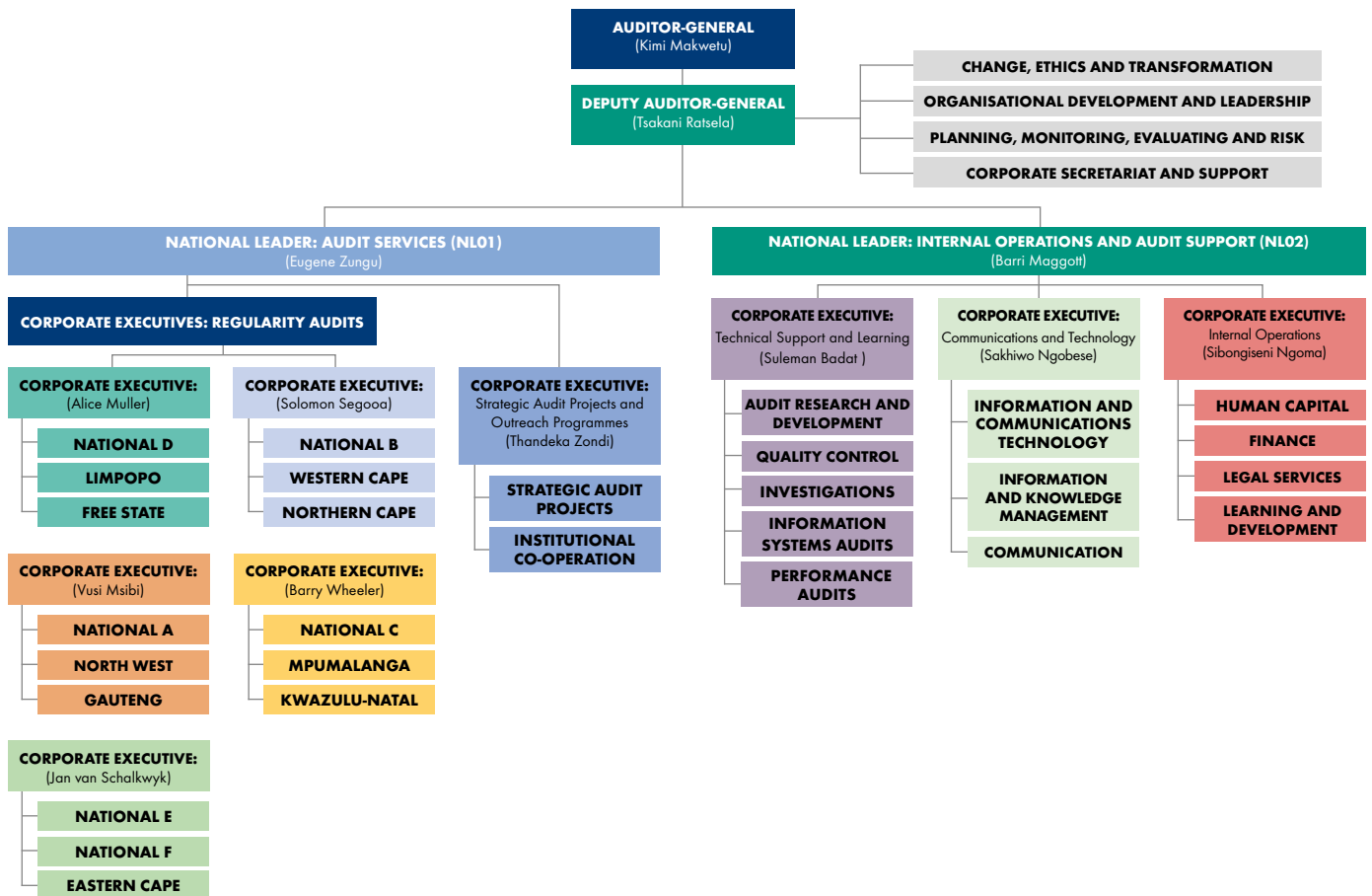
The AGSA is based in South Africa and delivers a service that benefits local interests. While the lion’s share of our services is performed locally, the business operations of some of our clients require the execution of audit work elsewhere in the world. Furthermore, participation in international initiatives is required to enhance our reputation and gain experience that adds value for our clients. The AGSA therefore actively participates in international programmes and cooperates with other SAIs and selected institutions.

Organisational structure

Figure 2.1 depicts the AGSA’s organisational structure. The AG, Mr Kimi Makwetu, is in overall control of the organisation, while the DAG, Ms Tsakani Ratsela, is the head of the administration.

The audit and support streams of the organisation are headed by national leaders, while corporate executives manage portfolios of business units within those streams. The activities of the organisation reside with business units which are structured to enable the best possible execution of our strategy.

FIGURE 2.1 THE AGSA’S ORGANISATIONAL STRUCTURE AS AT 31 MARCH 2015



BUSINESS MODEL

The AGSA generates revenue by charging its auditees for the amount of work required to complete an audit, based on a publicly available, transparent, annually revised structure of audit fees. The defined percentage of margin made by the organisation is used to maintain its operations.

Section 38(4) of the PAA authorises the AGSA to retain any surplus, or a portion thereof, following consultation with the National Treasury and after approval by SCoAG. If approved, such surplus is used for working capital and general reserve requirements. The portion of a surplus not retained is paid into the National Revenue Fund.

The organisation comprises 15 audit business units, nine operating in each of the SA provinces and six at a national level, and 18 support business units. A shared services model exists for all enterprise resources – financial and human capital, IT services, communication, technical services, quality control and others.

Scale of the organisation

At the end of the reporting period, the AGSA employed 3 435 people. The gross profit was R910 million, earned through 964 audits.

Organisation’s supply chain

The organisation maintains a procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective. We procure goods and services within the parameters of applicable legislation and a supply chain management policy supported by procedures that are based on these guiding principles.

It is a defined organisational approach to outsource some of our audits. The audit firms that perform such audits on our behalf are appointed through a strict selection process based on the size of the firms, their location in the respective provinces, expertise, quality of audit work and transformation principles. During 2014-15 the AGSA appointed 83 audit firms that performed audits to the value of R656 million, representing 24% of the total audit revenue. Seventeen per cent of the total work, or R109 million, was allocated to black-owned firms.

Significant changes during the reporting period

No significant changes occurred and no new products were developed or introduced during the reporting period.

External charters, principles and initiatives to which the organisation subscribes

The AGSA is an active member of the International Organisation of Supreme Audit Institutions (INTOSAI) and participates in a number of its working groups. The AG, Mr Makwetu, is the chairperson of one of the technical committees of the organisation, i.e. the capacity building committee (CBC). In addition, we host the secretariat of the regional chapter of INTOSAI, namely the African Organisation of English-speaking SAIs or AFROSAI-E.

The organisation subscribes to the ethics codes of the International Ethics Standards Board for Accountants® (IESBA code) and INTOSAI (ISSAI 30 – Code of ethics for SAIs).

As part of the auditing community in the country we support the B-BBEE Charter for the accountancy profession.

OPERATING CONTEXT

(RISKS AND OPPORTUNITIES)

Operating context

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

Changes in government after the 2014 national elections had the potential to impact the continuity and implementation of commitments made by auditees' leadership to address the root causes of poor audit outcomes and could impact negatively on the strength of the relationships built with the auditees and other relevant stakeholders.

Collecting outstanding debt from local government remained a challenge with which the organisation has been faced over the years. We envisaged that this trend might increase, given the number of factors that make increased demands on the government purse. To ensure our financial sustainability, our strategy sought to mitigate this trend.

The increased competition for talent as a result of **scarce auditing skills** in the country required us, as an organisation, to have robust strategies in place to recruit, develop and retain professionals that enable us to deliver on our mandate. Additionally, the scarcity of professionals contributed to the inability of some of our auditees to have the required capacity and staff with the requisite skills, competencies and experience. This often leads to the over-reliance on consultants.

The AGSA has offices in all nine provinces of the country, some of which are situated in less economically developed areas, and as a result we experienced challenges in attracting skilled professional staff in those provinces.

Persistent inequality in education and access to income-generating opportunities by a large portion of the population prompted us to continue our contribution to transformation in the country. More specifically, we endeavoured to strengthen the auditing profession through supporting and growing professionals from previously disadvantaged backgrounds, enterprise development and other corporate social initiatives.

Rapid change in technologies resulted in even more complex auditing environments and increased business reliance on information technology (IT) systems. Furthermore, evolving technology presented internal opportunities for **streamlining operations, eliminating bottlenecks and providing our workforce with collaborative knowledge management systems**.

An in-depth analysis of the external environment and our internal strengths and weaknesses in response to the environment was completed during the performance year and became the basis for our strategy that will be implemented from 1 April 2015. Furthermore, continuous environmental scanning and addressing newly identified trends allow us to remain relevant both in the short and long term.

Organisation's approach to risk management in operational planning

The AGSA conducts an annual strategic risk assessment with the members of the executive committee. Such assessments identify significant risks that have the potential to impact the delivery of our mandate, which are further categorised and prioritised by the leadership. The universe of these strategic risks, named the strategic risk profile, is discussed with the audit committee.

Where relevant, the identified risks are addressed through strategic initiatives outlined in our three-year rolling strategic plans. In other cases, the strategic risks are addressed at an operational level by specifying a host of internal controls which are put in place by recognised risk owners.

Strategic risk profile

Seven major risks were specified for the 2014-15 reporting period, considering the organisation's performance over the past years and its success in managing previously identified risks, as well as trends identified during the strategic environmental analysis:



THE TOP SEVEN RISKS FACED BY THE AGSA IN THE SHORT TO MEDIUM TERM PER CATEGORY

1

FINANCIAL

Poor debt collection impacting the cash flow and threatening the financial viability of the organisation

2

REPUTATIONAL

Failure to lead and be seen to lead by example

3

TECHNOLOGICAL

Lack of functioning IT governance structures and processes



OPERATIONAL

Security risk of our personnel, assets and operations
and Audit process failure



HUMAN CAPITAL

Inability to have access to right calibre staff to
successfully deliver on our strategies



STRATEGIC

Inability to be relevant to our stakeholders

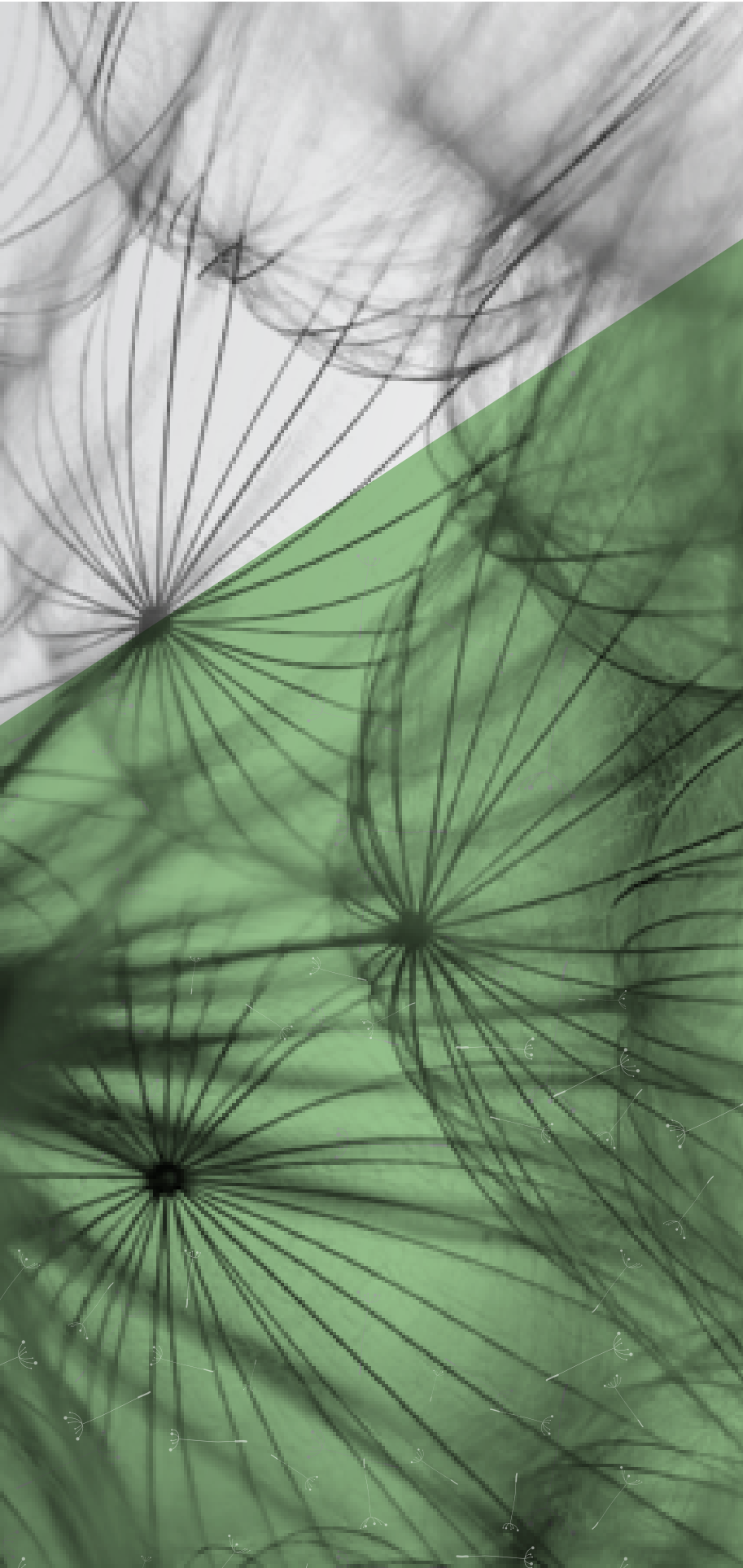


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SIMPLICITY, CLARITY AND RELEVANCE OF MESSAGES

HIGHLIGHTS



Of the **964** regularity audits performed, 921 were completed with the legislated timelines



Two more state-owned companies – the South African Post Office and the Airports Company of South Africa – were audited by us for the first time, as well as 15 TVET colleges.



Ten general reports for each audit cycle were issued summarising the results of the audits.



Our engagements with the DHET resulted in the promulgation of new regulations for reporting by public higher education institutions.



Results from the performance audit of government's readiness to report on its own performance were included in the general reports; the insights improved understanding of the root causes of the poor audit outcomes of the auditing of predetermined objectives.



To address holistically the challenges in the management of public resources, we continued with the enhancement of our audit approach through the integration of various types of audits; our revised methodology was completed in March 2015.



In response to the requests of our stakeholders we continued with interim reviews of the annual performance plans and engaged with the accounting officers and executive before submission to the portfolio committees.



Good insights were gained through the integration of various disciplines in the Health sector on quality and timely completion of the construction of clinics and hospitals, while the Education sector report focused on why programmes were not producing the intended result.



The model of the Investigations business unit was adapted to provide insights in the regularity audits

SIMPLICITY, CLARITY AND RELEVANCE OF MESSAGES

THE PURPOSE OF OUR AUDITS

- Providing value-adding recommendations to stakeholders based on audit results

INTEGRATED AUDIT APPROACH

- Intensifying organic integration between regularity auditing and the specialised units
- Integrating the various aspects of the auditing methodology to achieve a unified audit approach in the short term

AUDIT LINES OUTPUTS

- Regularity audits
- Performance audits
- Investigations
- Information systems audits
- Interim audits of the Annual Performance Plans (APPs)
- Section 4(3) audits
- Universities and technical vocational education and training (TVET) colleges

IMPLEMENTED IMPROVEMENTS

- Increasing our knowledge of both our auditees and public sector developments and implementing our performance auditing growth strategy
- Increasing access to legal advice
- Improving the efficiency of the audit process

QUALITY OF OUR AUDITS

- Continued excellence of the quality of the audits performed
- Raising and maintaining awareness of quality of audits
- Proactive pre-issuance reviews on selected engagements
- Independent post-issuance reviews
- Implementing and monitoring policies and procedures in respect of all elements of the ISQC1
- Heightening guidance and involvement in the review of audit work by senior management

COMMUNICATING OUR MESSAGES

- Communicating our message in a manner that is consistent with our findings to ensure that our findings remain credible
- Enhancing the packaging and positioning of our messages
- Quality of our non-audit corporate reports

Providing value-adding recommendations to stakeholders based on audit results

The key to achieving and sustaining unmodified audit opinions in the public sector is for government entities to adhere to sound internal controls. By identifying and highlighting possible root causes of failures in the key internal control environments of our auditees and the reasons for insufficient delivery on predetermined objectives, we seek to encourage improvement in the administration of the public sector and ultimately reach the goal of clean and effective administration. Furthermore, we reinforce our recommendations and insights in the general report, which is produced following the completion of each annual audit cycle. Nine provincial general reports are tabled in the provincial legislatures and a consolidated general report is tabled in Parliament.

Intensifying organic integration between regularity auditing and the specialised units

Our audit approach was enhanced with the integration of our different types of audits to address holistically government's challenges and shortcomings in financial management, compliance and service delivery. We progressed in repositioning and aligning our resources in performance auditing, information systems auditing and investigations with this exciting initiative.

A simple relay of audit areas can be seen as electronic information gained through information systems audits being analysed by the investigations team to pinpoint areas of concern where performance auditing specialists could be deployed to generate additional understanding. The regularity audit teams would then take up these matters with the auditees in their management letters.

Integrating the various aspects of the auditing methodology to achieve a unified audit approach in the short term

Our methodology, working papers and templates are sound and in adherence to the International Standards on Auditing (ISA) and the ISSAI principles. We continually assess their adequacy for the environment in which we operate.

In 2013 we started an important project to further refine our methodology in order to provide a solid foundation for expressing conclusions on the reporting on predetermined objectives and compliance with legislation.

Furthermore, the project is expected to improve the efficiency of the audit process and ensure that we focus on the most important aspects in our audits through an improved risk assessment process. The revised methodology was completed in March 2015 and we are working towards piloting it in the 2015-16 financial year.

Regularity audits

During the reporting period, 964 regularity audits were finalised and summarised in the general reports based on the outcomes of the 2012-13 audits in terms of the MFMA and outcomes of the 2013-14 audits in terms of the PFMA. We shared the audit outcomes, root causes and recommendations with national and provincial leadership, Parliament, provincial legislatures and key role players in national and provincial government prior to the publication of these reports, to enable them to understand the root causes and take corrective action where required. Our engagements also provided a platform to share best practices. This was well received by the stakeholders.

Performance audits

In order to optimise insight into the auditees' operations, additional audit procedures based on research done by our performance auditors were performed by multidisciplinary teams. This signifies the expansion of the traditional focus of performance auditing and the onset of the organisation's integrated approach to auditing. Integration initiatives were included in most of the regularity audits of national and provincial departments as well as municipalities.

Another example of the integration of our audit lines was the inclusion of performance auditing insights in the sector reports. For example, the Education sector report for 2013-14, that was tabled later in July 2015, incorporated knowledge about the performance of programmes and initiatives such as:

- Adult education and training
- Early childhood development
- Kha Ri Gude mass literacy campaign
- Teacher training
- National school nutrition programme

The insights focused on why the programmes were not producing the intended results and what could be done to improve these programmes. In addition to the outcomes of the regularity audits, we also provided insights on service delivery to the users of the sector report.

Similarly, the Health sector report included a section with insights on quality and timely completion of the construction of clinics and hospitals. These insights were discussed up to the level of Minister and MEC and a number of actions were taken to improve the quality and timely completion of the construction projects.

Results from the performance audit of government's readiness to report on its own performance executed at 61 national and provincial departments were included in the national and provincial general reports. This audit provided insights on the policy and planning, budgeting, alignment of staff, monitoring and evaluation as well as addressing under-performance.

These insights improved the understanding of the root causes of poor audit outcomes from the auditing of pre-determined objectives (AoPO). During this audit there was close cooperation between the AGSA and other key stakeholders. This collaboration led to the implementation of corrective measures and was evident from the following:

- Improvements in the AoPO outcomes on usefulness and reliability.
- The Department of Performance Monitoring and Evaluation (DPME) took over responsibility for the planning function (from the National Treasury) with effect from December 2013.
- The pilot assessments of municipalities done by DPME with the newly developed management assessment tool (MAT), focusing on both the quality of generic management practices such as planning, human resources, financial management, community engagement and governance, as well as the quality of basic service delivery.
- The National Steering Committee was established in order to capacitate national departments to actively play an oversight role and offer support to provincial departments with regard to performance management.
- The Provincial Planning and Monitoring Forum was established in order to capacitate both offices of the Premier and provincial treasuries to play their oversight role robustly and offer support to provincial departments with regard to performance management.

Two stand-alone performance audits were completed during the reporting period, namely the audit of rural household infrastructure grants at the Department of Human Settlements and the audit of the use of consultants at selected departments of the Eastern Cape i.e. the Department of Roads and Public Works and Department of Transport. The reports were tabled in July 2015. A further 16 performance audits commenced and will be completed in due course. These audits include two transversal audits namely the management of pharmaceuticals at the Department of Health (one national and five provincial) and education districts at the Department of Education (one national and five

provincial). In addition, stand-alone audits are being conducted of learner transport in the Eastern Cape, physical security at healthcare facilities in the Western Cape, water infrastructure provision and urban renewal.

Investigations

For complete integration, we adapted the work of our investigations team by integrating it more closely with our regularity audits during the planning, execution and reporting stages of the audit to ensure that more attention is given to high-risk areas. The root causes identified included poor planning, lack of training and skills in respect of supply chain management staff, and lack of leadership oversight. Where appropriate, the AGSA recommended that the auditees refer the identified issues to the relevant law enforcement agencies and in some instances, management was advised to institute investigations.

Information systems audits

During the year under review a total of 662 information systems audits were completed for the 2013-14 PFMA (359 audits) and MFMA (303 audits) cycles, as per the legislative deadlines. Our Information Systems Auditing (ISA) Business Unit continued to direct its efforts to enhancing the integrated approach to the regularity audits. This included an integrated process of identifying the information technology risks pertaining to auditees which enabled us to collectively respond to those identified risks.

Interim audits of the annual performance plans

Our audit of the annual performance reports of auditees included an assessment of the measurability and relevance of the performance indicators upon which they reported. These audits contributed to improvements in the quality of the indicators and closer adherence to the principles of the framework for performance information. Our reports, however, reflected on the quality of indicators that were determined through performance planning processes at least 18 months prior to the tabling of the annual report, which did not allow for corrections to be made during the performance year.

In response to the requests of our stakeholders we commenced with interim reviews of the annual performance plans at national departments and selected provincial departments in the 2013-14 financial year, after a pilot of the process in 2012-13. This allowed us to audit the performance indicators in the draft annual performance plans and report any weaknesses to the accounting officer and executive before the plans were submitted to the portfolio committees.

Our aim was also to brief the chairs of portfolio committees on the matters they needed to consider in interrogating the annual performance plans as part of the planning and budgeting process.

The process and outcome were generally successful and allowed us to perform an audit and brief the portfolio chairs and/or full committees of at least 20 national portfolios before the start of the new financial year. Challenges remain due to late or no submissions of annual performance plans and inability to interact timeously with portfolio committees. These are matters we will continue to address in partnership with auditees, the executive and oversight to ensure our audits add value to the planning and budgeting processes.

Section 4(3) audits

As per section 4(3) of the PAA, the AGSA has a discretionary mandate to audit all public entities and entities funded from any revenue fund or by a municipality. These entities include those which, in terms of their enabling legislation, have the right to appoint their own auditors. Although not performing the audits, the AGSA remains involved in overseeing the standard and quality of those audits. We are consulted on the appointment and discharge of external auditors and we further guide the appointed auditors on the extent of their mandate, the depth of auditing and reporting formats.

With the successful take-on of three state-owned companies in the prior years – SAFCOL, SA Express, and the SABC – the foundation was laid, with the focus now on the refinement of the process. It was a challenging yet rewarding experience, and testament to this was the take-on of two more of these commercial entities during the year under review – the South African Post Office and Airports Company South Africa.

In addition, the AGSA included the audited entities as part of its stakeholder engagement programmes. We engaged with them through attending audit committee meetings and were invited to share the outcomes of audit processes at board meetings. This involvement also extended to supporting the auditors of these entities should any of them be called to appear before a public accounts or portfolio committee. Through these programmes, we continued to strengthen oversight, especially by the executive and senior management at the coordinating department.

Universities and technical vocational education and training colleges

Subsequent to discussions between the AGSA and the Department of

Higher Education and Training (DHET) a decision was made in 2013 to phase in the takeover of the audits of TVETs by the AGSA over a period of four years. This approach was welcomed by Parliament as they believe that we shall ensure consistent reporting on these institutions and bring the reports closer to Parliament.

We successfully completed the first phase of the takeover in which we audited 15 TVET colleges for the first time. We highlighted a number of internal control deficiencies that exist at different colleges and engagements with the relevant staff at those colleges assisted them to develop appropriate action plans to address root causes identified through the audit process. Further, the DHET was able to develop a tool to track progress made by the colleges in responding to root causes.

Moreover, our intensified engagements with the DHET contributed to the promulgation of the new Regulations for Reporting by Public Higher Education Institutions by the Minister in June 2014. These regulations seek to enhance reporting by the universities on their performance, in particular the non-financial aspects.

We undertook to share the lessons learned during this initial phase with the other 35 colleges not yet being audited by the AGSA. This, we believe, will better equip both us and the remaining colleges for the next phases of the audit takeover strategy. We continued to provide the auditors of these 35 colleges with guidance and support on the auditing of compliance with legislation.

Furthermore, we continued our interactions through the attendance of audit committee meetings and TVET colleges' financial executive forums where we are invited and given slots to speak on audit-specific topics e.g. audit outcomes and required key controls for clean audits. We are working more closely with the DHET/SAICA TVET project team that was established to improve the governance and internal control environments at the TVET colleges.

We are confident that the desired impact of the AGSA's involvement in the audits of the TVET colleges will be realised.

Increasing our knowledge of both our auditees and public sector developments and implementing our performance auditing growth strategy

In the previous reporting period we responded to our external stakeholders' needs for deeper systemic insights into the business environment of our auditees and for more non-financial audits by committing to an increase

in performance auditing. The increased attention to performance auditing is intended to support sustainable public service delivery in the long term and contribute to improving the lives of citizens.

Progress was made in repositioning and aligning our performance auditing resources to this exciting challenge. The centre of excellence established within the Performance Auditing Business Unit continued to gain strength and eight new employees with backgrounds in political science, education, human resource management, economics, health and information systems, were appointed to form part of this centre.

These specialists enhanced the desired understanding through the stand-alone performance audits and by sharing their knowledge with the audit teams during the planning, execution and reporting of identified regularity audits. The specialists in education and infrastructure conducted numerous briefings of senior officials, ministers and parliamentary committees, sharing their insights with these decision makers.

Increasing access to legal advice

Our Audit Research and Development (ARD) Business Unit, together with the Corporate Legal Services team, implemented a new business process, through which complex legal queries that arise during the execution of our audits are thoroughly addressed. Through this avenue the audit teams now also have access to external, independent legal expertise to assist with high-risk matters or where irreconcilable differences in legal interpretation arise.

Improving the efficiency of the audit process

Further to institutionalising the integrated approach, we undertake to understand the value chain of auditees and extract value from linking the various aspects of the integrated audit process. In this regard, we are finalising the selection of an improved audit software tool that would respond to the AGSA's needs and improve efficiencies by automating certain manual interventions in the audit process.

Continued excellence of the quality of audits performed

The credibility of our reports is directly related to the technical quality of our audit work and as such is one of our key performance measures of the simplicity, clarity and relevance of our messages. It is directly impacted by the systems of quality control related to leadership, ethical requirements, acceptance and continuation of client relationships, human

resources, engagement performance and monitoring in terms of the International Standard on Quality Control (ISQC1). We ensured adherence to the International Standards on Auditing through a strict monitoring and review process of selected audit engagements, performed by our internal quality control unit (including engagements performed by contracted firms) on an annual basis.

In the 2014-15 performance year, 68 engagements were subjected to a post-issuance review and the quality result was 84% against a target of 87%.

The main root cause for the slight decline in the results was the lack of adequate and appropriate documentation on certain audit files. Corrective steps will be taken and monitored to ensure that the root causes are addressed.

Raising and maintaining awareness of the importance of the quality of audits

Our internal quality control unit conducted quality control awareness sessions in all audit business units. These sessions focused on addressing deficiencies in the audit process and raising awareness of quality areas on which the audit business units should focus.

Proactive pre-issuance reviews of selected engagements

ISQC1 pre-issuance reviews of audit engagements are conducted as per the requirements of the AGSA's pre-issuance review policy. During the 2014-15 performance year 366 MFMA and 245 PFMA pre-issuance reviews were conducted.

The pre-issuance review process to determine compliance with the AGSA's pre-issuance review policy was evaluated by the internal quality control unit after each audit cycle.

Independent post-issuance reviews (including those performed by contracted firms)

The internal quality control unit performed post-issuance reviews of a sample of selected audit engagements during the 2014-15 performance year. To ensure unbiased results, the technical quality of our reports is assessed by the quality control assessment committee (QCAC) which comprises the AG, DAG, external member of the audit committee and an external member appointed by the AG.

Implementing and monitoring policies and procedures in respect of all elements of ISQC1

The firm-level review performed by IRBA in the 2012-13 performance year yielded satisfactory results. The internal quality control unit followed up on the deficiencies identified and continued to track the corrective actions that were implemented. Furthermore, specific risk areas were monitored for compliance with policies and procedures as required by ISQC1.

Heightening guidance and involvement in the review of audit work by senior management

In an effort to drive high audit quality, practical tips were identified and shared among the AGSA audit staff. The objective of this document was to enable audit teams to achieve better quality through effective planning, review and supervision of audit work by senior management.

Communicating our message in a manner that is consistent with our findings to ensure that our findings remain credible

The messages we communicate through our reports and engagements are based on the audit work we perform. All findings and observations as communicated in our audit reports, general reports and engagements are first reported through a management report to the accounting officer, which provides the auditee with an opportunity to comment on the correctness of our findings and how they will be addressed.

Enhancing the packaging and positioning of our messages

Findings, root causes and recommendations were captured in management reports to senior management and accounting officers of the auditees, the executive authorities and audit committees.

Our opinion on the financial statements, material findings on the performance report and compliance with legislation, as well as the root causes (expressed as significant deficiencies in internal controls) were included in audit reports, which were published in the auditee's annual report and dealt with by the oversight bodies responsible for the auditee.

In the past few years we have been successful in ensuring our messages reach a broader range of stakeholders through our investment in a structured engagement programme with all our stakeholders (as discussed in detail in the section *Visibility of leadership*).

Our stakeholders challenged us to package our messages differently, making them more relevant to the specific stakeholders and enabling the stakeholders to take action where required. In response to the stakeholder needs, it has become common practice that we produce briefing documents to committees, dashboards to the executive and tailored presentations and messages to each stakeholder group, e.g. Cabinet, ministries, legislatures, NGOs and forums, in addition to the audit reports, management reports and general reports.

