



Value-adding auditing  
Visibility for impact  
Viability  
Vision and values driven

**2017-20**

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



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# CONTENTS

<b>STRATEGIC PLAN OF THE AUDITOR-GENERAL OF SOUTH AFRICA FOR 2017-20</b>	<b>3</b>
<b>1. PURPOSE OF THIS DOCUMENT</b>	<b>4</b>
<b>2. OUR CONSTITUTIONAL MANDATE AND FUNCTIONS</b>	<b>4</b>
Our mandate and functions	4
Our products	4
Our role in the South African democracy	4
Accountability and reporting	4
<b>3. ORGANISATIONAL VISION, MISSION AND VALUES</b>	<b>5</b>
<b>4. STRATEGIC COMMITMENTS OF THE AUDITOR-GENERAL</b>	<b>6</b>
Value-adding auditing	7
Visibility for impact	8
Viability	9
Vision and values driven	9
<b>5. OVERVIEW BY THE DEPUTY AUDITOR-GENERAL</b>	<b>9</b>
<b>6. STRATEGIC RISKS</b>	<b>11</b>
<b>7. OUR APPROACH TO SUSTAINABILITY</b>	<b>12</b>
<b>8. STRATEGIC PLAN 2017-20</b>	<b>14</b>
Strategic goal: Value-adding auditing	14
Strategic goal: Visibility for impact	17
Strategic goal: Viability	20
Strategic goal: Vision and values driven	25
<b>ANNEXURE A THE AGSA'S BALANCED SCORECARD 2017-20</b>	<b>28</b>
<b>BUDGET OF THE AUDITOR-GENERAL OF SOUTH AFRICA FOR 2017-20</b>	<b>32</b>
<b>ANNEXURE B PROPOSED INTERNAL RATES 2017-18</b>	<b>69</b>
<b>ANNEXURE C HOURLY CHARGE-OUT RATES FOR AUDITS CONDUCTED ON BEHALF OF THE AGSA</b>	<b>77</b>
<b>ANNEXURE D LIST OF ACRONYMS AND ABBREVIATIONS</b>	<b>79</b>





# Strategic plan of the Auditor-General of South Africa for 2017-20



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# 1. PURPOSE OF THIS DOCUMENT

---

This document presents the performance plan and the budget of the Auditor-General of South Africa (AGSA), for the period 1 April 2017 to 31 March 2020. It is based on the long-term strategy of the organisation, as outlined in detail by the auditor-general in the 2015-18 strategic plan, and is the result of an annual planning process that sets targets for the first year and makes projections for the rest of the three-year period.

# 2. OUR CONSTITUTIONAL MANDATE AND FUNCTIONS

---

## OUR MANDATE AND FUNCTIONS

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

## OUR PRODUCTS

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

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

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

## OUR ROLE IN THE SOUTH AFRICAN DEMOCRACY

Through our audit activities, we play an important role in enabling accountability and thus promote sound financial governance practices in South Africa. We do this by providing independent assurance to the various legislatures on whether entities that use public funds have managed their financial affairs in line with sound financial principles, have complied with the relevant legal framework, and have provided credible information on the achievement of their financial and performance objectives. In this way, the elected representatives of the South African people are able to hold the executive and accounting authorities, officials and public entities accountable. Ultimately, our work empowers citizens 'to hold the custodians of public resources accountable' as outlined in the International Standard of Supreme Audit Institutions (ISSAI) 12, *The value and benefits of supreme audit institutions (SAIs) – making a difference to the lives of citizens*.

## ACCOUNTABILITY AND REPORTING

We are accountable to the National Assembly, to which we report annually on our activities and the performance of our functions by tabling the main accountability instruments, namely our strategic plan and budget and our annual report. The Standing Committee on the Auditor-General (SCoAG), established in terms of the Constitution and the PAA, oversees our performance on behalf of the National Assembly.

### 3. ORGANISATIONAL VISION, MISSION AND VALUES

---

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

#### VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.

#### MISSION

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

#### VALUES

We value, respect and recognise all people.

Our accountability is clear and personal.

We are performance driven.

We value and own our reputation.

We work effectively in teams.

We are proudly South African.



## 4. STRATEGIC COMMITMENTS OF THE AUDITOR-GENERAL

The importance of a competent and value-adding assurance provider for the public sector cannot be overemphasised. In fulfilment of this role, we continue to increase our sophistication in terms of tools, people, processes and innovation to scrutinise public spending and remain independent. Our long-term organisational strategy, termed *the 4V strategy*, has yielded successes in its two years of implementation, which we have outlined in our latest annual report. Our ambition is to build on the achievements and continue with the implementation of the initiatives that we have put in place.

### WE ASPIRE TO SEE A PUBLIC SERVICE THAT IS CHARACTERISED BY:



#### ROBUST FINANCIAL AND PERFORMANCE MANAGEMENT SYSTEMS

- Transparent and stable financial and performance management reporting systems
- Budgeting and planning processes that ensure the effective, efficient and economical use of all public resources
- Strong internal audit capabilities that provide assurance



#### OVERSIGHT AND ACCOUNTABILITY

- Accurate and empowering financial and performance reporting to enable effective oversight
- An appreciation of the role of applying consequences for transgressions and poor performance in restoring the integrity of, and building public confidence in, the system of public administration



#### COMMITMENT AND ETHICAL BEHAVIOUR BY ALL

- Visible commitment by all players in the public service to contribute towards the financial health of the country and an improved social reality for our people
- Demonstrated ethical behaviour and professionalism in the public sector as cementing characteristics of a capable state, with a public service that consistently does the right thing

The ultimate goal of our work 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.

Our commitments for the period 2017-20 are structured around four strategic goals:

## VALUE-ADDING AUDITING



This is aimed at providing audit-derived valuable insights to our stakeholders on the status of their internal control and performance environment accompanied by actionable recommendations, which – if executed – would lead to visible improvements in public sector administration.

## VISIBILITY FOR IMPACT



This structures our stakeholder engagement programmes in the most effective way to encourage and enable the required improvements in the public sector.

## VIABILITY



This internally focused perspective of our work ensures that we have the necessary resources: an enabling legal framework, independent financial resources, and the required skills, competencies and culture to execute our mandate economically, efficiently and effectively.

## VISION AND VALUES DRIVEN



Through our work and behaviour, we aim to lead by example and to continually demonstrate that clean administration is achievable.

Our multi-faceted work for the 2017-20 performance period will be organised along the following firm commitments that we make to our stakeholders:

## VALUE-ADDING AUDITING

Our focus remains on **auditing areas that matter** and **influencing all players in the public sector** to utilise public funds as intended for the benefit of the people of South Africa. In this regard, we will prioritise areas of public spending most relevant to the well-being of citizens. Our audits will also **start providing awareness of the achievement of the United Nations' Sustainable Development Goals** in our country.

As the achievement of government programmes aimed at improving the lives of citizens depends on the availability and adequate deployment of public resources, we will sharpen our work on **detecting and exposing practices that**





**ultimately result in wastage of public money.** The audits will not only **elevate instances of irregular, fruitless, wasteful and unauthorised expenditure** but will seek to **establish a direct line of sight from detection of breaches to implementation of consequences.**

For our work to be relevant, we will continue **examining the real drivers of value in our clients' activities** so that we can comment on these aspects. **Deepening our understanding of the auditees' real business** will remain a pillar of our unique value proposition.

Our **increased relevance** will also come from providing insights emanating from our **integrated audits**. These will utilise a **broad spectrum of tools and specialist skills** available to us to produce and communicate value-adding insights and to **optimise value for our stakeholders**. We further plan to **improve the timing of the completion of our performance audit reports** to allow faster opportunities for improvement in service delivery.

While we have become accustomed to applying electronic tools to aid the audit, we will work on understanding how **data analytics** can improve the quality of the audit samples, increase the audit efficiency and improve the quality of our audit reports, thus reducing the audit risk.

Heightened attention will be paid to the **technical quality of our audits** by increasing the rigour of our pre-issuance review process, enhancing the application of standards on finalising the audit files, and strengthening the link of the quality assurance scores to the organisation's reward system.

The conclusion of our audits will result in **delivering impactful reports with simple, clear and relevant messages** to all users of our reports so that the desired improvements in the public administration can be achieved.

## VISIBILITY FOR IMPACT

Our stakeholders expect an increased level of communication about our findings in individual audits as well as forewarnings about the status of the system of public administration as a whole. Engaging stakeholders is an essential element in the achievement of our mandate and to **enabling and compelling them to act**.

We are persistent in exploring **better and innovative ways of communication about what matters to our stakeholders**. Our rigorous approach to addressing recurring risks in the form of **well-structured status-of-records reviews** is aimed at accounting officers and chief financial officers, and is expected to create substance to the discussions on key controls and to build relationships of mutual trust. These engagements will be extended to include various other key staff members at the auditees, such as the leadership in strategy and supply chain as well as internal audit units.

**Educating citizens and empowering them** to hold their elected representatives accountable remains a major commitment. Our thought leadership and citizen engagement strategies are expected to start bearing fruit.

Internally, we will drive **continual improvements in our engagement tools and building capacity for impactful stakeholder interactions** so that we achieve the best return on the effort and time invested.

**Our leading role in the capacity-development efforts of the International Organization of Supreme Audit Institutions (Intosai)** is widely recognised and praised by peers. As the organisation that currently chairs the Capacity Building Committee (CBC) of Intosai, we perform a vital integrating role by ensuring that the capacity-development effort complements previous and ongoing work. In this way, we will contribute significantly to the advancement of the professionalisation of auditors worldwide. We will further derive value from our international endeavour in the form of knowledge, skills and experience and will utilise the international programmes to share and test our best practices.

## VIABILITY

Understanding and managing our organisational capitals need to be elevated through the application of integrated thinking in the organisation. Financial viability remains of the utmost priority to preserve our independence; thus, we will **improve efficiencies, increase the collection of audit fees**, and search for **suitable additional revenue streams**.

Our success as a SAI has resulted in increased expectations, even demands, for us to audit various aspects and entities in the public sector. **The full utilisation of all legal mechanisms available to us** will allow us to best exercise our mandate and strengthen our contribution to consequence management for maladministration in the public sector.

The demands on the skills and competencies of our auditors have evolved; hence, the ways in which we **develop professional staff, both in audit and support areas**, will evolve as well. Our approach to support the qualification of black chartered accountants (CAs) will be invigorated to reflect our commitment to the **transformation of the accounting and auditing profession** in the country.

The training that our auditors receive, together with the vast experience that we possess, will increase our attractiveness as an employer of choice. **Opportunities in auditing state-owned enterprises** will be utilised to develop employees' ability to audit complex environments.

The management of our physical infrastructure, improvements of operational processes, talent management and leadership development will continue to be on the priority list to ensure that we are **well equipped to achieve our aspirations of value-add and impact**.

## VISION AND VALUES DRIVEN

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

In our effort to be a transformational organisation, **we will respond to the transformation objectives of our country**, namely economic growth, poverty alleviation and equality, through our procurement practices, enterprise and supplier development programmes, distribution of contract audit work, employment of people living with disabilities, and various other activities.

Our audits increase the levels of transparency, accountability and good governance. Thus, our work strengthens the country's democracy, builds public confidence, and ultimately benefits the receiver of services – the people of South Africa. I believe that the leadership of the organisation has the required courage to overcome the challenges that we face while exercising our mandate. Our leaders will therefore lead by example in instilling the desired organisational culture to inspire our staff to share our aspirations for the public sector and to contribute successfully to the execution of our strategy.

## 5. OVERVIEW BY THE DEPUTY AUDITOR-GENERAL

---

As the accounting officer of the AGSA, I find new reasons every day to be excited about the work that we do in supporting democracy in our country. Our organisation is ever evolving: in our approaches to audit and report so that visible improvements in the management of public resources are achieved, in our development of staff and leadership, and in our deployment of tools and technologies for efficiencies and effectiveness.

Two years since the launch of the 4V strategy, we are firmly on the path towards the achievement of aspirations outlined in the beginning of our auditor-general's term.

While succeeding in building a solid foundation, we have identified the need to focus on fewer priorities and energise the organisation towards achieving them faster and to a higher standard.

The completion of the development of strategies and programmes such as the approach to section 4(3) audits, accelerated transformation, thought leadership, citizen engagement, an improved audit methodology and people development will allow us to shift our effort to the successful implementation of these strategies and programmes so that the desired level of new competencies and capabilities is reached.

A major result of our evolution is the creation of a unique set of challenges and opportunities to build attractive and meaningful careers for our staff that allows us to acquire and retain talented individuals. We believe that this will be the deciding factor in the success of our work and we will strive to increase the attractiveness of our brand.

## **AUDIT EFFICIENCIES AND AUDIT QUALITY**

We continually recognise the importance of improving the audit efficiencies and increasing the quality of our audits. The implementation of the enhanced audit methodology is aimed at enabling our auditors to probe deeper into the state of internal controls, performance information and compliance with legislation as well as allowing them to provide assurance on these aspects in a more seamless and integrated manner. This will ensure that we deliver an audit product that is valuable and relevant to our auditees, while ensuring accountability and promoting good public governance in South Africa. This will be a step in developing innovative, insightful and relevant auditors of the future.

We set high targets for the technical quality of our audits and audit engagements. All identified solutions for the challenges that we experienced recently in this regard will be strictly implemented. Our work will be benchmarked at the adequate level of fellow SAs to allow us to set and consistently achieve targeted quality.

## **ORGANISATIONAL CAPABILITY**

The development of the technical competencies of our staff is only one of the elements of our people strategy. Holistic talent management, defining career paths for support and audit staff, sharpening the strategic focus of staff through engagement with leadership, and enhancing the employee value proposition will remain priorities for line managers at all levels.

Consolidating our human capital portfolio under the chief people officer and defining new strategic measures for success in the human capital area demonstrate the seriousness with which we are approaching the creation of skills for our organisation, the profession and the country in general. While the trainee auditor scheme remains the main pipeline for our audit teams, its focus has been revised to include intensive support for the qualification of an increased number of CAs in the next three years.

## **OPERATIONAL EFFICIENCIES**

Now more than ever, we are compelled to find ways of being operationally efficient. The leadership of the organisation has made firm and bold decisions in implementing austerity measures, enhanced resource utilisation and overheads containment. We will proceed with the enhancement of our information technology (IT) infrastructure and the improvement of our audit tools as approaches to driving efficiencies and passing value to our auditees.

## **EXTERNAL FACTORS**

We routinely conduct environmental scanning and analysis to understand major external trends and their potential impact on the organisation so that we can position ourselves adequately to best execute our constitutional mandate.

Greater attention to consequence management in the public sector has become evident in recent months. This trend brings an invaluable opportunity for us to collaborate with other chapter 9 institutions and organs of state in ensuring complementary oversight and enforcing accountability. It will also put further requirements on the formulation of our audit messages to include the relevant level of detail and specific insights to enable such oversight.

One of the 'side effects' of consequence management is pushbacks from our auditees, resulting in litigation against us aimed at preventing or delaying us from issuing audit reports. Such cases constitute an interference with our constitutional mandate

and are being dealt with through the necessary means. We also see this as an opportunity to strengthen the technical quality of our audits and to substantially improve the value of audit engagements.

The economic stagnation currently being experienced results in a situation in which everyone needs to achieve more with less. We expect an increase in the number of auditees that operate under financial distress, which could present a challenge regarding the collection of audit fees and, hence, pose a serious threat to our financial sustainability. Rigorous debt collection through the well-established ring-fencing and litigation processes will be augmented by engagements with national and provincial leadership, specifically with the National Treasury, to ensure that we remain financially independent.

The slow growth in the number of black CAs and even slower transformation of the auditing profession have strengthened our resolve to utilise the distribution of contract audit work and other organisational practices relating to procurement and human capital to positively influence the required changes.

The scarcity of skilled professionals in all specialities needed for the execution of our mandate remains a perennial challenge, especially in some of the provinces. This necessitates continuous attention to the development and retention of talent.

Notwithstanding the tests that the environment throws at us, we are confident that we have the required calibre of leaders and staff to continue executing their daily tasks with the necessary rigour and integrity. We look forward to every opportunity to deliver value to our auditees and stakeholders, thus supporting the democracy in our beloved country.

## 6. STRATEGIC RISKS

---

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

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

1. Negative impact on the financial viability of the AGSA as a result of pressure on revenue collected, as well as internal and external costs/factors
2. Failure to lead by example through effective ethical leadership
3. Failure to maintain key skills and employ skilled staff to enable delivery of the 4V strategy
4. Audit process failure
5. Failure to have a positive impact and be relevant to our stakeholders (misalignment between stakeholder expectation and our mandate)
6. Failure to embed the right organisational culture to support successful achievement of Vision 2024
7. Inadequate IT capability to support successful delivery of the 4V strategy (infrastructure, management information and audit and process software)
8. Loss of credibility due to the character of the environment in which we operate
9. Inability to protect organisational resources (information, data, etc.) against cyber threats.

This strategic plan contains aspects and actions to mitigate and manage the various organisational risks to an acceptable level.

## 7. OUR APPROACH TO SUSTAINABILITY

As a SAI, we understand that we can only exist in a sustainable society. Our efforts are not aimed at creating wealth for the organisation, but rather at creating wealth for the country. We strive to integrate the all-encompassing meaning of sustainability into every aspect of our operations and seek new ways to enhance our own efficiency and effectiveness to benefit the people of South Africa.

