AUDITOR-GENERAL

Annexure 6: Audit quality criteria in the IRBA process

Quality control process

1. Auditor-General and Deputy Auditor-General

The Deputy Auditor-General has the ultimate responsibility for the AG's entire system of quality control. The Deputy Auditor-General has assigned certain operational responsibilities for some parts of the quality control to individuals with sufficient and appropriate experience and ability and the necessary authority to assume the operational responsibilities. The monitoring is delegated to the quality control component within Governance. The authority delegated by the Auditor-General and the Deputy Auditor-General enables those individuals (in the business units) to implement and comply with the set policies and procedures and standards.

The Auditor-General, together with the Deputy Auditor-General, has established an Assessment Committee (AC) which will act as an oversight body in assisting the Auditor-General and the Deputy Auditor-General to fulfil their responsibilities. In addition, reports of Governance and the Independent Regulatory Board for Auditors (IRBA) further enhance the independent assurance on whether the AG is complying with set professional standards.

2. The Assessment Committee

The AC will approve the procedures and policies of the AG's quality control system, reach decisions on engagement review reports and determine a review recognition framework. The AC will consist of the Auditor-General, the Deputy Auditor-General and an external member.

The committee will meet annually to fulfil their mandate. The decision of the AC in respect of the review results, based on sound due process and factual findings, is final and no correspondence will be entered into. Governance and the IRBA will provide the necessary support.

3. Monitoring

3.1 Governance (Quality Control) / Independent Regulatory Board for Auditors (IRBA) reviews

The responsibility for monitoring the quality control process of the AG has been entrusted to Governance. In terms of the strategy, the Quality Control unit of Governance and the practice review department of IRBA will monitor the system of quality control through engagement reviews. The objective of the reviews is to monitor compliance with professional standards and to give guidance to auditors to assist them in improving the AG standards. The reviews will include the following:

a) Engagement reviews

This review is of an individual engagement manager and not the business unit as a whole. All engagements are subjected to the review process. The AC will determine on an annual basis the extent of the reviews that should be allocated to IRBA. The reviews will concentrate specifically on the whole spectrum of the audit process from pre-engagement to reporting.

b) Engagement re-reviews

In instances where the AC rates an engagement as "non-comply", a re-review will be performed in terms of the criteria set.

c) Firm level reviews

The firm level review is a review of quality control procedures that are in place for the AG as a whole. It is a requirement of the quality control standard ISQC1. In preparing for such a review the following timetable is anticipated:

- Performance year 2007 and 2008:
- Preparation of the Auditor-General for such a review.
- Performance year 2009:
- External review by the IRBA.

3.2 IRBA – Quality control system (Governance)

The practice review unit of IRBA will perform a review of the compliance or non-compliance with the quality control system within Governance.

3.3 Quality control review process

- Senior manager (QC) contacts the quality control champion in the business unit to set a date for a review and discussion of the report.
- All relevant documentation as required by the reviewer is sent to Governance, if documentation is not on TeamMate.

- Reviewer performs review of TeamMate file saved on the server (this is regarded as the final version of the work performed) and all other relevant information presented to him/her at commencement of the review and compiles a report on findings.
- A second reviewer scrutinises the report and should concur with the findings.
- Management members involved in the engagement are required to provide written comments on the findings.
- Discussions are held with the engagement manager responsible for the engagement. It is mandatory for the BEs and CEs to attend the discussions. If they cannot attend the discussions as scheduled by Governance the review reports will be finalised at engagement manager level.
- Final report is prepared and signed by the reviewer and the engagement manager responsible.
- The BEs and the responsible CEs are informed of the findings per engagement manager after the discussions.
- All quality control findings with their related comments that contain unresolved differences of opinion will be collated in an anonymous document. The document will be reviewed at an ad hoc committee meeting of Exco and they will then make recommendations to the AC regarding these unresolved differences of opinion.
- The reports on the reviews, inclusive of any further comments on findings from all parties involved, are presented to the AC, which determines, on an anonymous basis, the review status of the engagement manager.
- The relevant corporate executive notifies the responsible engagement manager of the committee's decision in writing.
- The engagement manager must undertake in writing to implement the corrective action.

Approved criteria for "comply" results

Where, in the opinion of the AC, the risk is low, the decision will either be:

Comply C2: Review in two years' time

or

Comply C3: Review in three years' time

Approved criteria for "non-comply" results

Where, in the opinion of the AC, the risk is high, the decision will either be: Non-comply R1: Review in one year's time on any one file

or

Non-comply R1*: Review in one year's time on the current year of the previously reviewed file

or

Non-comply R2 : Review in one year's time on two files, being any one file plus review of current year of the previously reviewed file.

or

Non-comply R2 *: Review in one year's time on two files, being any one file plus review of current year of the previously reviewed file and, in addition, immediate follow-up as determined by the Deputy Auditor-General.

AUDITOR-GENERAL

Annexure 7: Reputation index

A reputation index is a % which represents the total view of all of the AG's stakeholders regarding its reputation. This % is the average of the % of each of the stakeholder groups. This % is determined by asking a number of questions which relate to certain drivers related to reputation.

Achieving a desirable reputation lies in closing the gap between what our stakeholders perceive (image) of us, the current (culture) behaviour within the AG and what we would like to be seen as by our stakeholders (our vision). The RI focuses on the following stakeholder groups:

- Parliament
- Other legislative authorities
- National and provincial treasuries
- Auditees
- Professional bodies
- Auditors and other professionals in private practice
- AG audit committee
- Vendors
- Media
- General public
- Advisory board to the AG
- Employees
- International bodies

Employees are regarded as the most important stakeholders within any organisation. To influence how employees feel about the AG, the AG has to know which buttons (drivers) – what is important to the employees – to press. This has a snowball effect – to change the way employees feel, you have to change the way they think, once they think differently, you will change their behaviour. A change in behaviour will impact on the reputation. This applies to all stakeholders. Each of the stakeholders attaches different values to each of the drivers. Therefore the % of the stakeholders will differ.

One of the stakeholder groups is the media. There has been an increase in the media management as well as the media monitoring. Media management manages the long-term process of building the relationship with the media and promoting the AG to the general public to create an awareness and understanding of the AG and the role the AG plays in fulfilling its mandate of building a better democracy.

Media monitoring deals with the day-to-day media releases. The media releases report on articles where mention is made of the AG as an organisation and the AG as a person. Media monitoring also gives a monthly review of the media coverage, whether the coverage was negative or positive, the amount of coverage and the impact the media coverage had on the general public. Out of the preliminary results it is evident that the AG is not visible enough to the public and needs attention. The media will play an important role in making the AG more visible to the general public.