The wording and flow of the 2013-14 PFMA management report template was improved and graphics were introduced, while the audit report was enhanced by grouping the reporting on predetermined objectives (PDOs) per programme, objective or development priority. Additional information was inserted in the management report for those charged with governance such as the assurance levels. A guide on writing was provided to staff that prepare management and audit reports to enable them to improve the wording of messages.

The production process for the 2013-14 PFMA general reports was simplified to further reduce the turnaround time, while still adhering to the quality requirements for such reports. The tabling of the report within four months of finalising the audits, as well as the reduced content, provided for more concise and 'digestible' reports that could be actioned timeously by oversight. Graphs, charts and visuals were very useful in conveying the message. A similar process was followed with a predetermined template for reporting on the 2013-14 MFMA cycle to assist in better conveying of the audit messages.

Various channels were identified and developed in the quest to deliver our messages to as many stakeholders as possible. These included the mainstream media, social media, speaking and public relations opportunities, advertorials, presentations and websites where messages were tailored to reach the target audience more easily.

The messages are being noted as we continue to see improvements in the audit outcomes due to stakeholder interventions. In the 2013-14 MFMA cycle, the total number of municipalities and municipal entities with clean audits increased to 58 from 30 in 2012-13.

This represents 40 (14%) of the municipalities and 18 (32%) of the municipal entities in the country. Twenty-seven of these auditees had also received clean audit opinions in 2012-13, which is an encouraging sign that the improvements at these auditees are sustainable.

In the 2013-14 PFMA audit cycle, 119 (25%) of the 469 auditees attained clean audit outcomes compared to 22% in the previous year. The 40 departments and 79 public entities (provincial and national) in this category have control environments characterised by strong leadership control, good governance and financial and performance management controls that prevent or detect and correct errors and non-compliance.

Quality of our non-audit corporate reports

We maintained our good quality standards in compiling our accountability documents, i.e. our *Integrated annual report* and the *Strategic plan and budget*. Both reports were in line with the AGSA's principles of clarity and adhered to the AGSA's corporate house style to ensure simplicity of our messages. These were successfully tabled in Parliament and enjoyed good feedback from our audit committee and our oversight mechanism, SCoAG.

The *Strategic plan and budget 2015-18* detailed the new strategic focus of the AGSA as articulated in the *4V strategy*. Performance targets and measures for the entire organisation for the 2015-18 period were clearly stated. The *Integrated annual report 2013-14* cohesively portrayed all aspects of our organisational performance in a single report. Our financial reporting was in line with the AGSA's commitment to transparency, while our overall performance review provided a balanced and comprehensive reflection of our performance.

Conclusion on performance

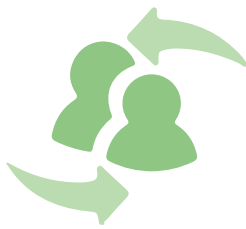
The AG rated our performance on simplicity, clarity and relevance of our content. The rating on our adherence to all quality standards in the audit engagements was confirmed by the QCAC. Table 3.1 summarises our performance on 'simplicity, clarity and relevance of messages' against predetermined objectives.

TABLE 3.1: ACTUAL PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

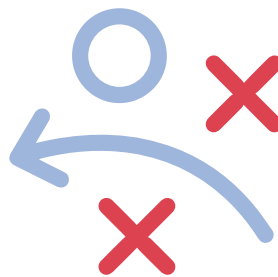
PERFORMANCE MEASURE		Target 2014-15	Actual performance	Comments
Simplicity, clarity and relevance of messages	Audit engagements	100%	100%	Achieved
Adherence to all quality standards	Audit engagements	87% (C1, C2 and C3 rating)	84%	Partially achieved
Adherence to all quality standards	Corporate reports	100%	100%	Achieved

VISIBILITY OF LEADERSHIP

HIGHLIGHTS



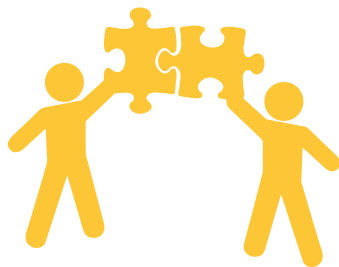
Our staff and executives **held 1 936 engagements** with stakeholders at oversight and executive levels to share audit outcomes and obtain commitments for corrective actions.



Both the AG and the DAG had intensive interactions with staff on the development and cascading of the **new long-term strategy** of the organisation.



Interim outcomes of the stakeholder survey indicated that the **majority of our stakeholders value our products**.



The revised strategy presented by the AG for the INTOSAI Capacity Building Committee to focus on **greater collaboration** by the INTOSAI regions was met with great appreciation.



Engagements with the executive authority enhanced our risk assessment processes.



Using media to reach the public, we saw an increased understanding of our messages.

The interactions with the coordinating ministries **yielded positive outcomes**: unique policy and procedure interventions on various transversal audits were raised.

The collaboration with the National Treasury and the Accounting Standards Board allowed for a proactive approach to **dealing with technical audit issues**.

The AG visited service delivery projects of the municipalities that **achieved clean audit outcomes** to identify reasons for those auditees' success.

SCoPA's process matured of comprehensively scrutinising the annual reports of the auditees while consistently raising issues of consequence management in the public service as a result of the AGSA's briefings.

VISIBILITY OF LEADERSHIP



As a chapter 9 institution tasked with building public confidence in terms of our mandate of being the auditor of the public sector, a key lever for our effectiveness is the visibility of our leadership and continuous engagement with constitutional and non-constitutional stakeholders in respect of our audit messages. Over time we have seen that such engagements ensure stakeholder buy-in and commitment to both the organisation's contribution to state and country and the execution of the audit recommendations. These engagements allow us to better understand the needs and expectations of our stakeholders and tailor our products and approach to extract maximum benefit from our audits.

The selection of our stakeholders is guided primarily by our mandate enshrined in the Constitution of South Africa as well as the International Standards of Supreme Audit Institutions. These stakeholders are categorised as: constitutional stakeholders, contracted private audit firms, professional and regulatory bodies, media and our internal stakeholders. We also interact actively with fellow supreme audit institutions internationally.

External stakeholders

One of the fundamental ways in which to fulfil the constitutional mandate of the AGSA is through meaningful interaction with key constitutional and other stakeholders in terms of planned, structured engagement programmes. The AGSA leadership continually sought to share audit messages with all constitutional stakeholders at the legislative and executive level. This is in line with the strategic goal of visibility of leadership with the objective of making a meaningful contribution towards good governance and accountability in the public sector. The ultimate aim of these engagements is to support the achievement of robust financial management systems that are able to support effective public services to the benefit of all South Africans.

Over the past eight years, the visibility of leadership increased and our effort to partner was demonstrated by institutionalised interaction with the majority of those charged with governance in all spheres of government. We continued to have more interactions with oversight than the 60 minutes in 90 days we initially requested. We have since witnessed an increased appreciation and understanding of our audit messages which is supported by the increased request to the AGSA to provide even deeper insights during briefing sessions.

The regular engagements with the executive authority enhanced our risk assessment processes that form an integral part of auditing processes, by identifying high-risk areas of their departments with a particular link

to their mandated priority areas. This demonstrated an improved level of involvement and monitoring conducted by the executive as a result of institutionalised visibility of the AGSA leadership.

Tailored engagement programmes with stakeholders at oversight and executive level in all three spheres of government resulted in a total of 1 936 engagements during the year. These engagements were focused on sharing audit outcomes and the related key control deficiencies that needed attention, as well as follow-up on previous commitments to improve the key controls that would result in improved financial and performance management.

Based on the perspectives shared on the key obstacles to improving financial and performance management, commitments were obtained for the necessary corrective actions to be taken. These commitments were followed up to ensure that progress was made towards solutions and we reported on the extent of the progress made in our general reports following the annual PFMA and MFMA audit cycles.

As we continually simplified our messages to oversight and through structured and planned engagements with the media as a medium of communication to reach the public, we saw an increased understanding of our messages by the public, which resulted in more focused questioning and calls for corrective actions regarding undesirable audit outcomes. The calls for corrective actions also extended to questioning of the root causes for the slow response to our findings, identified over a lengthy period of time by those charged with governance. Citizens are increasingly using our reports as reference to gather knowledge on the usage of public funds and pose questions to those charged with governance in various forums. This provides impetus to public accountability while we engage with oversight mechanisms.

As the Supreme Audit Institution (SAI) of South Africa we take our leading role in developing the skills of our staff and transforming the profession at large very seriously. As a result, we play an active role in a wide range of professional institutions including regulatory and standard-setting bodies as well as institutions focused on transformation. As an organisation that prides itself on being a learning organisation, we value our professional relationship with other global supreme audit institutions through active participation in INTOSAI.

We continually seek opportunities to listen to our stakeholders' needs in structured meetings and one-on-one sessions, including looking at the trends of governance issues via the Government Communication and Information System (GCIS) and the media.

We also engage in platforms where constitutional stakeholders discuss various issues of governance, transparency and accountability in all areas of the public sector. The scanning of the environment has so far equipped the AGSA's leadership on stakeholder needs and expectations. This has provided an opportunity to clarify and confirm whether we have been able to understand our stakeholders. Where we believe there is room for improvement, we seek further dialogue and interaction. We have been able to adjust our approach due to feedback provided or decisions made by constitutional stakeholders such as legislative amendments or enactment.

As part of our desire to ensure that the organisation remains relevant and delivers effectively on its constitutional mandate, the organisation embarked on a stakeholder perception survey to obtain a base for the understanding of our stakeholders' perception of the AGSA and its products as well as their needs.

The interim outcomes of the survey indicate that the majority of our stakeholders value the products of the AGSA and believe the products and subsequent engagements with the AGSA enable improved governance, accountability and transparency. The final outcomes of this survey will assist the organisation in assessing its visibility programmes as well as its products to ensure that the continuous innovation has the desired impact. In addition it will provide a formal benchmark against which we can assess our improvement and impact.

CONSTITUTIONAL STAKEHOLDERS

Cabinet

As a collective decision-making body of the executive, the AG is provided with an opportunity to engage the executive twice a year after each audit cycle. Within the current reporting period, the AG presented the 2013-14 PFMA audit outcomes (November 2014) and the 2012-13 MFMA audit outcomes (April 2014) to Cabinet. The AG highlighted the improvements made towards clean audit outcomes and the drivers of sustainability. Furthermore, an analysis of undesirable audit outcomes as well as the need for specific corrective actions to improve the state of financial and performance management in the public sector was discussed.

Coordinating ministries

The coordinating ministries, such as Finance, CoGTA, Public Service and Administration (DPSA) and Monitoring and Evaluation, serve as a strategic stakeholder group that interacts with the AGSA on specific areas to ensure public sector-wide best practices in governance.

The AGSA further interacts with coordinating ministries on transversal areas of audit such as supply chain management, human resource management, and information and communications technology to provide insights on required improvements within these focus areas.

The AGSA has also made a positive impact through its interactions with this stakeholder group as evidenced by the unique policy and procedure interventions on different transversal audit issues raised. The development and adoption of the 'back to basics' approach to governance by the Minister of CoGTA not only affirmed the findings made by the AGSA, but provided solutions to the financial and performance management systems of local government. We are encouraged by the establishment of the Public Administration Ethics, Integrity and Disciplinary Technical Assistance Unit within the DPSA, as the AGSA provided inputs during the consultation process of the Public Administration Bill.

The establishment of this unit is further indication that coordinating ministries are heeding the call for government to fast-track issues relating to consequence management in the public sector in line with some of the recommendations made by the AGSA over the past four years. The public procurement review policy further affirms the necessity of a systematic approach to issues of public procurement and responds with solutions.

Executive interactions

The AGSA interacts with executive authorities across the three spheres of government with the objective of highlighting areas of key controls that require the attention of management. This relationship has grown from strength to strength and the AGSA leadership is appreciative of the time afforded to discuss issues of good governance, accountability and transparency.

The executive authority plays a significant role in monitoring the implementation of corrective actions required to address the control deficiencies identified before, during and after the audit process. This is cementing the role of leading by example the executive should play, as they are charged with the role of proper stewardship of public funds allocated by Parliament.

Provincial engagements

The provincial roadshows provide an opportunity for the AG to further cement relations with premiers, provincial legislators, members of executive councils (MECs), speakers, mayors and senior officials that are forged and maintained by the AGSA leadership throughout the year.

The AGSA visited eight provinces (with the exception of Limpopo) to engage on provincial and municipal audit outcomes. The provincial oversight and executive leadership made commitments that should enable the achievement of good financial and performance management in local and provincial government.

To further encourage the efforts of executive and oversight leadership the AG presented awards to municipalities that have over the years achieved and maintained clean audit outcomes. A significant and symbolic milestone that was appreciated by stakeholders was the visit to service delivery projects of the municipalities that had achieved clean audit outcomes. The purpose of these visits was to share with the entire country the fact that clean audits are achievable if robust financial and performance management systems are maintained and everybody is committed to maintaining a clean administration.

National Assembly and National Council of Provinces

Continual interaction to equip members of Parliament in the NA and the NCoP has been institutionalised and has supported the intensity of oversight. During the reporting period, the AG presented the 2013-14 MFMA audit outcomes to a joint sitting of the Chairpersons' Committee of the NA and NCoP for the first time, believing that such a session would be beneficial in ensuring high-impact oversight.

After the AG's session, the leadership of both houses were able to structure their respective oversight programmes to reflect and focus on areas of governance as reported by the AGSA. The oversight mechanism of these houses of Parliament is exercised through portfolio, standing and select committees which individually investigate further and address issues of public accountability through public hearings.

Portfolio committees

In pursuit of our visibility goal as a chapter 9 institution and to fulfil its mandate, the AGSA solicited a partnership with the houses of Parliament through orientation programmes to equip the newly appointed members of Parliament at national and provincial legislatures.

These opportunities for capacity building were offered by way of portfolio committee workshops and meetings where the AGSA leadership also presented audit outcomes that will ensure continuity in responding to issues of public accountability.

The AGSA further initiated a process of enriching oversight on the annual performance plans of departments by providing committee chairpersons with structured engagement on the status of annual performance plans of departments and key controls. Additional support to portfolio committees increased, most notably during the annual assessment of departments by the NA committees, as required by the Money Bills Amendment Procedure and Related Matters Act. The AGSA provided critical input and insight in relation to the financial, predetermined objectives and compliance outcomes and the related key control deficiencies, as required by oversight committees to enable impactful oversight.

The impact of our interaction with portfolio committees in national Parliament improved significantly, as evidenced by the high level of interest by the committees for briefings by the AGSA as well as the level of attendance of the chairs of the portfolio committees at the AG's audit outcomes briefings in national Parliament. However, engagements with portfolio committees at a provincial level remained an area for improvement, although some progress had been made in a few provinces, especially where oversight leadership demonstrated eagerness to engage with the AGSA.

Standing Committee on Public Accounts

The SCoPAs continued to play a catalytic oversight role based on the AGSA's findings. They structured all their hearings on the root causes as identified during the briefings by the AGSA; however, successful long-term oversight by the SCoPAs will largely depend on their ability to follow up on the resolutions passed after their engagements with departments and related entities. For the year under review, the national SCoPA adopted a strategic plan to focus and intensify oversight in the following areas:

- Timeous processing of resolutions (processing of resolutions during the last week of every month)
- Compliance with supply chain management prescripts and internal controls
- Action taken by management against officials who do not comply with legislation
- Capacity and systems to track progress made with the implementation of recommendations
- Oversight at entities that incur unauthorised and fruitless and wasteful expenditure

It is important to recognise that SCoPA's process of comprehensively scrutinising the annual reports of the auditees has matured, while consistently raising issues of consequence management in the public service as a result of the AGSA's briefings.

Association of Public Accounts Committees (APAC)

The collaborative relationship with APAC continued to grow. In terms of a memorandum of agreement (MoA), the AGSA provides an executive secretariat that supports the governance structures of APAC. The AGSA also played a pivotal role in facilitating the APAC strategic planning sessions that resulted in crafting a new vision, mission and value statement.

The AG's quarterly engagements also focused on the MFMA and PFMA audit cycle outcomes. Further engagement took place during APAC's annual training sessions and stakeholder seminars where the AGSA's leadership shared audit insights with a wide range of SCoPA and portfolio committee members in attendance. The AGSA's in-depth analysis and narrative approach provided a deeper understanding of drivers of audit outcomes on the part of the APAC leadership and representatives of the municipal public accounts committees (MPAC). This created a great opportunity for APAC and MPAC representatives to receive clarity on focus areas that would encourage accountability and transparency in the various spheres of government.

REGULATORS, STANDARD-SETTERS AND PROFESSIONAL BODIES

The National Treasury and Accounting Standards Board

The National Treasury (NT) and the Accounting Standards Board (ASB) are key stakeholders of the AGSA as custodians within their respective mandates of the main financial management legislation in the public sector and the financial reporting frameworks. We interact and collaborate with various divisions within the NT including the office of the chief procurement officer, the budget office and intergovernmental relationships division.

The Office of the Accountant-General (OAG) is however our main area of collaboration and we had frequent engagements with them over the course of the financial year to address areas of common interest such as accounting, legislative and auditing interpretation.

We also continued with the well-established and strategic trilateral relationship that includes the secretariat of the ASB. These relationships are of great value to us and the public sector as they ensure coordination and collaboration between the standard-setter (ASB), the implementer (NT) and the auditor.

We engage with the ASB and NT on two levels: (1) as quarterly engagement between the Accountant-General, the Chief Executive Officer of the ASB and the AG and (2) on a more regular basis as informal technical meetings between the technical staff of the three parties. The informal technical meeting is chaired by the AGSA and during the past year over 20 such meetings were held to resolve accounting and legislative matters raised by preparers of the financial statements and the auditors.

Outcomes of these meetings include additional guidance developed by the OAG on the implementation of the modified cash standard and interpretation of the legislation on irregular expenditure and the issuance of FAQs on interpretation of certain matters in the Generally Recognised Accounting Practice (GRAP) standards.

Part of our collaboration with this group of stakeholders was our participation in the monthly Accounting Forum which deals with interpretation and implementation of the GRAP standards. It is chaired by the ASB and attended by technical staff of the audit firms, consultants as well as NT and provincial treasury representatives. The collaboration with the NT and ASB allows for a proactive approach to dealing with technical challenges in the audit environment and presents a unique and constructive basis for strengthening basic technical requirements, processes and fiscal disciplines in the public sector.

Professional institutions

The AGSA takes part in the Public Sector Audit Committee Forum on two levels: at the steering committee and as chair of the working group. The forum was constituted with members from the NT, Institute of Internal Auditors (IIA), Institute of Directors in South Africa (IoDSA), Development Bank of South Africa (DBSA), Institute of Risk Managers (IRMSA), South African Institute of Chartered Accountants (SAICA) and South African Local Government Association (SALGA). The forum is also attended by practitioners from some of the audit firms and from IRBA. The purpose of the committee is to develop guidance and training for audit committee members in the public sector.

A number of guides were prepared during the year and the AGSA was responsible for the guide on *The role of the audit committee in relation to the external and internal audit process*. The guides are due to be published in the third quarter of 2015. Successful round-table discussions were held in a number of provinces during the year, to which audit committee members were invited and which were also attended by AGSA staff, where common concerns were discussed.

The Public Sector Standing Committee (PSSC) is a committee established by IRBA, and chaired by the AGSA, which includes representatives of audit firms that do work in the public sector and members of our technical department. The purpose of the committee is to develop guidance for auditors in understanding the public sector environment in which public sector audits are conducted, understanding specific audit and reporting requirements of the AGSA and addressing issues related to auditing in the public sector. Since its inception the committee has developed and published two guides and another two will be published shortly. During the past year it was also extremely useful to be able to consult extensively with firms represented at the committee on matters impacting the revision of our audit methodology.

The AGSA, through the head of quality control, is represented on the IRBA Inspection Committee. This enables us to sustain relations with the regulator and benchmark audit practices and audit quality with the private audit profession.

We continued to participate in various forums and structures focused on public sector accounting and auditing, overseen by professional institutions such as SAICA, SAIGA, the IIA, the Information Systems Audit and Control Association (ISACA), the Association of Certified Fraud Examiners (ACFE) and the Association of Chartered Certified Accountants (ACCA). The IIA has constituted a public sector committee where representatives of the internal auditors in the public sector, the IIA, the NT and the AGSA meet to discuss matters related to the conducting of internal audits in the public sector and the relationship with the external auditors.

Contract work audit firms

The AGSA continues to engage with private firms on different levels: individually, as a group and within their existing professional structures. There were more engagements in the year under review and these were aimed at fostering the AGSA's strategic partnership with the private firms. We successfully created a think tank that has representatives from the AGSA and the firms on a voluntary basis.

We held one national debriefing session (these will be held twice a year in future) where we shared the AGSA's strategy, insights to reach a common understanding on public sector auditing including the sharing of outcomes, risk sharing and root causes, to name a few. After each of the audit cycles the AGSA's business units and audit firms held debriefing sessions to share lessons learnt that would be applied in the next audit cycle.

Some of the lessons learnt were logistics around the contract and assignment arrangements, areas of improvement in the relationship between the firms and the AGSA and also with the auditees in order to create a better working environment and execution of the audits.

Participation in professional associations

The AGSA plays an active role in transforming the profession through its work with the contract work firms and engagement with organisations such as the Association for the Advancement of Black Accountants of South Africa (ABASA), African Women Chartered Accountants (AWCA) and the Black Management Forum, The AGSA was a prominent sponsor at the two-day conference that was hosted by ABASA on 25 and 26 September 2014.

This sponsorship is a strategic investment and demonstrates our commitment to transformation of the sector. At this event, the AGSA was presented with an award for being a transformed organisation and for 'walking the talk' when it comes to transformation and women empowerment.

In a separate event in November 2014, celebrating the achievement of those candidates who completed their final qualifying examination (FQE) in 2014 to qualify as chartered accountants (CAs), ABASA recognised the AGSA for its contribution to the growth of the accountancy profession in the public sector, specifically for having the highest number of newly qualified CAs in the Gauteng region.

International cooperation

Our programme of international activities is aimed at keeping abreast of the latest international auditing standards, methodologies and best practices, and is also aimed at sharing our knowledge and experiences with others. This we do by playing a role in a number of key committees of the International Organisation of Supreme Audit Institutions (INTOSAI), taking part in various development and knowledge-sharing initiatives in Africa, and playing a leadership role in respect of INTOSAI's capacity development structure and initiatives.

INTOSAI working groups

The AGSA continued to be an active leader among other SAIs of INTOSAI in working groups, subcommittees and task forces, with the objective of strengthening our professional capacity while fully implementing the agreed international auditing standards in financial, performance and compliance auditing, which are the focus areas of our auditing.

In the Professional Standards Committee and the Knowledge Sharing Committee and their subcommittees we led project teams and made substantive contributions to guidance documents. We particularly led project teams in IT auditing.

We shared our experiences in the newly established steering committee of the new working group on the audit of extractive industries and volunteered to serve on a pilot audit involving seven African SAIs. The knowledge gained during this innovative pilot will be used to strengthen our capacity to audit this important sector of the economy.

We continued to play a leading role in the working group on the value and benefits of SAIs where we led the change management initiative of the working group, and in the working group on key national indicators where our experience in the auditing of predetermined objectives enabled extensive inputs to the guidelines being developed.

Although only a few members of staff receive this exposure for reasons of affordability, the knowledge they acquire is disseminated to other AGSA staff upon their return.

AFROSAI and AFROSAI-E

Based on our undertaking to direct our expertise towards capacity building for the benefit of the African continent in the first place, we continued to support the capacity development of English-speaking SAIs. Since 2005 we have been hosting the Executive Secretariat of AFROSAI-E, enabling it to roll out more than 70 training and other developmental programmes to its 24 member SAIs.

While many of our staff benefit from the world-class training interventions offered by AFROSAI-E, certain of our senior staff have also gained much experience and knowledge by participating as trainers in AFROSAI-E training programmes.

The head of SAI SA also served as vice-chair at the 13th AFROSAI General Assembly held in October 2014; continued to chair the Finance and Administration Subcommittee of AFROSAI and acted as theme chair for the deliberations on the auditing of local government.

We have also joined the newly constituted AFROSAI Capacity Building Committee and look forward to close collaboration with the new chair and secretariat based in Senegal.

Auditor-General's leadership within INTOSAI

The AG held a number of leadership positions during the past year, including chair of the Capacity Building Committee (CBC). At the annual CBC meeting in Lima, Peru in September 2014, he presented a revised CBC strategy focusing on greater participation by the INTOSAI regions. The strategy emphasises the importance of greater collaboration in striving for INTOSAI goals. This strategy was endorsed by the INTOSAI Governing Board in Vienna in November 2014.

The AG also led an INTOSAI task group on INTOSAI auditor certification, where we were able to share at an international level our success with regard to our trainee auditor scheme.

He further chaired a number of INTOSAI and Commonwealth Auditors-General work sessions, most recently as technical chair at a United Nations/INTOSAI symposium in Vienna, Austria, where the role of SAIs in relation to the UN Post-2015 Development Agenda was deliberated by 70 countries. The symposium's conclusion provided a guideline to SAIs with regard to the preconditions for and expectations and possibilities of contributing to global sustainable development.

Study visits and memorandums of understanding

We continued to learn from other SAIs and share our knowledge and expertise with African and other international colleagues by hosting study visits. In the year under review, we hosted study visits from Malawi, Kenya, Indonesia and Nepal. Another channel used to gain and share knowledge relates to a number of memorandums of understanding (MoUs) that we have with the following key SAIs: Brazil, China, Ghana, India, Mexico and Russia.

Such exchange of practices and approaches deepens our knowledge about the key principles of public sector governance, performance auditing, the auditing of internal controls, capacity building for local government and engagement with external stakeholders. Cooperation with the SAI of Ghana presented an opportunity for detailed collaboration in regard to audit practices that respond to the unique conditions on our continent, such as extractive industries, quality control practices and contract auditing.

Interaction with the media

We recognise the critical role played by the media as key disseminators of accountability information to the public in any democracy. Over time, we have established sound and mutually

'The 2015 UN/INTOSAI Symposium has once again highlighted

**THE EXCEPTIONALLY
IMPORTANT ROLE
SAIs HAVE TO PLAY
IN SUPPORT OF THE
DEVELOPMENT OF THEIR
RESPECTIVE NATIONS,**

but also in support of the international community's combined initiatives aimed at ending poverty, safeguarding the planet for future generations, and transforming the world so that all its citizens can live with dignity.'

Kimi Makwetu, Vienna, 4 March 2015

beneficial relations with the media. This has enabled us to convey the messages contained in our audit reports to the wider public. To this end, for the year under review all strategic media interactions focused on proactively providing journalists with informed insights to convey the AGSA's messages. Key media activities to profile and increase the visibility of the AGSA and its leadership included the media briefings on the MFMA and PFMA audit outcomes.

In essence, these briefings were designed to enable media practitioners to gain deeper insight into our messages and work in general. Before these media briefings started, AGSA officials and journalists explored, under strict embargo, the audit results, root causes, recommendations and simplification of audit terminology. This educative approach enabled journalists to report in an accurate, balanced and informed manner.

A new feature introduced during the year under review was a strategic programme of educating trainee and student journalists about the role of the AGSA. The aim is to enable these future journalists to understand the AGSA's mandate so that they can report on the AGSA from a position of understanding when they become working reporters. To this effect, the AG addressed trainee journalists of the New Age Journalism Cadet School and Rhodes University's Journalism and Media students, with similar sessions planned for the future.

Social media – engaging the broader public



The AGSA made strides in using social media to communicate its messages with a wide array of stakeholders while positioning its brand as South Africa’s supreme audit institution. In addition to the familiar channels, LinkedIn and Twitter, mobile applications for Android and iOS platforms were launched. These contributed to maintaining a visible public profile, driving our key audit messages and recruiting high-calibre candidates. In the coming years we plan to expand our activities on the social media platform as part of ongoing engagement with citizens.

Visibility to other stakeholders

We used every available opportunity to make our work and our brand known to a variety of stakeholders. Some of the highlights were:

- Dissemination of AGSA posters in printed format at the GCIS and SALGA government communications events.
- Sharing of AGSA communication collateral with government communicators for use in their municipalities, province and departments. The objective is to assist communicators at different tiers of government to communicate effectively, create a consistent understanding of the AGSA’s messages and communicate externally with the media and other relevant stakeholders.
- Talks given by the senior leadership at conferences and events where the AGSA also had exhibition stands. These opportunities were instrumental in positioning auditing outcomes and enabled interaction towards the consistent understanding of AGSA messages.
- Public lectures by the AG at the University of Johannesburg in August 2014, and the University of Pretoria in February 2015.

Strategic interactions with our staff

Detailed understanding of the strategic direction, strategic goals and objectives of the organisation by all our employees is a necessary condition for the achievement of our mandate and operational targets. Hence, strategic engagement with staff is taken seriously by the leadership and takes place on a regular basis. The main ways of reaching staff are through regular strategic alignment sessions, structured senior management strategic forums, informal strategic discussions, internal communication portals and a variety of activities to promote the organisational culture.

This reporting period was dominated by interactions aimed at formulating and cascading our enhanced long-term strategy, *Vision 2024*, as conceptualised by the AG at the start of his term of office. He visited each business unit to describe personally the intention of the strategy and the desired end state for the public service.

These initial discussions were followed by rigorous interactions at executive level with the peak of the strategic work occurring during the Senior Management Workshop (SMW) which took place in May 2014.

Following the tabling of our plan, the DAG embarked on an internal roadshow to ensure alignment across the organisation on strategic initiatives supporting the strategy and the actions required to execute the new strategy.

Conclusion on performance

The AG rated our performance on the visibility of our leadership. Table 3.2 summarises our achievement against the predetermined objectives.

TABLE 3.2: ACTUAL PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

PERFORMANCE MEASURE	Target 2014-15	Actual performance	Comments
High-quality, value-adding external stakeholder interactions conducted and escalated where necessary	100%	100%	Achieved



FUNDING

HIGHLIGHTS

R49 million

Debt collection initiatives bore fruit: 16 auditees who entered into ring-fencing agreements have **settled their debt of R49 million**

up by 8,4%

Audit income is up by 8,4%: R2 750 million (2013-14: R2 536 million) and 3,5% above budget.

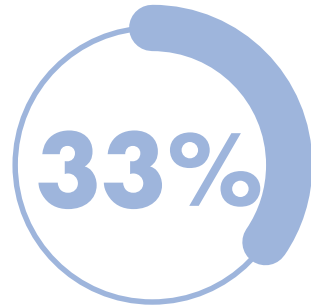
R138 million

Surplus was R138 million or 5,02% (2013-14: R99 million or 3,89%)

Creditors' payment days were **33 vs a target of 45 days**

R510 million

The cash balance increased by 2,7% from R496 million **to R510 million**



Gross profit was at **33%**: R910 million (2013-14: R803 million or 32%)



Local government debt amounted to R366 million or **52%** of the total debtors book (2013-14: R322 million or 53%).