The link between the work of a SAI and the societal objectives of its country is set in the text of United Nations Resolution A/66/209. The resolution affirms SAI's important role in promoting the efficiency, accountability, effectiveness and transparency of public administration that is conducive to achieving national development objectives and priorities, as well as internationally agreed-upon development goals, such as sustainable development goals.

Our sustainability model summarises our resources (grouped along the lines of financial, intellectual, manufactured, human, social and relational, and environmental capitals), which we use to create value for our stakeholders. The formulation of the sustainability model and the drafting of our sustainability strategy complete the first phase of our journey in making sustainability part of all we do.

We have consistently practised integrated thinking and reporting, looking to best use or develop our capitals and consider their interdependence. For example, an increase in human capital through training programmes will decrease the financial capital in the short term due to the cost related to skills development. In the long term though, we expect that improved skills and capabilities will result in efficiencies, thus increasing the value that is delivered to stakeholders who will be more willing to pay for our audits. Conversely, a decrease in the financial capital due to the insufficient collection of audit fees could lead to a loss of human capital due to the underinvestment in relevant skills and possible increased turnover of critical personnel. In turn, this would lead to a decrease in intellectual capital and ultimately result in a decrease in social and relational capital as the depth and relevance of insights might be impaired.

Over the years, we have developed expertise in managing most of our capitals. Our financial, human as well as social and relational capitals have been subject to dedicated development and enhancement initiatives as demonstrated in our strategic plans. Others though, such as our intellectual and environmental capitals, have not been given sufficient attention.

Figure 1: Our sustainability model

Economic sustainability			Social sustainability		Environmental sustainability
Financial capital	Intellectual capital	Manufactured capital	Human capital	Social and relational capital	Environmental capital
Audit income	Audit process	Head office and office buildings in nine provinces	Experienced leadership	Our mandate, reputation and brand	Energy – electricity and fuel (diesel and petrol)
Donations	Audit software – TeamMate	Information networks	Human resource practices – recruitment, training, retention, reward	Media and people of South Africa	Air

Economic sustainability			Social sustainability		Environmental sustainability
Financial capital	Intellectual capital	Manufactured capital	Human capital	Social and relational capital	Environmental capital
	Knowledge of the public sector	IT hardware – servers	Regularity, performance and information systems auditing and investigation skills	Regulators and professional bodies	Paper
	Tailored training programmes	Tools of trade (desktops, laptops, printers, etc.)	Skills in audit research, strategy execution, communication, stakeholder management, etc.	Chapter 9 institutions	
	Management information system	Public infrastructure	Established learnerships	Schools and universities	
	Stakeholder engagement tools		Organisational culture of performance	Contract work audit firms	
	iKnow information portal		Occupational health and safety, employee wellness programme and employee relations practices	Beneficiaries of socio-economic development programmes	
				International stakeholders	

While the capitals are interrelated and trade-offs occur all the time, they are also influenced by external factors, such as the economic climate, technological progress, social changes and environmental issues.

We understand in principle how our strategy affects the increase or reduction of these capitals. The next step in our sustainability journey is to complete the quantification of elements in our model so that we can measure and track their improvement or depletion over time.



## 8. STRATEGIC PLAN 2017-20

### STRATEGIC GOAL: VALUE-ADDING AUDITING

STRATEGIC OBJECTIVES	
<i>Demonstrate value-adding auditing</i>	<i>Ensure high quality of our audits</i>

Demonstrating the value that our audits add to our stakeholders remains an overarching priority for us. For our audits to stay relevant and to assist in building trust in the work of the public sector, we concentrate on **understanding the drivers that create value for our auditees**. Our country's developmental priorities define the significant topics of our audits. These will remain focused on **education, health and infrastructure (water, sanitation and human settlements)**.

Our **financial audits** will continue to provide insights on the way public funds are managed and how our audit findings and opinions can assist in improving performance for the benefit of South Africans.

Our **audit reports will carry on outlining recommendations** on taking appropriate corrective actions that will stimulate and evolve the nature of the conversation in audit committees and legislatures. The audit report is not simply a pass or fail stamp; it will include detailed commentary on the areas of risk, based on insights gained through our holistic and integrated approach. In this way, we will promote accountability and oversight and enable citizens to exercise their democratic rights of monitoring the performance of their elected representatives.

#### OBJECTIVE 1: DEMONSTRATE VALUE-ADDING AUDITING

In evaluating the value of our work, we will seek the opinion of our stakeholders. Aspects of our work that require improvement will be identified and adequate attention paid to the development of specific actions to address performance gaps.

PERFORMANCE MEASURE	TARGET		
	2017-18	2018-19	2019-20
% of stakeholders who view our audit work as adding value to the achievement of their mandates	70% – 80% and closure of identified gaps	75% – 80% and closure of identified gaps	75% – 80% and closure of identified gaps
Auditor-general's assessment of the organisation's performance on value-adding auditing	Achieved organisational objectives	Achieved organisational objectives	Achieved organisational objectives
Tool	Stakeholder perception survey Note: Business units (BUs) will be assessed by the auditor-general, deputy auditor-general, national leader or corporate executive as appropriate		

We will examine the economic, efficient and effective use of public resources. The integration of our audit lines will remain the standard approach to auditing clients. This will allow us to better test the quality of reporting by auditees, as well as the delivery of services in line with what has been promised to the public.

A deep knowledge and understanding of our auditees' business will allow us to tailor the value of the audit that would be delivered to each individual client. Each audit team will select the appropriate tools and methods to gain the requisite knowledge and develop understanding. Our clients' activities will always be viewed holistically to allow us to audit all parts of their value chains.

We envisage increasing the contribution made by our specialised audit services BUs in the overall execution of the audits.

The use of computer assisted audit techniques (CAATs) has been well entrenched in the audit process. They allow us to increase the audit sample and highlight areas of concern. Such areas will be further probed by investigation techniques. The area in which we envisage to improve is the understanding and use of data analytics to predict performance and use it to evaluate the reported information by auditees.

An adequate portion of performance auditing will be done for each client relevant to the audit risk assessments. We will continue to increase the sum of specialist expertise available to us either within the organisation or through outsourcing.

Figure 2: Link between government priorities and AGSA audit priorities



Stand-alone performance audits will be conducted according to our long-term audit plan. We will pursue the faster finalisation and tabling of performance audit reports. Audit themes will be mapped to the topics of the sustainable development goals so that we can gain a view of the progress made in achieving these goals in our country.

The implementation of our improved audit methodology that commenced in the previous year will enable us to apply a consistent risk approach to the planning of audits; provide for integration of our audit disciplines; and allow us to provide assurance on financial statements, annual performance reports and compliance with key legislation in a more seamless and integrated manner.

In cases where we opt not to conduct audits ourselves, namely our section 4(3) audits, we will increase our oversight so that these assignments meet both the expectations of our stakeholders and the requirements of the auditor-general for quality and depth of the audits. For continued relevance, we will occasionally review our audit portfolio to respond to developments in the performance of public sector entities.

Continual improvement in the way we express the audit insights – in other words, through simple, clear and relevant messages – will compel those charged with governance to act on and implement our recommendations for improvements in the public sector administration. Specifically, our reports will contain information derived by the specialised audit services BUs. We recognise the needs of those charged with oversight and other stakeholders, and thus structure our reports in a manner that simplifies their understanding and use.

Ultimately, the audits we conduct will encourage noticeable improvement in the levels of transparency, accountability and good governance in all spheres of government.

## OBJECTIVE 2: ENSURE HIGH QUALITY OF OUR AUDITS

We are committed to consistently conducting high-quality audits. While we pursue standardisation and uniformity of the audit work, we recognise that each audit is shaped by unique circumstances and environments and we will adapt our approach to maximise the quality and value of each audit. In response to the challenges that we experienced in achieving the required technical quality of our audits in the previous years, we will increase the rigour of our pre-issuance review process, enforce the application of standards on finalising the audit files, and strengthen the link of the quality scores to the organisation's reward system.

PERFORMANCE MEASURE	TARGET		
	2017-18	2018-19	2019-20
% adherence to quality standards: audit engagements	80% – 90% (C1, C2 and C3 rating)	80% – 90% (C1, C2 and C3 rating)	80% – 90% (C1, C2 and C3 rating)
Tool	Quality control assessment committee's confirmation of quality control audit results		

Summary of the main strategic initiatives for value-adding auditing	
Strategic initiative	2017-20 enablers
Institutionalise mechanisms and structures for developing a deep knowledge of auditees' needs and business	<ol style="list-style-type: none"> <li>1. Execute integrated audits tailored to the needs of each client</li> <li>2. Continue to intensify the use of CAATs</li> <li>3. Develop an understanding of and apply data analytics to reduce the audit risk and increase efficiencies</li> <li>4. Implement our revised audit methodology</li> </ol>
Implement our section 4(3) strategy	<ol style="list-style-type: none"> <li>1. Increase our oversight of the governance of section 4(3) audits</li> <li>2. Periodically review and update our audit portfolio</li> </ol>

Summary of the main strategic initiatives for value-adding auditing	
Strategic initiative	2017-20 enablers
Continuously improve the quality of our audits	<ol style="list-style-type: none"> <li>1. Increase the technical quality of audits</li> <li>2. Improve the timeliness of audit reports</li> <li>3. Ensure adequate quality and timeliness of information required in the compilation of the general reports</li> <li>4. Benchmark audit practices internationally</li> </ol>

## STRATEGIC GOAL: VISIBILITY FOR IMPACT

STRATEGIC OBJECTIVES	
<i>Achieve impact through visibility programmes</i>	<i>Engage actively with citizens</i>

Continual and meaningful engagement with stakeholders has become an important mechanism for us to encourage actions for improvements in public administration.

Our visibility programmes will stay focused on influencing change and obtaining the best return on investment in the form of timely and effective corrective actions by auditees. The programmes will be tailored to include various clearly identified stakeholders with the intention of broadening the engagement on audit outcomes.

Where willingness to improve is not evident, we will escalate the resolution of issues through oversight bodies. To advance consequence management for maladministration in the public sector, we will proactively collaborate with relevant organs of state and other chapter 9 institutions.

Accounting officers and chief financial officers in public organisations are in the best position to introduce positive improvements; hence, tailored initiatives will be put in place to equip them with the necessary knowledge and understanding of internal controls relevant to their areas of responsibility.

On the international front, as the chair of the Intosai CBC, we will facilitate the identification of challenges and opportunities for capacity development of Intosai members, strengthen structured professional development, and facilitate access to solutions. Another important objective will be to support SAls in using recognised self- or peer-assessment tools, such as the SAI performance measurement framework and peer reviews, as basis for developing capacity-building plans. We will provide support to the initiatives of the African Organization of English-speaking Supreme Audit Institutions (Afrosai-E) on professional development of auditors on the African continent.

### OBJECTIVE 1: ACHIEVE IMPACT THROUGH VISIBILITY PROGRAMMES

The social and relational capital of our organisation is based on the wealth of information and insights available to us as a result of our work. Ultimately, our aim is to increase this capital by utilising the knowledge we possess to the benefit of our stakeholders. Similarly, in assessing the success of our value-adding work, we will seek feedback from our stakeholders on the content and the quality of our interactions.

PERFORMANCE MEASURE	TARGET		
	2017-18	2018-19	2019-20
% of stakeholders who view our engagements as meaningful and of a high quality	65% – 75% and closure of identified gaps	70% – 75% and closure of identified gaps	70% – 75% and closure of identified gaps
Auditor-general's assessment of the organisation's performance on visibility for impact	Achieved organisational objectives	Achieved organisational objectives	Achieved organisational objectives
Tool	Stakeholder perception survey		

The initiatives that are underway will be completed during this planned period. We will seek continuous enhancement of the existing programmes to ensure increased impact based on the response from our stakeholders.

The success of the engagements will be enabled by tools that support the planning, execution, tracking and evaluation of the success of those engagements, and by establishing a practical and cost-effective way in which we become knowledgeable about the stakeholders' expectations and their experience of the interactions.

The main effort for the three-year period will be to achieve the objectives of the review of the status of records management in the public sector. All other efforts will be subject to this overarching initiative.

We will provide thought leadership on matters related to controls, risk management and service delivery, and invite discussions that will aim to co-create solutions for improvements in the public sector.

Increasing the skills our staff and building their confidence in presenting audit messages remain ongoing priorities to entrench the required culture of engagement and collaboration with our stakeholders.

## OBJECTIVE 2: ENGAGE ACTIVELY WITH CITIZENS

We have made strides in interacting with citizens and will continue to build on the current mechanisms aimed at educating citizens about our role and our messages in promoting accountability, oversight and governance.

The audit outcomes will be shared using various existing opportunities for engagement such as media campaigns, discussions at universities, and professional organisations.

Educating the media in understanding the audit outcomes and, hence, portraying our messages correctly will remain on our priority list.

PERFORMANCE MEASURE	TARGET		
	2017-18	2018-19	2019-20
% favourable opinion of the AGSA by citizens	70% – 80% and closure of identified gaps	75% – 80% and closure of identified gaps	75% – 80% and closure of identified gaps
Tool	Stakeholder perception survey		

Summary of the main strategic initiatives for visibility for impact	
Strategic initiative	2017-20 enablers
Ensure high-quality, practical and cost-effective engagements with constitutional stakeholders	<ol style="list-style-type: none"> <li>1. Employ the status-of-controls review tool for enhanced engagements with stakeholders</li> <li>2. Implement our external thought leadership programme for accounting officers and chief financial officers</li> <li>3. Utilise various mechanisms available to us to receive feedback on the implementation of our platforms</li> <li>4. Identify and utilise platforms to monitor the impact of our visibility programmes</li> </ol>
Appropriately structure and implement an international thought leadership programme	<ol style="list-style-type: none"> <li>1. Implement the CBC strategy effectively and contribute to the work of specialist Intosai groups by providing strategic leadership and further enhancing our international reputation</li> <li>2. Provide effective support to Afrosai-E and collaborate with African SAs on various programmes</li> </ol>
Implement our citizen engagement strategy	<ol style="list-style-type: none"> <li>1. Increase the reach and impact of engagement on our mandate and role through: <ul style="list-style-type: none"> <li>- Enhancing community reach</li> <li>- Strengthening the impact on communities benefiting from our socio-economic development efforts</li> <li>- Appropriate social media presence</li> <li>- Synergies with Parliament to engage citizens</li> </ul> </li> <li>2. Enhance stakeholder awareness and understanding of audit outcomes by: <ul style="list-style-type: none"> <li>- Improving responsible media coverage of audit outcomes</li> <li>- Sharing outcomes with public servants through relevant partnerships</li> <li>- Combining general report supporting products into a consolidated pack</li> <li>- Deepening the engagement with professional associations and industry organisations</li> </ul> </li> </ol>



## STRATEGIC GOAL: VIABILITY

STRATEGIC OBJECTIVES		
Maintain financial and legal viability and independence		Build employee competencies and grow organisational capabilities
Instil a performance-based reward culture	Continually improve staff motivation and productivity	Increase operational efficiencies

The concept of viability considers in an integrated way all the elements that sustain our organisation. These are the three elements of independence, namely our legal status that allows us to fine-tune the choice, size and extent of the audit; the availability and professional training of staff; and the financial resources to ensure that we have the people and tools to execute our mandate.

This strategic goal deals with the management of our financial, intellectual and human capitals. By executing our mandate in the most economical, efficient and effective way, we create value for both our internal and external stakeholders, and we safeguard our independence. Our ability to attract and retain the best calibre of staff and develop the required skills, capabilities and competencies enhances our unique value proposition as an organisation.

The execution of our strategy and the delivery of our mandate rest on the shoulders of our employees. Our leadership will use all internal platforms to engage staff and ensure that they have a complete understanding of the organisational strategy and embrace it enthusiastically.

### OBJECTIVE 1: MAINTAIN FINANCIAL AND LEGAL VIABILITY AND INDEPENDENCE

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

PERFORMANCE MEASURE	TARGET		
	2017-18	2018-19	2019-20
Net surplus (% of audit revenue)	1% – 4%	1% – 4%	1% – 4%
Tool	Income statement Note: Each BU will be allocated an individual target for efficiency		
% debt collected over 12 months – national BUs	98% – 100%	98% – 100%	98% – 100%
% debt collected over 12 months – provincial BUs	75% – 90%	75% – 90%	75% – 90%
Tool	Debt ageing report Note: Each BU will be allocated an individual target for debt collection		

Specifically, we will limit the growth of our headcount and will examine every aspect of our operations for extracting efficiencies and optimising costs while deriving best value.

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

We will continue to monitor the evolving legal environment and provide input, where possible, to ensure that any new or amended legislation applicable to us also supports the execution of our mandate. Collaboration with other organs of state in strengthening complementary oversight will remain important.

## OBJECTIVE 2: BUILD EMPLOYEE COMPETENCIES AND GROW ORGANISATIONAL CAPABILITIES

A comprehensive people strategy, covering all relevant aspects of people and skills development, has been in place for the last two years and will continue to guide our activities. This will allow us to have access to skilled and motivated employees to ensure that our mandate is executed well.