Annexure 1

Auditor-General

DETAILED BUDGET FOR 2007-08

Description	Notes	2006-07 Budget (A)	2006-07 Forecast (B)	Variance (B-A) (C)	Variance % (B-A)/A (D)	2007-08 Budget (E)	Variance (E-B) (F)	Variance % (E-B)/B (G)	Variance (E-A) (H)	Variance % (E-A)/A (I)	2008-09 Forecast	2009-10 Forecast
AUDIT INCOME	2	875,466,352	875,466,352	-	0.0%	1,013,229,808	137,763,456	15.7%	137,763,456	15.7%	1,062,772,578	1,110,056,277
Own hours	2.1	578,348,219	578,348,219	-	0.0%	700,721,993	122,373,774	21.2%	122,373,774	21.2%	746,791,805	779,733,513
Contract work	2.2	248,045,976	248,045,976	-	0.0%	250,524,919	2,478,943	1.0%	2,478,943	1.0%	252,787,525	263,339,624
S & T	2.3	37,793,315	37,793,315	-	0.0%	45,210,937	7,417,622	19.6%	7,417,622	19.6%	48,016,118	50,495,610
International S&T	2.3	11,278,842	11,278,842	-	0.0%	16,771,959	5,493,117	48.7%	5,493,117	48.7%	15,177,130	16,487,531
DIRECT AUDIT COST		603,724,261	601,772,782	(1,951,478.8)	-0.3%	683,286,710	81,513,928	13.5%	79,562,449	13.2%	689,742,320	727,012,400
Staff remuneration - audit business units	3.4.1	306,606,128	304,654,649	(1,951,479)	-0.6%	370,778,896	66,124,247	21.7%	64,172,768	20.9%	373,761,544	396,689,636
Contract work - recoverable	2.2	248,045,973	248,045,973	-	0.0%	250,524,925	2,478,952	1.0%	2,478,952	1.0%	252,787,528	263,339,624
S&T: recoverable	2.3	37,793,318	37,793,318	-	0.0%	45,210,930	7,417,612	19.6%	7,417,612	19.6%	48,016,118	50,495,610
International S&T	2.3	11,278,842	11,278,842	-	0.0%	16,771,959	5,493,117	48.7%	5,493,117	48.7%	15,177,130	16,487,531
GROSS PROFIT		271,742,091	273,693,570	1,951,479	0.7%	329,943,097	56,249,528	20.6%	58,201,006	21.4%	373,030,258	383,043,877
GROSS PROFIT PERCENTAGE		31%	31%			33%					35%	35%
OTHER INCOME		10,277,896	7,313,723	(2,964,173)	-28.8%	12,311,593	4,997,870	68.3%	2,033,697	19.8%	12,931,212	15,644,953
Interest	2.4	8,197,177	5,519,111	(2,678,066)	-32.7%	10,153,057	4,633,946	84.0%	1,955,880	23.9%	10,643,196	13,219,681
Africa Projects	2.5	2,080,719	1,794,612	(286,107)	-13.8%	2,158,536	363,924	20.3%	77,817	3.7%	2,288,016	2,425,272
SURPLUS BEFORE OPERATING COST		282,019,987	281,007,293	(1,012,694)	-0.4%	342,254,691	61,247,398	21.8%	60,234,704	21.4%	385,961,470	398,688,830
OPERATING COST		249,112,989	244,046,786	(5,066,203)	-2.0%	299,869,567	55,822,781	22.9%	50,756,578	20.4%	339,285,551	351,217,161
Staff remuneration - support business units	3.4.2	85,920,241	81,998,780	(3,921,461)	-4.6%	95,557,625	13,558,845	16.5%	9,637,384	11.2%	119,575,865	126,610,971
Staff remuneration - Africa Projects	3.4.2	2,716,797	2,490,690	(226,107)	-8.3%	3,042,829	552,138	22.2%	326,032	12.0%	2,080,015	2,204,793
Other personnel expenditure		14,697,731	13,901,189	(796,542)	-5.4%	23,178,865	9,277,677	66.7%	8,481,134	57.7%	25,120,214	26,841,926
Leave pay provision	3.1	3,548,400	3,548,400	-	0.0%	3,761,304	212,904	6.0%	212,904	6.0%	3,986,982	4,226,201
Medical aid provision	3.2	5,628,648	5,628,648	-	0.0%	10,287,178	4,658,530	82.8%	4,658,530	82.8%	11,173,022	12,136,734
Statutory levies	3.3	1,404,332	384,766	(1,019,566)	-72.6%	-	(384,766)	-100.0%	(1,404,332)	-100.0%	-	-
Group life scheme	3.6	937,119	1,400,000	462,881	49.4%	5,602,848	4,202,848	300.2%	4,665,729	497.9%	6,067,781	6,524,156
Long service awards & other	3.6	227,500	227,500	-	0.0%	252,500	25,000	11.0%	25,000	11.0%	422,500	392,500
UIF: employer contribution	3.7	1,987,482	1,781,541	(205,941)	-10.4%	2,173,435	391,894	22.0%	185,953	9.4%	2,312,199	2,346,718
Workmen's compensation premiums	3.7	290,000	256,084	(33,916)	-11.7%	400,000	143,916	56.2%	110,000	37.9%	420,000	441,000
BU recognition scheme	3.6	674,250	674,250	-	0.0%	701,600	27,350	4.1%	27,350	4.1%	737,730	774,617
Contract work - Irrecoverable	4	8,060,533	9,228,716	1,168,183	14.5%	13,052,143	3,823,427	41.4%	4,991,610	61.9%	11,820,794	7,898,252
Ongoing		2,706,393	2,706,393	-	0.0%	3,893,032	1,186,639	43.8%	1,186,639	43.8%	11,820,794	7,898,252
Once-off		4,808,140	6,522,323	1,714,183	35.7%	9,159,111	2,636,788	40.4%	4,350,971	90.5%	-	-
Subsistence & travelling - Irrecoverable	5	4,517,007	6,078,658	1,561,651	34.6%	7,098,003	1,019,344	16.8%	2,580,996	57.1%	7,136,898	7,425,344
Accommodation	6	29,415,384	29,686,949	271,564	0.9%	32,762,018	3,075,069	10.4%	3,346,634	11.4%	36,063,994	38,637,787
Rental	6.1	19,087,499	19,267,726	180,227	0.9%	21,492,512	2,224,786	11.5%	2,405,013	12.6%	23,636,363	25,401,328
Operating costs	6.2	10,327,885	10,419,223	91,337	0.9%	11,269,506	850,283	8.2%	941,621	9.1%	12,427,631	13,236,459
Liaison	7	11,200,892	10,657,700	(543,192)	-4.8%	13,568,942	2,911,243	27.3%	2,368,050	21.1%	19,160,203	19,230,424
Stakeholder relationships	7.1	7,521,536	7,454,716	(66,820)	-0.9%	8,458,800	1,004,084	13.5%	937,264	12.5%	15,186,560	15,134,283
Regional congresses	7.2	2,511,356	2,083,935	(427,421)	-17.0%	4,025,842	1,941,907	93.2%	1,514,486	60.3%	2,898,728	2,969,980
Foreign visitors	7.3	143,000	57,200	(85,800)	-60.0%	84,300	27,100	47.4%	(58,700)	-41.0%	24,915	26,161
Overseas travel	7.4	1,025,000	1,061,849	36,849	3.6%	1,000,000	(61,849)	-5.8%	(25,000)	-2.4%	1,050,000	1,100,000

Description	Notes	2006-07 Budget (A)	2006-07 Forecast (B)	Variance (B-A) (C)	Variance % (B-A)/A (D)	2007-08 Budget (E)	Variance (E-B) (F)	Variance % (E-B)/B (G)	Variance (E-A) (H)	Variance % (E-A)/A (I)	2008-09 Forecast	2009-10 Forecast
ntrol bodies	8	1,124,763	1,122,391	(2,372)	-0.2%	946,520	(175,871)	-15.7%	(178,243)	-15.8%	854,279	897,352
Oversight bodies		758,708	779,463	20,755	2.7%	724,435	(55,028)	-7.1%	(34,273)	-4.5%	621,090	652,506
Parliamentary liaison		366,055	342,929	(23,126)	-6.3%	222,085	(120,844)	-35.2%	(143,970)	-39.3%	233,189	244,846
dit expenses	9	3,284,753	3,634,753	350,000	10.7%	4,190,435	555,682	15.3%	905,682	27.6%	4,328,692	4,675,835
Audit fees	9.1	1,409,000	1,559,000	150,000	10.6%	1,870,000	311,000	19.9%	461,000	32.7%	1,960,100	2,096,701
Internal audit costs	9.2	1,875,753	2,075,753	200,000	10.7%	2,320,435	244,682	11.8%	444,682	23.7%	2,348,592	2,579,134
nk charges	Immaterial	205,683	182,283	(23,400)	-11.4%	186,720	4,437	2.4%	(18,963)	-9.2%	196,686	206,521
ance charges	10	1,054,979	1,210,928	155,948	14.8%	1,920,197	709,269	58.6%	865,218	82.0%	2,005,097	1,922,195
cruitment expenses	11	5,124,375	5,217,824	93,449	1.8%	12,031,100	6,813,276	130.6%	6,906,725	134.8%	14,732,655	15,469,288
ofessional assistance	12	40,123,267	40,123,267	-	0.0%	48,415,504	8,292,236	20.7%	8,292,236	20.7%	49,405,401	49,936,782
nployee Wellness Programme (EWP fees to lependent service provider)	20	1,008,332	1,008,332	-	0.0%	1,921,850	913,518	90.6%	913,518	90.6%	2,148,132	2,298,501
chnological services	13	25,404,675	23,622,932	(1,781,743)	-7.0%	25,480,461	1,857,528	7.9%	75,786	0.3%	28,857,220	30,512,737
Computer services	14	21,803,120	20,203,120	(1,600,000)	-7.3%	21,816,003	1,612,883	8.0%	12,883	0.1%	25,184,785	26,711,623
Hiring of equipment - rental	13.1	2,966,522	2,878,239	(88,283)	-3.0%	2,865,076	(13,163)	-0.5%	(101,446)	-3.4%	3,065,441	3,163,770
Hiring of equipment - copy charges		635,033	541,574	(93,459)	-14.7%	799,382	257,808	47.6%	164,349	25.9%	606,995	637,344
surance & legal fees	15	1,868,278	1,535,540	(332,738)	-17.8%	1,777,113	241,573	15.7%	(91,165)	-4.9%	1,841,824	1,976,750
Insurance	15.1	908,278	800,000	(108,278)	-11.9%	817,113	17,113	2.1%	(91,165)	-10.0%	896,824	984,506
Legal costs		960,000	735,540	(224,460)	-23.4%	960,000	224,460	30.5%	-	0.0%	945,000	992,244