24% CWC audit income **compared to 26%** for the same period last year, driven by the strategy to decrease outsourced services.

Sustainability of the AGSA's funding model

The AGSA strives at all times to execute its mandate economically, efficiently and effectively and focus on providing value-for-money audits to the public sector.

Over the years, since the implementation of the current funding model, good financial administration and financial discipline embedded in the model enabled the AGSA to achieve surpluses and become financially stable. The AGSA's financial stability was sustained through steady cash flows and strict management of the expenses incurred in terms of its annual operating budget.

Based on the financial year under review, it is our view that the funding model is still relevant to support the AGSA's strategy and objectives. However, it is important to note that the AGSA's surpluses are not in liquid cash, as a significant portion of these surpluses is tied up in debtors.

Thus the organisation is not in a position to allocate any of these surplus funds to projects, until the outstanding debt has been collected. This has resulted in a backlog in infrastructure investment of around R627 million (R23 million in the current year and R604 million in previous years).

To maintain the financial viability of the organisation, debt collection was prioritised with initiatives focused on collection of long overdue debt coupled with efficient and effective methods of dealing with current and future debt.

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

In the year under review our actual audit income was R2 750 million (2013-14: R2 536 million) against a budgeted audit income of R2 658 million (2013-14: R2 474 million).

This represents a year-on-year increase of 8,4% or R214 million and 3,5% or R92 million above budget, driven by the strategy to decrease outsourced services' income referred to as CWC. CWC is work performed by private audit firms on behalf of the AGSA for which no mark-up is added.

CWC as a percentage of audit income was 24% compared to 26% for the same period last year. The decrease in the CWC percentage of audit income resulted in an additional increase of R73 million, or 1,1% above budget (2013-14: 2,7% below budget) in own hours' income, which contributed to a surplus of R20 million.

Overhead expenditure

Actual overheads amounted to R814 million against a budget of R917 million, thus an underspending of R103 million made up of R63 million in savings, R23 million in projects not rolled out and R17 million in employment costs, relating to late appointment of staff or positions not filled for a longer period.

Actual overheads for 2013-14 amounted to R753 million, which represents a year-on-year increase of 8,1% compared to a year-on-year increase in audit income of 8,4%.

The savings of R63 million were driven by ongoing cost-cutting measures and the integration/consolidation of some projects, mainly in training/learning and development and information technology.

Surplus

The reported surplus for the year under review is R138 million (2013-14: R99 million) against a budgeted surplus of R31 million (2013-14: R25 million). This represents a year-on-year increase of 39,8% or R39 million and 351% or R107 million above budget resulting from the net effect of R20 million in CWC and savings in overheads as detailed in the previous section.

TABLE 3.3: NET SURPLUS TRENDS

	Budget 2014-15	Actual 2014-15	Actual 2013-14	Actual 2012-13
Net surplus	1,15%	5,02%	3,89%	0,85%

Total debtors

The total outstanding debt as at 31 March 2015 was R709 million. Local government debtors amounted to R366 million or 52% of the total debtors book and national government and other debtors amounted to R343 million or 48% of the total debtors book.

TABLE 3.4: TOTAL AGSA DEBTORS

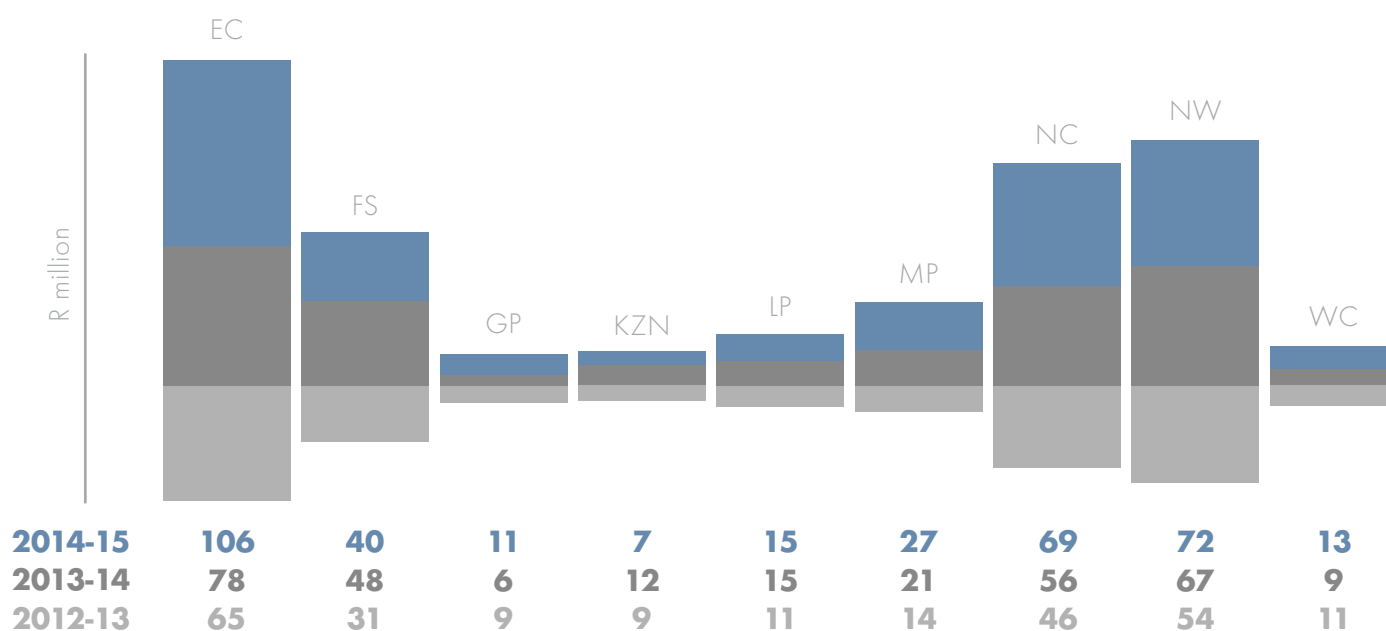
	Budget 2014-15	Actual 2014-15		Actual 2013-14		Actual 2012-13	
	Target outstanding days	R million	Days outstanding	R million	Days outstanding	R million	Days outstanding
National departments	30	74	4	77	44	65	35
Provincial departments	30	142	29	115	25	93	41
Local departments	90	366	292	322	265	262	253
Statutory bodies	90	38	169	61	99	55	114
Other		89		32		42	
Total		709		607		517	

Local government debtors

Local government debt continues to grow year on year and debtors' days outstanding increased from 265 days in 2013-14 to 292 days against a target of 90 days as reflected in table 3.4. Local government

debt in the 120+ days category is R172 million (2013-14: R146 million) or 47% (2013-14: 45%), which is a significant portion and an indication of the challenge to collect our fees. This debt is concentrated in four provinces: Eastern Cape, Free State, Northern Cape and North West, which represent 78% of the local government debt.

FIGURE 3.1: LOCAL GOVERNMENT DEBTORS*



* Excluding accruals

Low collections from local government are mainly due to the following factors:

- Lack of funds in low-capacity municipalities and the inability of the National Treasury to cater for all these debtors because of budget constraints.
- The low revenue base of some auditees which continued to decline due to poor economic climate, in turn, affected their ability to pay audit fees.

Debt collection efforts

The AGSA continues to address the challenges of low collection from local government debtors through the following initiatives:

- Working with the National Treasury to assist in the payment of 1% debtors. During the year under review, the AGSA received an amount of R61 million (2013-14: R40 million) which was an allocation from the National Treasury in respect of the 1% debtors.
- Promoting special payment arrangements for debtors
Section 23(2) of the PAA requires our auditees to settle our accounts for audit fees within 30 days from the date of invoice, failing which the AGSA must promptly take legal steps to recover the amounts, unless it is not practical to do so. Since the commencement of the

PAA and in order to maintain strong stakeholder relationships, the organisation has explored various avenues short of litigation to recover our audit fees.

However, our outstanding debtors' book, in particular in the local government sphere, has reached such an alarming point that the AGSA had to commence with a process of litigation to recover long outstanding audit fees.

- Ring-fencing agreements

In a bid to work with local government debtors to ensure that they pay their debt, the AGSA introduced ring-fencing payment whereby municipalities enter into an agreement with the AGSA to pay their old debt over an agreed period. Table 3.5 shows the payment history since the implementation of the ring-fencing arrangements.

As at 31 March 2015, a total of 27 auditees (2013-14: 10 auditees) entered into ring-fencing arrangements with a total debt of R99 million (2013-14: R33 million), of which 16 auditees settled their debt of R49 million or 50% (2013-14: 5 auditees settled R12 million or 36%). In total R73 million or 74% was paid (2013-14: R26 million or 79%).

TABLE 3.5: RING-FENCED DEBT AND AMOUNTS PAID

	Number of auditees entered into ring-fencing	Ring-fenced amount	Amount paid	Outstanding balance
2014-15	27	R99 million	R73 million	R26 million
2013-14	10	R33 million	R26 million	R7 million

- Litigation

Between 1 January and 31 March 2015 the AGSA issued summons against 27 municipalities, one department and four other entities for a total debt of R114 million. Payment of R3 million was received through concluding settlement agreements based on payment plans developed and proposed by the defaulting auditees.

Eight settlement agreements to the value of R28 million were also in the process of being prepared.

Our summarised performance against the predetermined targets on debt collection is presented in Table 3.6.

TABLE 3.6: DEBT COLLECTION DAYS

	Budget 2014-15	Actual 2014-15		Actual 2013-14	Actual 2012-13
	% current debt collected	% current debt collected	% old debt collected	% current debt collected	Debt collected within 30 days
Average collection by national BUs	98% -100%	98%	100%	99%	84%
Average collection by provincial BUs	96% -98%	88%	85%	96%	51%
Average by Finance	100%	100%	100%	100%	100%

Creditors' days

We have always endeavoured to honour our commitments to our suppliers. For the last three years our performance has stood around 32-33 days.

While we are doing everything possible to improve this performance, there are some inherent difficulties. Mostly, this is attributable to the non-alignment between the dates of capturing the invoices and the statement dates as well as invoices not appearing on creditor statements.

TABLE 3.7: CREDITORS' DAYS

CREDITORS' PAYMENT TERMS	Budget 2014-15	Actual 2014-15	Actual 2013-14	Actual 2012-13
Creditors' days	45 days from voucher date	33 days	32 days	34 days

We have now reached a good equilibrium in handling this side of our financial performance and have decided that this measure will not

be part of our strategic focus. It will, however, remain an operational performance target for all business units.

TABLE 3.8: STATEMENT OF COMPREHENSIVE INCOME

	Budget 2014-15	Actual 2014-15	Actual 2013-14	Actual 2012-13
	R million	R million	R million	R million
Revenue	2 658	2 750	2 536	2 214
Direct audit cost	(1 800)	(1 840)	(1 733)	(1 573)
Gross profit	858	910	803	641
Gross profit %	32%	33%	32%	29%
Other income	4	4	6	5
Contribution to overheads	862	914	809	646
Overheads	(917)	(814)	(753)	(688)
Surplus from operations	(55)	100	56	(42)
Net interest income	86	33	35	65
Other comprehensive income (expense)	-	5	8	(4)
Total comprehensive income	31	138	99	19

TABLE 3.9: STATEMENT OF FINANCIAL POSITION

	Budget 2014-15	Actual 2014-15	Actual 2013-14	Actual 2012-13
	R million	R million	R million	R million
Assets				
Non-current assets	146	95	92	101
Current assets	1 083	1 102	981	880
Total assets	1 229	1 197	1 073	981
Equity and liabilities				
Equity	488	696	558	459
Non-current liabilities	82	70	69	72
Current liabilities	659	431	446	450
Total equity and liabilities	1 229	1 197	1 073	981

STRENGTHENING OUR HUMAN CAPITAL

HIGHLIGHTS



We recruited **1 126 employees** in 2014-15, of which 36% were internal appointments.

We employed **547 SAICA members** and 343 SAIGA members (excluding TAs).

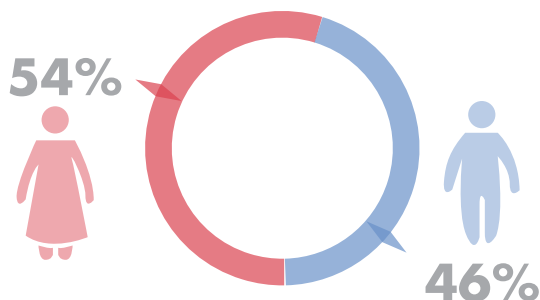
Our TA intake remained **over 400** as we appointed 428 new TAs in 2014-15 (2013-14: 447).

1 762 employees were trained in soft skills.



We achieved our occupancy target of 90% and overachieved on the staff turnover target at 10,8%

An award as 'most ethical organisation' was bestowed on the AGSA by **UNIVERSUM** based on a survey among SA students.



We have **54% female** representation which is higher than the 46% national average.

The AGSA became a member of the **Sanlam umbrella** fund in January 2015.

R72 million was invested in learning and development.

The bursary scheme recruited **34 new bursary holders** and 17 holders were placed as TAs.

There was a **9,96%** increase in the overall learnership number; an overall increase of 22,8% since 2012-13.

We achieved a pass rate of **74%** in the RGA FQE results (2013: 90%).

61% of our TAs passed the APC/PPE and 33 TAs would be admitted as CAs (SA) after articles.

STRENGTHENING HUMAN CAPITAL

WORKFORCE PROFILE

- Workforce profile
- Work performed by contractors

EMPLOYEE RECRUITMENT AND RETENTION

- Employee recruitment
- Improving job occupancy levels
- Employee turnover
- Employee retention
- Talent management

CREATING A HIGHLY SKILLED WORKFORCE

- Continued learning and professional development
- Our commitment in investing in learning and development
- Learning and development spending
- Learning and development curriculum
- Foundation Midzi
- Technical skills development
- Soft skills development

GROWING QUALIFIED AUDIT PROFESSIONALS

- Our learnerships
- Pass rate for final qualifying exams
- Tailored study support offered to our trainees
- SAICA learnership
- SAIGA learnership
- Continued investment through external bursaries

ENHANCING THE EFFECTIVENESS OF OUR LEADERS

- On-going focus on leadership self-development
- Providing executive coaching and mentoring
- Participating in executive development
- Enhancing the level of team performance
- Deeper knowledge of the public sector environment
- Developing and strengthening our leadership pipeline development

CREATING AN ENABLING ENVIRONMENT FOR HIGH-PERFORMANCE CULTURE

- Culture of ethics, accountability and high performance
- Labour disputes and corrective actions
- Employee wellness

We have always recognised that without the right people with the right skills and attitude we would not be able to execute the organisation’s strategy and deliver on our mandate. To this end our human capital related policies and approaches are updated constantly to reflect the specific needs of the organisation and the labour market conditions.

During the year under review the executive committee approved an updated, comprehensive People strategy aimed at ensuring the achievement of the strategic outcomes through enhanced capabilities and efficient and effective people management tools and processes. It also details our endeavour to be an employer of choice, attractive to prospective employees as well as providing opportunity and development for existing employees.

WORKFORCE PROFILE

The full staff complement, including trainee auditors and short-term contracts, stood at 3 435 at 31 March 2015, compared to 3 249 as at 31 March 2014. This represents a 6% growth from the previous reporting period, mainly in the core business (audit) units, following a moratorium placed on the headcount growth in the support units.

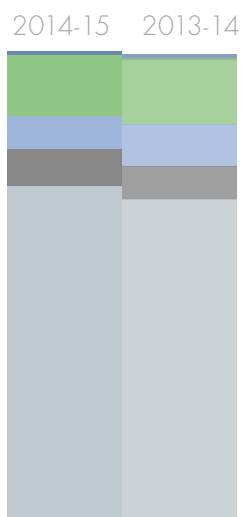
No significant variations of the employment numbers were observed in the period under review.

TABLE 3.10: WORKFORCE BY REGION AND GENDER

Regions	Female	Male	Grand total
Eastern Cape	182	123	305
Free State	83	108	191
Gauteng	115	129	244
Head Office	381	286	667
KwaZulu-Natal	128	107	235
Limpopo	71	100	171
Mpumalanga	76	81	157
Nationals	532	380	912
North West	97	57	154
Northern Cape	72	77	149
Western Cape	120	130	250
Grand total	1 857	1 578	3 435

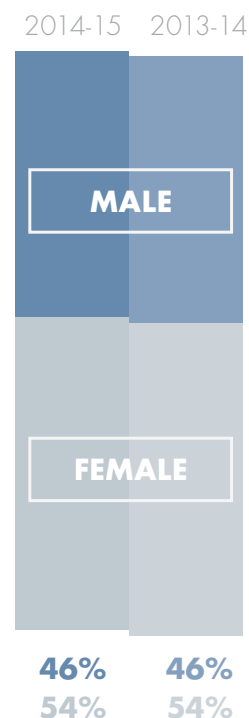
FIGURE 3.2: WORKFORCE BY RACE AND GENDER

WORKFORCE BY RACE:



	2014-15	2013-14
FOREIGN NATIONAL	1%	1%
WHITE	13%	14%
COLOURED	7%	9%
INDIAN	8%	7%
AFRICAN	71%	69%

WORKFORCE BY GENDER:



	2014-15	2013-14
MALE	46%	46%
FEMALE	54%	54%

The workforce population distribution is based on the Quarterly Labour Force Survey (QLFS) published by Statistics South Africa on the economically active population (EAP). The EAP includes people from 15 to 64 years of age who are either employed or unemployed and who are seeking employment.

The representation of female employees - 54% of the total workforce - is considerably higher than the 46% of the national average of the economically active population (EAP). (Statistics South Africa Quarterly Labour Force Survey 3 2013).

Representation of employees living with disabilities is 0,6% of the total workforce. This is considerably lower than the target set at 2%. Although it is noted that no EAP is available for people with disabilities from Statistics South Africa, special focus will be placed on making significant strides in increasing the representation of people with disabilities in the institution's workforce.

TABLE 3.11: WORKFORCE BY OCCUPATIONAL GROUP AND GENDER

Job level	Band	Number of staff	Gender	
			Male	Female
Auditor-general	B1A	1	1	0
Deputy auditor-general	B++	1	0	1
Corporate executive	B+	11	8	3
Business executive	B	28	14	14
Deputy business executive	C+	21	13	8
Senior managers	C	213	128	85
Managers	D	646	321	325
Assistant managers	E1	542	273	269
Audit supervisors	E2	108	48	60
Auditors	E4/E5	36	14	22
Trainee auditors	G	1 328	606	722
Audit clerks	GC	124	50	74
Administrative personnel	E3/E1/F	350	91	259
Other (STC)	STC	26	11	15
Total		3 435	1 578	1 857

TABLE 3.12: WORKFORCE BY OCCUPATIONAL GROUP, GENDER AND AGE GROUP

Workforce by type of contract and gender

Type of contract	Female	Male	Total
AG		1	1
Permanent	116	137	253
Permanent new conditions	879	729	1 608
Fixed-term contract	130	102	232
Trainee contract	716	598	1 314
Short-term < 12 months	16	11	27
Grand total	1 857	1 578	3 435

Workforce by race and age

Age group	African	Coloured	Indian	White	Foreign	Total
<25	267	29	25	13		334
25-35	1 734	141	189	111	7	2 182
36-55	380	63	77	264	20	804
>55	42	6	1	65	1	115
Grand total	2 423	239	292	453	28	3 435

As 63,5% of the total workforce falls in the age group 25 - 35 years, this fairly young workforce is undoubtedly also highly mobile. This group, which is often referred to as Generation Y, brings with it different attitudes and work habits that need to be incorporated

into the existing culture. This has resulted in different generational mentalities and priorities and the workplace melting pot has new challenges ahead.

TABLE 3.13: EXECUTIVE COMMITTEE BY RACE GROUP

Designation	African	Coloured	Indian	White	Total
DAG	1				1
CE	6	1	1	3	11
Grand total	7	1	1	3	12

Organisation’s work performed by contractors

In order to effectively deliver on our mandate, the AGSA makes use of other audit firms to execute some of the organisation’s audits. 24% of the audit work was performed by contractors. While this was necessary to get the work done for the AGSA, it was also due to a concerted effort to contribute to the growth of upcoming audit firms.

Employee recruitment

The Human Capital Business Unit implemented a recruitment strategy aimed at revolutionising talent attraction and acquisition and ensuring the institution has the opportunity to hire the best people to successfully operate in a competitive, high-performance environment.

In accordance with that strategy, PNET, LinkedIn, Facebook, Twitter and Google AdWords were selected as online platforms and social media tools to assist the institution with talent attraction and acquisition as well as branding. The tools have been utilised for advertising vacancies online and translated into an increase of traffic on the AGSA’s website and career pages, which gives the AGSA access to a bigger pool from which to source.

The recruitment of trainee auditors has become easier, as the image and branding of the organisation keeps improving. This is evidenced by the organisation’s award of ‘Most ethical organisation’ by UNIVERSUM, based on the survey conducted among students.

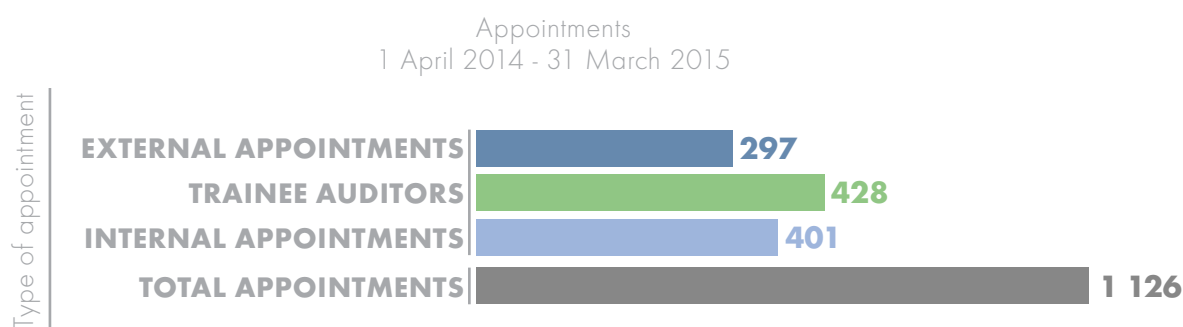
Improving job occupancy levels

The sustainability of the institution is strongly underpinned by the availability of staff with the required work ethics, knowledge, competencies, skills and professionalism. The focus is on attracting talented future employees, mobilising the capabilities of existing employees and retaining high-performing talent, particularly in critical areas.

We recruited 1 126 employees in 2014-15, to ensure that the institution maintained adequate staffing levels for effective performance. Of the total appointments, 36% overall and 62% of the executives that we recruited were internal appointments. This demonstrates the maturity and effectiveness of our talent management programmes.

Our TA intake remained over 400 as we appointed 428 new TAs in 2014-15 (2013-14: 447).

FIGURE 3.3: NEW EMPLOYEE HIRES



Despite the scarcity of skills in specialised areas, the institution managed to reach our strategic target of a job occupancy rate of 90%. The core to achieving the job occupancy levels is the attraction, recruitment, retention and development of staff. Creating a ‘great place to work’ was enabled by competent and caring leadership, our ability to boost employee satisfaction as well as employee engagement.

Employee turnover

The organisation reached its strategic target of keeping turnover below 12% to ensure consistent quality of the delivery of our mandate. At the end of March 2015, the overall turnover was 10,8% (excluding trainee auditors, audit clerks and short-term contracts). The institution’s employee turnover is low when compared to the financial service industry norm of 19,3%.

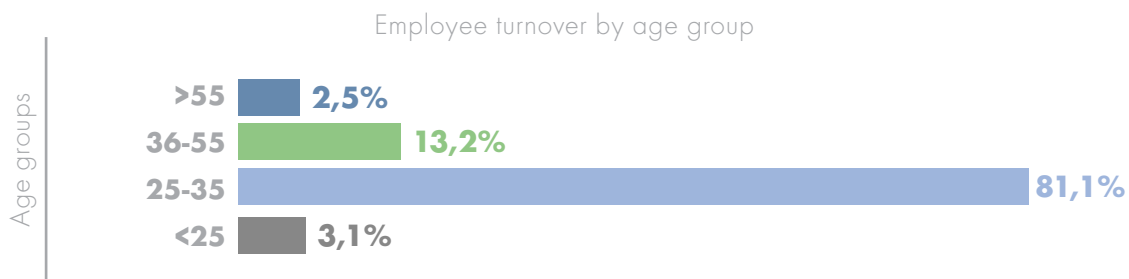
Voluntary resignations accounted for 56% of all terminations.

The five major specified reasons for employee exits were:

- Better career prospects
- Contract not renewed
- Better salary offer
- Better job security
- Better benefits

These reasons relate to better career opportunities which are described in relation to a more attractive package, better employee benefits and being offered a more permanent role. While we will not be able to meet every employee’s aspirations on these points, we work hard to improve our conditions of employment and employee benefits, as discussed in the next sections of the report.

FIGURE 3.4: EMPLOYEE TURNOVER BY AGE GROUP



Employee retention

In order to deal with the reasons for voluntary resignations the AGSA implemented a total reward strategy. Initially, group risk benefits were incorporated into the employees’ payslip. The introduction of in-house retirement and medical aid schemes was approved by the executive committee.

The AGSA became a member of the Sanlam umbrella fund (group retirement scheme) in January 2015 and all new appointments are included in this programme. Sessions for existing employees across the organisation were conducted to raise awareness of the programmes and encourage existing employees to join.

Talent management

The overall aim of talent management activities is to support the organisation’s ability to attract, develop, excite and retain talent to ensure the organisation remains competitive. We continued to enhance the ways we manage talent, monitoring and evaluating the effectiveness (particularly the implementation) of the talent management framework, focusing on the following:

- Awareness of the enhancements to the performance management system (The well-balanced performer).
- Encouraging robust talent conversations.
- Introducing innovative ways of engaging the workforce.
- Development of leaders through a structured training and development curriculum.

Continued learning and professional development

The organisation is building a highly skilled workforce to meet the needs of organisational strategy by:

- Enhancing and developing the skills and competency base of our employees through:
 - o Following a competency-based curriculum for all employees (audit and non-audit)
 - o Growing qualified audit professionals belonging to various professional bodies as part of the desired professional qualifications profile
 - o Adopting a blended learning approach to learning and development and a variety of learning methodologies instead of the traditional classroom training
- Measuring skill capabilities to identify development gaps through:
 - o Skills audit
 - o Learning and development surveys
 - o Inputs from the HC psychometric assessment and manager assessment and development centre (MADC) centres
- Acquiring a competent staff complement within the business unit ranks, from the organisation-wide subject expert resources, from the industry partnerships such as Public Administration Leadership and Management Academy (PALAMA) and from collaboration with the international fraternity such as INTOSAI / AFROSAI-E

Our commitment to investing in learning and development

Efficiency and effectiveness of both employees and the organisation is dependent on learning and professional development. Training has a distinct role in the achievement of organisational goals.

The AGSA continues to create a culture that encourages and supports continued employee learning through learning interventions. Staff are taking responsibility for their own continued development by accessing these opportunities to prepare them for future achievements. As the largest recognised training office of professional accountants for the public sector in SA, the AGSA continues to develop professionals that can feed into its workforce and that of the public sector at large.

Quote by NL: Barri Maggott who attended the BRaN course:

'ONE OF THE CHALLENGES WE AS THE AGSA FACE, IS TO ENSURE THAT OUR MESSAGES ARE CLEARLY COMMUNICATED AND ARE WELL RECEIVED BY OUR VARIOUS STAKEHOLDERS.

To do this successfully we need to build strong relationships that give us the credibility to deliver these messages. The BRaN initiative is aimed at equipping our leaders to build stronger relationships and thereby increase the impact of the messages we deliver. I am excited at the opportunity this initiative will afford us, to have an even greater impact in our dealings with our stakeholders.'

LEARNING AND DEVELOPMENT SPENDING

TABLE 3.14: INVESTMENT IN LEARNING AND GROWTH

ASSISTANCE CATEGORIES	2014-15	2013-14
	Actual (R'000)	Actual (R'000)
Study and skills development support to employees		
Bursaries to employees	14 712	16 594
Internal training	4 922	9 536
External training	3 136	2 705
Subsistence and travel for training	6 479	12 336
Foundations	7 598	7 346
Study support by tuition providers	4 910	3 756
Innovation and learning development projects	1 452	1 742
	43 209	54 015
Study support to external recipients		
Bursaries (full-time studies) for tuition, study materials and accommodation	11 553	11 359
Tertiary assistance	2 841	1 267
	14 394	12 626
Professional memberships		
Professional membership fees	13 745	11 715
Corporate membership fees	614	195
	14 359	11 910
Total	71 962	78 551

Based on the learning needs identified by the business units, we compiled a training plan and all courses were successfully rolled out. We continue to ensure that our people remain equipped with the necessary skills and knowledge.

The internalisation of technical training, as well as the streamlining of the trainee auditors' curriculum, resulted in a 20% cost saving when compared to the prior year. The discontinuation of Tsinde (for all newly appointed staff and promotions) and the introduction of the Welcome and Orientation Workshop (WOW) only for new appointments resulted in a R6,9 million saving.

LEARNING AND DEVELOPMENT CURRICULUM

Foundation Midzi



Since its introduction in 2012, Foundation Midzi has become one of the most influential/impactful programmes in the AGSA aimed at introducing the newly appointed trainee auditor to the AGSA’s auditing methodology and cementing the basic technical skills required on an audit. Through this five-day programme the trainee auditors aspiring to become qualified professionals while serving their articles are inducted into their new working environment. We successfully trained 397 new AGSA trainees in this financial year.

For the first time this year we welcomed and trained trainee auditors from small audit firms as part of the AGSA’s enterprise and supplier development project. Through this project the following firms were assisted:

- Audit Network Firm: 4 trainees
- Tsebang Chartered Accountants: 2 trainees
- Motheo Chartered Accountants: 3 trainees

The programme was held in Limpopo with the active participation of the leadership.

Technical skills development

Technical training aimed at trainees and audit professionals is part of the technical training curriculum. These courses covered various areas including reporting frameworks, SAICA competencies and topics specific to the public sector.

A total of 128 sessions were held during the year covering the people as indicated in the following table:

TARGET GROUP	2014-15 Total people trained*	2013-14 Total people trained*
Audit professionals	2 456	2 094
Trainee auditors and audit clerks	1 782	1 311

*Number of people trained refers to the number of people who attended the training sessions. Some individuals have been counted more than once as a result of attending more than one course during the year.