PERFORMANCE MEASURE	TARGET		
	2017-18	2018-19	2019-20
% improvement of CA board exam (assessment of professional competence) pass rates	10% (vs 2016-17)	20% (vs 2016-17)	30% (vs 2016-17)
Tool	South African Institute of Chartered Accountants (Saica) exam results		
Saica accreditation of our training offices	Low risk: 4 – 6 Medium risk: 9 – 11 High / very high risk: 0	Low risk: 6 – 8 Medium risk: 7 – 9 High / very high risk: 0	Low risk: 6 – 8 Medium risk: 7 – 9 High / very high risk: 0
Tool	Saica office ratings		
Voluntary turnover of high-potential individuals and critical skills	8% – 10%	8% – 10%	8% – 10%
Tool	Enterprise resource planning (ERP) report		
% of successfully implemented personal improvement plans and personal development plans aimed at encouraging performance development	80% – 90%	85% – 90%	85% – 90%
Tool	ERP report		

Building capacity for stakeholder engagement and maximising opportunities for all our staff through suitable developmental assignments are main aspects of this strategy.

Our efforts towards transforming the auditing and accounting profession and producing black CAs will be structured under our invigorated trainee auditor scheme. The critical goal of this scheme is to support the qualification of 250 CAs by the end of the three-year planning period.

### OBJECTIVE 3: INSTIL A PERFORMANCE-BASED REWARD CULTURE

Given the current economic climate and shortage of funds in the public sector, doing more with less will continue to be a challenge for us. In this regard, performance management and appropriate reward and recognition mechanisms become even more important. Our expectations are that the increased focus on performance management will result in significantly increased organisational and employee performance.

PERFORMANCE MEASURE	TARGET		
	2017-18	2018-19	2019-20
% improved recovery rate aimed at improving organisational productivity	1% – 3% (vs 2016-17)	1% – 2% (vs 2017-18)	1% – 2% (vs 2018-19)
Tool	ERP report (Finance)		
% of objectives successfully achieved aimed at improving employee productivity	80% – 90%	85% – 90%	85% – 90%
Tool	ERP report		

### OBJECTIVE 4: CONTINUALLY IMPROVE STAFF MOTIVATION AND PRODUCTIVITY

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

We are benchmarking our engagement against best practices globally and on the African continent, aiming to become better in a relatively short period. Ultimately, an environment in which talented individuals will choose to contribute and are enabled to realise their potential will be created and maintained.

PERFORMANCE MEASURE	TARGET		
	2017-18	2018-19	2019-20
Staff engagement index	55% – 59%	60% – 65%	60% – 65%
Tool	Annual independent survey Note: This measure is applicable only at an organisational level		

## OBJECTIVE 5: INCREASE OPERATIONAL EFFICIENCIES

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

IT applications and technology will be developed or enhanced to implement the strategy in the most effective way and to improve operational efficiencies. The main thrust for the three-year planning period is the automation of business processes to reduce manual interventions and to improve performance time drastically. A major effort will be dedicated to the integration of all data in the organisation, which will allow us to draw up-to-date reports, including our accountability documents such as the general reports.

Specific operational needs will be addressed, which include establishing an online tender management tool and data analytics solutions.

PERFORMANCE MEASURE	TARGET		
	2017-18	2018-19	2019-20
Automation of business processes	<ol style="list-style-type: none"> <li>1. Upgraded audit management information systems solution</li> <li>2. Upgraded ERP 9.2</li> </ol>	<ol style="list-style-type: none"> <li>1. Completed integration of organisational data</li> <li>2. Enabled data analytics approach</li> <li>3. Online solution for the tender process</li> </ol>	Progress will be assessed at the end of the 2017-18 year and targets for this period will be set in 2018
Tool			

Summary of the main strategic initiatives for viability	
Strategic initiative	2017-20 enablers
Implementation and regular review of strategic initiatives to ensure our financial viability	<ol style="list-style-type: none"> <li>1. Review our operating model to ensure that it is efficient, effective and economical, and achieve: <ul style="list-style-type: none"> <li>- Streamlining of processes</li> <li>- Upgrading of our ERP platform</li> </ul> </li> <li>2. Introduce cost-optimisation tactics such as: <ul style="list-style-type: none"> <li>- Limiting the growth of headcount</li> <li>- Reduction of overtime</li> <li>- Strategic sourcing</li> </ul> </li> </ol>
Pursue effective debt collection	<ol style="list-style-type: none"> <li>1. Continue implementing ring-fencing and litigation for collecting outstanding audit fees</li> <li>2. Research and define innovative debt-management strategies</li> <li>3. Manage our working capital strictly</li> </ol>

Summary of the main strategic initiatives for viability	
Strategic initiative	2017-20 enablers
Regularly review available legal instruments to support the execution of our mandate and to promote consequence management in the public sector	<ol style="list-style-type: none"> <li>1. Utilise memoranda of understanding with other organs of state, such as the Public Protector, Special Investigating Unit and Competition Commission to complement our effort to drive consequence management in the public sector</li> <li>2. Optimise opportunities for consequence management presented by the audit directive</li> <li>3. Pursue other options for augmenting legislation that supports consequence management in the public sector</li> </ol>
Fully capacitate our training offices	<ol style="list-style-type: none"> <li>1. Elevate the role of the business executive and the training officer</li> <li>2. Develop internal expertise for assessment and accreditation reviews</li> </ol>
Drive a robust performance management process	<ol style="list-style-type: none"> <li>1. Strengthen individual performance contract and organisational balanced scorecard alignment and clarify their link to the organisation's reward system</li> <li>2. Improve individual performance management</li> <li>3. Integrate people management tools</li> </ol>
Implement our trainee auditor strategy	<ol style="list-style-type: none"> <li>1. Strengthen our pipeline for the intake of trainees with a certificate in the theory of accounting (CTA)</li> <li>2. Strengthen the trainee auditor support programmes</li> </ol>
Implement our people strategy	<ol style="list-style-type: none"> <li>1. Create a magnetic employer brand that attracts and motivates the best</li> <li>2. Build a clear path and options for horizontal or vertical growth for all employees</li> <li>3. Improve talent management</li> <li>4. Increase leadership engagement with staff</li> </ol>
Continuously enhance our IT solutions	<ol style="list-style-type: none"> <li>1. Develop, enhance and integrate IT applications and technology</li> <li>2. Complete the integration of organisational data</li> <li>3. Develop an online tender process (including a contract work module)</li> <li>4. Enhance the general report model</li> </ol>

## STRATEGIC GOAL: VISION AND VALUES DRIVEN

### STRATEGIC OBJECTIVES

*Drive the AGSA's transformation programme*

*Demonstrate clean administration*

An overarching theme of our organisational strategy is transformation – evolution in line with our aspirations.

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

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

We see running an exemplary administration and practising good governance as our licence to engage on, and recommend actions for, improvement at our auditees. Our set vision is underpinned by our values and leadership style and thus forms the basis of the organisational culture.

### OBJECTIVE 1: DRIVE THE AGSA'S TRANSFORMATION PROGRAMME

The Constitution assigns us a unique role to provide deep insights into the financial discipline and delivery of predetermined objectives of those institutions and entities that enable improvement in the lives of our people and allow our democracy to go from strength to strength. We contribute to the growth of the number of black professionals in the auditing, accounting and other financial disciplines. Our trainee auditor scheme and our principles in distributing audit work to private firms have been contributing significantly to the increase in the number of black CAs.

We train and develop our employees to perform to their full potential by embedding a culture that embraces diverse skills, encourages inclusivity, and is underpinned by fairness and consistency.

Furthermore, we respond to the transformation objectives of our country, namely economic growth, poverty alleviation and equality, through our procurement practices by contributing to the operational and financial capabilities of small businesses, employing people living with disabilities, and participating in various charitable activities.

Our comprehensive transformation strategy developed in the previous performance periods will guide us in addressing the identified areas for improvement, with the overall aim of maintaining our status as a broad-based black economic empowerment (B-BBEE) level 2 contributor.

While the B-BBEE scorecard is a vehicle through which we channel our efforts, our main focus will be on supporting the growth and transformation of the accounting profession through advocacy, distribution of contract audit work, as well as enterprise and supplier development programmes in line with the effort already existing in the profession.



PERFORMANCE MEASURE	TARGET		
	2017-18	2018-19	2019-20
B-BBEE level	Level 2	Level 2	Level 2
Tool	External assessment and rating		

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

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

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

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

## OBJECTIVE 2: DEMONSTRATE CLEAN ADMINISTRATION

Through our audit activities, we play a critical role in enabling accountability and promoting good governance in the public sector by providing assurance to the various legislatures that all entities that use public funds have managed their financial affairs in line with sound financial principles. Therefore, it is imperative that an own clean administration should be in place that conforms to all those rules and regulations that we use in assessing the compliance of others.

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

Continual and effective environmental scanning will be conducted routinely by all our BUs to ensure that the organisation responds timeously to both positive and negative developments in the environment. In response to developments in the environment, we will also assess the adequacy and effectiveness of our internal controls.

Our intention is to adopt the incoming King IV code of corporate governance to strengthen our drive for integrated thinking, value creation and sustainability.

To control our impact on the environment in which we operate (in other words, multiply our positive impacts and minimise the negative impacts), we will manage each of the six capitals as described in our sustainability model. Activities related to our financial, intellectual, human as well as social and relational capital are outlined under specific objectives in the respective sections of this plan. While our impact on the physical environment is confined to the use of resources for everyday human activities, we also pay attention to minimising such use.

The focus of the three-year planning period will be on driving an overall, comprehensive sustainability strategy and improving the management of capitals that have not received adequate attention so far, namely the intellectual and environmental capitals.

We will continue with sustainability awareness campaigns to create a common understanding of the concept of sustainability and its execution through the 4V strategy. As part of the overall improvement of our performance monitoring and reporting processes, we will seamlessly integrate the sustainability reporting procedures and processes. The continual assessment and analysis of our carbon footprint will become a basis for identifying and implementing initiatives to minimise the physical impact of our activities on the environment.

PERFORMANCE MEASURE	TARGET		
	2016-17	2017-18	2018-19
External audit opinion on the AGSA	Clean audit	Clean audit	Clean audit
Tool	External audit report		

Summary of the main strategic initiatives for vision and values driven	
Strategic initiative	2017-20 enablers
Implement our transformation strategy	<ol style="list-style-type: none"> <li>1. Continuously improve awareness and understanding of our transformation objectives and targets</li> <li>2. Increase the number of black employees living with disabilities</li> <li>3. Strengthen our enterprise supplier development programme</li> </ol>
Enhance ownership and accountability of business process owners	<ol style="list-style-type: none"> <li>1. Continuously review processes and tools to ensure their adequacy and responsiveness to changes in the environment</li> <li>2. Periodically monitor control performance</li> </ol>
Demonstrate quality and transparency of reporting in our accountability instruments (the integrated annual report and the strategic plan and budget)	<ol style="list-style-type: none"> <li>1. Practise integrated thinking and reporting</li> <li>2. Increase awareness of the concept of sustainability within the organisation</li> <li>3. Enhance the understanding of our capitals among the leadership</li> </ol>

## ANNEXURE A

### THE AGSA'S BALANCED SCORECARD 2017-20

STRATEGIC GOAL	WEIGHT	OBJECTIVE	PERFORMANCE MEASURE	TARGET		
				2017-18	2018-19	2019-20
Value-adding auditing	30%	Demonstrate value-adding audits	% of stakeholders who view our audit work as adding value to the achievement of their mandates	70% – 80% and closure of identified gaps	75% – 80% and closure of identified gaps	75% – 80% and closure of identified gaps
			Auditor-general's assessment of the organisation's performance on value-adding auditing	Achieved organisational objectives	Achieved organisational objectives	Achieved organisational objectives
		Ensure high quality of audits	% adherence to quality standards of audits	80% – 90% (C1, C2 and C3 rating)	80% – 90% (C1, C2 and C3 rating)	80% – 90% (C1, C2 and C3 rating))
Visibility for impact	20%	Achieve impact through visibility programmes	% of stakeholders who view our engagements as meaningful and of a high quality	65% – 75% and closure of identified gaps	70% – 75% and closure of identified gaps	70% – 75% and closure of identified gaps
			Auditor-general's assessment of the organisation's performance on visibility for impact	Achieved organisational objectives	Achieved organisational objectives	Achieved organisational objectives
		Engage actively with citizens	% favourable opinion of the AGSA by citizens	70% – 80% and closure of identified gaps	75% – 80% and closure of identified gaps	75% – 80% and closure of identified gaps

## ANNEXURE A

STRATEGIC GOAL	WEIGHT	OBJECTIVE	PERFORMANCE MEASURE	TARGET		
				2017-18	2018-19	2019-20
Viability	35%	Maintain financial and legal viability and independence	Net surplus (% of audit revenue)	1% – 4%	1% – 4%	1% – 4%
			% debt collected over 12 months invoiced – national BUs	98% – 100%	98% – 100%	98% – 100%
			% debt collected over 12 months invoiced – provincial BUs	75% – 90%	75% – 90%	75% – 90%
		Build employee competencies and grow organisational capabilities	% improvement of CA board exam (assessment of professional competence) pass rates	10% (vs 2016-17)	20% (vs 2016-17)	30% (vs 2016-17)
			Saica accreditation of our training offices	Low risk: 4 – 6 Medium risk: 9 – 11 High/very high risk: 0	Low risk: 6 – 8 Medium risk: 7 – 9 High/very high risk: 0	Low risk: 6 – 8 Medium risk: 7 – 9 High/very high risk: 0
			Voluntary turnover of high-potential individuals and critical skills	8% – 10%	8% – 10%	8% – 10%
			% of successfully implemented personal improvement plans and personal development plans aimed at encouraging performance development	80% – 90%	85% – 90%	85% – 90%
			Instil a performance-based reward culture	55% – 59%	60% – 65%	60% – 65%
		Continually improve staff motivation and productivity	% of objectives successfully achieved aimed at improving employee productivity	1% – 3%	1% – 2%	1% – 2%
			% improved recovery rate aimed at improving organisational productivity	80% – 90%	85% – 90%	85% – 90%

## ANNEXURE A

STRATEGIC GOAL	WEIGHT	OBJECTIVE	PERFORMANCE MEASURE	TARGET		
				2017-18	2018-19	2019-20
		Increase operational efficiencies	<i>Automation of business processes</i>	1. Upgraded audit management information system solution 2. Upgraded ERP 9.2	1. Completed integration of organisational data 2. Enabled data analytics approach 3. Online solution for the tender process	Progress will be assessed at the end of the 2017-18 year and targets for this period will be set in 2018
Vision and values driven	15%	Drive the AGSA's transformation programme	<i>B-BBEE level</i>	Level 2	Level 2	Level 2
		Demonstrate clean administration	<i>External audit opinion on the AGSA</i>	Clean audit	Clean audit	Clean audit



# Budget of the Auditor-General of South Africa for 2017-20



## PROJECTED STATEMENT OF COMPREHENSIVE INCOME (actual, budget and forecast)

	ACTUAL 2015-16 RM	BUDGET 2016-17 RM	BUDGET 2017-18 RM	FORECAST 2018-19 RM	FORECAST 2019-20 RM
<b>AUDIT INCOME</b>	<b>2 835,4</b>	<b>3 090,4</b>	<b>3 276,8</b>	<b>3 440,6</b>	<b>3 653,9</b>
Own hours	2 128,0	2 300,6	2 525,3	2 650,0	2 814,6
Subsistence and travel (S&T) – recoverable	135,1	147,9	158,3	167,8	177,9
Contract work	577,4	656,7	599,2	629,1	668,1
Present value of revenue adjustment	(5,1)	(14,8)	(6,0)	(6,3)	(6,7)
<b>DIRECT AUDIT EXPENDITURE</b>	<b>1 929,0</b>	<b>2 117,4</b>	<b>2 222,0</b>	<b>2 311,6</b>	<b>2 466,7</b>
Personnel expenditure	1 224,0	1 321,1	1 465,5	1 523,3	1 629,8
S&T – recoverable	135,0	147,9	158,3	167,8	177,9
Contract work	577,4	656,7	606,5	629,1	668,1
Present value of contract work adjustments	(7,4)	(8,3)	(8,3)	(8,6)	(9,1)
<b>Contract work % of audit income</b>	<b>20,4%</b>	<b>21,2%</b>	<b>18,3%</b>	<b>18,3%</b>	<b>18,3%</b>
<b>GROSS PROFIT</b>	<b>906,4</b>	<b>973,0</b>	<b>1 054,8</b>	<b>1 129,0</b>	<b>1 187,2</b>
Own hours gross profit	904,0	979,5	1 059,8	1 126,7	1 184,8
<b>Gross margin % of audit income</b>	<b>31,97%</b>	<b>31,48%</b>	<b>32,19%</b>	<b>32,81%</b>	<b>32,49%</b>
<b>Other income</b>	<b>73,7</b>	<b>69,5</b>	<b>67,9</b>	<b>70,4</b>	<b>76,1</b>
Interest	56,0	28,2	34,7	36,7	42,0
Present value adjustments and other	17,7	41,3	33,2	33,7	34,1
<b>Contribution to overheads</b>	<b>980,1</b>	<b>1 042,5</b>	<b>1 122,7</b>	<b>1 199,4</b>	<b>1 263,3</b>
<b>OVERHEAD EXPENSES</b>	<b>837,5</b>	<b>970,0</b>	<b>1 012,5</b>	<b>1 087,1</b>	<b>1 149,5</b>
<b>Overhead as % of audit income</b>	<b>29,54%</b>	<b>31,39%</b>	<b>30,90%</b>	<b>31,60%</b>	<b>31,46%</b>
<b>Depreciation</b>	<b>37,6</b>	<b>41,1</b>	<b>42,6</b>	<b>38,3</b>	<b>34,5</b>
<b>NET SURPLUS</b>	<b>105,0</b>	<b>31,4</b>	<b>67,6</b>	<b>74,0</b>	<b>79,3</b>
<b>Net surplus as % of audit income</b>	<b>3,70%</b>	<b>1,02%</b>	<b>2,06%</b>	<b>2,15%</b>	<b>2,17%</b>