Description	Notes	2006-07 Budget (A)	2006-07 Forecast (B)	Variance (B-A) (C)	Variance % (B-A)/A (D)	2007-08 Budget (E)	Variance (E-B) (F)	Variance % (E-B)/B (G)	Variance (E-A) (H)	Variance % (E-A)/A (I)	2008-09 Forecast	2009-10 Forecast
Auxiliary services	16	9,625,385	7,973,676	(1,651,707)	-17.2%	9,270,642	1,296,964	16.3%	(354,743)	-3.7%	9,260,031	9,619,323
Cleaning: contracts/services		384,075	351,365	(32,710)	-8.5%	435,826	84,461	24.0%	51,751	13.5%	459,007	483,144
Cleaning: materials		291,513	102,933	(188,580)	-64.7%	328,458	225,526	219.1%	36,945	12.7%	345,360	363,165
Office improvements		337,926	154,388	(183,538)	-54.3%	415,426	261,038	169.1%	77,500	22.9%	525,242	559,144
Refreshments		393,145	406,510	13,365	3.4%	591,143	184,633	45.4%	197,998	50.4%	1,066,436	1,121,778
Publications		714,984	624,817	(90,167)	-12.6%	803,098	178,281	28.5%	88,114	12.3%	814,571	855,868
R&M: Computer equipment & software		463,808	509,781	45,973	9.9%	604,280	94,499	18.5%	140,472	30.3%	533,443	516,364
R&M: Furniture and equipment		151,943	115,466	(36,477)	-24.0%	222,262	106,796	92.5%	70,319	46.3%	145,513	153,331
R&M: Site and buildings		175,205	133,181	(42,024)	-24.0%	183,125	49,944	37.5%	7,920	4.5%	192,673	202,744
R&M: Leased computers		36,000	-	(36,000)	-100.0%	-	-	100.0%	(36,000)	-100.0%	-	-
R&M: Office vehicles		416,415	347,893	(68,522)	-16.5%	411,199	63,305	18.2%	(5,216)	-1.3%	374,186	394,373
Printing of audit reports		816,516	719,805	(96,711)	-11.8%	998,569	278,763	38.7%	182,053	22.3%	1,009,697	1,063,274
Stationery and printing	16.1	4,982,503	4,280,702	(701,801)	-14.1%	3,877,355	(403,347)	-9.4%	(1,105,148)	-22.2%	3,539,710	3,655,655
Artwork & design		219,000	50,000	(169,000)	-77.2%	50,000	-	0.0%	(169,000)	-77.2%	52,500	55,125
Medical examinations		62,064	30,000	(32,064)	-51.7%	100,000	70,000	233.3%	37,936	61.1%	105,000	110,250
Freight and removal		180,288	146,835	(33,453)	-18.6%	249,900	103,065	70.2%	69,612	38.6%	96,692	85,087
Communication	17	4,455,991	5,068,254	612,263	13.7%	5,468,601	400,347	7.9%	1,012,611	22.7%	5,634,932	5,846,028
Cellphone charges	17.2	795,644	1,068,032	272,388	34.2%	1,451,394	383,362	35.9%	655,750	82.4%	1,299,534	1,441,372
Postage & courier services		720,979	744,605	23,626	3.3%	804,944	60,339	8.1%	83,965	11.6%	845,191	887,451
Telephone charges	17.1	2,939,368	3,255,616	316,249	10.8%	3,212,263	(43,353)	-1.3%	272,896	9.3%	3,490,207	3,517,206
SURPLUS / (DEFICIT) BEFORE DEPRECIATION		32,906,998	36,960,507	4,053,509	12.3%	42,385,124	5,424,617	14.7%	9,478,126	28.8%	46,675,919	47,471,669
Depreciation	18	20,007,483	18,360,715	(1,646,768)	-8.2%	28,226,492	9,865,777	53.7%	8,219,009	41.1%	34,340,868	36,304,857
Depr. Motor vehicles		621,519	466,604	(154,915)	-24.9%	320,745		0.0%	(300,774)	-48.4%	263,009	223,654
Depr. Furniture & equipment		2,047,340	1,903,790	(143,549)	-7.0%	3,264,574	1,360,784	71.5%	1,217,234	59.5%	3,774,144	3,895,765
Depr. Computer equipment		10,647,477	11,742,068	1,094,591	10.3%	15,570,869		0.0%	4,923,392	46.2%	18,827,666	18,394,958
Depr. Computer software		5,503,111	3,219,563	(2,283,548)	-41.5%	8,263,629		0.0%	2,760,519	50.2%	10,623,191	12,897,456
Depr. Leasehold Improvements		1,188,037	1,028,689	(159,347)	-13.4%	806,675		0.0%	(381,362)	-32.1%	852,856	892,824
NET SURPLUS / (DEFICIT)		12,899,515	18,599,792	5,700,277	44.2%	14,158,632	(4,441,160)	-23.9%	1,259,116	9.8%	12,335,051	11,166,812
Net surplus ratio before transfers		1%	2%			1%					1%	1%
CAPITAL	19	28,967,779	30,397,079	1,429,300	4.9%	37,147,757	6,750,677	22.2%	8,179,978	28.2%	24,838,425	20,572,279
Motor vehicles - cost	19.1	550,000	350,000	(200,000)	-36.4%	-	(350,000)	-100.0%	(550,000)	-100.0%	210,000	220,500
Furniture & equipment	19.2	5,601,215	5,017,162	(584,053)	-10.4%	11,243,721	6,226,559	124.1%	5,642,506	100.7%	1,632,159	1,673,636
Computer equipment - cost	19.4	17,509,414	15,548,367	(1,961,047)	-11.2%	15,850,262	301,895	1.9%	(1,659,152)	-9.5%	13,466,700	14,683,065
Computer software - cost	19.5	3,325,600	3,500,000	174,400	5.2%	7,392,756	3,892,756	111.2%	4,067,156	122.3%	8,834,003	3,093,713
Leasehold improvem.- cost	19.3	1,981,550	5,981,550	4,000,000	201.9%	2,661,018	(3,320,532)	-55.5%	679,468	34.3%	695,563	701,365
CAPEX AS % OF TOTAL INCOME		3.3%	3.5%			3.7%					2.3%	1.9%
TOTAL BUDGET		(16,068,264)	(11,797,287)	4,270,977	-26.6%	(22,989,125)	(11,191,838)	94.9%	(6,920,861)	43.1%	(14,544,903)	(17,675,972)

2 INCOME

Budget item	Ref.	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
		'000	'000	'000	%	'000	'000	%
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Own hours	2.1	578,348	578,348	-	0%	700,722	122,374	21%
Contract work	2.2	248,046	248,046	-	0%	250,525	2,479	1%
Subsistence and travelling	2.3	37,793	37,793	-	0%	45,211	7,418	20%
International subsistence and travelling		11,279	11,279	-	0%	16,772	5,493	49%
Total audit income		875,466	875,466	-	0%	1,013,230	137,763	16%

EFFECT OF THE ESTIMATES OF THE OFFICE FOR 2007-08 ON TOTAL STATE EXPENDITURE

The total estimated audit costs of R 1,013 billion for 2007-08 (2006-07: R 875,5 million) when compared with the estimate of state expenditure for 2007-08 of approximately R519,2 billion amounts to only 0,19 per cent (2006-07: 0,21 per cent). The estimate of the office has no material effect on the total state expenditure.

2.1 Calculation of own hours income

The calculation of own hours income takes into account three variables, namely number of staff, recoverable hours and tariffs. The tables below reflect the step-by-step detailed analysis of own hours income:

2.1.1 Number of staff

The staff numbers and span of control constitute critical variables and thus a logical starting point in the computation of audit revenue for the office. Having achieved the ideal span of control at management levels the focus will shift towards correcting the span of control for auditors and trainee accountants in line with the medium-term target. The analysis below indicates that there is still room for improvement in the span of control at the trainee accountant and auditor level. An additional investment in learning over the next five years will be made in order to improve the qualifications of existing auditors. This will enable the AG to place this group at appropriate levels in line with the succession planning strategy.

Audit staff	Medium-term target		2006-07 Budget	2007-08 Budget	2006-07 Budget	2007-08 Budget	Change		Comments
	Span of control assuming 5% vacancies for managers and trainees		Span of control ratio	Span of control ratio	Staff numbers	Staff numbers	Staff numbers	%	
					(1)	(2)	(2)-(1)	(2)-(1)	
- Business executives	17				17	17	-	0.00%	
- Senior managers	96	1	1.0	1.0	91	96	5	5.49%	5 business units created additional centres in order to normalise the staff workload in line with increased audit coverage.
- Audit managers	274	3	2.7	3.0	246	286	40	16.26%	The increase is due to the creation of new centres and the correction of the span of control resulting from improved recruitment drive and close monitoring of
- Auditors	96	1	4.3	4.2	395	406	11	2.78%	The slight increase is mainly due to the appointment of an optimal number of assistant managers in newly created centres, hence a slight improvement in the span of control ratio compared to 2006-07.
- Trainee accountants	1,094	11	7.3	8.4	668	806	138	20.66%	The increase in trainees is influenced by: (1) the increased audit centres; and (2) the positive impact of the improved recruitment process that is envisaged to reduce the vacancy levels from 10% in 2006-07 to 5% in 2007-08.

- Admin	113	1	1.0	1.0	113	114	1	0.88%	In line with the standard span of control, except in a few business units whose size allows for a different mix of administrators without compromising on performance standards.
- Business unit admin managers	17	1		0.9		15	15	100.00%	
Total audit staff	1,707	18	16	18	1,530	1,740	210	13.73%	

The next logical variable in the computation of audit income is the recoverable hours. This variable is influenced solely by the recovery rate that is determined for each staff band within the audit business units. The level of these recovery rates is arrived at after providing for sufficient time for essential non-recoverable activities such as annual leave, study leave, sick leave, management and supervision, which are in line with the norms in the profession.

The calculation of recoverable hours is based on (the total available hours of 2009 hours multiplied by (X) the recovery rate per band multiplied by (X) number of staff per band per 2.1.1 above).

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

Budget item	2006-07 Expected recovery ratio per band	2007-08 Expected recovery ratio per band	2006-07 Budget Hours	2007-08 Budget Hours	Change Hours	Change %	Comments
			(1)	(2)	(2)-(1)	(2)-(1)	
Audit staff							
- Business executives	50.00%	50.00%	17,077	17,077	-	0.00%	Trend in line with personnel movements reflected in 2.1.1 above.
- Senior managers	67.50%	63.00%	123,403	121,504	(1,899)	-1.54%	
- Audit managers	70.00%	70.00%	345,950	402,202	56,252	16.26%	
- Auditors	72.50%	72.50%	575,327	591,349	16,022	2.78%	
- Trainee accountants	71.00%	71.00%	952,829	1,149,670	196,842	20.66%	
Total			2,014,585	2,281,802	267,217	13.26%	

Refer 2.1.4 for calculation of total own hours income

2.1.2 Non-recoverable ratios

Budget item	2007-08 Ratios Annual leave	Sick leave	Study & other	Training	Management & supervision	Total	2007-08 Budget hours Total	Per capita	
- Business executives	9.0%	5.0%	2.0%	4.0%	30.0%	50.0%	17,077	1,005	
- Senior managers	9.0%	5.0%	2.0%	6.0%	15.0%	37.0%	71,360	743	Note 1
- Audit managers	9.0%	5.0%	2.0%	6.0%	8.0%	30.0%	172,372	603	
- Auditors	9.0%	5.0%	4.0%	6.0%	3.5%	27.5%	224,305	552	
- Trainee accountants	9.0%	5.0%	6.0%	6.0%	3.0%	29.0%	469,584	583	

Note 1
The non-recovery ratio for senior managers was revised from 32.5% to 37%, based on the detailed work study that confirmed a need for an additional 4.5% increase in the management and supervision time for this group.