Soft skills development

Soft skills training is aligned to the organisational competency framework. The training courses were attended by the following target groups:

TARGET GROUP	2014-15 Total people trained	2013-14 Total people trained
Business executives and senior managers	109	334
Managers and assistant managers	1 010	1 272
Trainee auditors and support	643	883



The Welcome and Orientation Workshop (WOW) was introduced in 2014-15 and is designed exclusively to address the learning needs of our newly appointed staff. It is crucial for the public sector audit professionals to build better and more effective relationships. To this end a new course Building Relationships and Networking (BRaN) was developed. Evaluation of the BRaN programme by learners indicates that the training is relevant to their working environment and will help them to effectively execute the AGSA’s mandate.

There was a natural decline in the number of people trained in soft skills because these courses are attended once only by permanent staff. We expect to reach a point where the need for such training is aligned with the staff turnover at each level. The substitution of Foundations Tsinde with WOW contributed to the decrease in the number of people trained in soft skills. This trend is not applicable to technical training which is relevant mostly for TAs; hence the TA intake determines the attendee numbers, e.g. Equip 1, 2 & 3 is compulsory for all TAs at that level per year.

Growing qualified audit professionals

The organisation has, in the past couple of years, managed to significantly increase the qualified audit professional numbers that

make up its staff complement. This overall growth has not only ensured that the AGSA has a wide range of auditing skills but has also allowed the AGSA to have, as the highlight of this achievement, more than 500 qualified chartered accountants (CAs) in the employ of the organisation. This shows that indeed the AGSA is not only a leading organisation in public sector auditing and assurance, but has also become an employer of choice when it comes to talented and skilled young professionals.

The graph below shows the total number of staff that have registered with their respective professional bodies. A further 12 employees are in the process of registering with SAIGA and 32 with SAICA. This clearly demonstrates the extent of the professionalisation of the organisation as a whole.

FIGURE 3.5: PROFESSIONAL MEMBERSHIP PROFILE OF EMPLOYEES (EXCLUDING TRAINEE AUDITORS)



The graph represents employees who have registered as members with the different professional bodies as follows: ACCA (member of the Association of Chartered Certified Accountants), CISA (certified information systems auditor), RGA (registered government auditor) and CA (SA) (chartered accountant (South Africa)).

OUR LEARNERSHIPS

Our increased focus on marketing and recruitment drives combined with the extensive TA study support programmes and initiatives resulted in an increase of 9,96% in the overall learnership numbers from the previous financial year and a significant 22,8 % growth for all learnerships since the 2012-13 financial year.

This is very encouraging, as the learnerships serve as the main pipeline of audit professionals feeding into the organisation. The diagrammatic representation on p.69 shows the learnership journey of a typical TA within the organisation.

The TA scheme is not only a vehicle for increasing the professional skills base in the organisation but also a means by which the organisation redresses the imbalances of the past by giving attention to previously disadvantaged groups - Figure 3.7 specifies the race and gender distribution of our learners.



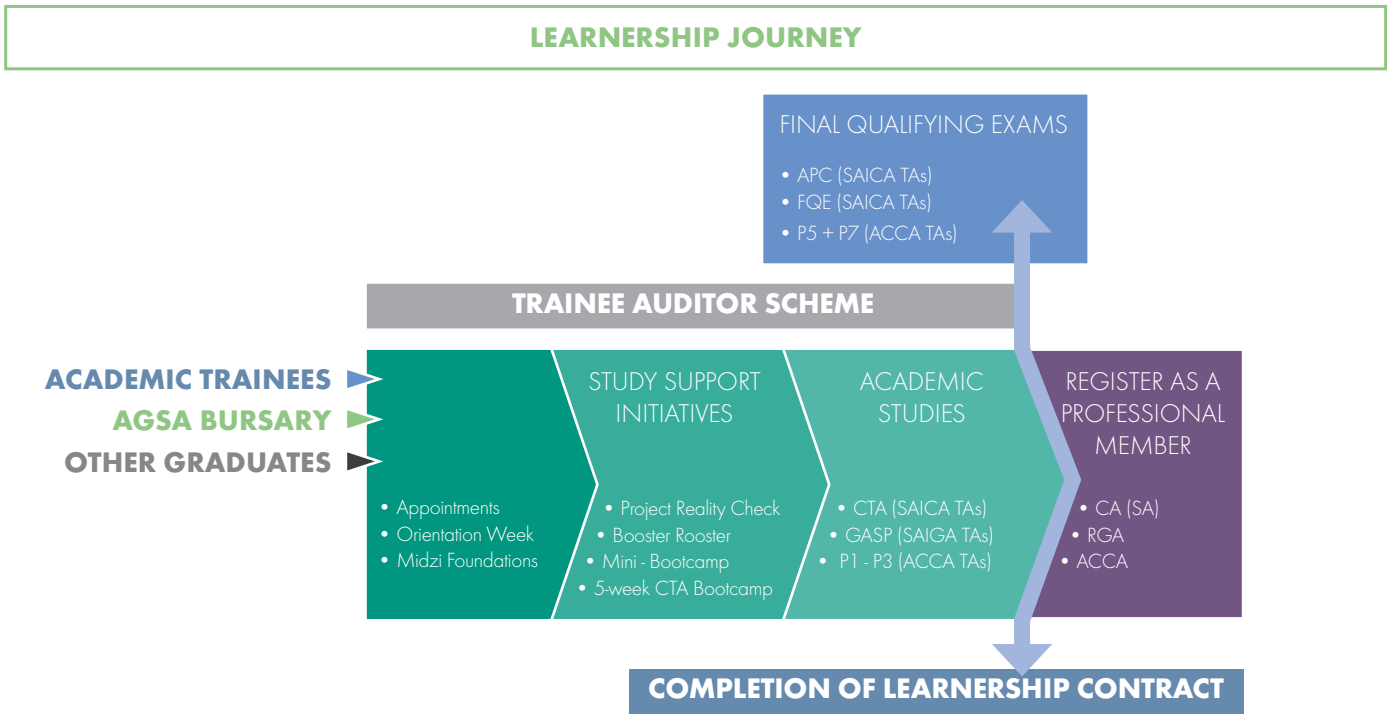


FIGURE 3.6: TRAINEE AUDITOR PROFILE ACROSS THE AGSA'S LEARNERSHIPS

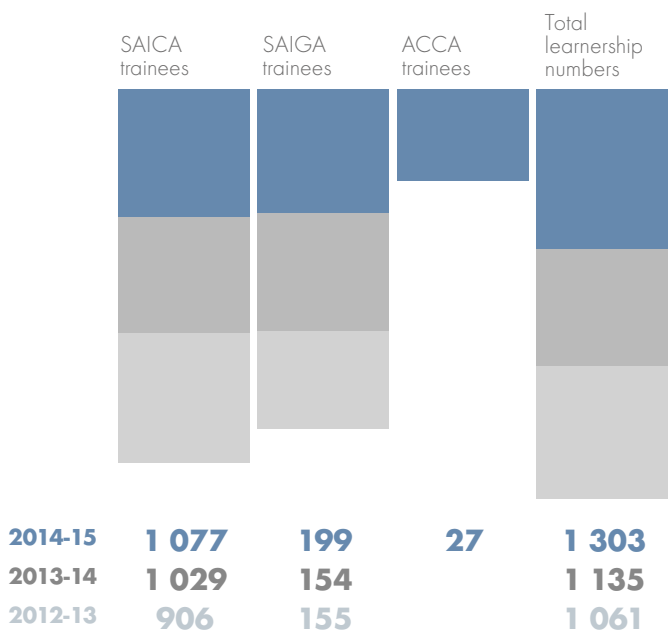
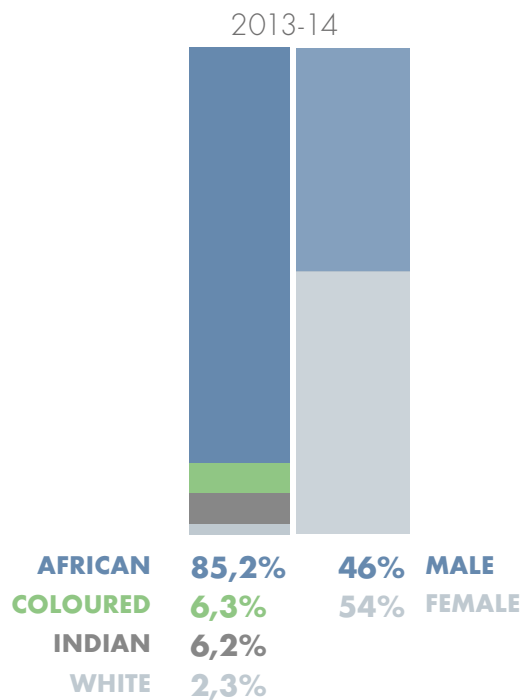


FIGURE 3.7: TA RACE AND GENDER COMPOSITION



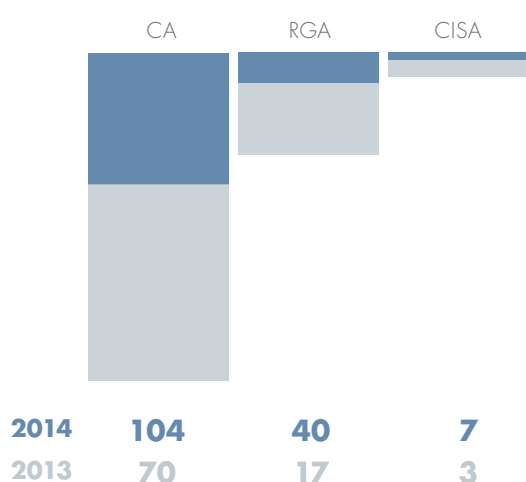
Four training offices in our organisation breached the low risk rating level during the SAICA training office accreditation review. We also maintained our Association of Chartered Certified Accountants (ACCA) platinum accreditation.

Pass rate for final qualifying exams

Our success in respect of our employees who attempted and passed their final qualifying exams continued to improve, mainly due to the dedicated efforts and study support provided by the organisation.

We added 151 newly qualified specialists to the auditing profession, this is the largest qualification group in comparison to the previous years. This year recorded 104 employees that passed their APC (Assessment of professional competence) / PPE (Public practice examination) to become chartered accountants (65% pass rate), 40 employees that passed the RGA (registered government auditor) final qualifying exam (89% pass rate) and 7 that passed their CISA (certified information systems auditor) examination (44% pass rate).

FIGURE 3.8: NUMBER OF EMPLOYEES WHO PASSED THEIR FINAL QUALIFYING EXAMS DURING 2014-15 (EXCLUDING TAS)



Tailored study support offered to our trainees

Almost all the AGSA's trainee auditors are busy with postgraduate studies, with the majority studying for the Certificate in the Theory of Accounting (CTA) Levels 1 and 2 at UNISA. In an attempt to increase the TAs' chance of passing their exams, the following top-up study support initiatives (over and above the bursaries, interest-free loans and study leave days that are given to each TA) were rolled out to the TAs:

- Project reality check
The project reality check introduced in 2013 was again presented in 2014. This project is an opportunity for our CTA1 and CTA2 TAs to write five one-hour mock exam papers (one in each of the five CTA subjects). The outcome of this project was used to select the participants for the first mini-Boot Camp and Booster Rooster sessions.



- Booster Rooster and Boot Camp programmes
The two prized CTA study support programmes, the CTA1 Booster Rooster and the CTA2 Boot Camp were designed to increase the CTA pass rates. Since the inception of the Boot Camp in 2012, the CTA2 pass rate has seen a steady increase mainly because the TAs compete to be on the programme. We also believe this is contributing to improving the results of the AGSA's recruitment drive.

The Booster Rooster programme is also yielding very good results: a total number of 79 TAs have attended at least one session and passed the CTA1 examinations, yielding a pass rate of 59%. This pass rate is more than three times the overall CTA1 pass rate in the AGSA of 17%. The added benefit of our study support programmes is that some of the participants are keen to 'give back' and are assisting in their own business units by providing study support to TAs after hours.

The following are examples of testimonies from TAs about the support they received from the AGSA.



SNENHLANHLA SHABANGU FROM THE GAUTENG BU SHARES HER SUCCESS STORY:

‘Joining the AGSA and being a part-time CTA1 student for the first time was a scary and lonely experience for me. I was very fortunate to qualify for two of the Booster Rooster sessions. These sessions gave me the foundation to focus on perfecting my exam technique.’



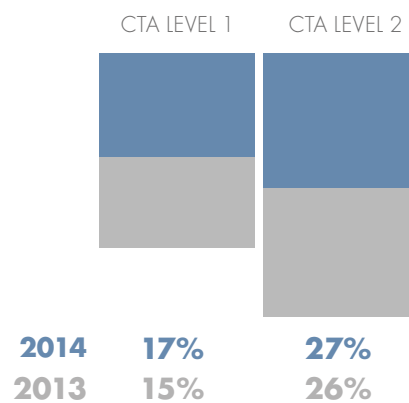
NTSOMI MACEBO TAKES TIME TO SHOW HIS GRATITUDE:

‘This is an appreciation to all the staff involved in making 2014 a prosperous year for all AGSA TAs. I remember when I was told that the AGSA makes tremendous efforts in providing support to ensure that their TAs succeed. I said to myself, “What on earth? What company goes to such lengths?” I grabbed the opportunity with both hands.’

SAICA learnership

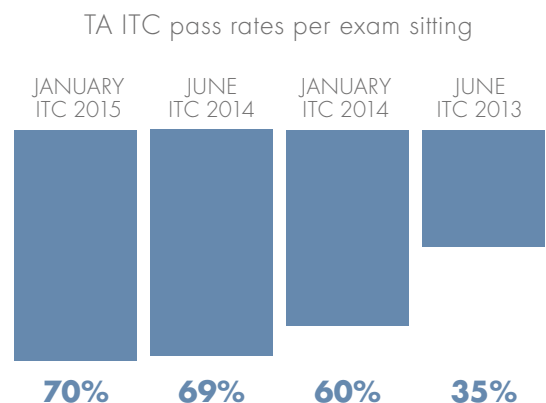
The CTA pass rates remained fairly constant at 17% for CTA1 (2013: 15%) and 27% for CTA2 (2013: 26%). These rates are encouraging, considering that a total of 152 TAs passed their exams in 2014 (CTA1: 80 students and CTA 2: 72 students) in comparison to the 104 TAs in 2013 (CTA1: 38 students and CTA2: 66 students). This is a promising result as we are progressively increasing the pipeline for future professionals.

FIGURE 3.9: COMPARISON OF CTA PASS RATE FROM YEAR TO YEAR



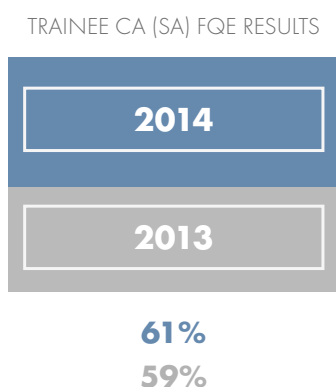
In the 2014-15 financial year, 78 TAs passed their ITC (January ITC 2015 and June ITC 2014) compared to the prior financial year, where 58 passed (January ITC 2014 and June ITC 2013). This represents a 34% increase in the average pass rate percentages from one financial year to the other. We are very proud of these TAs.

FIGURE 3.10: ITC PASS RATES PER EXAM SITTING FOR TAs



In 2014 SAICA introduced the APC examination for the first time, to replace the old public practice exams (PPE). Our trainee auditors recorded a pass rate of 61% for both exams (63% for APC and 50% for PPE). This means that a total of 33 TAs will be admitted as newly qualified CAs (SA) once their articles have been signed off.

FIGURE 3.11: TRAINEE CA (SA) PASS RATES IN THE FINAL EXAMS

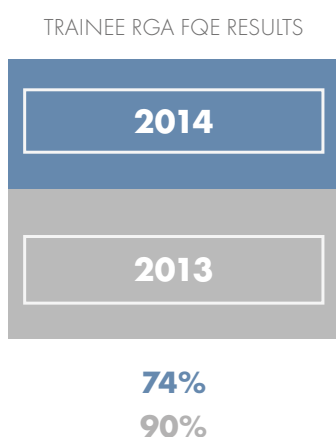


SAIGA learnership

The pass rate for SAIGA’s government auditor specialist programme (GASP) as the prerequisite for the final qualifying exam for the RGA designation remained unchanged at 100% for the past two years.

Although we recorded a decrease in our pass rate (2014: 74%, 2013: 90%), 54 professionals were added to our establishment.

FIGURE 3.12: TRAINEE RGA PASS RATES IN THE FINAL EXAMS



Continued investment in students through external bursaries

One of the mechanisms used in ensuring that we have a reliable pool of prospective TAs when it comes to the recruitment drive of the TA scheme, is the external bursary initiatives that the AGSA affords to deserving students across the country. The bursary management team continued to hold face-to-face sessions with bursary holders to ensure that our external bursary students are on track and making academic progress. This assisted us in identifying areas where assistance was needed and offering support where necessary. In the 2014 academic year, the external bursary scheme funded 120 students and the pass rate of our bursary holders is indicated in the following table:

TABLE 3.15: EXTERNAL BURSARY STUDENT PASS RATE

CATEGORY	Registered	Passed	Graduated
Undergraduate	88	71	16
Postgraduate	BCTA	8	2
	CTA	22	8

The above represents a pass rate of 81% at undergraduate level and 33% at postgraduate level. The graduation rate at postgraduate level is the same as the pass rate, at 33%, as all students that have passed this level go on to graduate. The graduation rate for the undergraduate level is 44%, reflecting the pass rate at 3rd year undergraduate level.

For the 2015 intake, the bursary scheme recruited 34 new bursary holders while 17 bursary holders who completed their studies were placed as TAs in the AGSA workforce.

As part of the visibility initiatives, the AGSA sponsored academic achievement prizes at various universities. In the recent prize-giving and graduation ceremony at the University of the Free State, seven of the academic top achiever prizes were awarded to the AGSA bursary holders with two of them obtaining their BCom CA degree with distinction.

Enhancing the effectiveness of our leaders

The capability and effectiveness of our leaders are central to the process of strengthening the human capital of the organisation. For this reason, we continued to deepen our focus on the development of leaders in our organisation. These leadership initiatives are largely input-driven with

a view to reaping benefits that will translate into a meaningful impact at a later stage. A more focused and structured approach to leadership development was enhanced through the development of the AGSA's *Leadership and management framework*. The framework, while still fresh in its approach, provided a heightened awareness of the leadership results envisaged by the AGSA.

During the performance year, significant progress was made in the implementation of a number of tools available to support and capacitate our leaders. These tools include, among others, the Belbin team roles; Enneagram personality types; conflict management styles; social styles and giving and receiving. Trends and key themes emanating from the implementation of these tools enable the AGSA leadership to be continually in touch with the dynamics within the environment and channel their efforts effectively towards specific leadership results, focusing on people development and creating an enabling environment. These trends and key themes are outlined in the various sections below.

Ongoing focus on leadership self-development

There was a visible increase in the awareness and commitment of our leaders and the uptake of implemented interventions related to their own development. Senior management teams (BE, DBE and SM levels) from 21 business units across the AGSA utilised assessment and diagnostic processes to enhance their level of awareness of dynamics within their teams and prioritise relevant interventions for implementation.

Leadership teams (i.e. 21 out of 33 BU teams - 63,6%) across the organisation utilised tools to assess the climate within their teams and identify areas that would assist them in creating an enabling environment. The outcomes of these assessments enabled our leaders to identify key trends and prioritise specific interventions for enhancing leadership effectiveness within the AGSA. Key trends identified include the need to continuously engage with our staff, sharpen our ability to give and receive feedback and drive accountability by focusing our efforts on building and sustaining a high-trust environment.

Providing executive coaching and mentoring

Coaching and mentoring gained momentum in the organisation with the continued focus on targeted interventions across the AGSA. Of particular significance was the uptake of these interventions at leadership levels, with 27% of staff at various leadership levels utilising available executive coaching and mentoring processes.

The results anticipated from these coaching and mentoring initiatives are improved leadership performance, ongoing self-management and effective interpersonal relations with others and within teams. Interventions to enhance coaching skills in the organisation were largely needs-based, with more focus placed on assessments to identify the willingness, ability and readiness of line managers to coach. Team coaching was a newly implemented intervention that enhanced the culture of coaching by focusing on the nature of interactions between team members and addressing underlying challenges impacting team performance.

While this intervention was fairly new, it resulted in positive outcomes within the few teams that participated, including more open engagements on matters impacting the team, a heightened awareness of the nature of interpersonal interactions between team members, less conflict and improved team performance. A more meaningful impact will only be realised at a later stage when the input-driven initiatives will be able to reap benefits.

Participating in executive development programmes

The AGSA's Leadership DNA and Competency frameworks provide key input into the required leadership development initiatives in the organisation. As part of the journey to enhance leadership effectiveness within the AGSA, a number of executive and leadership development programmes have been explored based on the proficiency levels of the various leadership positions in the organisation. Table 3.16 provides an outline of the universities and programmes explored during the year:

TABLE 3.16: OUTLINE OF UNIVERSITIES AND EXECUTIVE AND LEADERSHIP DEVELOPMENT PROGRAMMES EXPLORED BY THE AGSA

INSTITUTION	Programmes
University of Stellenbosch Business School	<ul style="list-style-type: none"> Executive Development Programme Senior Management Development Programme Executive Human Resources Programme
University of Cape Town Business School	<ul style="list-style-type: none"> Executive Development Programme Strategic Thinking and Execution for Growth Programme
UNISA Graduate School of Business Leadership	<ul style="list-style-type: none"> Executive Development Programme Management Development Programme
GIBS	<ul style="list-style-type: none"> Programme for Management Development

A total of 31 staff members across various leadership levels in the AGSA participated in these programmes with a view to assessing the suitability of further implementation in the organisation. In addition to the exposure obtained from participating in these programmes, the delegates also provided useful insights regarding further implementation. Long-term results anticipated include enhanced on-the-job performance by those who have attended these programmes.

Enhancing the level of team performance

Team development and effectiveness initiatives continued to take the forefront during the performance year with more than 50% of teams across the AGSA participating in targeted team development interventions. In the previous year, 30% of teams (10) participated in the targeted team development interventions. The increased level of participation in team development activities, triggered by the implementation of enhanced team and situational diagnostic processes, demonstrated the organisation's commitment to instil its value of working effectively in teams.

The AGSA focused on team roles, conflict resolution and initiatives to build trust with the aim of increasing the level of engagement and quality of team interactions in the organisation. There was also an enhanced level of awareness in dealing with trust within business unit leadership teams, as well as a general realisation that open engagements are crucial in identifying areas that require attention. Going forward, there will be a continued focus on team-related and trust-building interventions within teams across the AGSA.

Deeper knowledge of the public sector environment

The AGSA continues to equip its staff with in-depth knowledge of the public service. This drive entails creating knowledge-sharing platforms between public service leadership and the AGSA. In this way, AGSA auditors benefit immensely by acquiring broad knowledge about the departments/entities and the environment in which they are working.

Topics of engagements were expanded to include more leadership issues. Various speakers/thought leaders from outside the organisation were invited to participate in these engagements.

These included the following topics:

- Performance, monitoring and evaluation with public service
- The journey towards clean administration
- Leadership in the context of spiritual intelligence

The process is anticipated to contribute in enhancing the level of partnership that is required between the AGSA and its auditees.

Developing and strengthening our leadership pipeline development

The organisation implemented a system to profile AGSA talent through the use of the talent matrix that triggers developmental opportunities for those identified through this process. The leadership development interventions, including talent plotting, career discussions and leadership assessments, have been structured and are implemented in a way that facilitates the readiness of employees to be promoted to more senior positions.

Culture of ethics, accountability and high performance

During the period under review, we embarked on awareness sessions with leadership on matters of diversity management, gender, ethics and values.

The key focus for diversity management was to address the generational gaps, language barriers and racism.

In the South African context, gender equity seeks to address the historical social, economic and moral injustices of the past by recognising diversity and disadvantages and directing resources and services towards those most in need. Various engagements and awareness initiatives took place in the organisation to intensify the understanding of the role of women and men in the economic, social and moral upliftment of our society and included celebration of Women's Month, disability awareness, 16 days of activism for no violence against women and children, and a men's leadership workshop.



Ethical behaviour is a key component of the values and desired behaviour of the staff of the AGSA and as such the identified desirable behavioural indicators are now included in the performance management process.

Over the past four performance years, we requested feedback from our employees to assess our efforts in engaging staff and driving the desired organisational culture and leadership. Since 2011-12 we have consistently surpassed the industry norm and our own moving targets as shown in table 3.17.

TABLE 3.17: PERFORMANCE ON ORGANISATIONAL INDICES FOR THE PAST FOUR YEARS

PERFORMANCE MEASURE	Industry norm in				
	2011-12	2011-12	2012-13	2013-14	2014-15
Culture index	3.2	3.71	3.73	3.73	3.34
Leadership index	3.2	3.76	3.74	3.74	3.82
Staff engagement index	3.2	4.01	4.03	4.03	3.44

Annual survey and focus group interviews. The indices are expressed on a 5-point scale. Targets improved by 5% on previous year.

While we were confident that overall we were on the right track, in 2014-15 the survey took on a slightly different approach to the previous years. The intention of the survey was directed at soliciting deeper insights on specific topics as outlined in table 3.18.

TABLE 3.18: INDICES AND SUB-DIMENSIONS

INDEX	Sub-dimensions
Leadership and management index	Leadership (senior management)
	Management practices
	Strategic alignment
Culture, structure and technology index	Values
	Experience of culture
	Trust
	Project management
	Technology
	Barriers to a high-performance culture
Engagement index	Brand perception
	Change management
	Engagement
	HR Processes
	Performance Management

The outcomes of all three dimensions in the **leadership and management index** were above expectations, with strategic alignment perceived most positively. We believe that this was a result of the focused efforts and robust discussions conducted throughout

the reporting year to ensure understanding and optimal alignment to the *4V strategy* as well as the implementation of the tools aimed at equipping and enhancing leadership capability.

Positive results were achieved in two of the sub-dimensions in the **culture, structure and technology index**, i.e. the values and the experience of culture. The remaining aspects, i.e. structure, trust, project management, technology and barriers to a high performing culture, were perceived as developmental areas by staff and have been identified as priorities in the AGSA’s culture journey going forward.

The brand perception as part of the **engagement index** was rated strongly by the employees due to their positive experiences of the AGSA and their ability to make a meaningful contribution. While employees mostly feel motivated and engaged, there are specific areas that require ongoing attention, specifically along engagement, change management, performance management and HR processes. Improvement in these areas will become important in the next few years.

Labour disputes and corrective actions

The AGSA does not belong to an employers’ organisation and/or a bargaining council and is not covered by a collective agreement. The terms and conditions of employment are workplace-based and are guided by the Basic Conditions of Employment Act (as amended). All the disputes and problems regarding terms and conditions of employment are referred to the Commission for Conciliation, Mediation and Arbitration (CCMA).

Nine (2013-14: 4) cases were referred to the CCMA during the year under review. Of these three were decided in favour of the employer, four were settled and two cases are awaiting arbitration.

No matters were disputed in terms of the policy on the elimination of unfair discrimination.

The events of the past year underscored the critical importance of maintaining effective relationships with employees and stakeholders. Training was provided to employees on 'Employee rights, duties and responsibilities' and to managers on 'Managing probation'.

A consistent message was delivered that, although the institution is emphasising the promotion of a positive culture in which all employees treat one another with dignity and mutual respect, employees will face appropriate consequences, especially in cases of serious misconduct such as unethical behaviour, dishonesty, failure to comply with the AGSA's policies and procedures and fraud.

Employee wellness

The institution strives to maintain a healthy work environment via its employee wellness programmes. The Staff Wellness Programme incorporates activities aimed at promoting and enhancing physical, social, emotional and spiritual wellness, quality of life, financial and intellectual wellness. During the period under review, greater emphasis was placed on assisting with wellness activities and providing improved services and coverage.

- 1,6% of the workforce accessed the employee wellness services for emotional interventions in various areas including personal development, stress, relationship issues as well as health and lifestyle assistance.
- A psychological counselling clinic was established at our head office in Pretoria to assist employees with post-traumatic stress syndrome, bereavement, mental illness, etc.

- Incapacity management training was provided to 320 line managers nationally and positive feedback was received regarding the sessions.
- During the reporting period 157 executives underwent the Executive-care examinations, each receiving a comprehensive report highlighting individual risk areas, as well as advice on improving their well-being.



Conclusion on performance

Following a year of extensive effort in professionalising and developing our workforce, continuously enhancing our work culture and environment, we record that we achieved our strategic targets. The organisation's multifaceted strategy to build a motivated, high-performing and diverse workforce continues to yield positive results.

As we recognise and celebrate positive steps, we continue to take stock of areas that require our attention and commitment to achieve the goals we aspire to reach.

Areas where opportunities for improvement were identified will become priorities in the next performance period.

TABLE 3.19: ACTUAL PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

PERFORMANCE MEASURE	Target 2014-15	Actual performance	Comments
Occupancy level (%)	90%	90%	Achieved
Maximum staff turnover (%)	12%	10,8%	Overachieved
Culture index	3.75	3.34	Partially achieved
Leadership index	3.74	3.82	Overachieved
Staff engagement index	4.05	3.44	Partially achieved

LEADING BY EXAMPLE

HIGHLIGHTS

R109 million

Seventeen per cent of the total CWC work, or R109 million, **was allocated to black-owned firms.**

A **comprehensive update** of our audit methodology was completed in March 2015.

R656 million

During 2014-15 the AGSA **appointed 83 audit firms** which performed audits to the value of R656 million, representing 24% of the total audit revenue.



A new intranet system 'iShare' was developed and launched in 2014-15, allowing staff to share knowledge and collaborate online as well as minimising the transporting of large files through email.

LEVEL 2

We are a proud **level 2 contributor** to the transformation in the country: 27% of BUs were rated as level 1 contributor and 73% as level 2.

A central knowledge repository was created which will carry information that will assist auditors to perform their **daily duties more effectively and efficiently.**

As part of our **enterprise and supplier development (ESD) programme** we launched an empowerment project to address skills transfer and development of selected firms.

As part of an INTOSAI-wide initiative, we held an **IntoSAINT workshop** (Integrity self-assessment tool for SAs) which allowed us to assess the strength of our controls as well as creating better awareness around prevention of integrity breaches.

We made a **substantial contribution to the development of standards** on compliance auditing and performance auditing which will be adopted at the XXIInd INCOSAI in 2016.



921 (94%) regularity audits were completed within the legislative deadlines.



99% of our staff submitted their annual declarations and no serious areas of conflict were detected.