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

	ACTUAL 2015-16 RM	BUDGET 2016-17 RM	BUDGET 2017-18 RM	FORECAST 2018-19 RM	FORECAST 2019-20 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>800,9</b>	<b>832,3</b>	<b>899,9</b>	<b>973,9</b>	<b>1 053,2</b>
General reserve	690,9	690,9	690,9	690,9	690,9
Special audit services fund	5,0	5,0	5,0	5,0	5,0
Retained earnings	-	105,0	136,4	204,0	278,0
Net surplus for the year	105,0	31,4	67,6	74,0	79,3
<b>Non-current liabilities</b>	<b>68,3</b>	<b>72,8</b>	<b>77,7</b>	<b>82,8</b>	<b>88,3</b>
Retirement benefit obligation – medical aid liability	68,3	72,8	77,7	82,8	88,3
<b>Current liabilities</b>	<b>412,9</b>	<b>452,4</b>	<b>505,2</b>	<b>531,3</b>	<b>596,7</b>
Trade and other payables	312,2	345,1	390,2	408,3	465,1
Leave liability	100,7	107,3	115,0	123,0	131,6
	<b>1 282,1</b>	<b>1 357,5</b>	<b>1 482,8</b>	<b>1 588,0</b>	<b>1 738,2</b>
<b>EMPLOYMENT OF CAPITAL</b>					
<b>Non-current assets</b>	<b>105,7</b>	<b>113,4</b>	<b>130,1</b>	<b>151,4</b>	<b>171,5</b>
Property, plant and equipment	105,7	113,4	130,1	151,4	171,5
<b>Investments</b>	<b>338,9</b>	<b>359,9</b>	<b>381,1</b>	<b>403,4</b>	<b>427,1</b>
<b>Current assets</b>	<b>837,5</b>	<b>884,2</b>	<b>971,6</b>	<b>1 033,2</b>	<b>1 139,6</b>
Trade and other debtors	559,0	545,4	528,3	555,3	628,6
Bank and cash	278,5	338,8	443,3	477,9	511,0
	<b>1 282,1</b>	<b>1 357,5</b>	<b>1 482,8</b>	<b>1 588,0</b>	<b>1 738,2</b>

### Working capital assumptions

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

## PROJECTED CASH FLOW STATEMENT (budget and forecast)

	BUDGET	BUDGET	FORECAST	FORECAST
	31 MARCH 2017	31 MARCH 2018	31 MARCH 2019	31 MARCH 2020
	RM	RM	RM	RM
Opening bank balance	278,5	338,8	443,3	477,9
Cash inflow	3 667,6	3 818,6	3 488,5	3 703,4
Audit income	3 644,0	3 792,2	3 446,9	3 660,7
Other income	23,6	26,4	41,6	42,7
Cash outflow	3 607,3	3 714,1	3 453,9	3 670,3
Operating expenditure	3 517,7	3 612,7	3 374,3	3 590,7
Capital expenditure	89,6	101,4	79,6	79,6
Closing bank balance	338,8	443,3	477,9	511,0

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

## DETAILED BUDGET

DESCRIPTION	NOTES	BUDGET	BUDGET	FORECAST	FORECAST
		2016-17	2017-18	2018-19	2019-20
		(A)	(E)	(F)	(G)
<b>AUDIT INCOME</b>	1	3 090 386 469	3 276 760 057	3 440 598 060	3 653 915 140
Own hours	1.1	2 300 589 521	2 525 288 693	2 649 969 734	2 814 603 537
Regularity audit		2 042 546 869	2 267 465 261	2 379 416 789	2 527 242 038
Specialised audit		258 042 652	257 823 432	270 552 945	287 361 499
<b>Contract work</b>	1.2	656 723 160	599 174 546	629 133 274	668 139 537
Regularity audit		625 350 787	569 497 415	597 972 286	635 046 567
Specialised audit		31 372 373	29 677 132	31 160 988	33 092 969
<b>S&amp;T</b>	1.3	147 858 311	158 339 350	167 839 711	177 910 094
<b>Present value of revenue adjustments</b>		(14 784 523)	(6 042 532)	(6 344 659)	(6 738 027)
<b>DIRECT AUDIT COST</b>		2 117 456 253	2 222 125 242	2 311 570 870	2 466 737 967
Staff remuneration: audit BUs	2.3	1 321 141 571	1 465 525 976	1 523 172 795	1 629 794 890
Contract work – recoverable	1.2	656 723 160	606 526 704	629 133 274	668 139 537
S&T – recoverable		147 858 311	158 339 350	167 839 711	177 910 094
Present value of contract work – recoverable		(8 266 788)	(8 266 788)	(8 574 910)	(9 106 554)
<b>GROSS PROFIT</b>		972 930 216	1 054 634 816	1 129 027 191	1 187 177 173
<b>Gross profit percentage</b>		31%	32%	33%	32%
<b>OTHER INCOME</b>	1.4	69 414 343	68 104 585	70 259 814	76 065 922
Interest received: PIC		20 951 735	21 225 681	22 286 965	26 668 757
Interest received: SCMB		7 200 000	13 727 996	14 414 395	15 308 088
Sundry income		26 478 085	27 108 376	27 213 795	27 351 050
Present value adjustments – revenue/debtors		14 784 523	6 042 532	6 344 659	6 738 027
<b>SURPLUS BEFORE OPERATING COST</b>		1 042 344 559	1 122 739 400	1 199 287 005	1 263 243 096
<b>OPERATING COST</b>		969 996 058	1 012 539 351	1 087 112 089	1 149 502 135
<b>Staff remuneration</b>	2.3.2	352 800 789	359 629 359	383 005 268	407 900 610
Support BUs		345 999 203	354 245 160	379 042 321	405 575 283
Africa projects		6 801 586	5 384 200	5 761 094	6 164 370

## DETAILED BUDGET

DESCRIPTION	NOTES	BUDGET	BUDGET	FORECAST	FORECAST
		2016-17	2017-18	2018-19	2019-20
		(A)	(E)	(F)	(G)
<b>Other personnel expenditure</b>	2	<b>166 081 080</b>	<b>172 023 570</b>	<b>180 630 916</b>	<b>193 417 652</b>
Leave pay provision	2.1	6 598 764	7 660 193	8 000 246	8 552 226
Medical aid provision	2.2	4 542 000	4 910 000	5 127 966	5 481 772
Group life scheme	2.4	22 673 402	27 264 702	29 445 878	31 801 548
Long service awards and other	2.4	105 000	105 000	109 661	117 227
Performance bonus liability	2.6	124 171 514	124 171 512	129 683 763	138 631 341
Unemployment insurance fund (UIF): employer contribution	2.5	5 170 893	5 143 190	5 371 508	5 742 117
Workmen's compensation premiums	2.5	1 534 979	1 505 356	1 572 182	1 680 655
BU recognition scheme	2.4	1 284 529	1 263 617	1 319 711	1 410 765
<b>Outsourced services</b>		<b>26 636 087</b>	<b>28 249 738</b>	<b>26 837 251</b>	<b>25 495 388</b>
Outsourced services – irrecoverable	3	27 059 611	28 673 262	27 239 599	25 877 619
Present value of contract work – irrecoverable	3	(423 524)	(423 524)	(402 348)	(382 230)
<b>S&amp;T – irrecoverable</b>	4	<b>25 640 777</b>	<b>29 218 515</b>	<b>30 533 348</b>	<b>31 907 349</b>
<b>Accommodation</b>		<b>114 122 637</b>	<b>115 002 427</b>	<b>126 703 826</b>	<b>138 590 694</b>
Rental	5	71 728 960	74 287 806	81 716 587	90 215 112
Straight-lining of leases	5.1	(5 231 823)	(9 574 375)	(10 531 813)	(11 584 994)
Operating costs		47 625 500	50 288 996	55 519 052	59 960 576
<b>Stakeholder relationships</b>	6	<b>32 972 759</b>	<b>40 719 919</b>	<b>42 278 939</b>	<b>43 909 783</b>
Liaison	6.1.1	4 905 800	7 431 760	7 729 030	8 038 192
Internal stakeholder relations	6.1.2	1 949 240	2 706 340	2 814 594	2 927 177
External stakeholder relations	6.1.3	3 811 148	3 391 700	3 527 368	3 668 463
Culture expenses		933 142	777 849	808 963	841 321
Constitutional liaison		1 510 943	1 574 739	1 637 729	1 703 238
Non-constitutional liaison		549 000	1 100 000	1 144 000	1 189 760
Corporate executive portfolio leadership sessions		2 349 223	2 064 493	2 147 073	2 232 956
Senior management workshop		2 833 000	2 637 500	2 743 000	2 852 720
Stakeholder workshops		2 169 212	1 590 662	1 654 288	1 720 460
Regional congresses	6.2	5 235 221	5 333 456	5 546 795	5 768 666
Foreign visitors	6.3	124 507	79 992	83 192	86 519
Overseas travel	6.4	6 602 322	5 500 000	5 500 000	5 500 000
International conferences		-	6 531 428	6 942 908	7 380 311

## DETAILED BUDGET

DESCRIPTION	NOTES	BUDGET	BUDGET	FORECAST	FORECAST
		2016-17	2017-18	2018-19	2019-20
		(A)	(E)	(F)	(G)
<b>Oversight governance</b>	7	1 820 700	1 812 546	1 885 048	2 035 852
<b>Audit expenses</b>	8	9 218 889	9 734 547	10 123 929	10 528 886
External audit fees	8.1	4 362 336	4 606 027	4 790 268	4 981 879
Internal audit costs	8.2	4 856 553	5 128 520	5 333 661	5 547 007
<b>Bank charges</b>		470 804	482 698	516 487	552 641
<b>Recruitment expenses</b>	9	10 016 644	8 622 356	8 191 238	7 781 676
Advertising		1 350 000	850 000	807 500	767 125
Personnel agency fees		4 733 770	4 561 260	4 333 197	4 116 537
Interviews		1 620 000	1 411 104	1 340 549	1 273 521
Transfer and relocation expenses		2 312 874	1 799 992	1 709 993	1 624 493
<b>Learning and development</b>	10	99 826 230	100 968 394	122 849 824	125 714 376
Membership fees	10.1	16 957 482	19 869 455	20 664 234	21 490 803
Internal training	10.2	22 329 777	16 841 985	17 515 664	18 216 290
Conferences and seminars	10.2	5 883 919	2 935 788	3 053 220	3 175 348
S&T: training	10.2	1 940 739	2 134 974	2 220 373	2 309 188
Study assistance: employees	10.3	25 058 137	23 970 063	22 771 560	21 632 982
Study support incentive scheme		6 613 733	5 477 065	5 696 148	5 923 994
Institutional and learning development projects		1 301 848	1 699 335	1 767 308	1 838 000
Bursaries	10.4	12 636 260	16 153 411	36 799 547	38 271 529
Tertiary assistance	10.4	3 638 944	3 896 492	4 052 351	4 214 445
Study support incentive scheme		183 191	133 191	138 519	144 059
Skills development levy		16 282 200	17 356 635	18 050 900	18 772 936
Skills development levy – recovered		(13 000 000)	(9 500 000)	(9 880 000)	(10 275 200)
<b>Employee wellness programmes</b>	11	24 241 865	17 624 584	18 329 567	19 062 750
Employee wellness programmes		7 354 588	7 354 584	7 648 767	7 954 718
Employees' social responsibility		778 500	1 570 000	1 632 800	1 698 112
AGSA's social responsibility (general)		4 155 829	3 400 000	3 536 000	3 677 440
Enterprise development		8 627 211	4 000 000	4 160 000	4 326 400
Corporate social investment		3 325 737	1 300 000	1 352 000	1 406 080

## DETAILED BUDGET

DESCRIPTION	NOTES	BUDGET	BUDGET	FORECAST	FORECAST
		2016-17	2017-18	2018-19	2019-20
		(A)	(E)	(F)	(G)
<b>Technological services</b>	12	<b>43 992 823</b>	<b>60 104 170</b>	<b>62 508 336</b>	<b>65 008 670</b>
Computer services	12.1	35 920 300	52 239 172	54 328 739	56 501 888
Hiring of equipment: rental	12.2	6 081 957	5 861 221	6 095 670	6 339 497
Hiring of equipment: copy charges		1 990 566	2 003 776	2 083 927	2 167 285
<b>Insurance and legal fees</b>	13	<b>5 396 757</b>	<b>6 113 472</b>	<b>6 358 011</b>	<b>6 612 332</b>
Insurance		2 680 008	1 613 472	1 678 011	1 745 132
Legal costs		2 716 749	4 500 000	4 680 000	4 867 200
<b>Office maintenance</b>	14	<b>39 854 408</b>	<b>42 040 541</b>	<b>43 722 163</b>	<b>45 471 049</b>
Cleaning: contracts/services		3 826 112	4 914 125	5 110 690	5 315 118
Cleaning: materials		448 220	874 028	908 989	945 349
Office improvements		1 905 909	1 593 757	1 657 507	1 723 807
Refreshments		2 542 505	2 804 653	2 916 839	3 033 513
Publications		2 689 512	3 451 959	3 590 037	3 733 639
Repairs and maintenance: computer equipment and software		1 198 800	840 000	873 600	908 544
Repairs and maintenance: furniture and equipment		691 020	585 170	608 577	632 920
Repairs and maintenance: site and buildings		1 870 584	1 917 427	1 994 124	2 073 889
Repairs and maintenance: office vehicles		1 029 292	996 079	1 035 922	1 077 359
Printing of audit reports		3 337 560	4 596 671	4 780 538	4 971 759
Stationery and printing		6 303 952	6 161 595	6 408 058	6 664 381
Artwork and design		124 095	-	-	-
Present value adjustment		12 467 327	12 467 327	12 966 020	13 484 660
Medical examinations		44 993	44 993	46 793	48 664
Warranty costs		1 374 528	792 758	824 468	857 447
<b>Communications</b>	15	<b>11 679 824</b>	<b>13 969 529</b>	<b>14 367 887</b>	<b>14 942 603</b>
Cellphone charges	15.2	4 465 307	7 592 555	7 896 257	8 212 107
Postage and courier services		2 271 049	1 685 611	1 592 613	1 656 317
Telephone charges	15.1	4 943 468	4 691 363	4 879 018	5 074 178
<b>Other expenses</b>		<b>5 222 986</b>	<b>6 222 986</b>	<b>6 471 905</b>	<b>6 730 781</b>
Present value of expenditure/creditors		(3 777 014)	(3 777 014)	(3 928 095)	(4 085 219)
Bad-debt provision		9 000 000	10 000 000	10 400 000	10 816 000

## DETAILED BUDGET

DESCRIPTION	NOTES	BUDGET	BUDGET	FORECAST	FORECAST
		2016-17	2017-18	2018-19	2019-20
		(A)	(E)	(F)	(G)
<b>SURPLUS BEFORE DEPRECIATION</b>		72 348 501	110 200 050	112 174 915	113 740 961
<b>Depreciation</b>	16	<b>40 965 029</b>	<b>42 595 707</b>	<b>38 336 137</b>	<b>34 502 523</b>
Depreciation: motor vehicles		1 248 193	1 138 073	1 024 265	921 839
Depreciation: furniture and equipment		7 322 357	7 472 163	6 724 946	6 052 452
Depreciation: computer equipment		17 057 275	18 755 112	16 879 600	15 191 640
Depreciation: computer software		7 469 824	7 834 613	7 051 151	6 346 036
Depreciation: leasehold improvements		7 867 380	7 395 748	6 656 173	5 990 556
<b>NET SURPLUS</b>		<b>31 383 472</b>	<b>67 604 342</b>	<b>73 838 779</b>	<b>79 238 438</b>
<b>Net surplus percentage</b>		<b>1,02%</b>	<b>2,06%</b>	<b>2,15%</b>	<b>2,17%</b>
<b>CAPITAL BUDGET</b>	17	<b>78 679 972</b>	<b>89 302 709</b>	<b>79 614 777</b>	<b>79 614 777</b>
Motor vehicles	17.1	750 000	2 782 000	2 400 000	2 400 000
Furniture and equipment	17.2	10 657 140	5 637 031	14 572 424	14 572 424
Computer equipment	17.4	27 073 752	56 887 878	24 428 067	24 428 067
Computer software	17.5	22 687 000	17 895 800	18 344 285	18 344 285
Leasehold improvement	17.3	17 512 080	6 100 000	19 870 001	19 870 001
<b>CAPEX AS A % OF TOTAL INCOME</b>		<b>2,55%</b>	<b>2,73%</b>	<b>2,31%</b>	<b>2,18%</b>



# NOTES ON THE BUDGET

## 1. INCOME

BUDGET ITEM	REF.	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Own hours	1.1	2 300 590	2 525 289	224 699	10%
Contract work	1.2	656 723	599 174	(57 549)	-9%
S&T	1.3	147 859	158 340	10 481	7%
<b>Subtotal</b>		<b>3 105 172</b>	<b>3 282 803</b>	<b>177 631</b>	<b>6%</b>
Present value of revenue adjustments		(14 785)	(6 043)	8 742	7%
<b>Total audit income</b>		<b>3 090 387</b>	<b>3 276 760</b>	<b>186 373</b>	<b>6%</b>

### Effect of the estimates of the AGSA for 2016-17 on total state expenditure

The total estimated audit costs of R3,28 billion for 2017-18 (2016-17: R3,09 billion) amount to 0,23% (2016-17: 0,21%) of the estimated state expenditure of approximately R1,422 trillion for 2017-18. The estimate for 2017-18 represents a 6% increase over the 2016-17 budget and has no material effect on the estimated total state expenditure for 2017-18.