2.1.3 Recommended tariffs

This is the final and important variable to compute the own hours audit income. The detailed determination thereof is reflected in annexure 3 which assumed a 4% increase in tariffs from 2006-07. Normally, any deviation in the tariff increase in excess of the 4%, would be influenced largely by the movement in pay levels of audit staff and the efficiencies with which the staff mix (span of control) in each business unit is managed. The analysis of the recommended average tariffs per band is as follows:

Budget item	2006-07 Budget Rand / hour	2007-08 Budget Rand / hour	Change Rand / hour	Change %	Comments
	(1)	(3)	(3)-(1)	(3)-(1)	
Audit staff					
- Business executives	884	920	36	4%	The increase is limited to the normal tariff increase in line with the historical practice.
- Senior managers	845	895	50	6%	Tariff increase for these bands is more than the 4% adjustment due mainly to appointment of staff that meet the competency requirements. As a result, their salary levels are adjusted to match such competencies in line with the market. This trend is expected to continue for the next five years, which is the AG's target for the competencies of all audit staff to reach the desired levels.
- Audit managers	548	609	61	11%	
- Auditors	256	290	31	12%	
- Trainee accountants	125	139	14	11%	
Office average	286	307	21	7%	

Refer 2.1.4 for calculation of total own hours income. Refer also to Document 5 for the detailed internal tariff schedule for 2006-07

2.1.4 Calculation of own hours income

Own hours income is based on the recoverable hours calculated in 2.1.2 above multiplied by (X) the average chargeout tariff in 2.1.3

Budget Item	2006-07 Budget	2007-08 Budget	Change			
				%		
			(3)-(1)	(3)-(1)		
Recoverable hours	2,014,585	2,281,802	267,217	13%		
Average tariff	286	307	21	7%		
Total own hours income	576,788	700,722	123,934	21%		
Foreign allowances recovered	1,560	-	(1,560)	-100%		
Own hours income (R'000)	578,348	700,722	122,374	21%	*Note 2*	*Refer 2.1.5 below*

The amount represents a living allowance in respect of the New York based staff which is fully recovered from the auditee (refer note 3.4.1). For budget 2007-08 the income is included under S&T recoverable.

Note 2

The 21% increase in own hours income is mainly due to the increase in the average tariff of 6% as explained in 2.1.3 above and the 15% in the volume of audit work that is explained in 2.1.5

2.1.5 Own hours analysis by segment

This is another useful analysis that reflects the main drivers of the cost of audits and is split between the regularity audit and specialised audit segments. The table below focuses on the change from the 2006-07 budget to the 2007-08 budget.

CHANGE IN OWN HOURS BETWEEN BUDGET 2006-07 AND BUDGET 2007-08					
Regularity audits					
		2006-07	2007-08	Movement	
Existing audit work	Hours	1,797,207	1,982,532	185,325	*Note 3*
	Rand '000	512,863	598,163	85,300	
Catch-up work	Hours	18,444	5,276	(13,168)	*Note 4*
	Rand '000	5,465	1,592	(3,873)	
New audits	Hours	26,432	32,339	5,907	*Note 5*
	Rand '000	3,768	9,757	5,989	
Increase in scope	Hours	26,587	111,939	85,352	*Note 6*
	Rand '000	7,474	33,774	26,299	
Total	Hours	1,868,670	2,132,086	263,416	
	Rand '000	529,571	643,286	113,715	
Specialised audits					
		2006-07	2007-08	Movement	
Specialised audit work	Hours	145,915	149,716	3,801	*Note 7*
	Rand '000	48,777	57,436	8,659	
Total change in own hours	Hours	2,014,585	2,281,802	267,217	
	Rand '000	578,348	700,722	122,374	

Notes 3 to 7

Note 3
Existing audit work (increase of R85 898 680 on budget 2006-07)
The additional R85,9 million is due to (1) the reduction of the vacancy levels to 5%, resulting in the return of audit work previously done by outside audit firms (R21,9 million) and (2) the impact of the implementation of the International Standards on Auditing which resulted in an additional 10% increase in audit fees during the 2006-07 financial year (R64 million)

Note 4
Catch-up work (decrease of R3 873 466 on budget 2006-07)
During the 2006-07 period the magnitude of late submission of financial statements by municipalities was in the order of 93%, whilst the backlog in 2007-08 is expected to be in the region of 54%. It is for this reason that the amount of catch-up work that the AG will be handling is expected to reduce by R3,9 million.

Note 5
New audits (increase of R5 989 445 on budget 2006-07)
The introduction of new computer systems by government will give rise to an additional R2 million in audit work for the AG's information systems auditors. The balance of R3,9 million relates to public entities, predominantly in the Eastern Cape and Gauteng, that the AG will be auditing in 2007-08.

Note 6
Increase in scope (increase of R26 299 373 on budget 2006-07)
The increased revenue in this area is influenced largely by the continuous introduction of the auditing of performance information procedures as required by both the AG's legislation and the PFMA. This trend is expected to continue for the next three to five years when the reporting framework for this legislative requirement will be fully matured and audited comprehensively.

Note 7
Specialised audit work (increase of R8 658 743 on budget 2006-07)
This movement is made up of increased performance audit revenue of R14,5 million, which is off-set against a decrease in special investigations of R5,9 million. The increased performance audit focus is a trend that is expected to continue into the future considering the stakeholders' expectation of enhanced service delivery by government entities. The resources allocated to performance audit translates into 8% in 2007-08 compared to 7% in 2006-07.

2.2 Contract work income movement

Given the importance of audit firms in contributing strategic resources towards the audit process, it is the AG's practice to allocate at least 20% of audit work to the firms. This particularly assists the AG to optimise its own staff efficiencies whilst simultaneously offering a meaningful proportion of work to the private audit firms. In keeping with the previous year's practice, specific provision has been made for additional contract work to accommodate employee vacancies as well as staff working on international audit assignments.

Budget item	2006-07 Budget '000	2007-08 Budget '000	Comments
20% norm	185,900	219,228	This represents 24% of own hours, which is in line with the AG practice of awarding at least 20% of work to firms.
Vacancies	60,652	29,129	Provision for additional contract work to accommodate the vacancy assumption, which has been changed from 10% in 2006-07 to 5% in the 2007-08. The change in the vacancy assumption is informed by the expected improvement in the recruitment effort. This is in line with the corresponding increase in own hours reflected in note 3 of 2.1.5 above.
International	1,494	2,168	This is in line with the increased audit coverage as necessitated by the International Auditing business unit audit cycle.
Total	248,046	250,525	

Budget item	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change		
	'000	'000	'000	%	'000	'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Subsistence and travelling recoverable	37,793	37,793	-	0.00%	45,211	7,418	19.63%	Ref. 2.3.1
International S&T	11,279	11,279	-	0.00%	16,772	5,493	48.70%	Ref. 2.3.2
Total	49,072	49,072	-	0.00%	61,983	12,910	26.31%	

2.3.1 Budget 2006-07 to budget 2007-08 change

The domestic increase is driven largely by an increase in rates at levels of 16% for car travel, 28% for accommodation and 28% for flights.

2.3.2 In addition to the expected price increases this variance is due to the increased international travel planned to adequately discharge our responsibilities under the various audit mandates in more distant international destinations. The increase is mainly due to the uncertainty regarding appointment to assignments in 06-07 that is now effective in 07-08.

2.4 Other Income

Budget item	Ref	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
		'000	'000	'000	%	'000	'000	%
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Interest received	2.4.1	8,197	5,519	(2,678)	-32.67%	10,153	1,956	23.86%
Africa Projects	2.4.2	2,081	1,795	(286)	-13.75%	2,159	78	3.74%
Total		10,278	7,314	(2,964)	-46%	12,312	2,034	27.60%

2.4.1 Interest received
The decrease between budget 2006-07 and forecast 2006-07 is due to the funding of R20 million deficit for 2005-06 financial year. The withdrawal from PIC is expected to be replenished soon enough to put the PIC account to its original position.