LEADING BY EXAMPLE

CORE BUSINESS EFFICIENCY

- Standards and methodology
- Audit software
- CWC process automation

RISK-INTELLIGENT ORGANISATION

- Risk management
- Legal environment
- Ethics and integrity management

MAXIMISING THE IMPACT OF TRANSFORMATION

- Maintaining the B-BBEE rating level
- Employment equity
- Contributing to the growth of the accounting and auditing profession in SA
- Enterprise and supplier development
- Utilising the CWC process to contribute towards the wider transformation

OPERATIONAL EFFICIENCIES

- Information and communications technology
- Advancement of collaboration tools

TIMELINESS OF REPORTS

- Audit reports
- Corporate reports

Over the years we have consistently demonstrated the ability to manage our own administration well. This is a necessary condition for the success of our audit work in the public sector. During the year under review we retained an unmodified audit opinion issued by our external auditor, improved the timeliness of completion of our audit reports, achieved the status of Level 2 contributor to the B-BBEE transformation in the country and worked on the improvement of many internal processes aimed at increasing our efficiency and effectiveness.

Auditing standards and methodology

In accordance with the PAA, the AGSA determines the standards and methodology to be applied in audits, taking into account international and national best auditing practices. We are one of the few SAIs in the world that have fully implemented the International Standards on Auditing (ISA) in their audits of financial statements.

The International Standards of Supreme Audit Institutions (ISSAI) provide public sector-specific standards and guidance on performance audits and the auditing of financial statements, internal control and legislative compliance. We have adopted the principles from these standards, and at the same time we are contributing substantially to developing the standards on compliance auditing and performance auditing which will be adopted at the XXIInd INCOSAI in 2016.

The audit software project

The audit software project (ASP), aimed at replacing the current software with a more adequate system, progressed well on its targets for the year under review, including the following:

- Reference Application Architectural Design was developed to ensure alignment with the AGSA requirements and for the purposes of engaging with potential suppliers.
- A benchmarking exercise was embarked on to select available audit software to be customised for the AGSA's needs and determine the costs involved. This will be followed by the relevant procurement process.

Creating a risk-intelligent organisation

The ability of any organisation to be risk intelligent is highly dependent on the level of knowledge and understanding of the risks it faces at any given point in time, to enable conscious decisions on how to reduce risk exposures. The AGSA appreciates this important enabling factor, and therefore prioritised knowledge sharing and empowerment among its staff members, management and governance structures through awareness sessions and training. Training on risk identification and management was conducted through various platforms throughout the year, including roadshows, training at various business units, at project level and also for all its administrative managers across the country.

To complement the formal sessions, we embarked on a risk awareness campaign using publications aimed at all staff. The increased visibility and capacitation drive regarding risk management matters over the past two years yielded a noticeable increase in the level of consciousness and ownership of the proactive management of risk.

We are acutely aware of the potential impact of inefficient and ineffective business controls on the organisation, its control environment and reputation. We thus embarked on a control adequacy and efficiency programme to ensure that all controls within our processes are seamless, integrated and adequately designed for the respective

risk exposures. The programme started with a review of our asset management process, and will continue into the following financial year with some of the focus areas being accounts payable, the supply chain management process and HR-related processes.

Conducting risk assessments continued to be a focal point in our annual risk management initiatives, and successes were achieved in the functional areas of ethics, constitutional stakeholder management and information technology as well as operations in audit business units. It was equally important for us to conduct risk assessment for all strategic projects, namely the audit software and audit methodology projects. Proactive identification of threats to achieving project objectives creates confidence that the projects will be completed successfully.

As discussed and displayed in section 2, Exco performed its annual assessment of potential risks to the delivery of strategic objectives and initiatives to enable proactive planning to curb these threats. While the organisation embarked on a new strategy for the period 2015-2024, we found that the main risks in achieving our strategy as identified in the previous year remained fairly similar, with some emphasis on creating an enabling environment. Management of these potential threats is crucial to the achievement of our strategy, and the mitigations committed to will be included in the business objectives of impacted process owners.

Policy development and reviews continued to be an important facet of ensuring that our business processes were governed in a manner relevant to business operations, addressed inherent risks in our administration and complied with applicable laws and regulations. We enhanced our policy framework to address areas of improvement in the consultation and implementation requirements. In addition, a minimum of 25 policies were reviewed in this financial year, with the introduction of two new policies, i.e. on vacation work and telephone management. The consolidation of our policy committee and the management approval framework (delegations) committee enabled more efficient and integrated governance in this area.

We continued to refine our control environment through the introduction of measures to close reported control gaps; and improving application of existing controls where they were found to be ineffective. The low number of repeat findings is testimony to the successful and sustainable actions taken to address the reported findings.

The importance of management as a first line of defence cannot be over-emphasised in preserving a healthy control environment in

the administration of the AGSA. The monthly internal control self-assessments conducted at each business unit continued to enable ownership and accountability at all contributing levels, resulting in a collective improvement of our level of compliance with defined processes, controls and policies. We noted a decrease in reported internal control deficiencies, which was in line with the trend in the past few years. The reported decrease in self-identified control lapses was further supported by the reduced number of internal audit findings as reported by our appointed internal auditors.

Legal environment

To ensure that our policies are aligned with regulatory and legislative requirements, we perform a daily scanning of the legal environment in which we operate. This scanning service enables us to detect changes in laws, regulations and other legal authority such as case law that impact on our mandate and our internal operations. Our analysis of these legal developments informs the organisation's policy development interventions and ultimately ensures high levels of compliance with legal requirements.

During the year under review we identified the Protection of Personal Information Act, 2014, the amendments to employment legislation, the Public Administration Management Act, 2014 and the new B-BBEE Codes as legislative interventions that have a significant impact on our audit mandate and internal operations. We embarked on projects and initiatives to prepare the organisation to comply with the new demands posed by these laws before the respective commencement dates.

While the organisation actively defends all legal actions brought against it, we are reluctant to institute legal action against others, unless litigation is the only viable mechanism to protect the interests of the AGSA. During the year under review we successfully defended ourselves against all legally represented employment law actions brought against us in the various judicial forums.

Litigation against defaulting debtors was initiated as a last resort in order to collect debt owed to the AGSA. Details of the actions and their success are provided in the section on funding.

Ethics and integrity management

As part of an INTOSAI-wide initiative, we had an opportunity to also assess our vulnerability to integrity breaches by applying a methodology specifically adapted for supreme audit institutions, named

IntoSAINT This afforded the AGSA with an opportunity to strengthen its integrity controls as well as creating better awareness around prevention of integrity breaches. The effectiveness of the measures will be assessed in two years.

Code of ethics

In 2014-15 we focused on the integration of culture and ethics at the AGSA. One of the key foundations for a high-performance culture is sound ethical principles. In order to remain relevant and in conformity with best practice, we reviewed and updated our policy on the code of ethics and the procedures on ethical and independence requirements reflecting the values and principles of the International Ethics Standards Board for Accountants (IESBA), which are the main behavioural drivers at the AGSA.

Increasing staff’s awareness and ensuring that the employees ‘do the right thing’

‘Doing the right thing’ is the professional responsibility of the entire staff and leads to values-based behaviour as opposed to compliant behaviour. Leadership engagements and training on ethics and culture awareness, attended by all leadership, DBEs, BEs and CEs and where possible the SMs, were held with the main focus on:

- providing leadership with tools to assist in decision making
- reflecting and setting the tone of values and cultural acceptance of what is right, honest and good
- emphasising executives’ commitment to ethical standards
- reiterating that ethical behaviour is important not only for leadership, but for all staff members.

The sessions included dialogues on cultural and ethical dilemmas that we experience in our environment. This allowed the participants to engage on the scenarios to deliberate practical solutions.

Dealing with unprofessional conduct

All ethics complaints are reported in terms of the policy and procedure on handling complaints at the ASGA. The policy and the procedure are easily accessible, simple to understand and use, and allow for swift handling of complaints within established time limits and keeping complainants informed of the progress.

Annual declaration of interests

As an independent supreme audit institution, we are regarded with a sense of trust, confidence and credibility. The annual declaration process is one of the tools that we utilise to monitor ethical behaviour in the AGSA. We report annually on the organisational observations, transversal risks, challenges and successes during this process and take measures to close existing gaps so that we can build confidence in our monitoring tools and measures.

TABLE 3.20: ANNUAL DECLARATION SUBMISSIONS

ETHICS PROCESS	Finding	Current status
Annual declaration submissions	3 205 out of 3 233 made their annual declaration	99% submission rate

The status of annual declarations for the period under review reflected a submission rate of 99%. The remaining 1% of employees were unable to declare on the system due to maternity leave, extended study leave or resignation. Of all employees, 113 declared their private businesses. Where employees have declared their interests, line managers are required first to approve the declarations and secondly to implement safeguards if the declarations pose a conflict of interest to the organisation.

Of the total of 113 interests declared, line managers approved 70 (62%). Forty-three (38%) interests remained pending on the ethics register and these were escalated to the business units to attend to the approvals. Financial and business interests that must be declared are:

- companies, trusts or private businesses that employees have registered
- family and personal relationships between AGSA employees and certain levels of employees at stakeholders
- undertaking of a specialised set of tasks or a voluntary provision of services such as lecturing or tutoring, e.g. at UNISA, or being part of professional bodies’ boards and committees, e.g. ABASA or IRBA.

All approvals have been attended to and there is reasonable assurance that all potential conflicts of interests have been sufficiently addressed.

OPERATIONAL EFFICIENCIES

Alignment of information and communications technology with the organisation's strategic objectives

Information technology is vital for our functioning. In 2014-15 we developed a three-year IT strategy to ensure alignment with the business strategy. We further implemented a new IT governance framework which defines unambiguous accountability to individuals and outlines practices to prevent breakdowns in internal control and oversight. A further demonstration of the importance of ICT to the business was the formation of the IT steering committee chaired by a member of the executive team, aimed at improving alignment of projects and strengthening internal controls related to IT.

Improvement of business processes

We adopted the Information Technology Infrastructure Library (ITIL) framework as a cost-effective methodology for streamlining processes and improving productivity in the enterprise, as well as for IT service management.

We commenced the process of upgrading the network and communications lines to increase the size and speed at which information is accessed. Open tenders were publicised in the media to invite bids from suitably qualified service providers to upgrade the wide area network between the AGSA's head office and regional offices to improve user experience.

The modernisation of the PeopleSoft Enterprise Resource Planning (ERP) system continued with a major focus on enhancing the audit contract work, leave and e-performance modules.

The balanced scorecard (BSC) application system was enhanced, allowing a controlled and streamlined top-down cascading of the organisational performance targets to portfolios and business units. The application now covers the entire cycle from the development of performance commitments to mid-year and year-end ratings of performance and the auditing of performance-related information by the external auditor.

Advancement of collaboration tools

A new intranet system based on enterprise content and collaboration technology called iShare was developed and launched in 2014-15 which allows staff to share knowledge and collaborate online. The system also minimises the transporting of large files through email, thus preventing the slowing down of the network.

We also created a central knowledge repository which will be launched during the 2015-16 financial year. It will contain information that will assist our audit teams with the following:

- Sector research
- Auditees' database - management, financial, employment and service delivery information
- Audit reports
- Project information

MAXIMISE THE IMPACT OF TRANSFORMATION

Maintaining the B-BBEE rating level

We addressed the legislative changes in B-BBEE and EE proactively to encourage our leadership and employees to become conscious decision-makers when dealing with drivers of change in our country for the sustainability and economic independence of previously disadvantaged groups. The various awareness sessions conducted throughout the organisation were intended to create understanding and robust engagements related to the B-BBEE codes of good practice and the expected implementation thereof as per the B-BBEE Act No. 46 of 2013.

Furthermore, these sessions provided leadership with the impetus to embrace the legislative changes in order to continue leading by example and as an important stepping stone for the revision of our B-BBEE and EE policies. Leadership and senior management teams continued to change lives and adhere to the principles as guided by B-BBEE and EE with the broader impact on the accounting and auditing profession.

We are committed to ensuring that the broader South African transformational objectives are achieved. Engagements took place with the Employment Equity Forum to ensure that the organisation has equitable representation of employees.

Our policies are aligned with regulatory and legislative requirements, while consultation has taken place with employees in different committees. We continued with our focus on gender equality and the attraction and retention of people with disabilities, utilising the approach of economically active population (EAP) to set our EE targets.

Business units continued with their effort to effectively implement B-BBEE plans within their individual units. There was a huge improvement during this year: 27% of the business units were rated as level 1 contributor and 73% as level 2.

Employment equity

As the AGSA, we are firmly committed to leading in the area of transformation. We are focused on the transformation of our equity profile and our approach towards preferential procurement and enterprise development.

We systematically provide an environment that creates equal opportunities and promotes fair and consistent behaviour as reflected in all our policies and procedures.

We continued to use the national economically active population (EAP) statistics to set our employment equity targets. There was a visible increase in the required designated groups, reflecting that the EE plan was effectively implemented. We place emphasis on the advancement of women and have attained female representation at executive and senior management level. The proportion of females overall within the organisation has reached 54%, thus showing improved attraction and retention of women within the designated groups.

We have acknowledged the attraction and employment of people with disabilities as an area for development. An organisation-wide approach will be developed in 2015-16 with the intention to identify roles that can be fulfilled by disabled candidates and to make our office buildings suitable to such employees.

TABLE 3.21: WORKFORCE EMPLOYMENT EQUITY SUMMARY 2014-15

% designated group 2014-15	% non-designated group: 2014-15
86,6%	13,3%

TABLE 3.22: DESIGNATED GROUPS VS. NON-DESIGNATED GROUPS (INCLUDING TRAINEE AUDITORS)

	2014-15		2013-14		2012-13	
	Designated group	Non-designated group	Designated group	Non-designated group	Designated group	Non-designated group
Band B	71%	29%	73%	27%	80%	20%
Band C	64%	36%	60%	40%	77%	23%
Band D	68%	32%	64%	36%	83%	17%
Bands E & F	87%	13%	84%	16%	94%	6%
Band G	98%	2%	98%	2%	99%	1%

Further details on our achievements in this area of performance are discussed in section 3 under *Strengthening our human capital*.

Contribution to the growth of the accounting and auditing profession in South Africa

The AGSA has adopted the CA charter scorecard to ensure that we contribute to transformation within the profession. As a role player in the CA Sector Charter Council, the AGSA has a significant role in its influence and contribution within the sector to grow the number of

black people in the CA profession to reflect the country's population demographics. It is acknowledged that challenges remain with the financial skills shortages within the profession and the attraction of skills in some provinces. While we continued to ensure that leadership works towards addressing this challenge, suitable internal and qualified candidates were encouraged to apply for promotional positions in other provinces where positions were available.

There was a visible increase in the required designated groups reflecting that the organisational EE plan was effectively implemented and monitored.

Enterprise and supplier development

The organisation has made strides with its long-term approach towards enterprise development. This year has yielded desirable short-term results which saw the launching of an empowerment project to address skills transfer and development of selected firms as part of an enterprise and supplier development (ESD) programme.

We formed a multi-specialist task team to determine the required areas of development. Managers from the firms were offered technical and soft skills training, while their trainee auditors had an

opportunity to take part in the AGSA's Foundation Midzi programme during March 2015.

These first steps form part of the organisation's ongoing commitment to economic transformation and the prosperity of emerging audit firms and professionals.

Utilising the CWC process to contribute towards the wider transformation

A key component of our contribution to the transformation of the accounting and auditing profession was the work allocated to private firms to the value of R656 million (R672 million in the prior financial year) in order to improve capacity to produce quality audits and deepen transformation.

TABLE 3.23: CWC ALLOCATION TO AUDIT FIRMS

	All figures are for 2014-15 financial period	Firm category	Budget (R)	%	Actual allocation baseline	%	Actual with ad-hoc (incl. vacancy) and pre-issuance	%	Variance
Sub-total			462 821 000		473 406 918				
	CWC - Audits	Large	185 128 400	40%	189 362 767	40%	233 498 808	36%	
		Medium	185 128 400	40%	189 362 767	40%	224 854 959	34%	
		Small	92 564 200	20%	94 681 384	20%	197 283 626	30%	
Sub-total	Pre-issuance	Firms and individuals with limit of 160 hours	52 343 000		48 135 000				
Sub-total	Vacancies	Vacancies allocated to all firms on ad-hoc basis allocations not 40:40:20 principles.	101 263 000		N/A				
Total			616 427 000				655 637 393		39 210 393

The difference between the budgeted amount and actual is a result of ad-hoc allocations. The split in the actual allocation inclusive of ad-hoc and pre-issuance resulted in a percentage split of 36:34:30 between large, medium and small firms respectively. The difference of R39 million between the budgeted amount and the actual is as result of other additional work (ad-hoc) allocation relating to mainly scope increase of R23,6 million, new audits of R6,5 million and delayed audits of R8,4 million.

The following tables provide insight into the 2014-15 contract work allocations and our contribution to the transformation of the profession.

TABLE 3.24: B-BBEE LEVEL OF THE CWC FIRMS THAT RECEIVED WORK ALLOCATION

FIRM NAME	Amount	B-BBEE Level
PricewaterhouseCoopers	R85 503 963	Level 2
KPMG	R56 088 759	Level 2
Ernst & Young	R47 808 599	Level 2
SizweNtsalubaGobodo	R45 192 964	Level 2
Deloitte & Touche	R44 097 487	Level 2
Nexia SAB & T	R37 918 556	Level 2
Grant Thornton	R29 692 979	Level 4
Morar Inc	R26 419 119	Level 1
Auditors to Africa	R22 409 900	Level 1
Mazars	R20 740 913	Level 3

TABLE 3.25: CWC ALLOCATION TO BLACK-OWNED (>51% AFRICAN OWNED) AUDIT FIRMS

BLACK-OWNED FIRMS	Amount paid	Percentages (overall)
Medium	R76 422 026	70,3%
Small	R32 283 934	29,7%
Total	R108 705 960	100%

TABLE 3.26: EXPENDITURE ON BLACK-OWNED FIRMS COMPARED TO OVERALL SUPPLIERS

	Firm size	Amount paid	Percentages
All suppliers	All sizes	R655 637 373	100%
Black-owned firms	Medium	R76 422 026	12%
	Small	R32 283 934	5%

TABLE 3.27: B-BBEE SUMMARY SCORECARD RESULTS

B-BBEE CATEGORY	B-BBEE component	Maximum score	Score	
			2014-15	2013-14
Direct empowerment	Ownership	N/A to AGSA	N/A	N/A
	Management	15,00	15,00	15,00
Human resource development	Employment equity	15,00	14,00	14,00
	Skills development	20,00	17,06	13,70
Indirect empowerment	Preferential procurement	20,00	18,93	19,40
	Enterprise development	15,00	8,22	0,00
	Social economic development	15,00	15,00	15,00
Total score		100	88,21	77,10
Recognition status			2	3

The overall organisational achievement on its transformation target is level 2 contributor.

TABLE 3.28: B-BBEE ACTUAL PERFORMANCE AGAINST TARGET

PERFORMANCE MEASURE	Target 2014-15	Actual performance	Comments
B-BBEE level	2	2	Achieved

Timeliness of our reports

Ninety-six per cent, or 977 of a total of 1 022 auditees, submitted their

annual financial statements for auditing. Our audit teams were able to complete 921 or 94% of the audits within the legislated deadlines. Table 3.29 presents the breakdown of those audits per audit cycle.

TABLE 3.29: TIMELINESS OF AUDIT REPORTS

AUDIT CYCLE	Total number of auditees	Number of auditees that submitted annual financial statements in the financial year		Number of audits completed		Number of audits completed within legislative deadlines	
	Number	Number	%	Number	%	Number	%
PFMA	643	602	94%	593	99%	566	94%
MFMA	379	375	99%	371	99%	355	95%
Total	1 022	977	96%	964	99%	921	94%

The number of audits completed within legislative deadlines was measured based on audits that were submitted on time and were included in the general report

Performance audits are considered discretionary audits in terms of the PAA. As such, performance audits are conducted outside of any established audit cycle. Reports on these audits are tabled as per the discretion of the AG. Hence, the performance of the organisation in that regard is measured against commitments made to the AG.

Furthermore, it is also important to note the changed organisational approach to reporting the results of performance audits. One of the main strategic initiatives that commenced in 2013-14, which gained ground during 2014-15, was the institutionalisation of the integrated approach to auditing, i.e. the provision of a comprehensive set of insights to the auditee and the respective stakeholders, resulting from a planned combination of regularity, information systems and performance audits and investigations in specific cases. This initiative was complemented by another undertaking that saw the inclusion of performance audit results in the general reports.

As such, the timeliness of the performance audit reports is considered adequate.

Timeliness of corporate reports

Section 41(5) of the PAA requires the AG to submit the annual report and the audited financial statements within six months after the organisation's financial year-end to the oversight mechanism and to the Speaker for tabling in the National Assembly. The 2013-14 annual report was completed and presented to SCoAG on 29 August 2014, one month prior to the legislated deadline. According to section 38(2) of the PAA, the AG must submit the budget and business plans to the oversight mechanism at least six months before the start of the financial year. The 2015-18 *Strategic plan and budget* was submitted to SCoAG on 30 September 2014, six months before the start of the financial year. It was then tabled in Parliament on 30 January 2015.

TABLE 3.30: TIMELINESS OF REPORTS

PERFORMANCE MEASURE		Target 2014-15	Actual performance	Comments
Timeliness of reports	PFMA reports	Complete 90% of the reports within two months of receiving annual financial statements	94%	Overachieved
	MFMA reports	Complete 90% of reports within three months of receiving annual financial statements and within four months where statements are not received on time	95%	Overachieved
	Performance audit reports	Complete 95% of the agreed reports (deadlines as agreed with the AG/DAG)	95%	Achieved
	Corporate reports	Complete 100% of the reports	100%	Achieved

4



SECTION CONTENTS

Sustainability-related performance 88

SUSTAINABILITY - RELATED PERFORMANCE

HIGHLIGHTS

R2.1 million

We donated R2.1 million to Thuthuka bursary fund

R2.5 million

Provided financial assistance (2.5 million) to the University of Fort Hare



We **adopted 120 schools** and interacted with learners, mainly in grades 9, 11 and 12 and contributions of R1,6 million were made towards the improvement of these schools. We hosted a matric camp for **52 learners** from our adopted schools.



87,5% (28 out of 32) Centenary Scholarship Fund students **passed their examinations**.



We engaged with community-based NGOs to discuss **joint venture possibilities**.



We spent **R310 000** in celebration of Nelson Mandela Day.



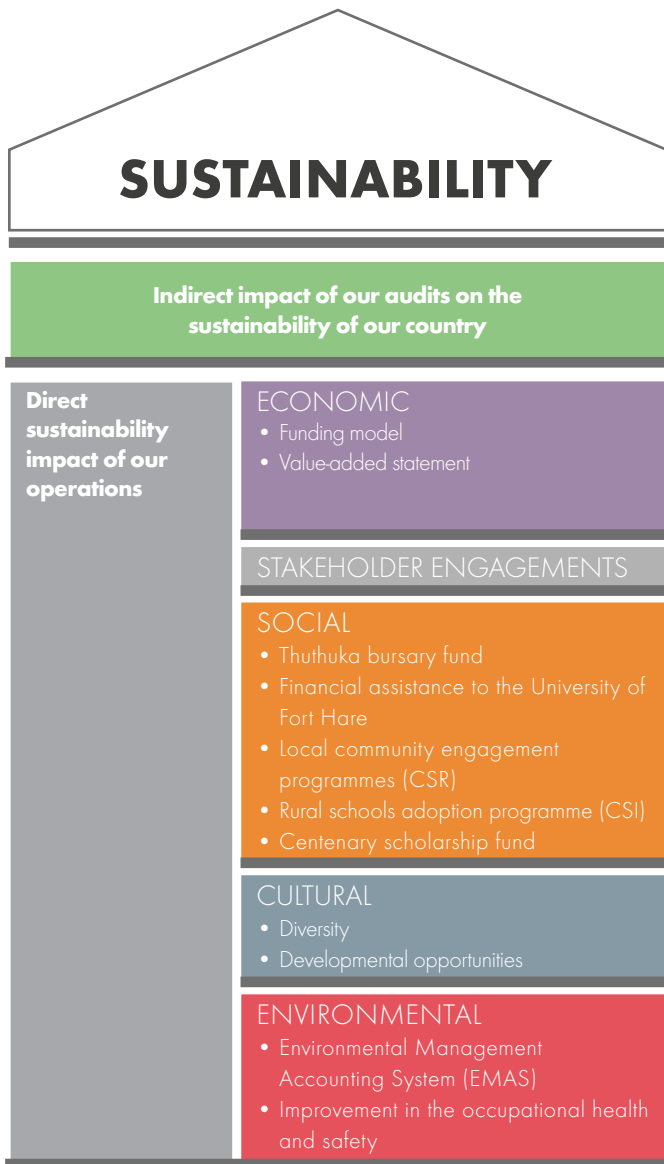
We **created sustainable value** for our internal and external stakeholders through sustainable economic growth.



We invested 30% of our **CWC expenditure in small firms** and 34% in medium-sized firms.



Two of the Centenary Scholarship Fund students completed their degrees in 2014. These students are currently registered for further studies: one for the Certificate in Theory of Accounting (CTA) and the other for bridging CTA. Furthermore, the programme continues to provide the students with academic support to improve their progress.



In the last few years, the AGSA has recognised the strategic importance of the sustainability of the organisation by including related strategic objectives. Initially, our goal was to understand the aspects of sustainability related to our work and the processes for the collection and use of sustainability information. This culminated in the inclusion of a commitment in the long-term *4V strategy* supported by a dedicated initiative to develop a comprehensive sustainability strategy, an aggressive awareness campaign as well as an environmental management accounting system.

Indirect impact of our audits on the sustainability of our country

We recognise the indirect impact of our audit work. By highlighting the root causes of ineffective financial management by our auditees and encouraging them to improve, we contribute to the reduction of wasteful expenditure and enhance the capability for managing public

resources. In turn, this contributes to increasing the funds available for developmental objectives. Improving infrastructure or services will enhance economic opportunities for affected communities, which in turn will increase economic inclusion and activity.

Targeted performance audits of aspects such as health management and education result in the improvement of service delivery and hence in the well-being of our citizens. In the long term, improved service delivery will also result in less tension at local level and a more constructive cooperative relationship between authorities and communities.

The increasing attention given by municipalities to proper management of their landfills as a result of audit findings by the AGSA will have a positive impact on the natural environment of our communities.

Direct sustainability impact of our operations

We have grouped the direct impacts of our operations in five streams:

- Economic: While ensuring our organisation’s financial independence, we also contribute consciously to the creation and better distribution of economic benefits at local community level either by allocating contract work to properly selected audit firms or by using preferential procurement for all our requirements.
- Stakeholder engagement: Our intensive stakeholder engagement programmes with the widest range of interested parties are aimed at encouraging improvements in the public service and, ultimately, improving the lives of our people.
- Social: Our extensive social programme not only ensures the promotion and awareness of the profession but also serves to uplift the communities in which we operate.
- Cultural: The great lengths to which we go in attracting and developing skilled staff are important not only for creating the employees we need to execute our mandate, but also as part of the pipeline for qualified and well-trained experts in the accounting and auditing profession who join the public sector.
- Environmental: We strive to be a model institution that leads by example, thus encouraging others to follow us in caring about our country. Although we do not rely on the extensive use of natural resources for conducting our business, our existence has an impact which we recognise and manage.

Economic sustainability

We continued to create sustainable value for our internal and external stakeholders through sustainable economic growth and development incorporating a number of elements. Our economic performance is described in detail under *Funding* in section 3 and supported by the detailed financial statements attached to this report. Our revenue and

gross profit margin remained stable. Considering the increased relevance of our audit insights, our ability to provide more audit products, especially performance audits, and the intention to take over the audits of state-owned enterprises, our revenue streams are reasonably expected to remain consistent in the long run, thus creating value (jobs and professional development) for our internal stakeholders.

TABLE 4.1: FUNDING MODEL AND ACTUAL BUDGET COMPLIANCE SINCE THE INCEPTION OF THE MODEL

FUNDING MODEL PRINCIPLES	Budget compliance					
	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
1. Tariff increase in line with salary increase	Yes	Yes	Yes	Yes	Yes	Yes
2. No capping on tariffs	Yes	Yes	Yes	Yes	Yes	Yes
4. Self-funding	Yes	Yes	Yes	Yes	Yes	Yes
5. Budgeted surplus	1,15%	1,02%	2,07%	3,76%	3,74%	3,70%

To add value for the public, we continuously strive for efficiencies in our audit processes to ensure that the audit fees are affordable. 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 aimed at supporting and promoting the participation of small and medium companies, specifically at local level, bringing into the economy individuals and communities that have previously been excluded.

Table 4.2 reflects the flow of capital from auditees (as source of revenue) to other stakeholders, i.e. employees, suppliers and the community.

TABLE 4.2: VALUE-ADDED STATEMENT FOR 2014-15

	2014-15		2013-14		2012-13		2011-12	
	%	R million	%	R million	%	R million	%	R million
Revenue		2 750		2 536		2 214		2 074
Paid to suppliers		1 001		997		959		891
- Value added by operation		1 749		1 539		1 255		1 183
Interest income		51		50		74		71
Total value added		1 800		1 589		1 329		1 254
Applied as follows:								
Paid on internal and external empowerment	1,06%	19	1,08%	17	1,28%	17	1,12%	14
§ Corporate social investment	0,11%	2	0,13%	2	0,22%	3	0,08%	1
§ Corporate social responsibility	0,17%	3	0,13%	2	0,08%	1	0,08%	1
§ Bursaries external	0,78%	14	0,82%	13	0,98%	13	0,96%	12
Paid on employees and internal empowerment	88,10%	1 586	89,42%	1 421	93,98%	1 249	87,88%	1 102
§ Salaries, wages and benefits	85,94%	1 547	86,34%	1 372	91,05%	1 210	85,56%	1 073
§ Employee wellness	0,22%	4	0,25%	4	0,15%	2	0,24%	3
§ Study assistance	1,11%	20	1,26%	20	0,90%	12	0,72%	9
§ Training	0,83%	15	1,57%	25	1,88%	25	1,36%	17
To pay providers of capital	1,00%	18	0,94%	15	0,68%	9	0,80%	10
§ Finance cost	1,00%	18	0,94%	15	0,68%	9	0,80%	10
Reinvested in the business	9,84%	177	8,56%	136	4,06%	54	10,20%	128
§ Depreciation	2,17%	39	2,33%	37	2,63%	35	2,31%	29
§ Retained income	7,67%	138	6,23%	99	1,43%	19	7,89%	99
Total value added	100%	1 800	100%	1 589	100%	1 329	100%	1 254

Our largest economic contribution to external stakeholders remains the allocation of audit work to audit firms. We spent R656 million as part of our CWC work. The encouragement of small firms became a priority in the past year, with 30% invested in such firms and 34% in medium-sized firms.

Stakeholder engagements

Engagement with stakeholders is the main way of influencing improvements in the public sector and entrenching the audit recommendations. We conduct structured engagement programmes with all our internal and external stakeholders, which include the direct involvement of the AGSA leadership.