### 1.1 CALCULATION OF OWN HOURS INCOME

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

- Number of recoverable staff members (including vacancies that are planned to be filled) (refer to note 1.1.1)
- Number of recoverable hours (refer to note 1.1.1.A)
- Tariffs (refer to note 1.1.2)

The 2017-18 own hours income has been compiled using the same tariff formula applied in the 2016-17 budget.

# NOTES ON THE BUDGET

## 1.1.1 Number of staff: audit BUs only

AUDIT STAFF	2016-17 BUDGET	2017-18 BUDGET	CHANGE		COMMENTS
	STAFF NUMBERS	STAFF NUMBERS	STAFF NUMBERS	%	
	(1)	(2)			
Business executives	18	18	0	0%	
Deputy business executives	21	17	-4	-19%	The plan to recruit four additional deputy business executives in 2016-17 will not materialise due to the moratorium on the increase in headcount.
Audit senior managers	178	157	-21	-12%	The decrease is mainly due to the conversion of some audit senior managers (product champions) to non-recoverable staff. This strategic decision was taken to ensure focus on the trainee development needs and to maintain Saica training accreditation for the AGSA.
Senior manager specialists	-	9	9	-	Reclassification of bands in the 2017-18 budget to properly align the targeted recovery rates and tariffs, especially for the specialised audit services BUs to drive integration and cost-efficient audits.
Manager specialists	-	14	14	-	
Performance auditors	-	20	20	-	
Analysts	-	19	19	-	
IT auditors	-	35	35	-	
Senior IT auditors	-	25	25	-	
Audit managers	475	449	-26	-5%	
Assistant managers	593	572	-21	-4%	The decrease in these bands is due to the reclassification of bands as well as the moratorium placed on the recruitment of additional staff (2017-18 budget). The decrease in trainee auditors is due to the strategic decision to drive a cost-efficient and -effective trainee scheme through improving the mix between the CTA qualification and degrees.
Audit supervisors	81	66	-15	-18%	
Auditors	42	31	-11	-26%	
Audit clerks	70	79	9	13%	
Trainee auditors	1 435	1 353	-82	-6%	
Total recoverable audit staff	2 913	2 864	-49	-2%	
Admin staff: Non-recoverable audit staff in audit BUs	232	259	27	12%	The increase in admin staff is due to the conversion of product champions, training officers and technical managers to non-recoverable staff (refer to comment above).
Total audit staff	3 145	3 123	-22	-1%	

The moratorium on the increase in headcount has translated into a freeze of 22 positions.

# NOTES ON THE BUDGET

## 1.1.1.A Own hours – recoverable hours and ratios

Recoverable hours are influenced by the recovery rate determined for each staff band within the audit BUs. The level of these recovery rates takes into account sufficient time for essential non-recoverable activities; for example, annual leave, study leave, sick leave, training, management and supervision. For the 2017-18 budget, the targeted recovery rates were adjusted to cater for new bands and non-billable overtime hours due to the implementation of the audit methodology project (refer to the analysis of recovery rates and recoverable hours in the table below). The average recovery rate for the 2017-18 budget is 60,14% (2016-17 budget: 61,96%). The 1,82% decrease is due to the loss of hours as a result of the implementation of the new audit methodology and the amalgamation of some municipalities. The investment in the audit methodology project is a one-off and the cost is absorbed internally.

The calculation of recoverable hours is based on the total available hours, which are equal to 2 009 hours per person per year (2016-17: 2 009 hours), multiplied by the recovery rate per band and multiplied by the number of recoverable staff per band per note 1.1.1 above.

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

BUDGET ITEM	2016-17 EXPECTED RECOVERY RATE PER BAND	2017-18 EXPECTED RECOVERY RATE PER BAND	2016-17	2017-18	CHANGE		COMMENTS
			RECOVERED HOURS	RECOVERED HOURS)	HOURS	%	
			(1)	(2)	(2)-(1)	(2)-(1)	
Audit staff							The net increase in recoverable hours of 18 082 is due to the following:
Business executives	25%	17%	8 172	6 261	(1 911)	-23,4%	
Deputy business executives	30%	23%	11 698	8 057	(3 641)	-31,1%	
Senior managers	55%	46%	168 914	153 451	(15 463)	-9,2%	Increase of 282 805 hours due to:  • Scope and risk: 44 676 • New audits: 229 340  • Net movement in contract work and catch-up audits: 8 789
Senior manager specialists	-	15%	-	2 865	2 865	-	
Audit managers	65%	59%	565 573	574 824	9 251	1,6%	
Manager specialists	-	27%	-	8 024	8 024	0,0%	Decrease of 264 723 hours due to:  • Efficiencies: 65 102 • Discontinued audits: 169 008 • Other: 30 613
Assistant managers	65%	61%	744 976	752 631	7 655	1,0%	
Performance auditors	-	54%	-	22 940	22 940	0,0%	
Analysts	-	53%	-	21 402	21 402	0,0%	The increases/decreases in recoverable hours within bands are due to the movement of recoverable staff within the bands year on year.
Audit supervisors	65%	63%	104 188	85 315	(18 873)	-18,1%	
Auditors	68%	66%	52 265	41 472	(10 793)	-20,7%	
IT auditors	-	68%	-	46 396	46 396	0,0%	
Senior IT auditors	-	66%	-	34 113	34 113	0,0%	
Audit clerks	68%	66%	90 072	106 650	16 578	18,4%	
Trainee auditors	66%	63%	1 864 526	1 764 065	(100 461)	-5,4%	
TOTAL			3 610 384	3 628 466	18 082	0,5%	Refer to note 1.1.3 for a calculation of total own hours income

## NOTES ON THE BUDGET

Recovered hours for the 2017-18 budget exclude 14 046 hours planned to be spent on audit projects but that will not be billed to the financially distressed municipalities, in line with the AGSA's commitment to give back to the fiscus and the drive to maintain audit fees at affordable levels.

### 1.1.1.B Own hours – recoverable hours and ratios

BUDGET ITEM	2017-18 RATIOS						2017-18 BUDGET		2016-17 BUDGET	
	ANNUAL AND FAMILY RESPONSIBILITY LEAVE	SICK LEAVE	STUDY AND OTHER	TRAINING	MANAGEMENT AND SUPERVISION	TOTAL %	TOTAL NON-RECOVERABLE HOURS	NON-RECOVERABLE HOURS PER EMPLOYEE	TOTAL NON-RECOVERABLE HOURS	NON-RECOVERABLE HOURS PER EMPLOYEE
Business executives	10%	4%	2%	6%	60%	82%	30 240	1 680	27 014	1 501
Deputy business executives	10%	4%	2%	6%	54%	77%	26 962	1 586	29 415	1 401
Senior managers	10%	4%	5%	6%	28%	52%	173 328	1 104	161 929	910
Senior manager specialists	10%	4%	5%	5%	29%	52%	9 954	1 106	-	-
Audit managers	10%	4%	8%	6%	12%	39%	375 364	836	332 687	700
Manager specialists	10%	4%	8%	5%	13%	39%	11 704	836	-	-
Assistant managers	10%	4%	8%	6%	11%	38%	465 036	813	415 333	700
Performance auditors	10%	4%	8%	6%	11%	38%	16 260	813	-	-
Analysts	11%	4%	8%	6%	11%	39%	15 709	827	-	-
Audit supervisors	11%	4%	4%	6%	10%	35%	46 464	704	56 615	700
Senior IT auditors	11%	4%	4%	5%	6%	30%	15 075	603	-	-
Auditors	11%	4%	4%	6%	7%	32%	19 995	645	26 875	640
Audit clerks	11%	4%	4%	9%	4%	32%	51 113	647	44 792	640
Trainee auditors	11%	4%	8%	9%	4%	36%	986 337	31 817	976 601	681
IT auditors	11%	4%	6%	9%	4%	34%	23 835	681	-	-

## NOTES ON THE BUDGET

The targeted 2017-18 non-recoverable hours per band were adjusted to cater for non-billable overtime hours due to the implementation of the new audit methodology for the assistant manager band and above.

### 1.1.2 Recommended tariffs

Tariffs are based on average staff costs per band and interval, markup factor and recoverable hours per band (staff cost x markup factor ÷ recoverable hours). The average 2017-18 budget tariff is R696 per hour (2016-17: R637 per hour) translating into an increase of R58 per hour.

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE	COMMENTS
	RAND PER HOUR (AVERAGE)	RAND PER HOUR (AVERAGE)	RAND PER HOUR (AVERAGE)	
	(1)	(2)	(2)-(1)	
<b>Audit staff</b>				The tariff is a function of staff cost, markup factor and recoverable hours.  The R696 per hour tariff will not translate into an increase in the cost of audit, as there are corresponding reductions in audit hours due to the efficiencies drive and the intention to cap the cost of audit at affordable levels.
Business executives	2 825	2 966	141	
Deputy business executives	3 150	3 541	390	
Senior managers	1 841	2 064	223	
Senior manager specialists	-	1 864	1 864	
Audit managers	1 319	1 430	111	
Manager specialists	-	1 206	1 206	
Assistant managers	756	855	99	
Performance auditors	-	531	531	
Analysts	-	478	478	
Audit supervisors	476	533	57	
Senior IT auditors	-	420	420	
Auditors	468	467	(1)	
Audit clerks	300	312	12	
Trainee auditors	279	310	31	
IT auditors	-	209	209	
<b>AVERAGE</b>	<b>637</b>	<b>696</b>	<b>58</b>	

### 1.2 CONTRACT WORK MOVEMENT

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

## NOTES ON THE BUDGET

private audit firms to accommodate employee vacancies, especially during peak audit periods (i.e. the Public Finance Management Act and the Municipal Finance Management Act audit cycles).

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	COMMENTS
	R'000	R'000	
Enterprise development	509 624	476 721	This is in line with the AGSA's practice of outsourcing work to private audit firms. The decrease is due to the take-back of some audits from private firms and is informed by excess capacity created by the efficient use of resources and through the pooling of resources within BUs. The take-back will not result in additional staff.
Pre-issuance	56 614	57 828	Review of audit files before the finalisation of audit reports for presentation to auditees.
Vacancies	90 570	64 625	Provision for additional contract work to accommodate unforeseen vacancies.
<b>Total</b>	<b>656 723</b>	<b>599 175</b>	

### 1.3 S&T – RECOVERABLE

BUDGET ITEM	REF.	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
S&T – recoverable	1.3.1	147 859	158 340	10 481	7,1%
<b>Total</b>		<b>147 859</b>	<b>158 340</b>	<b>10 481</b>	<b>7,1%</b>

#### 1.3.1 Change from 2016-17 budget to 2017-18 budget

The S&T calculation is based on the S&T policy rates and the planned trips to conduct audits. The rate per kilometre applied is R4,80 (2016-17: R4,80 per kilometre). The increased audit activities as a result of the take-back of audits from private audit firms and new audits contribute to the budgeted increase.

### 1.4 OTHER INCOME

BUDGET ITEM	REF.	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Interest received: investments	1.4.1	20 952	21 226	274	1,3%
Interest received: current account		7 200	13 728	6 528	90,7%
Sundry income	1.4.2	26 478	27 108	630	2,4%
<b>Total</b>		<b>54 630</b>	<b>62 062</b>	<b>7 432</b>	<b>13,6%</b>

#### 1.4.1 Interest received

The increase in interest on the current account is due to the planned growth in the cash balance. In addition, the projected interest income is aligned to the Reserve Bank's repo rate.

# NOTES ON THE BUDGET

## 1.4.2 Sundry income

Sundry income is made up of interest charged on long-outstanding debt, income received from tender documents, and sales from the gift shop.

## 2. PERSONNEL EXPENDITURE

BUDGET ITEM	REF.	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Leave pay provision	2.1	6 599	7 661	1 061	16,1%
Medical aid provision	2.2	4 542	4 910	368	8,1%
Normal salary and benefits	2.3	1 673 943	1 825 156	151 213	9,0%
Other incentives	2.4	22 778	27 370	4 592	20,2%
UIF and Workmen's Compensation Act (WCA)	2.5	6 706	6 649	(57)	-0,9%
<b>Total</b>		<b>1 714 569</b>	<b>1 871 746</b>	<b>157 176</b>	<b>9,2%</b>
<b>% of total income</b>		<b>55,5%</b>	<b>57,1%</b>		

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

### 2.1 LEAVE PAY PROVISION

The leave pay provision is a function of leave days and salary rate. It is further influenced by the accumulation of leave days allowed in terms of the applicable human resource policy. The number of accumulated leave days is limited to a maximum of 30 days per year per employee at resignation and 120 days on retirement.

### 2.2 POST-RETIREMENT MEDICAL AID PROVISION

These estimates are based on actuarial projections by Alexander Forbes Actuaries for the 2017-18 forecast.

# NOTES ON THE BUDGET

## 2.3 NORMAL SALARY

### 2.3.1 Audit staff (audit BUs)

EMPLOYEE GROUP	TOTAL		AVERAGE SALARY PER BAND R'000	POSITIONING AGAINST BENCHMARK RANGE R'000	COMMENTS
	NO.	R'000			
Business executives	18	32 375	1 799	1 579 - 2 369	The average salary per band is in line with the salary surveys conducted by the AGSA's Human Capital BU.
Deputy business executives	17	25 143	1 479	1 300 - 1 950	
Senior managers	157	185 897	1 184	925 - 1 566	The audit supervisor group consists of employees who have successfully completed their training contracts and have registered for a CTA / registered government auditor (RGA) / Association of Chartered Certified Accountants (ACCA) qualification. These employees are transferred from the trainee auditor band to the audit supervisor band.
Senior manager specialists	9	10 387	1 154	925 - 1 387	
Audit managers	449	409 888	913	553 - 1 196	
Manager specialists	14	12 032	859	424 - 1 059	The audit clerk group consists of employees who have successfully completed their training contracts but who are behind on academic progress. These employees are transferred from the trainee auditor band to the audit clerk band.
Assistant managers	572	331 016	579	370 - 861	
Performance auditors	20	7 996	400	347 - 520	
Analysts	19	6 566	346	257 - 385	These employees are transferred from the trainee auditor band to the audit clerk band.
Audit supervisors	66	24 666	374	343 - 548	
Senior IT auditors	25	8 579	343	244 - 445	
Auditors	31	9 929	320	132 - 440	
Audit clerks	79	16 257	206	328 - 566	
Trainee auditors	1 353	255 435	189	198 - 312	
IT auditors	35	5 571	159	111 - 433	
Audit BU support staff	259	123 790	478	131 - 520	
<b>Total</b>	<b>3 123</b>	<b>1 465 526</b>	<b>469</b>		

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



## NOTES ON THE BUDGET

### 2.3.2 Support staff

EMPLOYEE GROUP	TOTAL		AVERAGE SALARY PER BAND	POSITIONING AGAINST BENCHMARK RANGE	COMMENTS
	NO.	R'000	R'000	R'000	
Corporate executive group	13	39 435	3 033	2 060 - 5 001	Includes salaries of the auditor-general and the deputy auditor-general.
Business executives	15	25 782	1 719	1 504 - 2 255	The average salary per band is in line with the salary surveys conducted by the AGSA's Human Capital BU.
Senior managers	56	65 940	1 177	925 - 1 387	
Managers	202	152 347	754	424 - 1 059	
Admin staff and specialists	209	76 125	364	131 - 519	
<b>Total support staff</b>	<b>495</b>	<b>359 629</b>	<b>727</b>		

### 2.3.3 Total staff

BUSINESS FOCUS AREAS	2016-17 TOTAL		2017-18 TOTAL		COMMENTS
	NO.	R'000	NO.	R'000	
Total audit staff	2 913	1 236 530	2 864	1 341 736	The increase is due to annual salary increases and the appointment of trainee accountants with CTA qualifications coupled with academic progression; however, there is a reduction in the headcount due to the moratorium on headcount growth.
Total support staff in audit and non-audit BUs	762	437 413	754	483 419	
<b>Total</b>	<b>3 675</b>	<b>1 673 942</b>	<b>3 618</b>	<b>1 825 155</b>	

# NOTES ON THE BUDGET

## 2.4 OTHER INCENTIVES

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Group life scheme	22 673	27 265	4 591	20,2%	The increase of 20,2% is mainly driven by the increase in the rate of premiums. The rate increase is mainly attributable to the AGSA's past claim history, which has more than doubled compared to the net premiums since the commencement of the benefit.
Long service awards	105	105	-	0,0%	Long service awards are part of the staff retention incentives (total reward) and have been kept the same as in the 2016-17 budget, which is in line with the 2015-16 actuals.
BU recognition scheme	1 285	1 264	(21)	-1,6%	These are BU recognition incentives used to reward teamwork and to promote staff morale. The budget is R350 per employee.
<b>Total</b>	<b>24 063</b>	<b>28 633</b>	<b>4 570</b>	<b>19,0%</b>	

## 2.5 UIF AND WCA

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	
UIF employer's contribution	5 171	5 144	(27)	-0,5%	The decrease is due to the reduced number of total staff.
Workmen's compensation premiums	1 535	1 506	(29)	-1,9%	
<b>Total</b>	<b>6 706</b>	<b>6 650</b>	<b>(56)</b>	<b>-0,8%</b>	

These levies are based on the full budgeted staff complement of 3 618 and have been calculated for the full year. The rate used is in terms of the relevant legislation.