2.4.2 Africa Projects

In terms of the Memorandum of Understanding, monthly recoveries from AFROSAI-E in respect of seconded staff are based on total package plus 10% for overheads excluding the Business Executive. The Secretary was also excluded in

3 PERSONNEL EXPENDITURE

Budget item	Note	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change		
		'000	'000	'000	%	'000	'000	%	
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Leave pay provision	3.1	3,548	3,548	-	0.00%	3,761	213	6.00%	
Medical aid provision	3.2	5,629	5,629	-	0.00%	10,287	4,659	82.76%	
Statutory levies (RSC)	3.3	1,404	385	(1,020)	-72.60%	-	(1,404)	-100.00%	
Normal salary and benefits ***	3.4	395,243	389,144	(6,099)	-1.54%	460,996	65,753	16.64%	
Overtime		-	-	-	0.00%	8,383	8,383	100.00%	First time consideration based on past experience
Other Incentives	3.6	1,839	2,302	463	25.17%	6,557	4,718	256.58%	
UIF & WCA	3.7	2,277	2,038	(240)	-10.53%	2,573	296	12.99%	
Total		409,941	403,045	(6,896)	-1.68%	492,558	82,617	20.15%	
% of total income		46.8%	46.0%			48.6%			

*** A more detailed analysis is shown in the tables below

3.1 Leave pay provision

Leave pay provision is influenced by the accumulation of leave days allowed in terms of the policy as well as pay increase levels for staff. The level of accumulated leave is expected not to deviate from last year, as new appointments are no longer entitled to accumulated leave. Therefore the increase in the estimate is based on the increase of 6% in salaries.

3.2 Post-retirement medical aid provision

The PRMA estimates were based on actuarial projections for the 2006-07 forecast and 2007-08 budget. This figure now includes new medical benefits provided for band F and G.

3.3 Statutory levies (RSC)

This cost item has since been phased out.

3.4 Normal salary

3.4.1 Audit staff

Employee group	Total		Average salary per band	Positioning against benchmark -	Comments
	No	000			
Business executive	17	16,385	964	661-1,141	In-line with benchmark range. We have been recruiting CA's at a slightly higher cost based on the scarcity.
Senior manager	96	60,217	627	612 - 883	
Managers	286	113,572	397	388-617	
Auditors	406	79,626	196	61-201	
Trainee accountants	806	72,797	90	45-117	
Admin staff	114	14,255	125	119-196	
Business unit admin managers	15	5,579	372	386-617	
Total	1,740	362,432			

Employee group	Total No	Total 000	Average salary per band	Positioning against benchmark - Range '000	Comments
Corporate executive group	14	11,736	838		
AG, DAG and corporate executives	7	10,468	1,495	937 - 1,302	This average salary includes the salaries of the CE's, DAG and AG.
Support team	7	1,268	181	173 - 2 97	
Business executives	8	7,561	945	661-1,141	
Africa Projects	1				
Corporate Services	7				
Senior managers	30	18,830	628	509 - 866	
Africa Projects	1				
Corporate Services	28				
Employment Equity	1				In-line with the benchmark range.
Managers	98	40,229	411	375 - 641	
Africa Projects	2				
Corporate Services	95				
Employment Equity	1				
Specialists and practitioners	48	10,861	226	197 - 327	
Africa Projects	2				
Corporate Services	46				

Employee group	Total No	Total 000	Average salary per band	Positioning against benchmark	Comments
Admin staff	64	9,347	146	119 - 196	
Africa Projects	3				
Corporate Services	60				
Employment Equity	1				In line with market benchmarks
Total Corporate Services	253	95,521			
Total Africa Projects	9	3,043			
Total	262	98,564			

3.4.3 Total staff

Business focus areas	2006-07 Total No	2006-07 Total 000	2007-08 Total No	2007-08 Total 000	Comments
Total audit staff (including foreign allowance)	1,530	306,606	1,740	362,432	The increase is influenced mainly by the increase in audit activity and reduced vacancy levels as explained in 2.1.5 above.
Total Corporate Services staff	246	86,800	253	95,521	This increase is based on critical additional positions (supply chain management, information management) which were not included in the structure during restructuring
Total Africa Projects - secondments	7	1,837	9	3,043	In terms of the Memorandum of Understanding, monthly recoveries from AFROSAI-E in respect of seconded staff will be based on total package plus 10% for overheads. This excludes the cost of the BE and Secretary, hence the recovery of R2,158 million, included under other income (refer note 2.5) is less than the staff cost.
Total	1,783	395,243	2,002	460,996	The 16.64% increase is explained below.

From the above analysis it is clear that the average salary levels are in line with the industry norm that was established in the previous year, hence the rate increase of 6% is in line with budget. The additional driver of the increased salary costs is the increased number of staff of 12% in line with increased audit activity and reduced vacancies.

3.6 Other incentives

Budget item	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change		Comments
	'000	'000	'000	%	'000	'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Group life scheme	937	1,400	463	49.39%	5,603	4,666	497.88%	The increase is linked to an increase in benefits which results in a change of method in the calculation of premiums. The benefits relate to a significantly increased life cover (IN LINE WITH THE ENTRY LEVEL OF THE INDUSTRY NORM). The objective of this investment is to attract and retain competent personnel.
Long service awards	228	228	-	0.00%	253	25	10.99%	This is based on the number of entitlements as per the Human Capital database
Business unit recognition scheme	674	674	-	0.00%	702	27	4.06%	This is used for team excellence recognition initiatives. The amount has stabilised, hence only a slight increase.
Total	1,839	2,302	463	49%	6,557	4,718	512.93%	

3.7 UIF & WCA

Budget Item	Budget 2006-07	Budget 2007-08	Change		Comments
	000	000	000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	
UIF employer's contribution	1,987	2,173	186	9%	Increase is due to increase in number of staff
Workmen's compensation premiums	290	400	110	38%	
Total	2,277	2,573	296	12.99%	

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

4 CONTRACT WORK - IRRECOVERABLE

Budget item	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
	'000	'000	'000	%	'000	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Contract work - Irrecoverable	8,061	9,229	1,168	14.49%	13,052	4,992	61.93%
- Ongoing	2,707	2,707			3,893		
- One-off	5,354	6,522			9,159		
Total	8,061	9,230	1,169	14.50%	13,052	4,992	61.92%
% of total income	0.9%	1.1%			1.3%		

The analysis below reflects details of the nature of expenditure. As these activities are by nature not repetitive, the comparatives and commentary for the previous year are not provided, since these do not relate to the 2007-08 budget.

Budget Item	Budget 2006-07			Budget 2007-08			Comments
	Ongoing	One-off	Total	Ongoing	One-off	Total	
Independent reviews							
Legal							
Annual employment law/regulations au	62		62				
QC	827	150	977	1,530	0	1,530	Increase due to corporate services quality assurance and preparation for the performance audit peer review.
Independent stakeholder survey	1,000		1,000	1,253		1,253	Increase relates to the focus required for the management of the reputation index.
Branding		36	36	528		528	Visual audit and increase in key events / exhibitions.
Control bodies							
ICT Tactical Committee	167		167	0	0	0	
ICT steering Committee	52		52	0	0	0	
Strategy Implementation					744	744	Review of Siyanqoba strategy and alignment to BSC and IPC. This is part of corporate services transitional plan.
Benchmarking				415	898	1,313	Annual salary benchmarking for staff.Including trainees salary levels which are adjusted twice per annum in line with industry norms.The once-off cost relates to the review of policies that will facilitate the alignment of corporate services pay ranges to the industry norms.
Process stream					1,500	1,500	Process re-engineering which will develop standard operating procedures (SOP's) for all disciples, particularly in corporate services. This is a critical milestone of the corporate services transitional plan that will inform all specifications of ICT development. As a result the development costs set aside for 2006-07 (R5.5 million) had to be deferred to 2007-08 as shown below.
ICT development	370	5,168	5,538	0	6,017	6,017	This is the first phase of the 5 year ICT road -map that will stabilise the systems to ensure optimum use of the current anchor software and infrastructure. Additional ICT innovation will be introduced during the latter part of the five year road- map.

EE Forum	228		228	167		167	External advisors to EE forum. Decrease due to reduction in EE meetings necessitated by the set-up phase last year.
Total	2,644	5,354	7,999	3,893	9,159	13,052	

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

5 S&T IRRECOVERABLE

Budget item	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
	'000	'000	'000	%	'000	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
S&T irrecoverable	4,517	6,079	1,562	34.57%	7,098	2,581	57.14%
Total	4,517	6,079	1,562	34.57%	7,098	2,581	57.14%
% of total income	0.5%	0.7%			0.7%		

In addition to the details in the table below the main components of the S&T Irrecoverable include travel for 2800 assessments (1900 current staff and 900 recruitment) and the travel of the recruitment team.

Business unit	Total amount without video conferencing	Reduction due to video-conferencing	2006-07 Budget	Total amount without video-conferencing	Reduction due to video-conferencing	2007-08 Budget	Comments (nature of expense)
	'000	'000	'000	'000	'000	'000	
Audit Services	1,754	492	1,262	2,246	518	1,728	Mainly for provinces where there is more than one office, (Eastern Cape, KwaZulu-Natal, Mpumalanga and North West provinces) and influenced by the increased staff numbers and cost associated with S&T (travelling allowances and accomodation)
Corporate Executives	1,446	488	958	1,784	412	1,372	The costs relates to travelling to enhance strategic alignment and leadership effectiveness of the business unit leaders.
Africa Projects	137	47	90	59	14	45	Reduced participation in administrative AFROSAI-E activities, as a result of the formation of a full-time AFROSAI-E secretariat.
Governance	464	181	283	319	74	245	QC system and mandatory reviews, CSA Tool refresher course, employment law and relations workshops
Operational & Transactional Management	886	89	797	2,340	540	1,800	S&T for recruitment and assessments that relate to the proactive recruitment drive particularly for trainees throughout the country.
Stakeholder Management	1,124	333	791	1,799	415	1,384	Essential travelling relating to facilitating action plans on the reputation index in the form of EWP workshops, parliamentary staff alignment and senior management advisory sessions
Special & Strategic Projects	249	156	93	206	-	206	Technical Committee meetings, SAICA, PAAB and IPFA committee meetings
Strategy	180	104	76	168	39	129	Strategy review will necessitate consultative workshop process with business units.
Employment Equity	246	78	168	246	57	189	S&T for EE Forum meetings and consultative workshops for the critical EE projects. Hence the reduction in video conference usage.
Total	6,486	1,968	4,518	9,166	2,068	7,098	

6 ACCOMMODATION

6.1 Rentals

The 13% increase in rentals from 2006-07 budget to 2007-08 is due to a move to new buildings that suit the AG's branding specifications. This also coincides with the expiry of existing lease agreements.