The multitude of stakeholders is grouped into categories as described in figure 4.1.

Each group of stakeholders is reached in ways that are most suitable to them and the information is provided in a manner that is simple, clear and relevant to the particular group.

FIGURE 4.1: CATEGORIES OF THE AGSA'S STAKEHOLDERS



Our engagements with stakeholders and the derived benefits are described in detail in the section that deals with the visibility of our leadership.

Social sustainability

Social sustainability refers to the impact we have on the society in which we operate. Our largest impact is realised through our audit messages which are used to better the lives of people, as expanded on in the section on the simplicity and relevance of our messages. Further, our societal impact is observed through our community upliftment and outreach programmes.

Thuthuka bursary fund

In 2014, the Thuthuka bursary fund celebrated 10 years of assisting disadvantaged youth to pursue a career as a chartered accountant and thereby sustaining the future of this profession. The AGSA has been an enthusiastic contributor to the fund for a number of years and in 2014-15, we contributed R2 090 160 to fund the studies of 40 students.

Financial assistance to the University of Fort Hare (UFH)

The AGSA has been providing funding for the salaries of suitably qualified academics in the accounting department at the UFH in an attempt to assist the university in maintaining its SAICA accreditation for the provision of the chartered accountancy stream. During 2014-15 we contributed R2 449 480.

Local community engagement programmes – detail per region (CSR)

In an effort to demonstrate that the AGSA is a good corporate citizen, it is important for us to make an impact beyond our mandate. This is achieved through playing a proactive role in facilitating local community engagements and meeting stakeholder expectations. This is what the CSR programme seeks to achieve.

The objective of the CSR programme is to invest in the well-being of those communities that surround AGSA operations. The financial investments we made were intended to care for and serve disadvantaged communities in a sustainable way.

TABLE 4.3: INITIATIVES IMPLEMENTED

BENEFICIARY	Category	Province
Monyetla Bursary Project Christial Liphoko Secondary School Sediti High School	Education	Free State
Lechabile Special Needs Care Centre	People with disabilities	
House of Compassion CANSA	Health	
Iphahamiseng Trust	Social	
Rural school development (Moedwil & Rauwane Sepeng Secondary Schools and Mmabatho High School)	Education	North West
University visits (North West University: Mafikeng campus)		
Youth development (Girl/Boy awareness day)		
Nelson Mandela Day	Social & People with disabilities	
UThixo Ulungile Community Christmas party	Social & Health	Eastern Cape
UThixo Ulungile and Good Samaritan Children's Home	Health	
Nelson Mandela Day (Cecilia Makiwane and Frere Hospital)	Health	
Sindisa Dunga Foundation Career Exhibition	Education	
25 adopted schools in all areas of EC		
Lelie Bloem House	Social	Western Cape
Ambassador for Christ's Kids		
Garden of Eden		
Welgemeend Primary School	Education & Health	
Vaaitjie Primary School		
Kalkfontein Primary School		
Fezeka High School		
Lavender Hill Elderly Community (Meals for the elderly)	Health	
Rural schools (donation of stationery)	Education	Gauteng
NGO which supports 30 destitute families in Alexandra Township	Health	
Hosting girl learners	Education	
Mandela Day (Home for disabled, distribution of toiletries to the home of the girls and NGO)	Social, Health & People with disabilities	
University visits (Wits, UJ and UNISA)	Education	
Rays of Hope	Orphanage	
Hosted a first 'Take a boy child to work'	Education	

Rural schools adoption programme

The AGSA's flagship CSI programme is the rural schools adoption programme, whereby the AGSA gives back to society by supporting the youth at selected rural schools, thus enhancing the growth of the accounting and auditing profession.

The AGSA currently has a total of 120 adopted schools in all nine provinces. Continual engagements with the adopted schools took place throughout this financial year. Awareness of the accounting and auditing profession and the AGSA as an employer of choice was created in each school by delivering various presentations and discussions.

Our focus was on learners in grades 9, 11 and 12, influencing them to select pure mathematics as a subject, providing them with life skills tools and teaching them to set realistic goals to qualify as professionals eventually.

We had several engagements in different community-based services and NGOs to discuss possible joint ventures which would assist in advancing and strengthening the communities where adopted schools are situated.

FIGURE 4.4: SCHOOLS ADOPTED FOR CSI PER PROVINCE

PROVINCE	
Eastern Cape	4
Free State	4
Gauteng	60
KwaZulu-Natal	11
Limpopo	5
Mpumalanga	18
Northern Cape	5
North West	6
Western Cape	7

TABLE 4.5: SUMMARY OF CSI SCHOOLS PROGRAMME DISTRIBUTION BY PROVINCE

PROVINCE	2014-15	2013-14	2012-13
	Actual expenditure	Actual expenditure	Actual expenditure
Eastern Cape	R55 626	R34 510	R47 836
Free State	R38 118	R35 260	R134 179
Gauteng	R969 196	R538 874	R1 268 784
KwaZulu-Natal	R59 707	R34 510	R102 761
Limpopo	R37 601	R40 010	R0
Mpumalanga	R64 448	R37 610	R8 772
Northern Cape	R51 178	R39 315	R5 348
North West	R61 758	R34 510	R211 765
Western Cape	R49 818	R63 404	R741 157

To further demonstrate our commitment, learners from our adopted schools were invited to our 'girl learner awareness day' and our 'boy learner awareness day'. These two separate sessions were held at all our offices nationally, inspiring learners to pursue careers in the accounting and auditing profession. In total we hosted 363 learners and educators during these events. At the end, the learners expressed their appreciation and thanked the AGSA for hosting and equipping them with inspiring and motivating life skills and tools.

A matric camp was hosted for 52 learners from our adopted schools on a pilot programme, focusing on maths, science and accounting.

The learners, assisted by lecturers, participated in class work which included activities and mini-tests throughout the two days. Furthermore, Mindset educational videos on solving maths problems were shown to the learners for practical application. Due to the success of the programme, this will be an ongoing initiative extended to our regional offices.

In celebration of Nelson Mandela Day, we provided a total of R310 000 towards the upliftment of communities. Employees participated voluntarily in this national event, spending more than the required 67 minutes on community projects and taking this project to beyond the 18th of July, thus making every day a 'Mandela day'. We implemented the following projects for Mandela Day:

- Infrastructure upgrades at the adopted schools.
- Repairs at orphanages bringing relief and creating a safer environment for the children and those caring for them.
- Distribution of food parcels to disadvantaged families and communities.
- Preparation of food and distribution to homeless and disadvantaged members of the society.
- Employees distributed blankets and mattresses to orphanages and old age homes.

A special initiative was the donation of laptops to the St John's College in Mthatha. In addition we supported a prize-giving ceremony and a fundraising dinner where funds to the value of R50 000 were collected to go towards the renovation of the school.

TABLE 4.6: SUMMARY OF CSI SCHOOLS PROGRAMME DISTRIBUTION PER INITIATIVE

INITIATIVE	Budget	Actual spent
Mandela Day	R320 000	R280 432
Girl learner awareness day	R35 000	R55 217
Boy learner awareness day	R35 000	R48 587
Promotional material	R180 000	R289 750
Study material	R360 000	R664 440
Maths, accounting and science matric camp	R0	R49 026

CENTENARY SCHOLARSHIP FUND



We invested R3 034 062 in the centenary scholarship programme in the 2014-15 financial year. Currently there are 32 students on the programme from across the country. Twenty-eight of them completed their four weeks' vacation work at audit business units during both the winter and summer recess periods. The purpose of the vacation work programme was to provide the students with an opportunity to gain exposure in a professional environment and put theory into practice, while getting to know the AGSA culture and build insight into the many possibilities that the AGSA offers, thus creating an environment for the learning and development of these future leaders.

Continual mentoring sessions took place throughout the year in order to guide and support these students. The purpose of the mentoring programme is for the mentor (AGSA employee) to guide, support and assist the mentee (scholarship student) in maximising their academic potential and their skills and knowledge that will enhance the mentee's personal and career development.

TABLE 4.7: AWARDEES PER PROVINCE

PROVINCE OF ORIGIN	Number of awardees
Eastern Cape	3
Free State	1
Gauteng	9
Kwazulu-Natal	5
Limpopo	4
Mpumalanga	4
North West	4
Northern Cape	2
Western Cape	0

Scholarship students also attended the three-day scholarship camp during the 2014 winter recess. The purpose of the camp was to educate and create awareness of key aspects that could influence the students in exploiting their prospective development in specific skills and knowledge that would enhance their professional and personal growth.

During the academic year, 32 students qualified to write the examination, of which 28 successfully passed. The remaining four students were not successful in progressing to the next level and this means they will have to repeat their academic year. The overall individual results showed a significant improvement with an average of 59%, with three students obtaining averages of 73%, 77% and 81% respectively.

We celebrated a significant milestone as two of the centenary scholarship fund students completed their degrees at the end of 2014. These students are currently registered for further studies: one for the Certificate in Theory of Accounting (CTA) and the other for bridging CTA. Furthermore, the programme continues to provide the students with academic support to improve their progress.

TABLE 4.8: PASS RATE PERCENTAGE FOR 32 STUDENTS OVER THE LAST TWO ACADEMIC YEARS

AVERAGE OBTAINED	2014	2013
	academic year	academic year
%	Number of students	Number of students
70% - 85%	3	4
60% - 69%	11	8
50% - 59%	14	15
30% - 49%	4	5

Cultural sustainability

Cultural sustainability relates to ways of enhancing our organisational identity and sense of place through shared spaces, educational opportunities and policies with a focus on developing our staff in line with the organisational values in order to ensure that they reach their full potential.

Diversity

Section 3 discusses our success in transforming the organisation into one where staff diversity reflects the demographic make-up of the country and all employees have equal opportunities for development and contribution.

We create an environment in which the management of diversity is practised and understood by all employees.

Developmental opportunities

Our trainee auditor scheme is rolled out across the country and results in scores of young professionals being introduced to the public sector, thus contributing to professionalisation of the various spheres of government.

This is discussed in detail in section 3. We experienced phenomenal growth in the development of all AGSA employees. As can be seen from the information in section 3, the motivation to grow and develop is becoming a hallmark of our organisation.

TABLE 4.9: SUMMARY OF TECHNICAL SKILLS DEVELOPMENT PROGRAMMES ATTENDED DURING THE YEAR 2014-15

PROGRAMME	Target group	2014-15		Total
		Male	Female	
GRAP for Audit Professionals	Senior managers and above	403	331	734
IFRS Update	Senior managers and above	413	336	749
Modified Cash Standards	Senior managers and above	197	211	408
SAICA Assessor	Senior managers and below	46	41	87
VAT for Municipalities	Senior managers and below	167	125	292
Managing for Win	Managers and below	92	94	186
Equip 1, 2 & 3	Trainee auditors and audit clerks	554	643	1197
GRAP for Trainee Auditors	Trainee auditors and audit clerks	94	154	248
SALGA	Trainee auditors and audit clerks	159	178	337
Total		2 125	2 113	4 238

TABLE 4.10: SUMMARY OF TRAINING IN LEADERSHIP AND MANAGEMENT DEVELOPMENT PROGRAMME

PROGRAMME	Target group	2014-15		Total
		Male	Female	
Art of Communication 1	Trainees and auditors	45	79	124
	Support staff	7	30	37
	Assistant manager and above	81	89	170
Art of Communication 2	Senior manager and above	12	8	20
Building Relationships and Networking	Business executive and above	5	5	10
Coaching and Mentoring	Trainees and auditors	3	4	7
	Support staff	1	1	2
	Assistant manager and above	89	109	198
Committed to Client Service	Assistant manager and above	33	30	63
Confidence in Presentation	All levels	101	186	287
Drive Change	Manager and above	9	7	16
Enrich Performance	Trainees and auditors	5	22	27
	Support staff	1	19	20
	Assistant manager and above	6	3	9
Harness Change	Trainees and auditors	12	13	25
	Support staff	1	13	14
	Assistant manager and above	14	17	31
Initiative and Innovation	Trainees and auditors	9	4	13
	Support staff	0	22	22
	Assistant manager and above	11	10	21

PROGRAMME	Target group	2014-15		Total
		Male	Female	
Leadership Journey	Assistant manager and above	45	34	79
Monitoring Performance	Trainees and auditors	2	7	9
	Support staff	1	5	6
	Assistant manager and above	130	111	241
Promote Effective Teams	Assistant manager and above	11	13	24
Promote High Performance	Manager and above	13	12	25
Service Excellence	Assistant manager and above	1	16	17
Simplicity Clarity and Relevance	All levels	29	40	69
Teams in Action	Support	2	4	6
	Assistant manager and above	1	3	4
WOW	Trainees and auditors	17	20	37
	Support	4	17	21
	Assistant manager and above	44	46	90
Work-life Balance	Trainees and auditors	0	3	3
	Support	2	0	2
	Assistant manager and above	2	11	13
Total		749	1013	1762

TABLE 4.11: ENVIRONMENTAL PERFORMANCE INFORMATION TO BE INCLUDED IN THE EMAS

TOPICS	Parameters
Travel	
Road travel (employees' own vehicles, rental and outsourced auditors)	<ul style="list-style-type: none"> • Kilometres • Type of vehicle (petrol/diesel) • Engine capacity of vehicle • Cost per km reimbursed or paid • Purpose of travel (core or support)
Air travel (employees and outsourced auditors)	<ul style="list-style-type: none"> • Number of single flights • Distance of flights • Cost of flights • Purpose of travel (core or support)
Water consumption	<ul style="list-style-type: none"> • Quantity (kilolitres) • Cost
Electricity consumption	<ul style="list-style-type: none"> • Quantity (kWh) • Cost
Diesel (generators)	<ul style="list-style-type: none"> • Litres • Cost
Waste generated	
General waste	<ul style="list-style-type: none"> • Quantity of bins • Cost per bin collected
Paper waste	<ul style="list-style-type: none"> • Amount shredded (kg) • Cost of shredded
Paper consumed	<ul style="list-style-type: none"> • Quantities (reams) • Cost

TABLE 4.12: BENCHMARKING INFORMATION TO BE INCLUDED IN THE EMAS

TOPICS	Parameters
Type of work	<ul style="list-style-type: none"> • Recoverable (core/audit) • Non-recoverable (support)
Business units	<ul style="list-style-type: none"> • Core BU • Support BU
Employees	<ul style="list-style-type: none"> • Number of employees • Type of contract • Grade / level of appointment • Functionalities (core and support)
Working hours	<ul style="list-style-type: none"> • Hours spent per activity (core and support)
Facilities	<ul style="list-style-type: none"> • Buildings (use AGSA unique identification code for buildings) • Office space in each building (m²) • Employees per building

One of the most critical functions of the EMAS would be to generate reports. The EMAS would be able to generate various reports systematically by means of specific selection of the relevant information or predetermined sets of information.

Types of inputs or reports which the EMAS will be able to generate are, for example:

- Inputs for the sustainability report
- Carbon footprint report
- Report on travelling statistics
- Other detailed analysis reports

Improvements in the management of occupational health and safety

The occupational health and safety (OHS) of our employees is taken very seriously and is subject to continuous improvement and alignment with the legislative requirements. These improvements are driven by the OHS committee which met four times during the performance year.

Fourteen staff members were trained as evacuation marshals and a further 40 in providing first aid. Dedicated presentations were given to six of our business units (Free State, North West, Northern Cape, KwaZulu-Natal, Mpumalanga and National A). Awareness of specific issues was created via articles in *eTalk* (8) and through email communication.

Last year, for the first time, fire drills were performed at the head office and Lefika House, Brooklyn Gardens, Bloemfontein, Limpopo, Pietermaritzburg and Kimberley offices. This year we included the provincial offices in Rustenburg, the Eastern Cape, Nelspruit and Cape Town.

There were no fatalities. The AGSA's accident statistics were as follows:

- Total number of motor vehicle accidents:
 - 4 (no injuries)
- Slip/trip and fall incidents:
 - 6 (minor injuries)



5



5



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KEY STRATEGIC PRIORITIES 2015-18 AND BEYOND

Long-term strategic commitments of the organisation

Earlier in this report we celebrated the success of the *Siyanoqoba strategy* that steadily led the organisation to the consistent delivery on its mandate.

We also acknowledged that there is a steep road ahead of us on the way to achieving good management of public funds and resources in the country. In this regard, the AG, Kimi Makwetu, found it necessary to start his term in the office with a review of the existing strategy, ensuring that the long-term strategic path of the organisation is adequately charted.

The new organisational strategy, known as the *4V strategy*, recognises and responds to the relevant environmental factors that have the

potential to impact the delivery of our mandate. It acknowledges the drive, experience and insights of the leadership accumulated throughout time. The strategy also takes into account the diversity of our staff as well as the diversity of our citizens.

The strategy is built on a vision which sees the AGSA as an integral part of the achievement of the country's strategic goals and objectives. When in 2024 we look back at 30 years of democracy, we want to see an inspiring picture, a picture that upholds the basic values and principles governing the public administration enshrined in the Constitution, a picture that we have helped to create.

We aspire to see a public service that is characterised by:



Thus the *4V strategy* is built on four main goals, each contributing in a specific way to the achievement of our vision. These four strategic goals demonstrate an evolution of the ones contained in *Siyanoqoba*; they capture the elevated and enhanced intention and aim of the *4V strategy*.

Strategic goals under <i>Siyanoqoba</i>	Strategic goals under the <i>4V strategy</i>
1. Simplicity, clarity and relevance of our messages	1. Value-adding auditing
2. Visibility of leadership	2. Visibility for impact
3. Funding	3. Viability
4. Strengthen human capital	
5. Lead by example	4. Vision and values driven

The specific focus on the simplicity, clarity and relevance of audit messages is now being widened to the delivery of value to stakeholders through our audits.

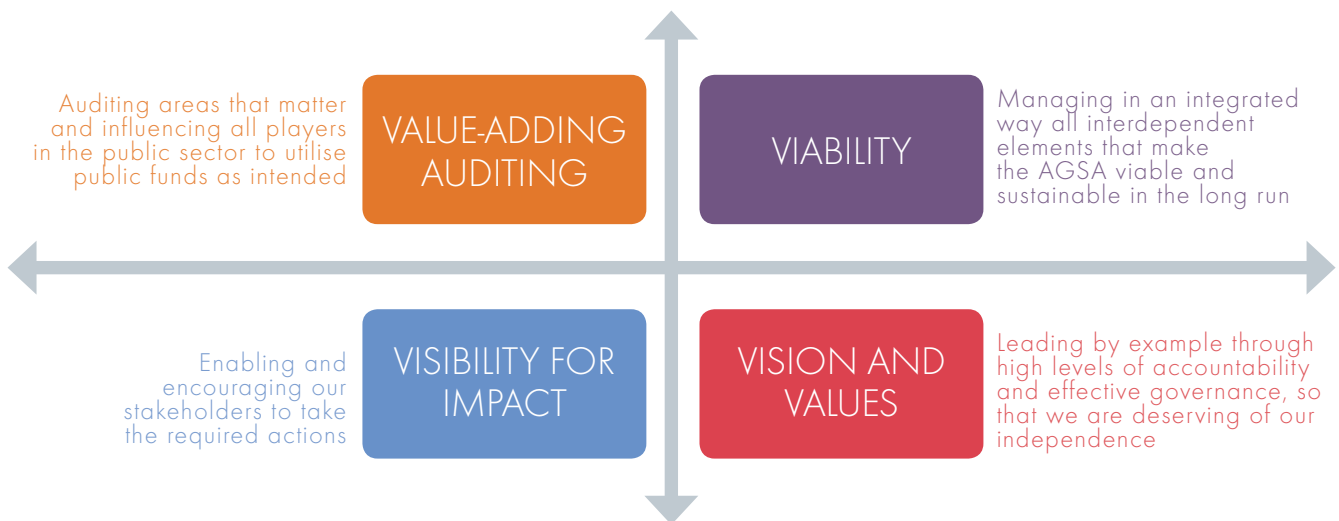
We are moving from the visibility of our leadership to visibility for impact. Our mode of engagement with stakeholders will be adapted to achieve the best possible utilisation and impact of the audit results.

The previously separate strategic views on our funding and human capital are now combined into one focus on the viability of the organisation, thus reflecting the interconnectedness of our resource requirements. We recognise the immense importance of the legal independence of the institution and have added this focus.

This integrated view of viability is consistent with the three pillars of independence of supreme audit institutions: legal, financial and administrative. Lastly, we will continue to lead by example, driven by our vision for the public sector and by our values.

Our strategic direction for the long term can be summarised as follows:

THE 4V STRATEGY



As such, the new era of operation by the AGSA will be focused firmly on contributing towards improving the lives of the citizens of South Africa.

The ultimate goal of the strategy is **to build confidence in the ability of the public sector to deliver the necessary services** of which it is the sole provider in the country and, by association, to build public confidence in the country's democracy.

Short-term priorities

Each year, the organisation produces a three-year rolling strategic plan and budget which is discussed with our oversight body and later tabled in Parliament.

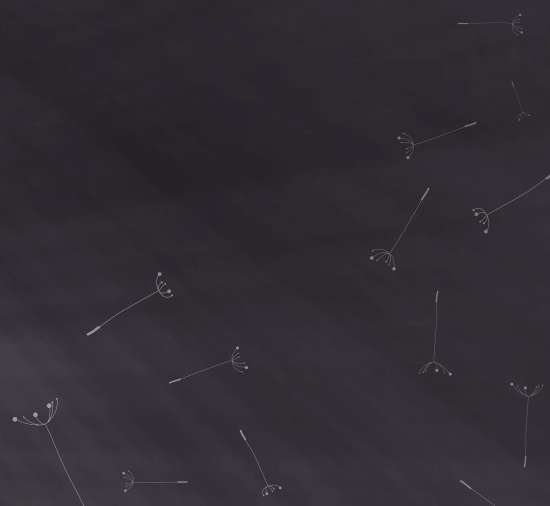
The first such document based on the *4V strategy*, the *Strategic plan and budget 2015-18*, details the activities and key milestones in building the foundation for the realisation of our long-term vision. The plan also contains our strategic measures and targets. It can be accessed electronically on our official website under <http://intranet/AGSADocuments/StrategicDocuments/SitePages/Home.aspx>.

A summary of the main undertakings for the next three years is provided in table 5.1.

TABLE 5.1: UNDERTAKINGS FOR THE NEXT THREE YEARS ON THE 4V STRATEGY

STRATEGIC GOAL	Commitments
Value-adding auditing	<ol style="list-style-type: none"> 1. Institutionalise mechanisms and structures for developing a deep knowledge of the clients’ needs and their business and an understanding of their value chains of activities as the basis for our audits. 2. Intensify and institutionalise the use of publicly available statistics. 3. Enhance the packaging of reports / messages in response to the stakeholders’ needs in line with our mandate. 4. Periodically evaluate the expectations of the users of our reports as well as the extent to which they inform corrective actions and promote oversight. 5. Draw effectively on the breadth of specialist expertise available to the AGSA in each phase of the audit process to facilitate integrated, holistic auditing. 6. Increase the number of audits of state-owned enterprises, universities and further education and training colleges. 7. Use insights gained through our audits to periodically provide recommendations, whether publicly or privately, on any deficiencies in legislation, regulations and policy frameworks. 8. Execute AGSA audits that meet international standards and are appropriately tailored to South Africa. 9. Continually benchmark our audit practices internationally and obtain assurance from independent external bodies.
Visibility for impact	<ol style="list-style-type: none"> 10. Formalise a methodology for achieving practical and cost-effective stakeholder engagements that result in greater impact. 11. Intensify the key controls quarterly review programme by elevating the role of the accounting officer. 12. Provide on-going skill enhancement programmes to staff to ensure maximum impact during engagement sessions. 13. Develop and implement a formal thought leadership programme. 14. Develop and implement a high-quality, focused engagement programme to educate citizens on the role of the AGSA and its messages in promoting accountability, oversight and governance. 15. Continue focused involvement within the INTOSAI and AFROSAI-E community for mutual knowledge-sharing, capacity-building and optimal alignment of work processes.

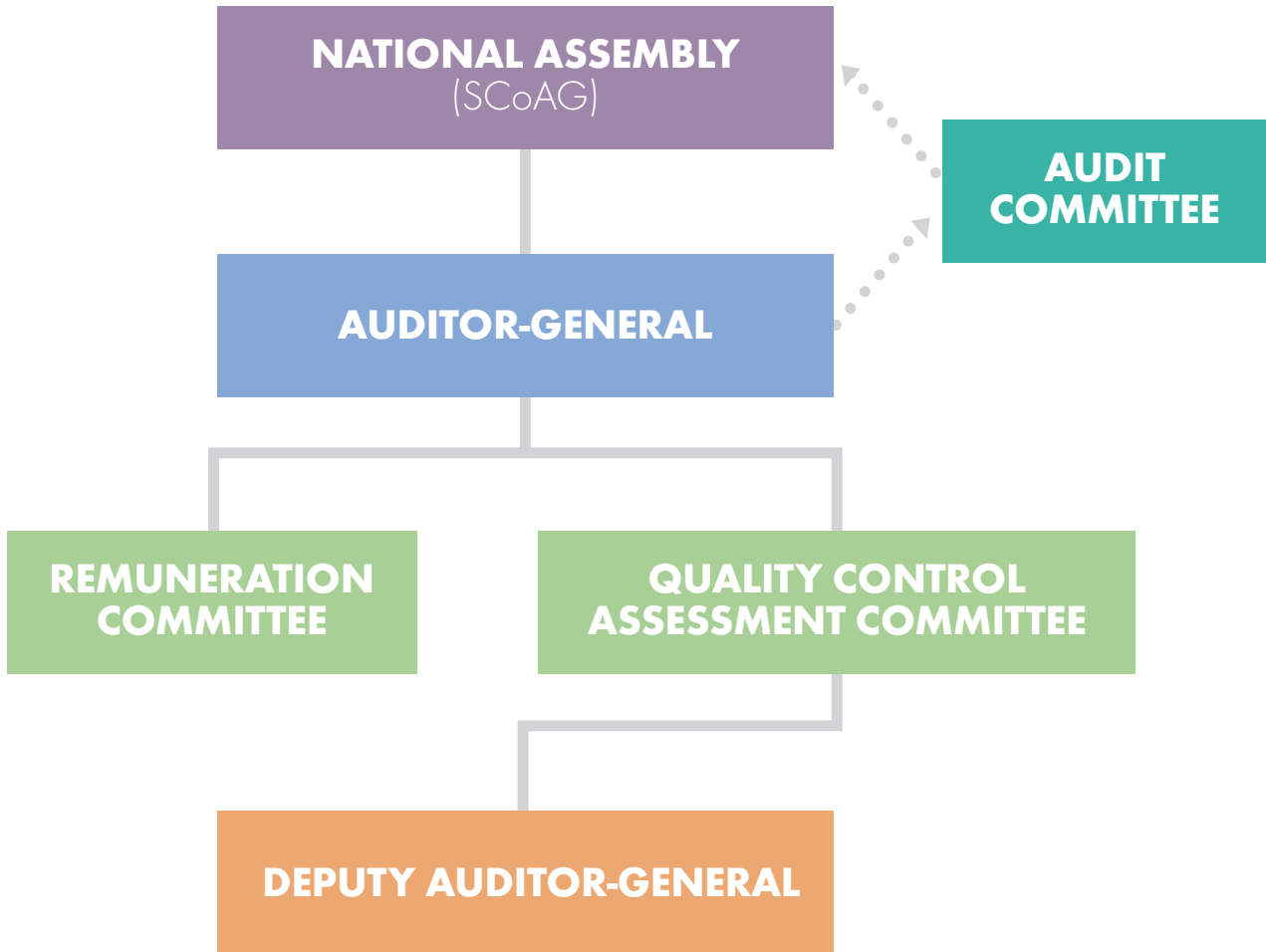
STRATEGIC GOAL	Commitments
Viability	<p>16. Develop and implement a revenue optimisation strategy.</p> <p>17. Improve collection of debt using all means available to us.</p> <p>18. Improve efficiencies throughout the organisation.</p> <p>19. Review the governing legislation (PAA) to ensure that it is relevant to the current challenges that the AGSA is facing.</p> <p>20. Develop and implement our sustainability strategy and make sustainability an integral part of all our activities and operations.</p> <p>21. Continuously enhance an environment that provides equal opportunities for all employees.</p> <p>22. Augment the capacity and performance of our leaders. Attract, retain and develop talented individuals.</p> <p>23. Grow the number of qualified professionals belonging to various professional bodies as part of the desired professional qualifications profile.</p> <p>24. Ensure the completion of appropriate responsive audit software.</p> <p>25. Ensure adequate enhancement of audit techniques, methodology, audit technology and quality assurance processes to meet the audit demands.</p>
Values and vision driven	<p>26. Enhance and implement the transformation strategy.</p> <p>27. Accelerate our enterprise development programme.</p> <p>28. Drive constant and consistent implementation of adequate and effective internal controls. Implement and continuously enhance our combined assurance model.</p> <p>29. Maintain a strong and firm base of individual and collective ownership of risk management.</p> <p>30. Implement continuous and efficient environmental scanning.</p> <p>31. Develop and implement a strategy to manage the brand of the AGSA and its work.</p>



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CORPORATE GOVERNANCE AND REMUNERATION POLICIES



Corporate governance

Our governance framework is established by the Constitution and the Public Audit Act. The King III code on governance in South Africa provides additional guidance. The AGSA reviewed its alignment to the King III code and we are confident that we are aligned with the code insofar as it applies to our organisation.

Standing Committee on the Auditor-General

The Constitution of 1996 and the PAA determine the oversight function of SCoAG.

In terms of its legislative mandate, SCoAG is required to fulfil the following role:

- To assist and protect the AGSA in order to ensure its independence, impartiality, dignity and effectiveness and to advise the National Assembly accordingly
- To provide general oversight requirements in terms of section 55(2)(b)(ii) of the Constitution
- To make recommendations to the President on the conditions of employment of the AG
- To annually appoint an independent firm of external auditors
- To consider:
 - the annual report, financial statements and audit report
 - and authorise the retention of surplus by the AGSA
 - concerns raised by the audit committee
 - the budget and business plan of the AGSA and make recommendations to be forwarded to the Speaker for tabling in the National Assembly and to the National Treasury
 - 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
 - any report from the DAG on a decision of the AGSA to incur irregular expenditure
- To give an opinion on:
 - the appointment of a DAG
 - any regulations the AG intends to issue
 - the basis for calculating the audit fees to be recovered from auditees
 - the nature and scope of such audits and procedures for the handling of complaints when performing such audits
 - the code of conduct for authorised auditors, including standards of professional conduct, disciplinary steps for misconduct, and any other relevant matter.

The key issues that SCoAG dealt with were the discussion of the strategic plan and budget, consideration of the annual report and the appointment of external auditors.