## 2.6 PERFORMANCE BONUS

The performance bonus for 2017-18 is kept the same as in the previous year in support of the AGSA's drive to contain cost escalations, coupled with the drive to continue to foster a culture of robust performance management.

# NOTES ON THE BUDGET

## 3. OUTSOURCED SERVICES

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Consultants' fees	27 060	28 673	1 614	6,0%
▪ Ongoing projects	14 003	22 398	8 395	60,0%
▪ One-off ad hoc projects	13 057	6 275	(6 782)	-51,9%
<b>Total</b>	<b>27 060</b>	<b>28 673</b>	<b>1 613</b>	<b>6,0%</b>
<b>% of total income</b>	<b>0,9%</b>	<b>0,9%</b>		

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

BUDGET ITEM	2017-18 BUDGET			COMMENTS
	ONGOING	ONE-OFF	TOTAL	
	R'000	R'000	R'000	
Quality Control	720	-	720	External firm-level review and annual quality control reviews by the Independent Regulatory Board for Auditors. Experts for mandatory quality control, e.g. Information Systems Audit BU. Experts for firm-level reviews performed by internal Quality Control BU. Quantity surveying of the different facilities' building projects and accommodation feasibility studies.
Finance	1 180	1 150	2 330	One-off projects include: <ul style="list-style-type: none"> <li>Post-retirement medical aid valuation</li> <li>International Financial Reporting Standards review of annual financial statements</li> <li>Value-added tax / pay-as-you-earn / taxation advisory</li> <li>PeopleSoft 9.2 consultation</li> </ul>
Information Systems Audit	2 442	-	2 442	Development and execution of the project assurance methodology, AGSA data analytics strategic project, and Information Systems Audit BU learnership and development programmes. <ul style="list-style-type: none"> <li>Executive and team coaching of 16 executives and identified teams within the AGSA.</li> <li>Executive development programme attendance of Afrosai as well as executive and senior management development programmes.</li> </ul>
Organisational Leadership Development	4 069	-	4 069	<ul style="list-style-type: none"> <li>Resource planning, organisational survey, and assessment of leadership effectiveness for developmental purposes as part of the succession pipeline.</li> </ul>

## NOTES ON THE BUDGET

BUDGET ITEM	2017-18 BUDGET			COMMENTS
	ONGOING	ONE-OFF	TOTAL	
	R'000	R'000	R'000	
Communication	1 142	636	1 778	Outsourced services for media monitoring, technical writer, and content audit of the annual report to ensure that the AGSA's messages are simple, clear and relevant.
Information Communication and Technology	7 171	1 273	8 444	The ongoing cost of external support for PeopleSoft ERP, software development services (integration, business analysis and development), data masking (support and maintenance), and infrastructure.
Strategy and Transformation	270	52	322	B-BBEE tool maintenance, enhancements and B-BBEE mid-year and year-end verification process.
Research and Development	-	272	272	Outsourced services to assist with further stages of methodology and software content development.
Performance Audit	-	2 712	2 712	Contracted-in specialists to do extensive research and develop focus areas for integrated and stand-alone performance audits, to assist in developing deeper knowledge of auditees and understand their value chains in areas where the AGSA does not have own specialists.
Human Capital	1 608	-	1 608	Total outsourced services to assist with the recruitment of graduates from various universities, psychometric tests, and group life scheme evaluation.
Knowledge Management	1 702	-	1 702	SharePoint outsourced services extranet, data clean-up, information management consultant, quality assurance, and knowledge-sharing speakers.
Strategic Audit Projects	1 808	-	1 808	Outsourced services for: <ul style="list-style-type: none"> <li>Development of the key control enhancement tool that will allow the accounting officer and the engagement auditor to have a more efficient and focused quarterly engagement.</li> <li>Delivery of an appropriate responsive audit software tool to effect efficiencies in the performance of an audit during the statutory audit engagements.</li> <li>Automation of the contract work and pre-issuance processes.</li> </ul>
Auditor-general	285	-	285	Specialised services for international work and information gathering (expertise outside the AGSA's knowledge base, e.g. task group on auditor certification).
Secretarial	-	180	180	Contingency measures where external experts are required for the governance structures.
<b>Total</b>	<b>22 398</b>	<b>6 275</b>	<b>28 673</b>	

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

## NOTES ON THE BUDGET

### 4. S&T – IRRECOVERABLE

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
S&T – irrecoverable	25 641	29 219	3 578	14%
<b>Total</b>	<b>25 641</b>	<b>29 219</b>	<b>3 578</b>	<b>14%</b>
% of total income	0,8%	0,9%		

The 14% increase is mainly due to the increased utilisation of internal resources within provincial and national BUs due to the pooling of resources (sharing model) and other business-related trips. The rate per kilometre is the same as in the previous year.

### 5. ACCOMMODATION

#### 5.1 RENTALS

The average increase in cost per square metre of 4,6% is lower than the consumer price index (CPIX) of 6% and is in line with the AGSA's drive of cost optimisation.

LOCATION	2016-17 BUDGET		2017-18 BUDGET			MONTHLY COST PER SQUARE METRE: 2017-18	COMMENTS
	SQUARE METRES OCCUPIED	MONTHLY COST PER SQUARE METRE	SQUARE METRES OCCUPIED	TOTAL STAFF ESTABLISHMENT	BASIC RENTAL COST		
Western Cape	3 247	132	3 247	246	5 995 468	154	The year-on-year increase in rental costs is attributed to annual escalations per the lease agreements as well as the acquisition of additional office space of 876 square metres in KwaZulu-Natal.
Eastern Cape	3 827	134	3 827	303	6 410 213	140	
Mpumalanga	1 598	137	1 598	148	2 834 524	148	
KwaZulu-Natal	3 209	99	4 085	237	7 596 568	155	The office space in other regions is adequate to accommodate the budgeted staff numbers.
North West	2 157	144	2 157	147	3 870 185	150	
Limpopo	2 130	238	2 130	193	6 410 445	251	
Free State	1 960	115	1 960	199	2 897 594	123	
Johannesburg	2 672	120	2 672	239	4 543 955	142	
Northern Cape	2 031	118	2 031	156	3 274 654	134	
Pretoria	15 365	176	15 365	1 752	30 454 200	165	
<b>Total</b>	<b>38 196</b>	<b>151</b>	<b>39 072</b>	<b>3 618</b>	<b>74 287 806</b>	<b>158</b>	

# NOTES ON THE BUDGET

## 6. STAKEHOLDER RELATIONSHIP

BUDGET ITEM	REF.	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Liaison	6.1.1	4 906	7 432	2 526	51,5%
Internal stakeholders	6.1.2	1 949	2 706	757	38,8%
External stakeholders	6.1.3	3 811	3 392	(419)	-11,0%
<b>Total</b>		<b>10 667</b>	<b>13 530</b>	<b>2 864</b>	<b>26,8%</b>
% of total income		0,3%	0,4%		

### 6.1 STAKEHOLDER RELATIONSHIPS

#### 6.1.1 Liaison

Contained in liaison are costs for employee communication, media management, events management and branding. The increase in liaison is due to the strategic drive to improve the AGSA's brand to increase the employee value proposition.

#### 6.1.2 Internal stakeholders

BUDGET ITEM	2016-17 BUDGET			2017-18 BUDGET			VARIANCE		COMMENTS
	NUMBER OF EMPLOYEES	AVERAGE AMOUNT	TOTAL	NUMBER OF EMPLOYEES	AVERAGE AMOUNT	TOTAL	DUE TO INCREASE IN COSTS	DUE TO INCREASE IN STAFF	
			R'000			R'000			
	(1)	(2)	(1)X(2)	(3)	(4)	(3)X(4)			
BU team effectiveness activities	3 675	530	1 949	3 618	748	2 706	800	(43)	These are activities that occur every year for internal stakeholder relationship improvement, including costs related to relationship building, farewell parties, and staff lunches. The targeted expenditure per head per annum is R750 (2016-17 budget: R500). The increase in the 2017-18 budgeted costs is driven by the reallocation of cost per head between internal and external stakeholder liaison.
Total	3 675	530	1 949	3 618	748	2 706	800	(43)	

# NOTES ON THE BUDGET

## 6.1.3 External stakeholders

BUDGET ITEM	2016-17 BUDGET			2017-18 BUDGET			VARIANCE
	NUMBER OF EMPLOYEES	ALLOWANCE PER ANNUM	TOTAL	NUMBER OF EMPLOYEES	ALLOWANCE PER ANNUM	TOTAL	
		R'000	R'000		R'000	R'000	
	(1)	(2)	(3)	(4)	(5)	(6)	(6)-(3)
Business executives/ heads of units – national	28	31	868	24	18	432	(436)
Business executives – provincial	9	31	279	9	18	162	(117)
Deputy business executives	21	31	651	17	18	306	(345)
Senior managers	234	7	1 732	239	9	2 208	476
Exco	12	23	281	13	22	283	3
<b>Total</b>	<b>304</b>	<b>13</b>	<b>3 811</b>	<b>302</b>	<b>11</b>	<b>3 392</b>	<b>(419)</b>

These costs relate to the improvement of relationships and communication with both internal and external stakeholders. The objective of interactions with external stakeholders is to improve the consistency and effectiveness of the AGSA's messages by providing insights to its auditees on their audit outcomes. Internal stakeholder costs are attributable to the investment in staff members to align their contribution to the vision and mission of the AGSA. The budget allowance applied per band to compute the budget costs has been reduced to support the cost-optimisation strategy.

## 6.2 REGIONAL CONGRESSES (STRATEGIC ALIGNMENT WORKSHOPS)

BUDGET ITEM	2016-17 BUDGET			2017-18 BUDGET			VARIANCE	COMMENTS
	NUMBER OF EMPLOYEES	COST PER EMPLOYEE	TOTAL	NUMBER OF EMPLOYEES	COST PER EMPLOYEE	TOTAL		
		RAND	R'000		RAND	R'000		
	(1)	(2)	(3)	(4)	(5)	(6)	(6)-(3)	
BU / corporate executive workshop	3 675	1 425	5 235	3 618	1 474	5 333	98	The budgeted cost that is slightly lower than in 2016-17 is in support of the plan to contain the cost below the CPIX.
Senior management workshop	304	9 319	2 833	239	11 036	2 638	(196)	
<b>Total</b>	<b>3 979</b>		<b>8 068</b>	<b>3 857</b>		<b>7 971</b>	<b>(97)</b>	

## NOTES ON THE BUDGET

### 6.3 FOREIGN VISITORS

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Foreign visitors	125	79	-46	-37%
<b>Total</b>	<b>125</b>	<b>79</b>	<b>-46</b>	<b>-37%</b>

These expenses relate to foreign visitors from other SAs to the AGSA and are based on the expected number of visitors. The number of foreign visitors in 2017-18 is expected to decrease compared to 2016-17.

### 6.4 OVERSEAS TRAVEL

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Auditor-general and deputy auditor-general	1 648	3 649	2 001	121,4%	Planned trips for the auditor-general and the deputy auditor-general. The auditor-general's international commitments include Intosai (CBC chairperson), Afrosai and Afrosai-E.*
Institutional cooperation and others	4 955	1 851	(3 104)	-62,6%	Includes Intosai (regional working groups) responsibilities of subject matter experts as well as conferences/seminars.
<b>Total</b>	<b>6 602</b>	<b>5 500</b>	<b>(1 103)</b>	<b>-16,7%</b>	

\* The costs for the auditor-general include expenses of staff supporting the auditor-general in his office who will be travelling with him or on his behalf.



# NOTES ON THE BUDGET

## 7. OVERSIGHT GOVERNANCE

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Parliamentary oversight (SCoAG)	72	50	(22)	-31%	Costs for special sessions and the annual induction of new SCoAG members, which used to be budgeted by the AGSA, will be funded by SCoAG, hence the decrease in the 2017-18 budget.
Corporate governance boards (auditor-general advisory board, audit committee, and quality control assessment committee)	1 191	1 025	(166)	-14%	The budgeted costs are mainly driven by the number of meetings held per annum and the induction of new members. The decrease in 2017-18 is due to fewer external meetings being planned, which will also result in reduced S&T.
<b>Total</b>	<b>1 263</b>	<b>1 075</b>	<b>(188)</b>	<b>-15%</b>	
<b>% of total income</b>	<b>0,04%</b>	<b>0,03%</b>			

## 8. AUDIT FEES

### 8.1 EXTERNAL AUDIT FEES

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Financial audit	2 435	2 571	136	5,6%	The audit costs are based on the estimates provided by the AGSA's external auditors and cover planning, interim audit, final audit, BU visits, internal control reviews as well as other ad hoc reviews such as pre-issuance reviews. The increase in audit costs is due to the alignment of time required to perform balanced scorecard, performance bonus and salary audits. The salary audit is performed to ensure that the salary increases are effected as per the exco resolution.
Balanced scorecard and performance bonus review	1 257	1 327	70	5,6%	
Salary review	671	708	37	5,6%	
<b>Total</b>	<b>4 363</b>	<b>4 606</b>	<b>243</b>	<b>5,6%</b>	
<b>% of total income</b>	<b>0,1%</b>	<b>0,1%</b>			

# NOTES ON THE BUDGET

## 8.2 INTERNAL AUDIT FEES

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Routine financial audits	507	535	28	5,6%
Routine human capital-related audits	625	660	35	5,6%
Routine internal control audits	1 300	1 373	73	5,6%
BU visits	536	566	30	5,6%
Ad hoc assignments and system queries (CAATs application)	470	496	26	5,6%
Project management and attendance of audit committee meetings	509	538	29	5,6%
Risk management meetings and strategic risk assessment	159	168	9	5,6%
Audit software project review	550	581	31	5,6%
Disbursements	201	212	11	5,6%
<b>Total</b>	<b>4 857</b>	<b>5 129</b>	<b>272</b>	<b>5,6%</b>
<b>% of total income</b>	<b>0,2%</b>	<b>0,2%</b>		

The increase in internal audit fees is mainly driven by new audits as per management requests, but is below the CPIX.

# NOTES ON THE BUDGET

## 9. RECRUITMENT EXPENSES

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Advertisements	1 350	850	(500)	-37,0%	Costs related to the advertisement of vacancies and graduate recruitment programmes. The decrease is due to a combination of alignment to the 2015-16 actuals and expected savings from the use of electronic media.
Personnel agency fees	4 734	4 561	(173)	-3,6%	Agency fees are based on a percentage of salary costs of staff expected to be recruited and appointed in the 2017-18 financial year. The number of personnel expected to be recruited in 2017-18 is expected to drop in line with the moratorium placed on the recruitment of staff.
Interviews	1 620	1 411	(209)	-12,9%	The decrease is due to the alignment of costs to the 2015-16 actuals. The reduction in air travel and accommodation for candidates and panel members conducting the interviews is due to the use of video-conferencing to contain costs.
Transfer and relocation expenses	2 313	1 800	(513)	-22,2%	The decrease in staff relocation expenses is due to the lower anticipated number of people expected to be relocated to various provinces as well as fewer people planned to be recruited in the 2017-18 financial year. These costs include pre-visit costs for internal and external candidates and the reimbursement of transportation costs as well as three months' payment of accommodation costs.
<b>Total</b>	<b>10 017</b>	<b>8 622</b>	<b>(1 395)</b>	<b>-13,9%</b>	
% of total income	0,3%	0,3%			

# NOTES ON THE BUDGET

## 10. LEARNING AND DEVELOPMENT

BUDGET ITEM	REF.	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Membership fees	10.1	16 957	19 869	2 912	17,2%
Training:	10.2	30 155	21 913	(8 242)	-27,3%
Internal training		22 330	16 842	(5 488)	-24,6%
Conference and seminars		5 884	2 936	(2 948)	-50,1%
S&T: training		1 941	2 135	194	10,0%
Study assistance: employees	10.3	25 058	23 970	(1 088)	-4,3%
Human capital development projects		1 302	1 699	397	30,5%
Bursaries	10.4	12 636	16 153	3 517	27,8%
Study support incentive scheme		6 614	5 477	(1 137)	-17,2%
Tertiary assistance	10.4	3 639	3 896	258	7,1%
Study support incentive scheme: top-up one		183	133	(50)	-27,3%
Skills development levy		16 282	17 357	1 074	6,6%
Skills development levy – recovered		(13 000)	(9 500)	3 500	-26,9%
<b>Total</b>		<b>99 826</b>	<b>100 967</b>	<b>1 141</b>	<b>1,1%</b>
<b>% of total income</b>		<b>3,2%</b>	<b>3,1%</b>		

### 10.1 MEMBERSHIP FEES

The 2017-18 budget for membership fees is based on the current and future professional staff intake and the annual increase in membership fees.

### 10.2 TRAINING

TYPE OF EXPENSE	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Internal	22 330	16 842	(5 488)	-24,6%
Conferences and seminars	5 884	2 936	(2 948)	-50,1%
S&T for training activities	1 941	2 135	194	10,0%
<b>Total</b>	<b>30 155</b>	<b>21 913</b>	<b>(8 242)</b>	<b>-27,3%</b>

The decrease in the budget for internal training as well as conference and seminars is due to the alignment of the budget to the 2015-16 actuals. Included in the S&T for training are additional costs for the Information Communication and Technology BU that had not been included in the 2016-17 budget.