Location	Square metres occupied	Total staff establishment	Annual cost	AG - square metres per staff member	Industry benchmark square metres per staff member	Monthly cost per square metre	Industry benchmark monthly cost per square metre	Comments
Western Cape	1,308	155	976,303	8.4	15.6	62	69	
Eastern Cape	2,430	201	1,611,700	12.1	15.6	55	77	
Mpumalanga	1,075	71	760,904	15.1	15.6	61	61	
KwaZulu-Natal	1,984	165	1,957,004	12.0	15.6	82	72	Outside the average benchmark due to selection of new site that best accommodates the staff size for a merged KZN office.
North West	1,449	96	1,368,735	15.1	15.6	79	83	
Limpopo	1,414	84	1,125,120	16.8	15.6	66	74	
Northern Cape	1,022	71	602,105	14.4	15.6	49	51	
Johannesburg	1,900	150	2,120,400	12.7	15.6	93	77	Outside the benchmark due to a move to new premises which meet the Gauteng office's staff requirements and AG's branding specification
Free State	1,738	98	981,444	17.7	15.6	47	57	
Pretoria	11,147	911	9,966,797	15.2	15.6	75	79	
Total	25,467	2,002	21,492,512	12.7	15.6	70	70	
% of total income 2007-08 budget			2.1%					
2006-07 budget			2.2%		*Refer 3.4.3 above*	*Refer Document 1*		

6.2 Operating costs

When comparing the 2006-07 budget to the 2007-08 budget, the increase of 13% is based on service agreements, most of which are linked to the rental agreements. Hence this is in line with the rental increase of 13% in 6.1 above.

7 LIAISON

Budget Item	Ref.	2006-07 Budget '000 (1)	2006-07 Forecast '000 (2)	Variance '000 (2)-(1)	Variance % (2)-(1)	2007-08 Budget '000 (3)	Change '000 (3)-(1)	Change % (3)-(1)
Liaison	7.1.1	3,538	3,725	187	5.29%	4,821	1,283	36.28%
Internal stakeholder	7.1.2	2,499	2,319	(180)	-7.21%	2,357	(142)	-5.67%
External stakeholder	7.1.3	1,485	1,411	(74)	-4.96%	1,280	(204)	-13.76%
Total		7,522	7,455	(67)	-0.89%	8,459	937	12.46%
% of total income		0.9%	0.9%			0.8%		

7.1 STAKEHOLDER RELATIONSHIP

7.1.1 Liaison

The increase in costs is influenced by the deliberate strategy to enhance media management as a catalyst for the AG's brand and reputation index.

7.1.2 Internal stakeholders

Budget Item	2006-07 Budget No (1)	2006-07 Budget Amount (2)	2006-07 Budget Total 000	2007-08 Budget No (3)	2007-08 Budget Amount (4)	2007-08 Budget Total 000	Variance Rate (3)-(1)	Variance Volume (3)-(1)	Comments
BU team interventions	1,769	750	1,327	1,894	800	1,515	88	100	Increase in number of employees and the rate per employee
CE-led strategic alignment interventions			686			842	157	-	These activities in 2007-08 are integrated into the CE's strategic alignment in order to achieve maximum impact and cost effectiveness
Employment equity interventions			156				(156)		
Staff welfare			76				(76)		
Special recognition for academic excellence			252				(252)		
Total			2,496			2,357	(239)	100	

7.1.3 External stakeholders

Budget Item	2006-07 Budget No (1)	2006-07 Budget Allowance (2)	2006-07 Budget Total 000	2007-08 Budget No (3)	2007-08 Budget Allowance (4)	2007-08 Budget Total 000	Variance Rate (3)-(1)	Variance Volume (3)-(1)
BE - National	16	R 10,000	160	16	R 10,000	160	-	-
BE - Provincial	9	R 20,000	180	9	R 20,000	180	-	-
SM	119	R 5,000	595	126	R 5,000	630	-	35
Exco	7	R 47,129	330	7	R 44,317	310	(20)	-
AG farewell for external stakeholders			150				(150)	
SMW communication strategy implementation			70				(70)	
Total	151		1,485	158		1,280	(239)	35

Each senior management level has a fixed amount for external stakeholder interactions. The standard amount has not changed from the previous year except for the one-off events relating to the AG farewell and the SMW communication strategy

7.2 Strategic Alignment workshops (VA/OA)

Budget item	2006-07 Budget			2007-08 Budget			Variance	Comments
	No	Amount	Total	No	Amount	Total	(3)-(1)	
	(1)	(2)	'000	(3)	(4)	'000		
BU / CE workshop	1,788	960	1,716	2,002	1,312	2,626	909	The cost is based on an average of R1300 p/p, the increase is due to staff numbers and taking into account in certain instances the business units budgeted for additional strategic alignment interventions
Senior Management Workshop			796			1,400	604	The cost was previously subsidised by the company voyager miles which have been exhausted; 2007-08 is based on the full cost of travelling, however, the alternative route of reducing these costs will explored.
Total	1,788		2,512	2,002		4,026	1,514	

7.3 Foreign visitors

Budget Item	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
	'000	'000	'000	%	'000	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Foreign visitors	143	57	(86)	-60.00%	84	(59)	-41.05%

These relate to hospitality expenses for foreign visitors from supreme audit institutions on a reciprocal basis. This is based on the expected visitors for the following year.

7.4 Overseas travel

Budget item	Ref.	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change		Comments
		'000	'000	'000	%	'000	'000	%	
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Auditor-General & DAG	7.4.1	402	402	-	0.00%	500	98	24.38%	2 additional trips planned for the AG's participation in the Commonwealth and INTOSAI forums
Research and Development	7.4.2	623	623	-	0.00%	500	(123)	-19.74%	The research work will be done more effectively due to the skills level within Corporate Services
Total		1,025	1,025	-	0.00%	1,000	(25)	-2.44%	

7.4.1 AG and DAG
- AG INTOSAI global working group
- AFROSAI activities now actively in the board
- Contingency for unplanned visits to countries on invitation
- Commonwealth and Global Working Group

7.4.2 Various international technical and study tours.

All overseas travel will be supported by a detailed motivation to Exco for approval. The amount is allocated in equal amounts to people management, product (audit) and process improvements.

Budget Item	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change		Comments
	'000	'000	'000	%	'000	'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Parliamentary Oversight Mechanism	3	120	117	3900.00%	130	127	4233.33%	
Labour & staff relations (Union and consultative forum meetings)	154	176	23	14.73%	318	164	100.00%	Increase in consultative activity with staff forums necessitated by the development of critical human resources policies.
Corporate Governance Boards (AG Advisory Board, Audit Committee and Quality Control Assessment Committee)	602	483	(119)	-19.74%	276	(326)	-54.09%	Separate classification of the parliamentary oversight mechanism and reduction of frequency of meetings in line with the governance review study.
Parliamentary liaison	366	343	(23)	-6.30%	222	(144)	-39.32%	The 2006-07 budget included S&T, 2007-08 portion of the S&T is included S&T irrecoverable
Total	1,125	1,122	(2)	-0.21%	947	(34)	-3.05%	
% of total income	0.1%	0.1%			0.1%			

9 AUDIT FEES

9.1 External audit fees

Budget item	2006-07 Budget '000 (1)	2006-07 Forecast '000 (2)	Variance '000 (2)-(1)	Variance % (2)-(1)	2007-08 Budget '000 (3)	Change '000 (3)-(1)	Change % (3)-(1)	Comments
Financial audit	862	753	(109)	-12.65%	1300	438	50.81%	Increase due to two additional interim audits which were not previously undertaken in 2006-07, this is to ensure alignment between the financial and the performance year-end audits
Performance information audit	327	482	155	47.27%	300	(27)	-8.26%	
Due diligence	-	-	-		90	90		
Tender Committee	100	147	47	47.27%	120	20	20.00%	Supply chain audit
Salary review	120	177	57	47.27%	60	(60)	-50.00%	Decrease is due to the completion of restructuring.
Total	1,409	1,559	150	10.61%	1,870	461	32.72%	
% of total income	0.2%	0.2%			0.2%			

9.2 Internal audit fees

Budget item	2006-07 Budget '000 (1)	2006-07 Forecast '000 (2)	Variance '000 (2)-(1)	Variance % (2)-(1)	2007-08 Budget '000 (3)	Change '000 (3)-(1)	Change % (3)-(1)
Routine financial audits	419	463	44	10.55%	523	104	24.88%
Routine human capital related audits	174	193	19	100.00%	205	31	17.58%
Routine internal controls audits	104	115	11	100.00%	122	18	17.79%
Business unit visits	401	444	43	10.72%	572	171	42.63%
Ad hoc assignments and System	198	219	21	10.38%	236	38	18.95%
Project management and attendance	362	401	39	10.73%	407	45	12.39%
Risk management meetings and	162	180	18	10.81%	207	45	27.43%
Disbursements	55	60	5	9.09%	48	(7)	-12.73%
Total	1,876	2,075	199	10.62%	2,320	444	23.68%
% of total income	0.2%	0.2%			0.2%		

The forecast 2006-07 and budget 2007-08 is a true reflection of the internal audit costs based on the audit coverage plan that was concluded after the 2006-07 budget.