MEMBER	Date		
	5 Sept 2014	23 Oct 2014	24 Oct 2014
Mr V Smith	Present	Present	
Ms Z S Dlamini-Dubazana	Present	Present	Present
Mr M L Nthombela	Present	Present	Present
Ms P Bhengu	Apology	Present	Present
Ms N P Khunou	Present	Present	Present
Ms S P Boshielo	Present	Present	Present
Ms S Shope-Sithole	Present	Present	Present
Mr A R Mcloughlin	Present	Present	Present
Dr J Cardo	Present	Apology	Present
Ms M Moonsamy	Apology	Apology	Apology
Mr N Singh	Apology	Apology	Apology
Ms D Carter	Present	Apology	Apology

AUDIT COMMITTEE

Purpose / charter of the committee

Section 40(1) of the PAA mandates the DAG to establish an audit committee and to appoint the members thereof.

The audit committee does not have any managerial responsibility, but assists the DAG in discharging his or her duties with regard to:

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

The membership of the committee, an overview of the committee's activities and attendance during the year are described in the audit committee chairperson's report on page 113.

REMUNERATION COMMITTEE

Purpose / charter of the 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 on remuneration and related issues to the AG, who has the final decision-making power.

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

Composition of the committee (diversity)

The committee consists of four external independent members and three internal executives.

ATTENDANCE

Member	24 June 2014	November 2014
Dr M Bussin (Chairperson)	Present	Present
B Nkomo	Apology	Present
N Samodien	Present	Present
M Mloi	Present	Present

Remuneration policies

The AGSA's approach to the remuneration of all employees, including senior managers and executives, is informed by comprehensive salary market benchmarks conducted on a regular basis and 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 differentiation of remuneration 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 influence remuneration

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 KEY PERFORMANCE INDICATORS

To the Auditor-General

We have undertaken a limited assurance engagement on selected key sustainability performance indicators, as described below, and presented in the 2014-15 Integrated annual report of the Auditor-General of South Africa for the year ended 31 March 2015 (the report).

Subject matter

We are required to provide limited assurance on the following key sustainability performance indicators, prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines.

CATEGORY	Key sustainability performance indicators	Boundary
Economic	Application of the funding model Amounts and initiatives in respect of: Trainee Auditors Scheme Preferential procurement Corporate social investment	Republic of South Africa
Cultural	Disclosures in respect of: Employee profile Diversity Staff turnover Ethics Training initiatives Application of the occupational health and safety policy Employee Wellness programme Employee relations	Auditor-General of South Africa
Stakeholder engagements	Disclosures in respect of: Employees Cabinet Auditees Constitutional stakeholders Regulatory and professional bodies Contract firms Media	Republic of South Africa

Deputy Auditor-General’s responsibilities

The Deputy Auditor-General is responsible for the selection, preparation and presentation of the key performance indicators in accordance with the GRI G4 Guidelines. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, for commitments with respect to sustainability performance and for the design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, KwinanaEquifin Incorporated maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the selected key performance indicators 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 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 key sustainability performance indicators are 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 G4 Guidelines as the basis of preparation for the selected key sustainability performance indicators, assessing the risks of material misstatement of the selected key sustainability performance indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected key sustainability performance indicators.

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 agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Reviewed the process that the AGSA has in place for determining material selected key sustainability performance indicators to be included in the report;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;

- Evaluated whether the selected key sustainability performance indicators presented in the report are consistent with our overall knowledge and experience of sustainability management and performance at the AGSA.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the AGSA's selected key performance indicators have been prepared, in all material respects, in accordance with GRI G4 Guidelines.

Limited assurance conclusion

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 key performance indicators as set out in the subject matter paragraph for the year ended 31 March 2015 were not prepared, in all material respects, in accordance with GRI G4 Guidelines.

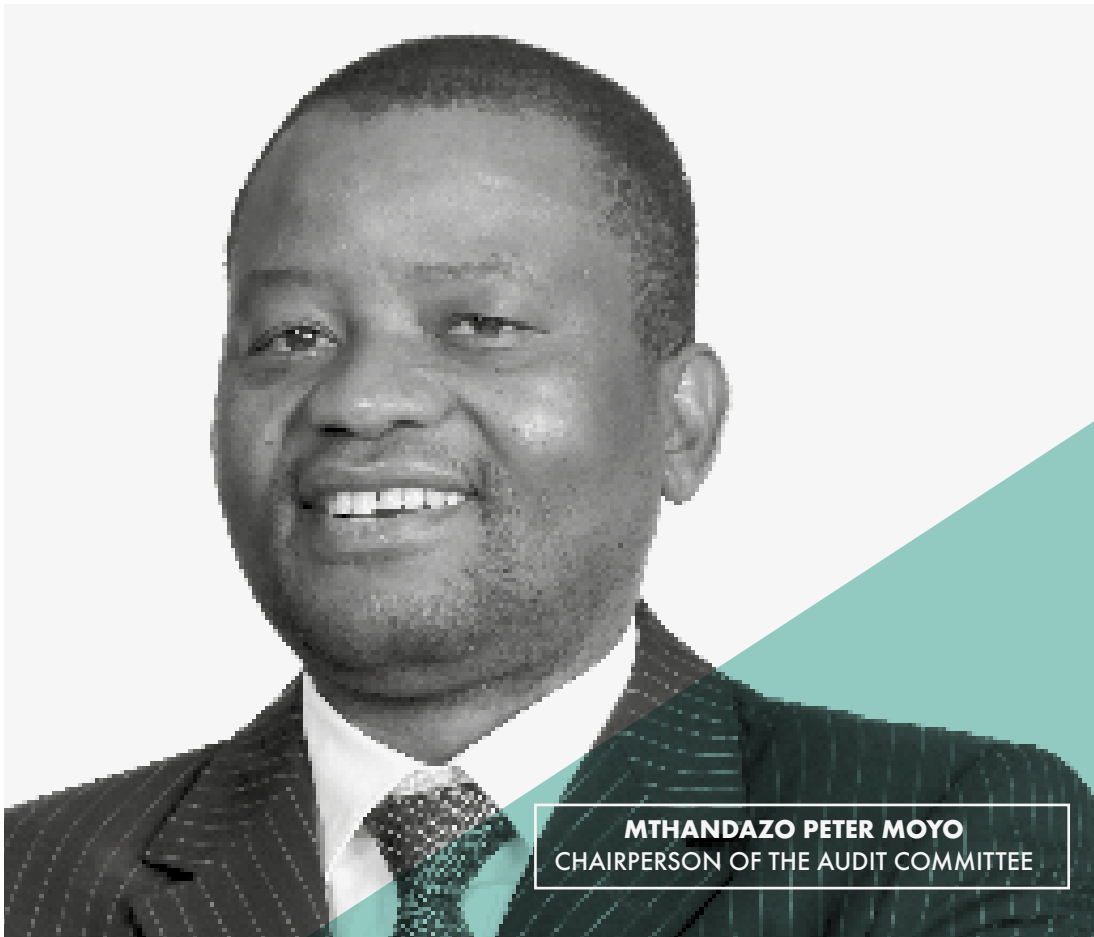
Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected sustainability information to the AGSA in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the AGSA, for our work, for this report, or for the conclusion we have reached.



Kwinana Equifin Incorporated
Registered Auditors
Tendai Mapenda
22 July 2014
Alenti Office Park, Block A
457 Witherite Street
The Willows Ext 82
Pretoria

REPORT OF THE AUDIT COMMITTEE



MTHANDAZO PETER MOYO
CHAIRPERSON OF THE AUDIT COMMITTEE

Introduction

The Audit Committee of the Auditor-General of South Africa is an oversight structure as informed by section 40 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA). The committee's duties are informed by the PAA requirements; in line with the adopted King Code of Governance Principles (King III) and the audit committee terms of reference. The committee is pleased to be tabling its report on its duties for the financial year ending 31 March 2015.

In accordance with its terms of reference, the committee is responsible for providing oversight over the financial and non-financial reporting process of the AGSA; including oversight over the integrity of the system of internal control and risk management.

As a précis, the committee discharges its responsibilities by overseeing:

- The integrity of the financial records;
- The annual plans, performance, objectivity and independence of the external and internal auditors;
- The appointment and compensation of both the internal and external auditors, and
- The effectiveness of the systems of internal controls and risk management.

The committee is accordingly satisfied that it has discharged its duties in all respects, which are elaborated on in the following sections of the report.

Committee membership and attendance

The committee maintained its composition of 4 independent, non-executive members throughout the reporting year. The skills and competency of audit committee members in risk management, financial and our core business of audit business are regarded as one of the most critical contributions in discharging their responsibilities.

To maintain the required competency levels, be responsive to changes within the environment and to be in line with best practice, the annual committee training programme was also fulfilled in March 2015.

Furthermore the committee has met three times in line with its terms of reference, details of which are as follows:

MEMBER	Date			
	24 July 2014	26 November 2014	5 March 2015	9 April 2015 (AC Workshop)
P Moyo (Chairperson)	Present	Present	Present	Present
S Gounden	Present	Apology	Present	Present
N Mthombeni	Apology	Apology	Apology	Apology
J Biesman-Simons	Present	Present	Present	Present

Overview of activities

Coupled with its oversight responsibilities, the audit committee has maintained a close working relationship with the auditors and the risk management function.

As it relates to the financial reporting process, the organisation has an embedded reporting framework which includes the Auditor-General's report, the Deputy Auditor-General's report, the report of the external auditors (inclusive of the management letter), the assurance processes as undertaken by the internal auditors and risk management activities – all these and others considered together provide us with comfort that adequate financial principles have been applied consistently throughout the year culminating in a fair presentation of the financial statements.

For the 2014-15 financial year, the committee's principal work is reported on in the following sections of this report.

Effectiveness of internal controls and risk management

The audit committee is responsible for providing oversight of risk management; including the system of internal controls. The committee undertook this role by performing the following:

- Reviewed and approved the risk appetite statement and framework;
- Reviewed performance against the risk management framework implementation plan;
- Reviewed and approved the organisation's Strategic Risk Profile for the financial year 2015-16;
- Reviewed and considered the results of the Combined Assurance provided on the organisation's strategic, business and project risks, including the strength and efficiency of assurance thereof; and
- Considered the written assessment issued by the internal auditors on the adequacy and effectiveness of the organisation's system of internal controls and risk management.

The committee received regular reports from the different assurance providers, including internal auditors on the strength and weaknesses within the system of internal controls. The reports received also refer to the functioning of the internal controls as assessed by management, giving effect to the principles of an effective combined assurance model.

The reports reflected the solutions and sustainability of actions to mitigate the identified risk exposures faced by the organisation.

To this end, the committee can conclude that the systems of internal controls of the organisation can be relied upon for the integrity and reliability of the financial statements; the safeguarding, verification and maintenance of the organisation's assets; including the detection of fraud and compliance with laws and regulations. The committee can conclude that there were no material breakdowns in internal controls.

Evaluation of the integrated reporting and financial statements

Following the review of the annual financial statements of the AGSA for the year ended 31 March 2015, the committee:

- Considered whether the annual financial statements fairly present the financial position of the organisation; 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 signed by the Deputy Auditor General;

- Reviewed the summary of uncorrected misstatements;
- Considered the expertise and resources employed within the finance function and in particular the acting Chief Financial Officer.

The committee is of a view that in all material respects the financial statements 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 Deputy Auditor-General that she may sign the annual financial statements and the annual integrated report.

Consideration of sustainability controls, performance and information

The committee considered the organisation's sustainability information as disclosed in the integrated annual report and assessed its consistency with operational and other information known to members; and with the annual financial statements. The committee considered the conclusions of the assurance providers and is satisfied that the sustainability information is, in all material respects, reliable and consistent with the financial results.

Internal auditors

The audit committee is responsible for ensuring that the organisation's internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its duties. The internal audit function is outsourced to an external service provider, SizweNtsalubaGobodo Inc.

The audit committee has:

- Reviewed and approved the internal audit charter;
- Reviewed and approved the annual internal audit plans and the audit fees ensuring that the scope of work proposed is appropriate in light of the risks faced by the organisation;
- Evaluated the independence, effectiveness and performance of the internal audit function and that it has fulfilled its obligations in line with the approved charter, amongst others;
- Considered the reports of the internal auditors on the systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
- Reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response thereto, including monitoring and challenging, where appropriate, action taken by management.

External auditors' appointment and independence

The committee has satisfied itself that KwinanaEquifin Inc., as the external auditors of the AGSA are independent of the organisation and thereby able to conduct their audit functions objectively. The committee took the following factors into account to arrive at this conclusion:

- Representations made by KwinanaEquifin Inc. to the committee;
- The auditor did not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the organisation;
- All non-audit services provided are approved by the audit committee and are listed in the external auditors' annual audit planning memorandum;
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- The auditor's independence is not impaired nor influenced by the materiality of the compensation in a form of audit fees in relation to the external audit firm's economic position;
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor; and
- The external auditor meets the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

Appreciation

The committee wishes to express its gratitude to management and appointed assurance providers for fulfilling their duties, commitment to enable the committee to effectively perform its functions and most importantly dedication to build and maintain a transparent, strong control environment at the AGSA.



MTHANDAZO PETER MOYO
CHAIRPERSON OF THE AUDIT COMMITTEE

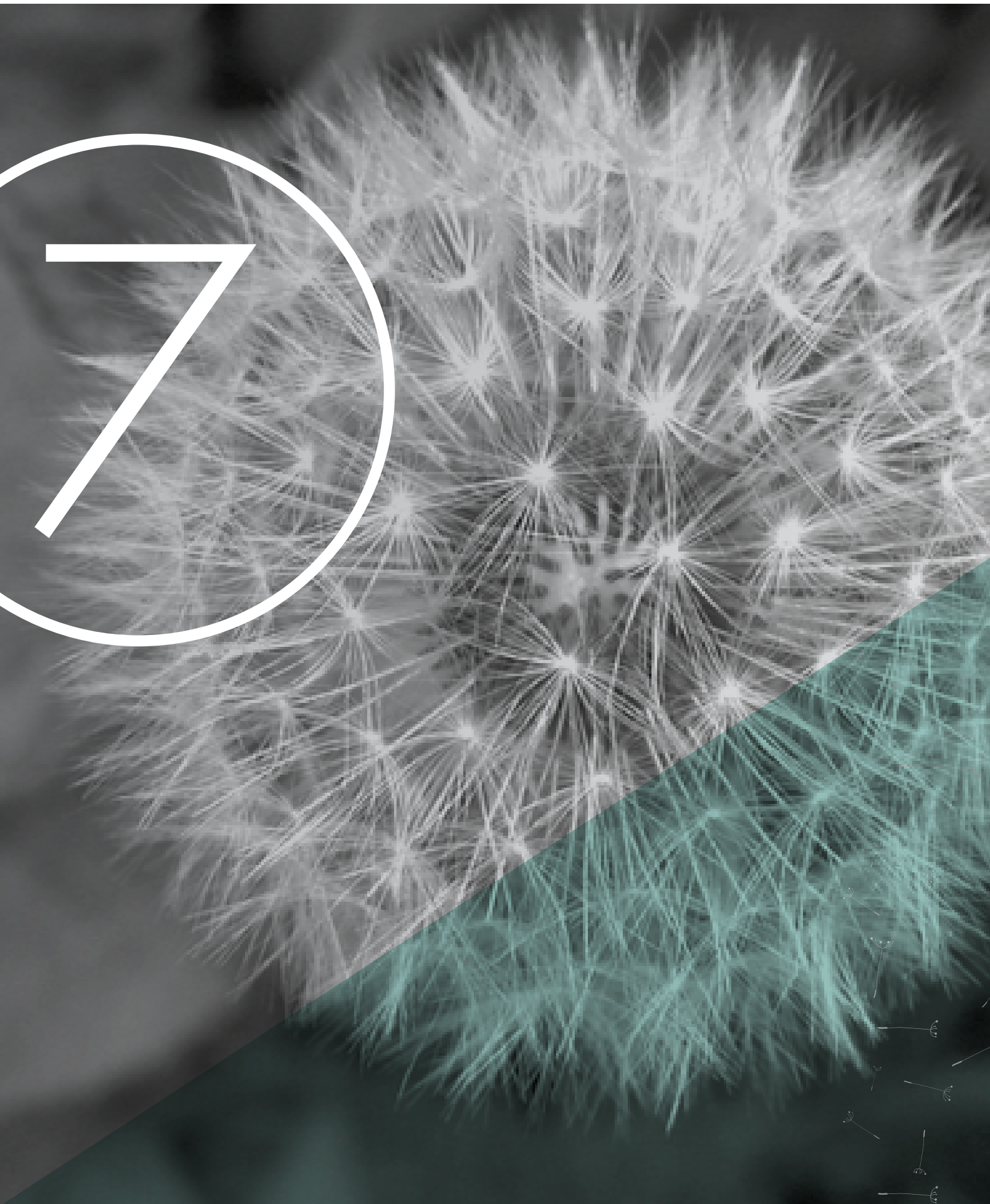
GRI G4 'IN ACCORDANCE' AND GRI CONTENT INDEX

The *Guidelines for sustainable reporting* of the Global Reporting Initiative (GRI) G4 informed the content and format of the report and it meets the information and reporting requirements in accordance with the 'Core' version.

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GLOSSARY OF TERMS

A		E		O	
ABASA	Association of Black Accountants in South Africa	EAAPAC	East African Association of Public Accounts Committees	OHS	Occupational health and safety
ABU	Audit business unit	EAP	Employee assistance programme	P	
AC	Audit committee	EE	Employment equity	PAA	Public Audit Act
ACCA	Association of Chartered Certified Accountants	ERP	Enterprise resource planning	PAC	Public accounts committee
AFROSAI	African Organisation of Supreme Audit Institutions	EXCO	Executive committee	PALAMA	Public Administration Leadership and Management Academy
AFS	Annual financial statements	F		PC	Portfolio committee
AG	Auditor-General	FET	Further education and training	PCF	Premiers' Coordinating Forum
AGSA	Auditor-General of South Africa	FTC	Fixed-term contract	PDO	Predetermined objectives
APAC:	Association of Public Accounts Committees	G		PFMA	Public Finance Management Act
ARD	Audit Research and Development	GHG	Greenhouse gas	PPE	Public Professional Examination
ASB	Accounting Standards Board	GITO	Government Information Technology Officers	Q	
ASU	AGSA, SAICA, Unisa	GRAP	Generally Recognised Accounting Practice	QC	Quality control
AVE	Advertising Value Equipment	GRI	Global Reporting Initiative	QCAC	Quality control assessment committee
B		I		R	
B-BBEE	Broad-based black economic empowerment	IBU	Investigations Business Unit	REMCO	Remuneration committee
BCTA	Bridging Certificate in the Theory of Accounting	ICT	Information and communications technology	RGA	Registered government auditor
BU	Business unit	IFAC	International Federation of Accountants	S	
C		IFRS	International Financial Reporting Standards	SADCOPAC	South African Development Community Organisation of Public Accounts Committees
CA	Chartered accountant	INCOSAI	International Congress of Supreme Audit Institutions	SAI	Supreme audit institution
CAPSF	Chartered Accountants Public Sector Forum	INTOSAI	International Organisation of Supreme Audit Institutions	SAICA	South African Institute of Chartered Accountants
CCMA	Commission for Conciliation, Mediation and Arbitration	IRBA	Independent Regulatory Board for Auditors	SAIGA	Southern African Institute of Government Auditors
CE	Corporate executive	ISA	International Standards on Auditing	SALGA	South African Local Government Association
CFO	Chief financial officer	ISA	Information Systems Auditing	SOE	State-owned entity
CGE	Commission for Gender Equality	ISACA	Information Systems Audit and Control Association	SCoAG	Standing Committee on the Auditor-General
CISA	Certified information systems auditor	ISAE	International Standard on Assurance Engagements	SCOPA	Standing Committee on Public Accounts
CMM	Capability maturity model	ISO	International Organisation for Standardisation	SETA	Sector Education and Training Authority
CoGTA	Department of Cooperative Governance and Traditional Affairs	ISQC1	International Standard on Quality Control	SLA	Service level agreement
COPE	Congress of the People	ISSAIs	International Standards of Supreme Audit Institutions	SMW	Senior management workshop
COSO	Committee of Sponsoring Organisations	IT	Information Technology	T	
CPD	Continuing professional development	ITC	Initial Test of Competence	TA	Trainee auditor
CRM	Customer relations management	K		TBF	Thuthuka bursary fund
CSI	Corporate social investment	KZN	KwaZulu-Natal	TNAO	Tanzania National Audit Office
CSR	Corporate social responsibility	M		TVET	Technical Vocational Education and Training
CTA	Certificate in the Theory of Accounting	MADC	Manager assessment and development centre	U	
CWC	Contract work creditors	MECs	Members of executive council	UNBOA	United Nations Board of Auditors
D		MFMA	Local Government: Municipal Finance Management Act	X	
DA	Democratic Alliance	MIS	Management information system	XXII	20th
DAG	Deputy Auditor-General	MPAC	Municipal public accounts committee		
DHET	Department of Higher Education and Training	N			
DMS	Deloitte management secondment	NA	National Assembly		
DPSA	Department of Public Service and Administration	NCOP	National Council of Provinces		
DRP	Disaster recovery plan	NT	National Treasury		



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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DEPUTY AUDITOR-GENERAL'S RESPONSIBILITIES AND 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 of South Africa (AGSA) 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 AGSA and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, the AGSA, 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 AGSA and all employees are required to maintain the highest ethical standards in ensuring the AGSA's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the AGSA is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operational risk cannot be fully eliminated, the AGSA 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 AGSA's cash flow forecast for the year to 31 March 2016 and, in the light of this review and the current financial position, I am satisfied that the AGSA has or has access to adequate resources to continue operating as a going concern 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 124 to 154, which have been prepared on the going concern basis, were approved and signed by me on 31 July 2015 on behalf of the AGSA.

TSAKANI RATSELA
DEPUTY AUDITOR-GENERAL

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

REPORT ON FINANCIAL STATEMENTS

Introduction

We have audited the annual financial statements of the Auditor-General of South Africa set out on pages 124 to 154, which comprise the statement of financial position as at 31 March 2015, 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), 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 of South Africa as at 31 March 2015, 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 of South Africa for the year ended 31 March 2015, as set out on pages 36 to 99.

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 financial 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 capital;
- 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 relate logically and directly to an aspect of the Auditor-General of South Africa'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 Auditor-General of South Africa.
- 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

22 July 2015

Alenti Office Park, Block A

457 Witherite Street

The Willows Ext 82

Pretoria



STATEMENT OF FINANCIAL POSITION

	Notes	2015 R'000	2014 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	87 972	86 600
Intangible assets	3	7 392	5 446
Current assets			
Trade and other receivables	4	592 072	484 747
Cash and cash equivalents	5	509 826	496 200
Total assets		1 197 262	1 072 993
RESERVES AND LIABILITIES			
Reserves			
General reserve	6	552 930	103 897
Special audit services reserve	7	4 964	4 964
Accumulated surplus	8	138 003	449 033
Liabilities			
Non-current liabilities			
Retirement benefit obligations	9	69 861	69 273
Current liabilities			
Trade and other payables	10	431 504	445 826
Total reserves and liabilities		1 197 262	1 072 993

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2015 R'000	2014 R'000
Revenue	11	2 750 220	2 536 154
Local services rendered		2 749 637	2 533 210
International services rendered		583	2 944
Direct audit cost		(1 840 034)	(1 732 900)
Recoverable staff cost	12	(1 077 854)	(963 052)
Contract work	13	(646 722)	(665 493)
Subsistence and travel		(115 458)	(104 355)
Gross surplus		910 186	803 254
Other income	14	4 237	4 117
Foreign exchange gain	23.4	100	1 769
Contribution to overheads		914 523	809 140
Non-recoverable staff cost	12	(518 090)	(466 478)
Depreciation expense	2	(32 233)	(32 104)
Amortisation expense	3	(6 720)	(4 608)
Other operational expenditure	15	(256 036)	(248 752)
Retirement benefit obligations - current service costs	9	(1 149)	(1 240)
Operating surplus before finance charges		100 295	55 958
Interest income	16	51 314	49 781
Interest expense	16	(18 119)	(14 883)
Surplus for the year		133 490	90 856
Other comprehensive income	17	4 513	7 886
Total comprehensive surplus for the year		138 003	98 742

STATEMENT OF CHANGES IN RESERVES

	General reserve R'000	Special audit services reserve R'000	Accumulated surplus R'000	Total R'000
Opening balance at 1 April 2013	103 897	4 964	350 291	459 152
Total comprehensive surplus			98 742	98 742
Surplus for the year	-	-	90 856	90 856
Other comprehensive income				
- Actuarial gains and losses	-	-	7 886	7 886
Balance at 31 March 2014	103 897	4 964	449 033	557 894
Transfer of accumulated surplus to reserves	449 033	-	(449 033)	-
Total comprehensive surplus			138 003	138 003
Surplus for the year	-	-	133 490	133 490
Other comprehensive income				
- Actuarial gains and losses	-	-	4 513	4 513
Balance at 31 March 2015	552 930	4 964	138 003	695 897
Notes	6	7	8	

STATEMENT OF CASH FLOWS

	Notes	2015 R'000	2014 R'000
Cash flow from operating activities			
Cash receipts from auditees	23.1	2 647 943	2 445 929
Total direct audit cost payments	23.2	(1 881 383)	(1 780 728)
Operational expenditure payments	23.3	(744 373)	(636 733)
Interest received	16	51 314	49 781
Interest paid	16	(18 119)	(14 883)
Realised foreign exchange (losses) / gains	23.4	(98)	1 355
		55 284	64 721
Cash flow from investing activities			
Additions to property, plant and equipment	2	(34 125)	(28 904)
Additions to intangible assets	3	(8 666)	(251)
Proceeds from sale of property, plant and equipment	2	935	1 603
		(41 856)	(27 552)
Cash flow from financing activities			
Payment on obligations under finance lease		-	(5 451)
		-	(5 451)
Net increase in cash and cash equivalents			
		13 428	31 718
Cash and cash equivalents at beginning of the year		496 200	464 068
Exchange differences in cash and cash equivalents	23.4	198	414
Cash and cash equivalents at end of the year	5	509 826	496 200

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB 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.

Standards, amendments and interpretations relevant to the operations of the AGSA not yet effective but adopted early:

Standard / Interpretation	Effective	Details	Impact
IAS 1 - Presentation of Financial Statements	01/01/2016	Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.	No impact on the annual financial statements of the AGSA.
IAS 16 - Property, Plant and Equipment	01/07/2014	Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method - proportionate restatement of accumulated depreciation.	No impact on the annual financial statements of the AGSA.
	01/01/2016	Amendments to IAS 16 to clarify the basis for the calculation of depreciation, as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets. Amendments to IAS 16 and IAS 41 which define bearer plants and include bearer plants in the scope of IAS 16 Property, Plant and Equipment, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.	

Standards, amendments and interpretations relevant to the operations of the AGSA not yet effective but adopted early (continued):

Standard / Interpretation	Effective	Details	Impact
IAS 19 - Employee Benefits	01/07/2014	Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended.	No impact on the annual financial statements of the AGSA.
IAS 24 - Related Party Disclosures	01/07/2014	Annual Improvements 2010-2012 Cycle: Amendments to the definitions and disclosure requirements for key management personnel.	No impact on the annual financial statements of the AGSA.
IAS 38 - Intangible Assets	01/07/2014	Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method - proportionate restatement of accumulated amortisation expense.	No impact on the annual financial statements of the AGSA.
	01/01/2016	Amendments to IAS 38 to clarify the basis for the calculation of amortisation, as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.	
IFRS 9 – Financial Instruments	01/07/2014	Annual Improvements 2010-2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9.	Receivables are recognised at amortised cost as the following criteria are not met: <ul style="list-style-type: none"> • Business model test - to collect the contractual cash flows. • Cash flow characteristics test - payments of principal amount and interest. <p>This treatment is similar to the application in IAS 39. The accounting policies were however updated in compliance with IFRS 9.</p>
IFRS 13 – Fair Value Measurements	01/07/2014	Annual Improvements 2010-2012 Cycle: Amendments to clarify the measurement requirements of those short-term receivables and payables.	No impact on the annual financial statements of the AGSA.
		Annual Improvements 2011-2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 and IFRS 9.	

Standards, amendments and interpretations relevant to the operations of the AGSA not yet effective and not adopted early:

Standard / Interpretation	Effective	Details	Impact
IFRS 9 – Financial Instruments	01/01/2018	<p>A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition.</p> <ul style="list-style-type: none"> • IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as ‘fair value through other comprehensive income’ in certain circumstance’s. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. • The new model introduces a single impairment model being applied to all financial instruments, as well as an ‘expected credit loss’ model for the measurement of financial assets. • IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. • IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39. 	The impact on the annual financial statements of the AGSA is yet to be determined.
IFRS 15 - Revenue from Contracts from Customers	01/01/2017 01/01/2018	<p>New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers.</p> <p>The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.</p> <p>The new standard supersedes:</p> <ul style="list-style-type: none"> (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue; (c) IFRIC 13 Customer Loyalty Programmes; (d) IFRIC 15 Agreements for the Construction of Real Estate; (e) IFRIC 18 Transfers of Assets from Customers; and (f) SIC-31 Revenue–Barter Transactions Involving Advertising Services. 	The impact on the annual financial statements of the AGSA is yet to be determined.

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 AGSA'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:

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.

Allowance for impairment of receivables

An allowance for impairment of trade receivables is established when there is objective evidence that the AGSA will not be able to collect all amounts due according to the original terms of receivables. The calculation of the amount to be allowed 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 the intended use of assets.

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 AGSA 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	
	2015	2014
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 surplus or deficit.

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	
	2015	2014
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 AGSA 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 AGSA 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 and trade and other payables. These instruments (excluding cash and bank) are carried at their amortised cost.

Financial assets

The AGSA classifies its financial assets into one of the categories discussed below, depending on the business model assessment which centres on whether financial assets are held to collect contractual cash flows. The AGSA has not classified any of its financial assets as fair value through profit and loss. The accounting policy for each category is as follows:

Receivables measured at amortised cost

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 allowance for impairment.

Impairment allowances 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 AGSA will be unable to collect all of the amounts due under the terms receivable, the amount of such an allowance 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 amounts 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 allowance. The loans and receivables comprise trade and other receivables at reporting date.

Financial liabilities

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 surplus or deficit 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.

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 AGSA 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 AGSA is required to incur the cost of early retirement penalties.

Post-employment medical care benefits - Defined benefit plan

The AGSA 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 are charged or credited to other comprehensive income in the statement of comprehensive income in the period in which they occur. Interest cost and service cost are charged or credited to surplus or deficit in the statement of comprehensive income in the period in which they occur. 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.



Leave liability

The AGSA calculates the value of leave not taken at year-end based on the total package or basic salary. The value of leave is recognised in the statement of financial position as a short-term employee benefit.