# NOTES ON THE BUDGET

## 10.3 STUDY ASSISTANCE: EMPLOYEES

COURSE OF STUDY	2016-17 BUDGET	2017-18 BUDGET	COMMENTS
	R'000	R'000	
Diploma	185	177	
Degree	681	651	
CTA / honours	16 344	15 634	
Final qualifying exam support courses	2 363	2 260	This is in line with the AGSA's preference to focus on graduate students. The bulk of the budgeted amount relates to 1 353 trainee auditors (2016-17 budget: 1 435).
Non-accounting degrees and diplomas	1 558	1 490	
Postgraduate, RGA, certified information systems auditor (CISA)	3 928	3 757	
<b>Total</b>	<b>25 059</b>	<b>23 969</b>	

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

## 10.4 EXTERNAL STUDENT BURSARIES AND TERTIARY ASSISTANCE

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

	2016-17 BUDGET	2017-18 BUDGET
	R'000	R'000
Thuthuka	2 991	-
External bursaries	9 013	15 172
Sponsorship, functions and other	632	982
Tertiary assistance (including Fort Hare)	3 639	3 896
<b>Total</b>	<b>16 275</b>	<b>20 050</b>

### Saica Thuthuka programme

The focus on development is heightened through the investment in Thuthuka support in line with the new strategy to improve the trainee auditor mix through 50% CTA and 50% degree. However, this spend is mitigated by a corresponding reduction in the bursary spend for trainee auditors. This strategy will result in improved recovery rates for this level due to less time spent on study activities. The estimated cost of this project is earmarked to be funded from the retained earnings.

### External bursaries and centenary scholarship

This refers to the cost of the AGSA's commitment to 143 external bursary holders (2016-17 budget: 148). In addition, 21 students are part of the AGSA's centenary scholarship programme (funded through the AGSA's centenary scholarship fund; refer to note 11 below).

## NOTES ON THE BUDGET

NAME OF UNIVERSITY	NO. OF STUDENTS: 2016-17 BUDGET	NO. OF STUDENTS: 2017-18 BUDGET	CENTENARY SCHOLARSHIP NO. OF STUDENTS: 2017-18 BUDGET
Johannesburg	17	20	2
Wits	16	20	3
Pretoria	11	8	7
Monash	0	2	0
Free State	22	9	1
KwaZulu-Natal	14	19	0
Cape Town	23	13	6
Stellenbosch	8	7	0
Nelson Mandela Metro	4	2	0
North West	22	17	2
Fort Hare	0	20	0
Rhodes	3	4	0
Limpopo	8	0	0
Western Cape	0	2	0
<b>Total</b>	<b>148</b>	<b>143</b>	<b>21</b>

### Fort Hare

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

# NOTES ON THE BUDGET

## 11. EMPLOYEE WELLNESS PROGRAMMES

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Employee wellness programmes	7 355	7 355	(0)	0,0%	This relates to fees paid to external service providers for various services, which include employee assistance, executive wellness, lifestyle management and HIV/Aids programmes. The costs were kept the same as in the 2016-17 budget in support of the drive to reduce overhead costs.
Employee social responsibility	779	1 570	792	101,7%	As per the 2016-19 strategic plan commitment, the AGSA will conduct a perception survey that will include citizens and section 4(3) auditees at an estimated costs of R1 million, hence the increase in the 2017-18 budget.
Auditor-general social responsibility	4 156	3 400	(756)	-18,2%	This cost typically includes sponsorship of tables at fundraising events hosted by organisations such as the Association for the Advancement of Black Accountants of Southern Africa. The decrease is in line with the strategy to optimise events so as to reduce overhead costs.
Corporate social responsibility	3 326	1 300	(2 026)	-60,9%	The decrease is due to the consolidation of corporate social investment projects between the former Transformation BU and the Communication BU.
Enterprise development	8 626	4 000	(4 627)	-53,6%	This includes B-BBEE interventions to support and uplift black entrepreneurs and support for the growth of the auditing profession. The decrease is due to the change in the formula used to calculate the funding of the interventions instead of applying the greater of 3% of surplus or 0,375% of own hours income formula used in the 2016-17 budget. The budget for 2017-18 was determined based on the affordability principle.
<b>Total</b>	<b>24 242</b>	<b>17 625</b>	<b>-6 617</b>	<b>-27,3%</b>	

# NOTES ON THE BUDGET

## 12. TECHNOLOGICAL SERVICES

BUDGET ITEM	REF.	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Licence and equipment maintenance	12.1	35 920	52 239	16 319	45,4%
Hiring of equipment – rental	12.2	6 082	5 861	(221)	-3,6%
Hiring of equipment – copy charges		1 991	2 004	13	0,7%
<b>Total</b>		<b>43 993</b>	<b>60 104</b>	<b>16 111</b>	<b>36,6%</b>
<b>% of total income</b>		<b>1,4%</b>	<b>1,8%</b>		

### 12.1 COMPUTER SERVICES

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
IT maintenance and support	11 044	33 757	22 713	205,7%	The increase in IT maintenance and support is due to the software licence fees for PeopleSoft, Microsoft and TeamMate that had not been included in the 2016-17 budget. The reduction in network costs is through overhead-reduction mechanics such as the consolidation into one.
Networks	20 416	14 400	(6 016)	-29,5%	
Security	3 810	3 382	(428)	-11,2%	
Telecommunications	650	700	50	0,0%	
<b>Total</b>	<b>35 920</b>	<b>52 239</b>	<b>16 319</b>	<b>45,4%</b>	
<b>% of total income</b>	<b>3,2%</b>	<b>3,1%</b>			

### 12.2 HIRING OF EQUIPMENT – RENTAL

The rental agreement of R3 800 per month remains the same as in 2016-17. The marginal decrease is due to BUs planning to share the existing multifunction copy machines instead of acquiring new ones.



## NOTES ON THE BUDGET

### 13. INSURANCE AND LEGAL FEES

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE		COMMENTS
	R'000	R'000	R'000	%	
	(1)	(3)	(3)-(1)	(3)-(1)	
Insurance	2 680	1 613	(1 067)	-39,8%	The decrease is in line with the depreciated value of the AGSA's assets.
Legal fees and contingency	2 717	4 500	1 783	65,6%	The budget for 2017-18 is estimated based on the actual costs incurred in the previous financial years. The increase is due to costs related to litigation of debtors and legal costs for audit pushbacks that had not been budgeted for in prior years.
<b>Total</b>	<b>5 397</b>	<b>6 113</b>	<b>717</b>	<b>13,3%</b>	
<b>% of total income</b>	<b>0,2%</b>	<b>0,2%</b>			

### 14. OFFICE MAINTENANCE

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Office maintenance	27 388	29 574	2 186	8,0%*
<b>Total</b>	<b>27 388</b>	<b>29 574</b>	<b>2 186</b>	<b>8,0%</b>
<b>% of total income</b>	<b>0,9%</b>	<b>0,9%</b>		

\* Does not include present value adjustment of sundry expenses.

Included in office maintenance are costs of cleaning (R5,8 million); office improvements, refreshments and publications (R7,9 million); repairs and maintenance (R4,3 million); stationery and printing (R10,8 million); and others (R0,8 million). The increase is mainly due to escalations in cleaning contract fees.

# NOTES ON THE BUDGET

## 15. COMMUNICATIONS

BUDGET ITEM	REF.	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Telephone charges	15.1	4 943	4 691	(252)	-5,1%
Cellphone charges	15.2	4 465	7 593	3 127	70,0%
Postage and courier services		2 271	1 686	(585)	-25,8%
<b>Total</b>		<b>11 680</b>	<b>13 970</b>	<b>2 290</b>	<b>19,6%</b>
<b>% of total income</b>		<b>0,4%</b>	<b>0,4%</b>		

### 15.1 TELEPHONE CHARGES

The costs are mainly influenced by the budgeted number of staff of 3 618 for 2017-18 (2016-17 budget: 3 675), resulting in a decrease in the 2017-18 budget.

### 15.2 CELLPHONE CHARGES

The increase is mainly due to the new cellphone policy planned to be implemented in the 2017-18 financial year and the alignment of actual subscription fees to budgets. In addition, the average monthly cellphone allowance increase is due to the determination of the allowance being based on the job levels compared to the R1 000 for all qualifying users in 2016-17.

## 16. DEPRECIATION

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
	R'000	R'000	R'000	%
	(1)	(3)	(3)-(1)	(3)-(1)
Motor vehicles	1 248	1 138	(110)	-8,8%
Furniture and equipment	7 322	7 472	150	2,0%
Computer equipment	17 057	18 755	1 698	10,0%
Computer software	7 470	7 835	365	4,9%
Leasehold improvements	7 867	7 396	(472)	-6,0%
<b>Total</b>	<b>40 964</b>	<b>42 596</b>	<b>1 632</b>	<b>4,0%</b>
<b>% of total income</b>	<b>1,3%</b>	<b>1,3%</b>		

The depreciation expense budget is based on the depreciation of existing assets and the depreciation of assets to be purchased as per the 2017-18 capital expenditure budget, based on the AGSA's asset management policy. The increase in the depreciation expense of R1,6 million is mainly due to the planned replacement and acquisition of computer equipment and software in the 2017-18 financial year. The computer equipment and software budget for 2017-18 is R74,8 million (2016-17 budget: R49,7 million).

# NOTES ON THE BUDGET

## 17. CAPITAL EXPENDITURE BUDGET

### 17.1 MOTOR VEHICLES

DESCRIPTION	2016-17 BUDGET	ACQUISITIONS: 2017-18 BUDGET	DEPRECIATION	2017-18 BUDGET
	NCV			NCV
	R'000			R'000
Motor vehicles	3 195	2 782	1 138	4 839
<b>Total</b>	<b>3 195</b>	<b>2 782</b>	<b>1 138</b>	<b>4 839</b>

LOCATION	2016-17 BUDGET	2017-18 BUDGET
	R'000	R'000
Provision for the purchase of motor vehicles in the Eastern Cape, Mpumalanga and Western Cape offices	750	2 782
<b>Total</b>	<b>750</b>	<b>2 782</b>

### 17.2 FURNITURE AND EQUIPMENT

DESCRIPTION	2016-17 BUDGET	ACQUISITIONS: 2017-18 BUDGET	DEPRECIATION	2017-18 BUDGET
	NCV			NCV
	R'000			R'000
Furniture and equipment	29 878	5 637	7 472	28 043
<b>Total</b>	<b>29 878</b>	<b>5 637</b>	<b>7 472</b>	<b>28 043</b>

LOCATION	2016-17 BUDGET	2017-18 BUDGET	COMMENTS
	R'000	R'000	
Pretoria and other regional offices	10 657	5 637	New furniture acquisition is budgeted centrally at head office for all the AGSA's offices. The replacement of furniture and the redesign of offices are in line with branding requirements and the creation of more office space for staff. The decrease is due to the bulk of furniture having been acquired in the 2015-16 and 2016-17 financial years.
<b>Total</b>	<b>10 657</b>	<b>5 637</b>	

# NOTES ON THE BUDGET

## 17.3 LEASEHOLD IMPROVEMENTS

DESCRIPTION	2016-17 BUDGET	ACQUISITIONS: 2017-18 BUDGET	DEPRECIATION	2017-18 BUDGET
	NCV			NCV
	R'000			R'000
Leasehold improvements	28 380	6 100	7 396	27 084
<b>Total</b>	<b>28 380</b>	<b>6 100</b>	<b>7 396</b>	<b>27 084</b>

LOCATION	2016-17 BUDGET	2017-18 BUDGET	COMMENTS
	R'000	R'000	
Pretoria and other regional offices	17 512	6 100	Leasehold improvements are budgeted centrally at head office for all the AGSA's offices. The leasehold improvements will be rolled out at the Eastern Cape and Limpopo offices. Security infrastructure upgrades will take place across all regions.
<b>Total</b>	<b>17 512</b>	<b>6 100</b>	

## 17.4 COMPUTER HARDWARE, NETWORKS AND SECURITY

DESCRIPTION	2016-17 BUDGET	ACQUISITIONS: 2017-18 BUDGET	DEPRECIATION	2017-18 BUDGET
	NCV			NCV
	R'000			R'000
Computer hardware	46 005	56 888	18 755	84 138
<b>Total</b>	<b>46 005</b>	<b>56 888</b>	<b>18 755</b>	<b>84 138</b>

BUDGET ITEM	REF.	2016-17 BUDGET	2017-18 BUDGET	CHANGE	
		R'000	R'000	R'000	%
		(1)	(3)	(3)-(1)	(3)-(1)
Computer hardware	17.4.1	3 936	12 650	8 714	221,4%
Networks	17.4.2	250	6 720	6 470	2 588,0%
Security	17.4.3	-	5 000	5 000	0,0%
Notebooks	17.4.4	22 888	5 900	(16 988)	-74,2%
<b>Total</b>		<b>27 074</b>	<b>56 888</b>	<b>3 196</b>	<b>11,8%</b>

# NOTES ON THE BUDGET

## 17.4.1 Computer hardware

The increase is mainly due to the replacement of all outdated IP telephones and the upgrade of the data centre and disaster recovery servers.

## 17.4.2 Networks

The increase is due to new, and the upgrading of, network equipment for regional switches.

## 17.4.3 Security

The costs relate to the upgrade of IT security services to protect AGSA data.

## 17.4.4 Notebooks

The costs relate to the roll-out of tablets to senior managers and above as well as the replacement of old tablets.

## 17.5 COMPUTER SOFTWARE

DESCRIPTION	2016-17 BUDGET	ACQUISITIONS: 2017-18 BUDGET	DEPRECIATION	2017-18 BUDGET
	NCV			NCV
	R'000			R'000
Computer software	22 609	17 896	7 835	32 670
<b>Total</b>	<b>22 609</b>	<b>17 896</b>	<b>7 835</b>	<b>32 670</b>

BUDGET ITEM	2016-17 BUDGET	2017-18 BUDGET	COMMENTS
	R'000	R'000	
	(1)	(3)	
Regional systems	500	400	Remote access to support and connect regions.
Systems	-	3 560	Microsoft Enterprise servers (to be aligned with the current Microsoft Enterprise licences) and visualisation software.
New software licences	16 308	10 935	These are additional licences to be procured to accommodate all staff members, e.g. Microsoft, MobileIron (mobile device connection), encryption, Oracle database, and audit software.
New systems implementation	5 879	3 000	New systems implementation for the Learning and Development and the Information Systems Audit BUs.
<b>Total</b>	<b>22 687</b>	<b>17 896</b>	

## ANNEXURE B

### PROPOSED INTERNAL RATES 2017-18

CATEGORIES	SALARY INTERVAL		TARIFF			
	LOWER	UPPER	REGULARITY AUDIT	INFORMATION SYSTEMS AUDIT	PERFORMANCE AUDIT	INVESTIGATIONS
BUSINESS EXECUTIVE	-	10 000 000	2 966	2 966	2 966	2 966
DEPUTY BUSINESS EXECUTIVE	1 000 001	1 020 000	2 419	2 453	1 708	2 538
	1 020 001	1 040 000	2 467	2 502	1 742	2 588
	1 040 001	1 060 000	2 515	2 551	1 776	2 639
	1 060 001	1 080 000	2 563	2 599	1 810	2 689
	1 080 001	1 100 000	2 611	2 648	1 843	2 739
	1 100 001	1 120 000	2 659	2 696	1 877	2 789
	1 120 001	1 140 000	2 707	2 745	1 911	2 840
	1 140 001	1 160 000	2 755	2 794	1 945	2 890
	1 160 001	1 180 000	2 803	2 842	1 979	2 940
	1 180 001	1 200 000	2 851	2 891	2 013	2 990
	1 200 001	1 220 000	2 898	2 939	2 046	3 041
	1 220 001	1 240 000	2 946	2 988	2 080	3 091
	1 240 001	1 260 000	2 994	3 036	2 114	3 141
	1 260 001	1 280 000	3 042	3 085	2 148	3 191
	1 280 001	1 300 000	3 090	3 134	2 182	3 242
AUDIT SENIOR MANAGER	700 001	720 000	1 252	1 121	1 166	1 225
	720 001	740 000	1 287	1 152	1 199	1 260
	740 001	760 000	1 323	1 184	1 232	1 294
	760 001	780 000	1 358	1 215	1 264	1 329
	780 001	800 000	1 393	1 247	1 297	1 363
	800 001	820 000	1 429	1 279	1 330	1 398
	820 001	840 000	1 464	1 310	1 363	1 432
	840 001	860 000	1 499	1 342	1 396	1 467
	860 001	880 000	1 534	1 373	1 429	1 501
	880 001	900 000	1 570	1 405	1 461	1 536
	900 001	920 000	1 605	1 436	1 494	1 570
	920 001	940 000	1 640	1 468	1 527	1 605
	940 001	960 000	1 675	1 500	1 560	1 639
	960 001	980 000	1 711	1 531	1 593	1 674
	980 001	1 000 000	1 746	1 563	1 626	1 708
	1 000 001	1 020 000	1 781	1 594	1 658	1 743
	1 020 001	1 040 000	1 817	1 626	1 691	1 777
	1 040 001	1 060 000	1 852	1 657	1 724	1 812
	1 060 001	1 080 000	1 887	1 689	1 757	1 846
	1 080 001	1 100 000	1 922	1 721	1 790	1 881