10 FINANCE CHARGES

Budget item	2006-07 Budget '000 (1)	2006-07 Forecast '000 (2)	Variance '000 (2)-(1)	Variance % (2)-(1)	2007-08 Budget '000 (3)	Change '000 (3)-(1)	Change % (3)-(1)
Finance charge	1,055	1,211	156	14.78%	1,920	865	82.01%
% of total income	0.1%	0.1%			0.2%		

The increase in finance charges of (82%) in 2006-07 to 2007-8 budget is largely attributed to the interest rate increase.

11 RECRUITMENT EXPENSES

Budget item	2006-07 Budget '000 (1)	2006-07 Forecast '000 (2)	Variance '000 (2)-(1)	Variance % (2)-(1)	2007-08 Budget '000 (3)	Change '000 (3)-(1)	Change % (3)-(1)	COMMENTS
Advertisements	761	916	155	20.42%	800	39	5.12%	This costs have been capped at last year amount with an inflation adjustment Recruitment will de done quarterly to reduce the advertising costs.

Personnel agency fees	3,130	3,161	31	0.99%	8,500	5,370	171.61%	Management recruitment, particularly band D that sustains the trainee accountants scheme, will be outsourced to recruitment agencies who will proactively search for this scarce skill in order to reduce vacancy levels and staff turnover
Interviews	290	197	(93)	-32.09%	210	(80)	-27.57%	This is due to the cost effective way of handling interviews process resulting from a proactive recruitment process
Transfer and relocation expenses	944	944	-	0.00%	2,521	1,577	167.10%	Two Business Executives to be rotated in 2007-08 in line with office policy. This is the provision for that and a further allowance for internal relocation due to transfer.
Total	5,124	5,218	93	1.82%	12,031	6,907	134.70%	
% of total Income	0.6%	0.6%			1.2%			

12 PROFESSIONAL ASSISTANCE

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

Budget item	Ref.	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
		'000	'000	'000	%	'000	'000	%
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Membership fees	12.1	2,962	2,962	-	0%	3,711	749	25%
Training	12.2	14,240	14,240	-	0%	19,019	4,779	34%
Study assistance: employees	12.3	9,359	9,359	-	0%	10,177	818	9%
HC development projects	12.4	5,464	5,464	-	0%	3,241	(2,223)	-41%
Bursaries	12.5	6,284	6,284	-	0%	10,115	3,831	61%
Skills development levy		4,009	4,009	-	0%	4,526	517	13%
Skills dev. levy - recovered		(2,194)	(2,194)	-	0%	(2,373)	(179)	8%
Total		40,123	40,123	-	0%	48,416	8,292	21%
% of total income		4.6%	4.6%			4.8%		

12.1 Membership fees

The budget 2006-07 to budget 2007-08 increase (of 25%) is based on the expected increase in the number of qualified staff and trainee accountants and the normal increase in membership rates by the various professional bodies. As the employees are in compliance with the minimum qualification framework (MQF) requirements they move to a higher level, thus affecting tariffs and personnel cost. The trend is in line with the span of control.

12.2 Training

Type of expense	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
	'000	'000	'000	%	'000	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Internal	4,765	4,765	-	0%	9,014	4,249	89%
External	9,475	9,475	-	0%	10,005	530	6%
Total	14,240	14,240	0%	0%	19,019	4,779	34%

12.2.1 Internal Training

The schedule below details the main drivers of internal training expenditure:

Type of expense	2006-07 Budget		2007-08 Budget		Change		Comments
	% breakdown	000	% breakdown	000	000	%	
Meals	18.6%	887	12.4%	1,121	234	26%	Trend is in line with the increase in staff numbers
Internal presenters - S&T cost to region	2.2%	105	2.5%	227	123	117%	Influenced by multiple trips to cover increased staff numbers and general increase in travel expenses.
Venue costs	10.3%	493	0.9%	79	(413)	-84%	Reduced costs influenced by the fact that most of the regions will have in-house training, given the move to new offices with adequate training facilities.
Other	1.1%	51	3.2%	292	241	472%	
S&T	67.77%	3,229	80.9%	7,294	4,065	126%	Influenced by multiple trips to cover increased staff numbers and general increase in travel expenses.
Total internal training	100%	4,765	100%	9,014	4,249		

12.2.2 External training

Type of expense	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change		COMMENTS
	'000	'000	'000	%	'000	'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Non-audit related	2,234	2,234	-	0%	2,541	307	14%	Taking into account the reclassification of R850 for induction, the movement in these costs are generally in line with the increase in staff numbers.
Audit related	1,333	1,333	-	0%	1,594	261	20%	
Audit study support (ATCOR courses for trainee accountants)	3,796	3,796	-	0%	4,287	491	13%	
Induction	850	850	-	0%	-	(850)	-100%	
S&T	1,262	1,262	-	0%	1,583	321	25%	
Total	9,475	9,475	-	0%	10,005	530	6%	

In addition to the ATCOR courses for trainee accountants there is an increased emphasis on external training to provide continuing professional development (CPD) programmes for an extended number of employees in both audit and non-audit disciplines This is in keeping with the AG's strategic focus to promote full compliance with the minimum qualification framework (MQF) requirements. In 2007-08 budget induction costs have been included in S&T training.

12.3 Study assistance: employees

The movement in this figure is influenced by the requirements of the study support policy that offers bursaries only to employees that meet the academic progress requirements. In addition to the new intake of trainees, the academic progress assumption based on the historical trend is set at 30%. For 2007-08 budget candidates will be required to fund 30% of the total costs, this is expected to have a positive impact on the commitment and pass rate.

Course of study	2006-07 Budget '000	2007-08 Budget '000	COMMENTS
Diploma	456	894	
Degree	3,041	1,129	In line with the AG's preference to focus on graduate students as well as the introduction of 30% contribution towards study fees by students.
CTA / Honours	5,276	3,586	Impact of the 30% contribution towards academic studies by students.
FQE support courses	555	3,514	In line with the AG's focussed recruitment of post graduate CTA students that are ready to write FQE
Other	32	22	
MBA	-	122	
Post-graduate	-	612	New trend relating primarily to Corporate Services staff pursuing MQF requirements
Registered Government Auditor - examination fees 150 persons	-	200	Pilot programme study support for RGA trainees
Train the Trainer	-	98	To obtain trainers accreditation status by existing trainers in line with MQF requirements.
Total	9,359	10,177	

12.4 HC development projects

Type of project	2006-07 Budget	2007-08 Budget	Comments
Development of technical courses	1,182	809	Most of the development work has been completed with the remaining costs in 2007-08 focusing on improving audit efficiencies and quality, which is intended to train audit staff at all levels in the enhanced and standardised audit methodology. The other focus area relates to the development of leadership effectiveness programmes.
Development of non-technical courses	1,414	350	
Competency development	2,868	2,082	
Total	5,464	3,241	

12.5 External student bursaries

The increase in the student numbers for full-time studies is in line with the medium to long-term strategic intent to invest in people development so as to attract adequately qualified trainees that are ready to sit for their final qualifying exams. Undergraduate students are at different levels of study; in addition to that, the office is planning to take 60 students through an under-graduate programme.

Institution	No. of students	2006-07 Budget	No. of students	2006-07 Forecast	Cost per student	No. of students	2007-08 Budget	Cost per student	Explanations:
			Budget 2006-07 to Budget 2007-08 change						
Total:	115	6,284	[redacted]	6,284	[redacted]	[redacted]	10,115	[redacted]	2007-08 included R3m ito subsidies to capacitate the FortHare CTA programme. This will enable the institution to obtain the SAICA accreditation
% of total income		0.7%		0.7%			1.0%		

13 TECHNOLOGICAL SERVICES

Budget item	Ref.	2006-07 Budget '000 (1)	2006-07 Forecast '000 (2)	Variance '000 (2)-(1)	Variance % (2)-(1)	2007-08 Budget '000 (3)	Change '000 (3)-(1)	Change % (3)-(1)
Computer services	14	21,803	20,203	(1,600)	-7.34%	21,816	13	0.06%
Hiring of equipment - rental	13.1	2,967	2,878	(88)	-2.98%	2,865	(101)	-3.42%
Hiring of equipment - copy charges		635	542	(93)	-14.72%	799	164	25.88%
Total		25,405	23,623	(1,782)	-7.01%	25,480	76	0.30%
% of total income		2.9%	2.7%			2.5%		

13.1 Hiring of equipment - rental

The costs decrease in forecast and future budget is due to a decrease in number of multi-functional devices. This is as a result of more efficient usage of the devices.