1.9 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 long-term 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 long-term contract audits where the outcome cannot be estimated reliably, is recognised to the extent of costs incurred.

1.10 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.

1.11 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 surplus or deficit.

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

1.12 Losses through criminal conduct

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

1.13 Related parties

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the AGSA. 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 AGSA.

Other related party transactions are also disclosed in terms of the requirements of IFRS. Qualitative and quantitative materiality is considered in the disclosure of these transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2015			
Computer equipment	126 356	(88 735)	37 621
Motor vehicles	8 741	(3 832)	4 909
Office equipment	2 777	(2 416)	361
Furniture and fittings	57 281	(31 423)	25 858
Leasehold improvements	37 599	(18 376)	19 223
	<u>232 754</u>	<u>(144 782)</u>	<u>87 972</u>

	Opening carrying amount R'000	Additions R'000	Disposals R'000	Depreciation charge R'000	Closing carrying amount R'000
The carrying amounts are reconciled as follows:					
Computer equipment	36 878	20 005	(502)	(18 760)	37 621
Motor vehicles	2 209	3 537	-	(837)	4 909
Office equipment	312	303	(1)	(253)	361
Furniture and fittings	26 125	6 515	(17)	(6 765)	25 858
Leasehold improvements	21 076	3 765	-	(5 618)	19 223
	<u>86 600</u>	<u>34 125</u>	<u>(520)</u>	<u>(32 233)</u>	<u>87 972</u>

	2015 R'000
Proceeds on disposal of property, plant and equipment	<u>935</u>

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2014			
Computer equipment	111 846	(74 968)	36 878
Motor vehicles	5 204	(2 995)	2 209
Office equipment	2 913	(2 601)	312
Furniture and fittings	51 055	(24 930)	26 125
Leasehold improvements	33 833	(12 757)	21 076
	<u>204 851</u>	<u>(118 251)</u>	<u>86 600</u>

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Opening carrying amount R'000	Additions R'000	Disposals R'000	Depreciation charge R'000	Closing carrying amount R'000
The carrying amounts are reconciled as follows:					
Computer equipment	42 208	13 922	(390)	(18 862)	36 878
Motor vehicles	2 617	370	(8)	(770)	2 209
Office equipment	604	159	(151)	(300)	312
Furniture and fittings	24 009	9 130	(436)	(6 578)	26 125
Leasehold improvements	21 652	5 323	(305)	(5 594)	21 076
	<u>91 090</u>	<u>28 904</u>	<u>(1 290)</u>	<u>(32 104)</u>	<u>86 600</u>
					2014 R'000
Proceeds on disposal of property, plant and equipment					<u>1 603</u>

The AGSA 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 19).

3. INTANGIBLE ASSETS

2015

Computer software - purchased

	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Enterprise resource management system - PeopleSoft	18 950	(18 231)	719
Other software	33 650	(26 977)	6 673
	<u>52 600</u>	<u>(45 208)</u>	<u>7 392</u>

The carrying amounts are reconciled as follows:

Computer software - purchased

	Opening carrying amount R'000	Additions R'000	Disposals R'000	Amortisation charge R'000	Closing carrying amount R'000
Enterprise resource management system - PeopleSoft	915	-	-	(196)	719
Other software	4 531	8 666	-	(6 524)	6 673
	<u>5 446</u>	<u>8 666</u>	<u>-</u>	<u>(6 720)</u>	<u>7 392</u>

3. INTANGIBLE ASSETS (CONTINUED)

	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
2014			
Computer software - purchased			
Enterprise resource management system - PeopleSoft	18 950	(18 035)	915
Other software	26 434	(21 903)	4 531
	<u>45 384</u>	<u>(39 938)</u>	<u>5 446</u>

	Opening carrying amount R'000	Additions R'000	Disposals R'000	Amortisation charge R'000	Closing carrying amount R'000
The carrying amounts are reconciled as follows:					
Computer software - purchased					
Enterprise resource management system - PeopleSoft	1 164	-	-	(249)	915
Other software	8 639	251	-	(4 359)	4 531
	<u>9 803</u>	<u>251</u>	<u>-</u>	<u>(4 608)</u>	<u>5 446</u>

The carrying amounts are 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	1 164	-	-	(249)	915
Other software	8 639	251	-	(4 359)	4 531
	<u>9 803</u>	<u>251</u>	<u>-</u>	<u>(4 608)</u>	<u>5 446</u>

4. TRADE AND OTHER RECEIVABLES

	2015 R'000	2014 R'000
Trade receivables (refer to note 22.2) [1]	709 061	606 784
Allowance for impairment of receivables [2]	(178 501)	(145 600)
Net trade receivables	<u>530 560</u>	<u>461 184</u>
Staff debtors	17 844	15 733
Prepayments	43 476	7 679
Other debtors	192	151
	<u>592 072</u>	<u>484 747</u>

[1] Included in trade receivables is an amount of R2 982 500 (2014: R2 762 000) relating to ex-staff debt.

[2] Allowance for impairment of receivables

Opening balance	(145 600)	(115 368)
Utilised during the year	147	-
Additional allowance for impairment of receivables (refer to note 15)	(33 048)	(30 232)
Closing balance (refer to note 22.2)	<u>(178 501)</u>	<u>(145 600)</u>

5. CASH AND CASH EQUIVALENTS

	2015 R'000	2014 R'000
Call account at Public Investment Corporation	124 977	118 708
Investment reserved for specific liabilities [3]	104 602	99 312
Investment to fund working capital requirements	20 375	19 396
Overnight call account	29 859	61 695
Notice deposit	165 284	155 913
Current bank account	188 173	156 585
Foreign bank account (USD) (refer to note 22.1.1)	1 533	3 299
	509 826	496 200

[3] Investment reserved for specific liabilities

The liabilities covered by this investment include the following:

Post-retirement benefits: medical care contributions (refer to note 9) [4]	69 861	69 273
13th cheque accrual (refer to note 10)	8 155	7 054
Leave pay accrual (refer to note 10) [5]	85 698	76 551
The National Treasury for salary over-payments in the former TBVC states	244	836
Advances from the National Treasury for assistance with the local authority debtors (refer to note 10)	6 363	6 363
Payments made by staff in terms of the AGSA's notebook ownership policy	74	196
	170 395	160 273

[4] The future service liability for post-retirement benefit: medical care contributions totalling R9 320 000 (2014: R10 306 000) 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.

[5] Only R55 122 000 (2014: R52 933 000) of the leave pay accrual is provided for as cash for leave days that can be accrued according to the leave pay policy of the AGSA. 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 balance	103 897	103 897
Transfer of accumulated surplus to reserves (refer to note 8)	449 033	-
Closing balance	552 930	103 897

Accumulated surplus that was recommended by the Standing Committee on the Auditor-General and approved by Parliament (in terms of section 38(4) of the Public Audit Act, 2004 (Act No. 25 of 2004)) to be retained for working capital and general reserve requirements of the AGSA.

7. SPECIAL AUDIT SERVICES RESERVE

	2015 R'000	2014 R'000
Opening and closing balance	4 964	4 964

A fund set aside to finance special investigations or audits for which the AGSA 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	449 033	350 291
Transfer of accumulated surplus to reserves (refer to note 6)	(449 033)	-
Total comprehensive surplus for the year	138 003	98 742
Closing balance	138 003	449 033

Accumulated surplus is available to fund the AGSA's on-going 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)).

9. RETIREMENT BENEFIT OBLIGATIONS

Post-retirement benefits: medical care contribution	69 861	69 273
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The liability is reconciled as follows:

Opening balance	69 273	72 047
Current year provision	2 944	(383)
Current service cost	1 149	1 240
Actuarial gain (refer to note 17)	(4 513)	(7 886)
Interest adjustment (refer to note 16)	6 308	6 263
Less: Payments made	(2 356)	(2 391)
Closing balance (refer to note 5)	69 861	69 273

The increase of R588 000 is mainly due to the assumption that the maximum Rand amount paid to medical aids after retirement will increase yearly with inflation, although this has never been implemented. The number of in-service members has decreased from 200 to 181, while the number of continuation members (members on retirement) has increased from 192 to 195. The net result is a decrease of 16 members (392 to 376).

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 2015 by Alexander Forbes using the projected unit credit method.



9. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The actuarial gain was determined as follows:

A loss of R1,989 million as a result of a reduction in the real discount rate (a decrease in the difference between the discount rate and the CPI inflation assumption) from 2,50% to 2,30% per year. This change was necessitated by a reduction in real bond yields.

In the previous valuation it was assumed that the maximum Rand amounts would increase by CPI inflation in the following year. No increases in the maximum Rand amounts were granted and this resulted in a gain of R4,720 million.

A gain of R1,782 million as a result of differences between actual and expected changes in membership.

The valuation is based on the following principal actuarial assumptions:

	2015	2014
The discount rate reflects the timing of benefit payments and is based on market bond yields.	8,7%	9,4%
Subsidy increase rate (based on the inflation rate)	6,4%	6,9%
Expected retirement age	63	63
Number of continuation members	195	192
Average age of continuation members	67,4	66,7
Percentage continuation members married	76%	76%
Number of in-service members	181	200
Average age of in-service members	52,0	51,3
Average past service of in-service members	26,7	25,9

No explicit assumption was made about the mortality and health care cost due to HIV/AIDS in the actuaries' secondary assumptions.

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

	2015		
	Discount rate		
	Assumption 8,70%	-1%	+1%
Accrued liability 31 March 2015 (R'000)	69 861	81 649	60 525
% change	-	16,9%	-13,4%
	Subsidy increase rate		
	Assumption 6,40%	0%	
Accrued liability 31 March 2015 (R'000)	69 861	31 827	
% change	-	-54,4%	
	Expected retirement age		
	Assumption 63 years	1 year younger	1 year older
Accrued liability 31 March 2015 (R'000)	69 861	71 674	68 119
% change	-	2,6%	-2,5%

9. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	2014		
	Discount rate		
	Assumption 9,40%	-1%	+1%
Accrued liability 31 March 2014 (R'000)	69 273	81 039	59 963
% change	-	17,0%	-13,4%
	Subsidy increase rate		
	Assumption 6,90%	0%	
Accrued liability 31 March 2014 (R'000)	69 273	29 855	
% change	-	-56,9%	
	Expected retirement age		
	Assumption 63 years	1 year younger	1 year older
Accrued liability 31 March 2014 (R'000)	69 273	71 206	67 475
% change	-	2,8%	-2,6%

10. TRADE AND OTHER PAYABLES

	2015 R'000	2014 R'000
Trade payables	73 438	111 453
Straightlining of leases	54 344	56 256
Net trade payables	127 782	167 709
Accruals	45 667	55 320
13th cheque accrual (refer to note 5)	8 155	7 054
Accrued leave pay (refer to note 5)	85 698	76 551
Performance bonus accrual	122 147	105 834
Staff creditors	8 329	7 597
Value-added tax	27 363	19 398
Advance on local authority debtors (refer to note 5)	6 363	6 363
	431 504	445 826

Ageing of trade payables

	Total R'000	Current R'000	30 - 120 R'000	120+ R'000
2015				
Trade payables	73 438	35 803	36 915	720
	<u>73 438</u>	<u>35 803</u>	<u>36 915</u>	<u>720</u>
2014				
Trade payables	111 453	82 881	26 388	2 184
	<u>111 453</u>	<u>82 881</u>	<u>26 388</u>	<u>2 184</u>

11. REVENUE

	2015 R'000	2014 R'000
Local services rendered	2 749 637	2 533 210
Own hours	1 982 747	1 763 226
Contract work (refer to note 13)	655 637	671 889
Subsistence and travel	115 343	103 853
Present value of revenue adjustment (refer to note 16)	(4 090)	(5 758)
International services rendered [6]	583	2 944
Own hours	468	2 442
Subsistence and travel	115	502
	2 750 220	2 536 154

[6] The reduction in international services rendered is due to the completion of the AGSA's mandate as external auditor on the audits of the Special Court of Sierra Leone (SCoSL) and the International Centre for Genetic Engineering and Biotechnology (ICGEB).

12. STAFF COST

Management salaries (refer to note 21.1)	36 738	42 435
Other non-recoverable staff cost	225 325	186 968
Other staff expenditure	138 709	118 543
Performance bonus	117 373	100 897
Group life scheme	13 544	10 885
Other employer contributions (UIF, workmen's compensation, long-service awards, early retirement penalties - Government Employees Pension Fund, etc.)	7 792	6 761
Course fees and study assistance	88 675	89 430
Accrued leave pay provision	28 643	29 102
Total non-recoverable staff cost	518 090	466 478
Recoverable staff cost (part of direct audit cost)	1 077 854	963 052
Total staff cost	1 595 944	1 429 530
Average number of staff	3 342	3 145

13. CONTRACT WORK

	2015 R'000	2014 R'000
Contract work recoverable (refer to note 11)	655 637	671 889
Present value of contract work recoverable adjustment (refer to note 16)	(8 915)	(6 396)
	<u>646 722</u>	<u>665 493</u>

This represents work done by external audit firms on behalf of the AGSA. Work is allocated to audit firms based on a tender process. No mark-up is applied to contract work.

14. OTHER INCOME

Sundry income [7]	3 668	3 587
Telephone charges recovered	154	217
Profit on sale of property, plant and equipment (refer to note 23.3)	415	313
	<u>4 237</u>	<u>4 117</u>

[7] Sundry income consists mainly of income from AFROSAI-E, APAC and the AGSA's gift shop.

15. OTHER OPERATIONAL EXPENDITURE

Auditors' remuneration		
Statutory audit services	3 699	2 970
Outsourced services	16 245	12 230
Fruitless and wasteful expenditure	11	-
Governance costs	509	506
ICT services	26 292	27 923
Internal audit fees	2 898	2 947
Legal costs	1 388	1 887
Other operational expenses (excluding staff cost)	14 257	11 549
Operating leases - land and buildings	78 737	83 318
Operating leases - equipment	2 513	3 003
Provision for impairment of receivables (refer to note 4)	33 048	30 232
Receivables written off as uncollectable	19	-
Recruitment costs	19 515	16 236
Stakeholder relations	20 212	20 997
Stationery and printing	9 575	9 246
Subsistence and travelling	21 702	18 986
Telephone and postage	8 141	7 960
Present value of expenditure adjustment (refer to note 16)	(2 725)	(1 238)
	<u>256 036</u>	<u>248 752</u>

16. NET INTEREST COST

	2015 R'000	2014 R'000
Interest income		
Interest income on bank and investments	26 365	22 523
Interest on overdue debtors accounts	20 859	16 146
Present value of revenue and trade receivables adjustment	4 090	11 112
Present value of revenue adjustment (refer to note 11)	4 090	5 758
Decrease in present value of trade receivables adjustment	-	5 354
	51 314	49 781
Interest expense		
Interest on obligation under finance lease agreements	-	(143)
Interest on repayment of salary over-payments in the former TBVC states	(171)	(637)
Present value of expenditure and trade payables adjustment	(11 640)	(7 840)
Present value of contract work recoverable adjustment (refer to note 13)	(8 915)	(6 396)
Present value of expenditure adjustment (refer to notes 15)	(2 725)	(1 238)
Decrease in present value of trade payables adjustment	-	(206)
Interest adjustment on retirement benefit obligations (refer to note 9)	(6 308)	(6 263)
	(18 119)	(14 883)

17. OTHER COMPREHENSIVE INCOME

Actuarial gains and losses - retirement benefit obligations (refer to note 9)	4 513	7 886
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Actuarial gains and losses will not be recycled to profit and loss in future.

18. NOTEBOOK LOSSES

75 (2014: 60) notebook computers stolen and written off at the carrying amount	384	119
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No amounts have been recovered as the AGSA self-insures notebook computers.

19. COMMITMENTS

	2015 R'000	2014 R'000
Operating lease commitments		
The future minimum commitments are as follows:		
Due within one year	74 485	60 208
Land and buildings	69 459	59 710
Office equipment	5 026	498
Between one and five years	226 283	223 599
Land and buildings	217 514	223 584
Office equipment	8 769	15
More than five years	-	27 981
Land and buildings	-	27 981
	300 768	311 788

The office premises are leased for periods between two and thirteen years. The average lease payments are R5 123 730 (2014: R4 979 442) 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 AGSA 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 R418 825 (2014: R41 511) per month. The lease agreements are renewable at the end of the lease term and the AGSA does not have the option to acquire the office equipment.

Other commitments

Thuthuka

The AGSA 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 AGSA 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 R2 090 160 (40 students x R52 254 per student).

Scholarship fund

The AGSA launched the Centenary Scholarship Fund during the centenary celebrations in November 2011. This once-off initiative enables 32 young students to pursue careers in the financial management or accounting streams at SAICA-accredited universities. The AGSA funds students for undergraduate and postgraduate studies if they progress academically. The maximum years of studies will be for a duration of five years. The funds provided to the sponsored student include tuition, accommodation, books and living allowance. The students are required to work for the AGSA for a duration equivalent to the years funded. 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 R2 260 503.

19. COMMITMENTS (CONTINUED)

External bursaries

External bursaries are awarded annually to full-time students to undertake under- and postgraduate 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 AGSA, or in certain instances redeemed through employment in the AGSA. 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 632 000 for approximately 125 students for the 2015-16 financial year.

	2015 R'000	2014 R'000
Capital commitments		
Approved and contracted for [8]	2 500	24 000
Approved but not yet contracted for	93 999	55 615
Total approved [9]	96 499	79 615
Source of funding		
Internal financing	96 499	79 615
	96 499	79 615

[8] Approved and contracted for in 2014-15 but for the financial year 2015-16.

[9] This relates to property, plant and equipment approved during 2014-15 for the 2015-16 budget.

20. CONTINGENT LIABILITIES

Guarantees	-	48
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Guarantees provided by the AGSA to various financial institutions for portions of home loans granted to three staff. This policy was discontinued in 1993.

21. RELATED PARTIES

21.1 Key management personnel compensation

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

MANAGEMENT				2015		
Position	Name	Appointment date	Termination date	Gross remuneration R'000	Performance bonus R'000	Total remuneration R'000
Auditor-General [10]	T Makwetu	1 Dec 2013		5 780	-	5 780
Deputy Auditor-General	T Ratsela	1 Apr 2014		3 116	793	3 909
National Leader	EM Zungu	1 Jul 2014		1 978	521	2 499
National Leader	I Vanker	1 Oct 2012	30 Apr 2014	193	-	193
National Leader	B Maggott	1 Aug 2014		1 722	344	2 066
Corporate Executive	AH Muller	1 Mar 2008		2 115	432	2 547
Corporate Executive	BR Wheeler	1 Mar 2008		2 115	540	2 655
Corporate Executive (appointed National Leader on 1 July 2014)	EM Zungu	1 Feb 2009		505	-	505
Corporate Executive	JH v Schalkwyk	1 Nov 2010		2 131	437	2 568
Corporate Executive	NE Seedat	1 Jul 2012	19 Sep 2014	918	-	918
Corporate Executive	SS Ngoma	1 Nov 2012		1 806	462	2 268
Corporate Executive	SN Ngobese	1 Jan 2013		1 782	-	1 782
Corporate Executive	M Nkai (Acting)	1 Feb 2014	31 Jul 2014	617	-	617
Corporate Executive	S Badat	1 Mar 2014		2 233	455	2 688
Corporate Executive	V Msibi	1 May 2013		1 994	511	2 505
Corporate Executive	MS Segooa	1 Aug 2014		1 295	259	1 554
Corporate Executive	T Zondi	1 Aug 2014		1 295	389	1 684
				31 595	5 143	36 738

[12]

MANAGEMENT				2014		
Position	Name	Appointment date	Termination date	Gross remuneration R'000	Performance bonus R'000	Total remuneration R'000
Auditor-General [10]	TM Nombembe	1 Dec 2006	30 Nov 2013	13 111	-	13 111
Auditor-General	T Makwetu	1 Dec 2013		1 213	-	1 213
Deputy Auditor-General (appointed Auditor-General on 1 December 2013) [11]	T Makwetu	1 Jul 2007		2 346	606	2 952
National Leader	T Ratsela	1 Jun 2012		2 306	589	2 895
National Leader	I Vanker	1 Oct 2012		2 264	-	2 264
Corporate Executive	AH Muller	1 Mar 2008		1 976	404	2 380
Corporate Executive	BR Wheeler	1 Mar 2008		1 976	505	2 481
Corporate Executive	EM Zungu	1 Feb 2009		2 095	535	2 630
Corporate Executive	JH v Schalkwyk	1 Nov 2010		1 973	506	2 479
Corporate Executive	NE Seedat	1 Jul 2012		1 845	377	2 222
Corporate Executive	M Hassim	1 Oct 2012	30 Nov 2013	1 209	-	1 209
Corporate Executive	SS Ngoma	1 Nov 2012		1 688	239	1 927
Corporate Executive	SN Ngobese	1 Jan 2013		1 673	341	2 014
Corporate Executive	M Nkai (Acting)	1 Feb 2014		309	47	356
Corporate Executive	S Badat	1 Mar 2014		179	-	179
Corporate Executive	V Msibi	1 May 2013		1 646	477	2 123
				37 809	4 626	42 435

[12]



21. RELATED PARTIES (CONTINUED)

21.1 Key management personnel compensation (continued)

[10] Included in the current Auditor-General, T Makwetu's, salary is deferred compensation of R1 613 682 and back pay of R194 420. In 2014, the previous Auditor-General, T Nombembe's, salary included deferred compensation of R10 156 000 and back pay of R820 000.

[11] Deputy Auditor-General, T Makwetu, was appointed Auditor-General on 1 December 2013. For the period 1 April 2013 to 30 November 2013, T Makwetu, per his conditions of employment, was entitled to a performance bonus.

[12] This includes all remuneration paid to management.

Compensation to management is summarised as follows:

	2015 R'000	2014 R'000
Short-term employee benefits	35 124	32 279
Long-term employee benefits - termination	1 614	10 156
	<u>36 738</u>	<u>42 435</u>

21.2 Other related parties

The Executive Secretariat of AFROSAIE is hosted by the AGSA. It is headed by a chief executive officer appointed by the AFROSAIE Governing Board while the AGSA performs an oversight role.

As documented in a memorandum of understanding (MOU) between the AGSA and AFROSAIE, the AGSA provides or finances a budget for the chief executive officer, premises and other necessary resources for the functioning of the Executive Secretariat. The budget compilation and financial reporting is done in accordance with the AGSA's budget and financial reporting prescripts. The costs are recovered at a mutually agreed monthly rate as specified in the MOU.

Related party balances

Trade receivables	<u>599</u>	<u>-</u>
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Related party transactions

Revenue	<u>1 478</u>	<u>1 463</u>
Expenses	<u>4 380</u>	<u>4 436</u>

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

22. FINANCIAL INSTRUMENTS

22.1 Market risk

22.1.1 Foreign currency risk management

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

Included in the bank balances at 31 March 2015 is an amount of 126 068 USD (2014: 311 619 USD). These balances have been translated at the year-end exchange rate of 1 USD = R12,1525 (2014: 1 USD = R10,5848).

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

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.1 Market risk (continued)

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.

	2015		
	USD and Euro exchange rate		
	Current balance	+1%	-1%
Net surplus (R'000)	138 003	138 017	137 989
% change		0,0%	0,0%
Foreign bank account balance (R'000)	1 533	1 548	1 518
% change		1,0%	-1,0%

	2014		
	USD and Euro exchange rate		
	Current balance	+1%	-1%
Net surplus (R'000)	98 742	98 789	98 695
% change		0,0%	0,0%
Foreign bank account balance (R'000)	3 299	3 332	3 266
% change		1,0%	-1,0%

22.1.2 Interest rate risk management

The exposure to changes in interest rates relates primarily to the AGSA'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.

	2015		
	Current & call account interest rate		
	Current balance	+1%	-1%
Net surplus (R'000)	138 003	143 443	132 592
% change	-	3,9%	-3,9%
Current bank and call account balances (R'000)	508 293	513 734	502 883
% change	-	1,1%	-1,1%

	Finance lease agreement interest rate		
	Current balance	+1%	-1%
	Net surplus (R'000)	138 003	138 003
% change	-	0,0%	0,0%

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.1.2 Interest rate risk management (continued)

	2014		
	Current & call account interest rate		
	Current balance	+1%	-1%
Net surplus (R'000)	98 742	104 052	93 481
% change	-	5,4%	-5,3%
Current bank and call account balances (R'000)	492 901	498 213	487 642
% change	-	1,1%	-1,1%
	Finance lease agreement interest rate		
	Current balance	+1%	-1%
Net surplus (R'000)	98 742	98 715	98 771
% change	-	0,0%	0,0%

22.2 Credit risk

Financial assets which potentially subject the AGSA 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 F1+ (2014: F-1) as well as with the Public Investment Corporation (PIC). The PIC 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 AGSA. However, the AGSA has a significant concentration of credit risk with local government debtors.

All financial assets are unsecured. The carrying amount of financial assets included in the statement of financial position represents the AGSA's exposure to credit risk in relation to these assets.

An analysis of the ageing of trade receivables that are 30 days and over is as follows: R337 498 000 (2014: R290 658 000) of receivables, comprising 47,6% (2014: 47,9%) of total debtors, are in arrears. Local government debtors arrears comprise R286 893 000 (2014: R248 119 000) or 85,0% (2014: 85,4%) of total arrears which represents 40,5% (2014: 40,9%) of the 47,6% (2014: 47,9%) receivables that are in arrears.

A breakdown of the ageing and concentration of credit risk that arises from the AGSA's receivables in relation to the type of auditees is as follows:

2015	Total R'000	Current R'000	30 - 120 R'000	120+ R'000
Debtor type				
National	74 095	73 824	60	211
Provincial	141 949	126 560	7 570	7 819
Local	365 874	78 981	114 705	172 188
Statutory	37 820	23 571	945	13 304
Other [13]	89 323	68 627	4 915	15 781
	<u>709 061</u>	<u>371 563</u>	<u>128 195</u>	<u>209 303</u>

22. FINANCIAL INSTRUMENTS (CONTINUED)**22.2 Credit risk (continued)**

2014	Total R'000	Current R'000	30 - 120 R'000	120+ R'000
Debtor type				
National	76 855	72 657	985	3 213
Provincial	115 367	105 150	7 905	2 312
Local	322 149	74 030	102 330	145 789
Statutory	60 588	45 378	3 410	11 800
Other [13]	31 825	18 911	3 591	9 323
	606 784	316 126	118 221	172 437

Financial assets subject to credit risk

2015	Total R'000	Fully performing R'000	Past due but not impaired R'000	Impaired R'000
Debtor type				
National	74 095	73 705	388	2
Provincial	141 949	126 560	15 064	325
Local	365 874	78 981	130 386	156 507
Statutory	37 820	23 571	4 962	9 287
Other [13]	89 323	68 627	8 316	12 380
	709 061	371 444	159 116	178 501

2014	Total R'000	Fully performing R'000	Past due but not impaired R'000	Impaired R'000
Debtor type				
National	76 855	72 538	-	4 317
Provincial	115 367	105 150	9 035	1 182
Local	322 149	74 030	122 031	126 088
Statutory	60 588	45 378	3 725	11 485
Other [13]	31 825	18 911	10 386	2 528
	606 784	316 007	145 177	145 600

[13] Other receivables 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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.3 Liquidity risk

Liquidity risk is the risk that the AGSA will not be able to meet its financial obligations as they fall due.

The AGSA has adequate 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 and controlled.

Maturity profile of financial instruments	1 year or less R'000	1 to 5 years R'000	Total R'000
31 March 2015			
Assets			
Trade and other receivables	548 596	-	548 596
Total trade and other receivables	592 072	-	592 072
Prepayments	(43 476)	-	(43 476)
Cash			
Local			
Current account	188 173	-	188 173
Overnight call account	29 859	-	29 859
Notice deposit	165 284	-	165 284
Call account - PIC	124 977	-	124 977
Foreign	1 533	-	1 533
Total financial assets	1 058 422	-	1 058 422
Liabilities			
Trade and other payables	377 160	-	377 160
Total trade and other payables	431 504	-	431 504
Straightlining of leases	(54 344)	-	(54 344)
Total financial liabilities	377 160	-	377 160
Net financial assets / (liabilities)	681 262	-	681 262

22. FINANCIAL INSTRUMENTS (CONTINUED)**22.3 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 2014			
Assets			
Trade and other receivables			
Total trade and other receivables	477 068	-	477 068
Prepayments	484 747	-	484 747
Cash	(7 679)	-	(7 679)
Local			
Current account			
Overnight call account	156 585	-	156 585
Notice deposit	61 695	-	61 695
Call account - PIC	155 913	-	155 913
Foreign	118 708	-	118 708
	3 299	-	3 299
Total financial assets	973 268	-	973 268
Liabilities			
Trade and other payables	389 570	-	389 570
Total trade and other payables	445 826	-	445 826
Straightlining of leases	(56 256)	-	(56 256)
Total financial liabilities	389 570	-	389 570
Net financial assets / (liabilities)	583 698	-	583 698

23. NOTES TO THE CASH FLOW STATEMENT

	2015 R'000	2014 R'000
23.1 Cash receipts from auditees		
Revenue	2 750 220	2 536 154
Net increase in trade receivables	(102 277)	(90 225)
	2 647 943	2 445 929
23.2 Total direct audit cost payments		
Direct audit cost	(1 840 034)	(1 732 900)
Net decrease in trade payables	(41 349)	(47 828)
	(1 881 383)	(1 780 728)



23. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

	2015 R'000	2014 R'000
23.3 Operational expenditure payments		
Operational expenditure	(772 183)	(704 512)
Adjusted for:		
Straightlining of leases	(1 911)	2 937
Interest income	(51 314)	(49 781)
Interest expense	18 119	14 883
Foreign exchange gains (refer to note 23.4)	(100)	(1 769)
Depreciation	32 233	32 104
Amortisation	6 720	4 608
Increase in provision for impairment of receivables	33 048	30 232
Increase / (decrease) in provision for post-retirement medical aid benefits	588	(2 774)
Profit on the disposal of property, plant and equipment and intangible assets (refer to note 14)	(415)	(313)
Decrease in provisions	-	(5 947)
	(735 215)	(680 332)
Other working capital changes	(9 158)	43 599
Increase in other receivables	(38 096)	(8 511)
Increase in other payables	28 938	52 110
	(744 373)	(636 733)
23.4 Foreign exchange gains		
Realised foreign exchange (losses) / gains	(98)	1 355
Unrealised foreign exchange differences in the foreign bank balance [14]	198	414
	100	1 769

[14] The difference between the closing and opening exchange rate applied to the foreign bank balance and international debtor balance at year-end.

24. TAXATION

No provision is made for income tax as the AGSA is exempt in terms of section 10(1)(cA)(i) of the Income Tax Act, 1962 (Act No. 58 of 1962).

25. PROFESSIONAL INDEMNITY INSURANCE

It is not the policy of the AGSA to take professional indemnity insurance cover.

26. 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.



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