## ANNEXURE B

CATEGORIES	SALARY INTERVAL		TARIFF			
	LOWER	UPPER	REGULARITY AUDIT	INFORMATION SYSTEMS AUDIT	PERFORMANCE AUDIT	INVESTIGATIONS
	1 100 001	1 120 000	1 958	1 752	1 823	1 915
	1 120 001	1 140 000	1 993	1 784	1 855	1 950
	1 140 001	1 160 000	2 028	1 815	1 888	1 984
	1 160 001	1 180 000	2 063	1 847	1 921	2 019
	1 180 001	1 200 000	2 099	1 878	1 954	2 053
	1 200 001	1 220 000	2 134	1 910	1 987	2 088
	1 220 001	1 240 000	2 169	1 942	2 020	2 122
	1 240 001	1 260 000	2 205	1 973	2 053	2 157
	1 260 001	1 280 000	2 240	2 005	2 085	2 191
	1 280 001	1 300 000	2 275	2 036	2 118	2 226
SENIOR MANAGER SPECIALIST	700 001	720 000	1 274	1 122	1 171	1 226
	720 001	740 000	1 310	1 153	1 204	1 261
	740 001	760 000	1 346	1 185	1 236	1 295
	760 001	780 000	1 382	1 217	1 269	1 330
	780 001	800 000	1 418	1 248	1 302	1 364
	800 001	820 000	1 454	1 280	1 335	1 399
	820 001	840 000	1 490	1 311	1 368	1 433
	840 001	860 000	1 526	1 343	1 401	1 468
	860 001	880 000	1 561	1 375	1 434	1 503
	880 001	900 000	1 597	1 406	1 467	1 537
	900 001	920 000	1 633	1 438	1 500	1 572
	920 001	940 000	1 669	1 469	1 533	1 606
	940 001	960 000	1 705	1 501	1 566	1 641
	960 001	980 000	1 741	1 533	1 599	1 675
	980 001	1 000 000	1 777	1 564	1 632	1 710
	1 000 001	1 020 000	1 813	1 596	1 665	1 744
	1 020 001	1 040 000	1 849	1 627	1 698	1 779
	1 040 001	1 060 000	1 885	1 659	1 731	1 813
	1 060 001	1 080 000	1 920	1 691	1 764	1 848
	1 080 001	1 100 000	1 956	1 722	1 797	1 882
	1 100 001	1 120 000	1 992	1 754	1 830	1 917
	1 120 001	1 140 000	2 028	1 785	1 863	1 952
	1 140 001	1 160 000	2 064	1 817	1 896	1 986
	1 160 001	1 180 000	2 100	1 849	1 929	2 021
	1 180 001	1 200 000	2 136	1 880	1 962	2 055
	1 200 001	1 220 000	2 172	1 912	1 995	2 090
	1 220 001	1 240 000	2 208	1 943	2 028	2 124
	1 240 001	1 260 000	2 243	1 975	2 061	2 159
	1 260 001	1 280 000	2 279	2 007	2 094	2 193
	1 280 001	1 300 000	2 315	2 038	2 127	2 228

## ANNEXURE B

CATEGORIES	SALARY INTERVAL		TARIFF			
	LOWER	UPPER	REGULARITY AUDIT	INFORMATION SYSTEMS AUDIT	PERFORMANCE AUDIT	INVESTIGATIONS
AUDIT MANAGER	460 001	480 000	785	676	734	793
	480 001	500 000	819	705	765	827
	500 001	520 000	852	734	796	860
	520 001	540 000	886	762	827	894
	540 001	560 000	919	791	858	928
	560 001	580 000	952	820	890	962
	580 001	600 000	986	849	921	995
	600 001	620 000	1 019	877	952	1 029
	620 001	640 000	1 053	906	983	1 063
	640 001	660 000	1 086	935	1 015	1 097
	660 001	680 000	1 119	964	1 046	1 130
	680 001	700 000	1 153	993	1 077	1 164
	700 001	720 000	1 186	1 021	1 108	1 198
	720 001	740 000	1 220	1 050	1 139	1 232
	740 001	760 000	1 253	1 079	1 171	1 265
	760 001	780 000	1 287	1 108	1 202	1 299
	780 001	800 000	1 320	1 136	1 233	1 333
	800 001	820 000	1 353	1 165	1 264	1 367
	820 001	840 000	1 387	1 194	1 296	1 400
	840 001	860 000	1 420	1 223	1 327	1 434
	860 001	880 000	1 454	1 252	1 358	1 468
	880 001	900 000	1 487	1 280	1 389	1 501
	900 001	920 000	1 520	1 309	1 420	1 535
	920 001	940 000	1 554	1 338	1 452	1 569
	940 001	960 000	1 587	1 367	1 483	1 603
	960 001	980 000	1 621	1 395	1 514	1 636
	980 001	1 000 000	1 654	1 424	1 545	1 670
MANAGER SPECIALIST	460 001	480 000	764	676	692	793
	480 001	500 000	797	705	722	826
	500 001	520 000	829	733	751	860
	520 001	540 000	862	762	780	894
	540 001	560 000	894	791	810	927
	560 001	580 000	927	820	839	961
	580 001	600 000	959	848	869	995
	600 001	620 000	992	877	898	1 029
	620 001	640 000	1 024	906	928	1 062
	640 001	660 000	1 057	935	957	1 096
	660 001	680 000	1 090	963	987	1 130
	680 001	700 000	1 122	992	1 016	1 164



## ANNEXURE B

CATEGORIES	SALARY INTERVAL		TARIFF			
	LOWER	UPPER	REGULARITY AUDIT	INFORMATION SYSTEMS AUDIT	PERFORMANCE AUDIT	INVESTIGATIONS
	700 001	720 000	1 155	1 021	1 045	1 197
	720 001	740 000	1 187	1 050	1 075	1 231
	740 001	760 000	1 220	1 078	1 104	1 265
	760 001	780 000	1 252	1 107	1 134	1 298
	780 001	800 000	1 285	1 136	1 163	1 332
	800 001	820 000	1 317	1 165	1 193	1 366
	820 001	840 000	1 350	1 193	1 222	1 400
	840 001	860 000	1 382	1 222	1 252	1 433
	860 001	880 000	1 415	1 251	1 281	1 467
	880 001	900 000	1 447	1 280	1 311	1 501
	900 001	920 000	1 480	1 308	1 340	1 535
	920 001	940 000	1 512	1 337	1 369	1 568
	940 001	960 000	1 545	1 366	1 399	1 602
	960 001	980 000	1 577	1 395	1 428	1 636
	980 001	1 000 000	1 610	1 424	1 458	1 669
ASSISTANT MANAGER	300 001	320 000	498	432	442	514
	320 001	340 000	530	460	471	547
	340 001	360 000	562	488	499	580
	360 001	380 000	594	516	528	613
	380 001	400 000	626	544	556	647
	400 001	420 000	658	571	585	680
	420 001	440 000	691	599	613	713
	440 001	460 000	723	627	642	746
	460 001	480 000	755	655	670	779
	480 001	500 000	787	683	699	812
	500 001	520 000	819	711	727	846
	520 001	540 000	851	739	756	879
	540 001	560 000	883	767	784	912
	560 001	580 000	915	795	813	945
	580 001	600 000	948	822	841	978
	600 001	620 000	980	850	870	1 011
	620 001	640 000	1 012	878	898	1 045
	640 001	660 000	1 044	906	927	1 078
	660 001	680 000	1 076	934	955	1 111
	680 001	700 000	1 108	962	984	1 144
PERFORMANCE AUDITOR	300 001	320 000	483	432	460	514
	320 001	340 000	514	460	489	547
	340 001	360 000	545	488	519	580
	360 001	380 000	577	516	549	613
	380 001	400 000	608	544	578	647

## ANNEXURE B

CATEGORIES	SALARY INTERVAL		TARIFF			
	LOWER	UPPER	REGULARITY AUDIT	INFORMATION SYSTEMS AUDIT	PERFORMANCE AUDIT	INVESTIGATIONS
	400 001	420 000	639	571	608	680
	420 001	440 000	670	599	638	713
	440 001	460 000	701	627	667	746
	460 001	480 000	732	655	697	779
	480 001	500 000	764	683	727	812
	500 001	520 000	795	711	756	846
	520 001	540 000	826	739	786	879
	540 001	560 000	857	767	816	912
	560 001	580 000	888	795	845	945
	580 001	600 000	919	822	875	978
	600 001	620 000	951	850	905	1 011
	620 001	640 000	982	878	934	1 045
	640 001	660 000	1 013	906	964	1 078
	660 001	680 000	1 044	934	994	1 111
	680 001	700 000	1 075	962	1 023	1 144
ANALYST	300 001	320 000	483	432	460	495
	320 001	340 000	514	460	490	527
	340 001	360 000	545	488	519	559
	360 001	380 000	577	516	549	591
	380 001	400 000	608	544	579	623
	400 001	420 000	639	571	608	655
	420 001	440 000	670	599	638	687
	440 001	460 000	701	627	668	719
	460 001	480 000	732	655	697	751
	480 001	500 000	764	683	727	783
	500 001	520 000	795	711	757	815
	520 001	540 000	826	739	786	847
	540 001	560 000	857	767	816	879
	560 001	580 000	888	795	846	911
	580 001	600 000	919	822	875	942
	600 001	620 000	951	850	905	974
	620 001	640 000	982	878	935	1 006
	640 001	660 000	1 013	906	965	1 038
	660 001	680 000	1 044	934	994	1 070
	680 001	700 000	1 075	962	1 024	1 102
AUDIT SUPERVISOR	280 001	300 000	436	386	268	399
	300 001	320 000	466	412	287	426
	320 001	340 000	496	439	305	454
	340 001	360 000	526	465	324	481
	360 001	380 000	556	492	343	509

## ANNEXURE B

CATEGORIES	SALARY INTERVAL		TARIFF			
	LOWER	UPPER	REGULARITY AUDIT	INFORMATION SYSTEMS AUDIT	PERFORMANCE AUDIT	INVESTIGATIONS
	380 001	400 000	586	519	361	536
	400 001	420 000	617	545	380	564
	420 001	440 000	647	572	398	591
	440 001	460 000	677	598	417	619
	460 001	480 000	707	625	435	646
	480 001	500 000	737	651	454	674
	500 001	520 000	767	678	472	701
<b>SENIOR IT AUDITOR</b>	280 001	300 000	400	358	249	370
	300 001	320 000	428	383	266	396
	320 001	340 000	455	407	284	421
	340 001	360 000	483	432	301	447
	360 001	380 000	511	457	318	473
	380 001	400 000	538	481	335	498
	400 001	420 000	566	506	352	524
	420 001	440 000	593	531	370	549
	440 001	460 000	621	556	387	575
	460 001	480 000	649	580	404	600
	480 001	500 000	676	605	421	626
	500 001	520 000	704	630	438	651
<b>AUDITOR</b>	180 001	200 000	283	242	258	250
	200 001	220 000	312	267	285	276
	220 001	240 000	342	293	313	303
	240 001	260 000	372	318	340	329
	260 001	280 000	402	344	367	355
	280 001	300 000	431	369	394	382
	300 001	320 000	461	395	421	408
	320 001	340 000	491	420	448	434
	340 001	360 000	521	445	476	461
	360 001	380 000	550	471	503	487
	380 001	400 000	580	496	530	513
	400 001	420 000	610	522	557	540
	420 001	440 000	640	547	584	566
	440 001	460 000	670	573	612	592
	460 001	480 000	699	598	639	619
	480 001	500 000	729	624	666	645
	500 001	520 000	759	649	693	671
<b>AUDIT CLERK</b>	80 001	100 000	152	115	80	119
	100 001	120 000	186	140	98	145
	120 001	140 000	219	166	115	171

## ANNEXURE B

CATEGORIES	SALARY INTERVAL		TARIFF			
	LOWER	UPPER	REGULARITY AUDIT	INFORMATION SYSTEMS AUDIT	PERFORMANCE AUDIT	INVESTIGATIONS
	140 001	160 000	253	191	133	198
	160 001	180 000	287	217	151	224
	180 001	200 000	321	242	169	250
	200 001	220 000	354	268	186	277
	220 001	240 000	388	293	204	303
	240 001	260 000	422	319	222	330
	260 001	280 000	455	344	240	356
	280 001	300 000	489	370	257	382
	300 001	320 000	523	395	275	409
	320 001	340 000	557	421	293	435
	340 001	360 000	590	446	311	461
	360 001	380 000	624	472	328	488
	380 001	400 000	658	497	346	514
TRAINEE AUDITOR	80 001	100 000	170	141	98	146
	100 001	120 000	208	173	120	179
	120 001	140 000	246	204	142	211
	140 001	160 000	284	236	164	244
	160 001	180 000	322	267	186	276
	180 001	200 000	359	298	208	309
	200 001	220 000	397	330	230	341
	220 001	240 000	435	361	251	374
	240 001	260 000	473	393	273	406
	260 001	280 000	511	424	295	439
	280 001	300 000	549	455	317	471
	300 001	320 000	586	487	339	504
	320 001	340 000	624	518	361	536
	340 001	360 000	662	550	383	569
	360 001	380 000	700	581	405	601
	380 001	400 000	738	612	426	634
IT AUDITOR	80 001	100 000	144	129	90	133
	100 001	120 000	176	157	110	163
	120 001	140 000	208	186	129	192
	140 001	160 000	240	214	149	222
	160 001	180 000	272	243	169	251
	180 001	200 000	304	272	189	281
	200 001	220 000	336	300	209	311
	220 001	240 000	368	329	229	340
	240 001	260 000	400	357	249	370
	260 001	280 000	432	386	269	399
	280 001	300 000	464	415	289	429

## ANNEXURE B

CATEGORIES	SALARY INTERVAL		TARIFF			
	LOWER	UPPER	REGULARITY AUDIT	INFORMATION SYSTEMS AUDIT	PERFORMANCE AUDIT	INVESTIGATIONS
	300 001	320 000	496	443	309	459
	320 001	340 000	528	472	329	488
	340 001	360 000	559	500	348	518
	360 001	380 000	591	529	368	547
	380 001	400 000	623	558	388	577

## ANNEXURE C

### HOURLY CHARGE-OUT RATES FOR AUDITS CONDUCTED ON BEHALF OF THE AGSA

PERIOD: 1 APRIL 2017 to 31 MARCH 2018	
Rates (excluding value-added tax)	
Partners	2 966
Specialists (maximum)	2 966
<b>STAFF</b>	
<b>MONTHLY EARNINGS</b>	<b>RATE PER HOUR</b>
R	R
2 500 and more	71
2 700 and more	76
2 900 and more	82
3 100 and more	87
3 300 and more	93
3 500 and more	99
3 800 and more	108
4 100 and more	116
4 400 and more	124
4 700 and more	132
5 000 and more	140
5 300 and more	148
5 600 and more	156
5 900 and more	165
6 200 and more	174
6 600 and more	185
7 000 and more	196
7 400 and more	207
7 800 and more	218
8 200 and more	229
8 600 and more	240
9 000 and more	250
9 400 and more	261
9 800 and more	278
10 600 and more	299
11 400 and more	321
12 200 and more	343
13 000 and more	348
13 800 and more	369
14 600 and more	390
15 400 and more	411
16 200 and more	432
17 000 and more	452
17 800 and more	473
18 600 and more	494

## ANNEXURE C

STAFF	
MONTHLY EARNINGS	RATE PER HOUR
R	R
19 400 and more	515
20 200 and more	536
21 000 and more	556
21 800 and more	577
22 600 and more	598
23 400 and more	619
24 200 and more	644
25 000 and more	664
25 800 and more	685
26 600 and more	706
27 400 and more	727
28 200 and more	761
30 000 and more	817
32 500 and more	883
35 000 and more	948
37 500 and more	1 014
40 000 and more	1 079
42 500 and more	1 144
45 000 and more	1 210
47 500 and more	1 275
50 000 and more	1 434
52 500 and more	1 504
55 000 and more	1 574
57 500 and more	1 644
60 000 and more	1 714
62 500 and more	1 784
65 000 and more	1 854
67 500 and more	1 924
70 000 and more	1 994
72 500 and more	2 044
75 000 and more	2 094
77 500 and more	2 199
80 000 and more	2 309
82 500 and more	2 419
85 000 and more	2 529
87 500 and more	2 639
90 000 and more	2 749

## ANNEXURE D

### LIST OF ACRONYMS AND ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
Afrosai-E	African Organization of English-speaking Supreme Audit Institutions
AGSA	Auditor-General of South Africa
B-BBEE	broad-based black economic empowerment
BU	business unit
CA	chartered accountant
CAAT	computer assisted audit technique
CBC	Capacity Building Committee
CISA	certified information systems auditor
Constitution	Constitution of the Republic of South Africa
CPIX	consumer price index
CTA	certificate in the theory of accounting
ERP	enterprise resource planning
Intosai	International Organization of Supreme Audit Institutions
ISSAI	International Standard of Supreme Audit Institutions
IT	information technology
PAA	Public Audit Act
RGA	registered government auditor
S&T	subsistence and travel
SAI	supreme audit institution
Saica	South African Institute of Chartered Accountants
SCoAG	Standing Committee on the Auditor-General
UIF	unemployment insurance fund
WCA	Workmen's Compensation Act



## NOTES



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

RP371/2016

ISBN: 978-0-621-45090-3