14 COMPUTER SERVICES

Budget item	Ref.	2006-07 Budget '000 (1)	2006-07 Forecast '000 (2)	Variance '000 (2)-(1)	Variance % (2)-(1)	2007-08 Budget '000 (3)	Change '000 (3)-(1)	Change % (3)-(1)	Comments
IT maintenance and support	14.1	3,709	4,909	1,200	32.35%	5,599	1,890	50.96%	The increase is mainly due to revised Peoplesoft licence fee as a result of the change of Oracle pricing structure (R1.6 million).
Networks	14.2	8,318	8,318	-	0.00%	7,759	(559)	-6.72%	Due to HQ move to a new building, remote access (LAN) connection will fall away and be replaced by wireless technology.
Security	14.3	2,620	2,620	-	0.00%	2,345	(275)	-10.50%	Revised contract that led to a reduction in costs.
Telecommunications	14.4	7,156	4,356	(2,800)	-39.13%	6,113	(1,043)	-14.58%	The change in the pricing structure from a fee per second to a fixed usage fee per month per person. Additional costs related to excess usage will be monitored as part of the pilot until end of 2007-08 financial year.
Total		21,803	20,203	(1,600)	-7.34%	21,816	13	0.06%	
% of total income		2.5%	2.3%			2.2%			

15 INSURANCE AND LEGAL FEES

15.1 Insurance premiums

Budget Item	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change		Comments
	'000	'000	'000	%	'000	'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Insurance premiums	908	800	(108)	-11.92%	817	(91)	-10.04%	Reduction of the premiums is due to process of obtaining competitive rates.
Legal fees and contingency	960	736	(224)	-23.38%	960	-	0.00%	Legal costs have been provided for using 2006-07 costs as a baseline.
Total	1,868	1,536	(333)	-17.81%	1,777	(91)	-4.88%	
% of total income	0.2%	0.2%			0.2%			

16 AUXILIARY SERVICES

16.1 Stationery and printing

Budget Item	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
	'000	'000	'000	%	'000	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Stationery & printing	4,983	4,281	(702)	-14.09%	3,877	(1,105)	-22.18%
Total	4,983	4,281	(702)	-14.09%	3,877	(1,105)	-22.18%
% of total income	0.6%	0.5%			0.4%		

Branding (R0,6m) of the AG has been deferred to 2007-08. 56% of stationery costs is attributable to Cartridge (R1,11m) and Printing paper (R1,03m). The decrease of 22% is due to the establishment of a stationery allowance per employee that limits the usage to no more than R500 based on the research done by the finance department.

17 COMMUNICATION

Budget Item	Ref.	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
		'000	'000	'000	%	'000	'000	%
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Telephone charges	17.1	2,939	3,256	316	10.76%	3,212	273	9.28%
Cellphone charges	17.2	796	1,068	272	34.23%	1,451	656	82.42%
Postage and courier services		721	745	24	3.28%	805	84	11.65%
Total		4,456	5,068	612	13.74%	5,469	1,013	22.72%
% of total income		0.5%	0.6%			0.5%		

17.1 Telephone charges

The basis is to cap telephone charges at the same level as 2006-07 forecast. During 2007-08 a communication tools policy will be developed to determine limits per employee.

17.2 Cellphone charges

The increase from the 2006-07 budget to the 2007-08 budget is due to an increase in the number of phones budgeted, the rate is from R430 per month to R585 per month to ease the administration associated with the monitoring of cellphone costs.

18 DEPRECIATION

Budget Item	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
	'000	'000	'000	%	'000	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Motor vehicles	622	467	(155)	-24.93%	321	(301)	-48.39%
Furniture & equipment	2,047	1,904	(144)	-7.01%	3,265	1,217	59.45%
Computer equipment	10,647	11,742	1,095	10.28%	15,571	4,923	46.24%
Computer software	5,503	3,220	(2,284)	-41.50%	8,264	2,761	50.16%
Leasehold improvements	1,188	1,029	(159)	-13.41%	807	(381)	-32.10%
Total	20,007	18,361	(1,647)	-8.23%	28,226	8,219	41.08%
% of total income	2.3%	2.1%			2.8%		

The depreciation expense budget is based on existing assets and the expected capital expenditure using the current office policy. This is in line with capital expenditure movements.

19 CAPITAL EXPENDITURE BUDGET

19.1 Motor vehicles

Description	2006-07 Forecast NCV '000	Acquisitions '000	Depreciation '000	2007-08 Budget NCV '000
Motor vehicles	1,259	-	321	938
Total	1,259	-	321	938

Location	2006-07 Budget '000	2006-07 Forecast '000	2007-08 Budget '000
Company car for the Auditor-General	350	550	-
Contingency for the Insurance excess	200	-	-
Total	550	550	-

19.2 Office furniture and equipment

In line with the accommodation rental trends note 6 above furniture CAPEX in 2007-08 budget is due to a move to new buildings that suit the AG's branding specifications. This also coincides with the expiry of existing lease agreements.

Description	2006-07 Forecast NCV '000	Acquisitions '000	Depreciation '000	2007-08 Budget NCV '000
Furniture and equipment	6,473	11,244	3,265	14,452
Total	6,473	11,244	3,265	14,452

Location	2006-07 Budget '000	2006-07 Forecast '000	2007-08 Budget '000	Comments
KwaZulu-Natal	1,334	1,334	1,860	Furniture for new premises spread over a two year period.
Eastern Cape	876	401	3,285	Furniture for new premises.
North West	79		369	Replacement of old furniture
Gauteng	-		2,820	Furniture for new premises.
Limpopo	88	23	206	Replacement of old furniture
Mpumalanga	37	69	641	Replacement of old furniture
Pretoria	2,911	2,996	1,938	Scheduled replacement of old furniture and takeover of fixtures from previous tenant for new Head Office
Free State	72	72	75	Replacement of old furniture
Northern Cape	81	38	49	Replacement of old furniture
Western Cape	124	64	-	Replacement of old furniture
Parliamentary	-	-	-	
Total	5,601	5,017	11,243	

19.3 Leasehold improvements

Description	2006-07 Forecast NCV '000	Acquisitions '000	Depreciation '000	2007-08 Budget NCV '000
Leasehold improvements	7,553	2,661	807	9,408
Total	7,553	2,661	807	9,408

Location	2006-07 Budget '000	2006-07 Forecast '000	2007-08 Budget '000	Comments
Eastern Cape	91	91	792	This relates to work planed to upgrade signage and other facilities in line with the branding norms
North West	8	8	27	This relates to work planed to upgrade signage in line with the branding
Gauteng	100	100	750	Minor structural changes and signage to the new Gauteng offices in line
Mpumalanga	33	33		Minor changes to Nelspruit office. Not on Capex holiday.
Head office	1,750	5,750	900	Phased upgrade of Pretoria regional office in line with he branding norms.

KZN	-	-	186	Work planned for the Durban satellite office to align to branding norms.
Northern Cape	-	-	6	Security fence installation.
Total	1,982	5,982	2,661	

The increase is linked to the planned move of office premises.

19.4 Computer hardware

Description	2006-07 Forecast NCV	Acquisitions	Depreciation	2007-08 Budget NCV
	'000	'000	'000	'000
Computer hardware	20,385	15,850	15,571	20,664
Total	20,385	15,850	15,571	20,664

Budget Item	Ref:	2006-07 Budget	2006-07 Forecast	Variance		2007-08 Budget	Change	
		'000	'000	'000	%	'000	'000	%
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Regional equipment	19.4.1	1,525	1,355	(171)	-11.20%	3,585	2,059	134.99%
Networks	19.4.2	246	218	(28)	-11.20%	558	312	126.80%
Security	19.4.4	200	178	(22)	-11.20%	221	21	10.35%
Notebooks	19.4.5	15,538	13,798	(1,740)	-11.20%	11,487	(4,051)	-26.07%
Total		17,509	15,548	(1,961)	-11.20%	15,850	(1,659)	-9.48%

19.4.1 Regional equipment

These are business unit requirements to replace desktop computers, printers and other equipment which are beyond their 3-year life cycle in line with the assets maintenance practice

19.4.2 Networks

The network equipment budgeted for is to ensure the upgrade and replacement of old and dated equipment at the provincial offices and Pretoria to improve the speed and response times over the wide area network.

19.4.4 Security

Budget Item	2006-07 Budget	2006-07 Forecast	2007-08 Budget
	'000	'000	'000
Security hardware	200		221
Total	200	-	221

This relates to the upgrade of security for audit and other information stored in notebook computers. This is of critical importance given the extensive use of mobile notebooks by audit staff.

19.4.5 Notebooks

Replacement of 423 and acquisition of 224 notebooks. The increase is in line with the trend of the office to replace approximately a third of the total notebooks annually.

19.5 Computer software

Description	2006-07 Forecast NCV '000	Acquisitions '000	Depreciation '000	2007-08 Budget NCV '000
Computer software	17,929	7,393	8,264	17,058
Total	17,929	7,393	8,264	17,058

Budget Item	Ref.	2006-07 Budget '000	2006-07 Forecast '000	Variance '000	Variance %	2007-08 Budget '000	Change '000	Change %
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Regional systems	19.5.1	1,318	-	(1,318)	-100.00%	30	(1,288)	-97.72%
Systems	19.5.2	1,208	3,000	1,792	148.43%	5,669	4,462	369.46%
Security	19.5.3	800	500	(300)	-37.50%	1,686	886	110.72%
Total		3,326	3,500	174	5.24%	7,385	4,059	122.06%

19.5.1 Regional systems

Budget Item	2006-07 Budget '000	2006-07 Forecast '000	2007-08 Budget '000
OLAP software	500	-	-
Training & performance tracking	801	-	-
Other business software - program office tool and licences, CD/DVD copying software, project portfolio management software.	17	-	-
Scheduling and process software	-	-	30
Total	1,318	-	30

19.5.2 Systems

Budget Item	2006-07 Budget '000	2006-07 Forecast '000	2007-08 Budget '000
CSA Tool enhancement and development	600	-	500
Oracle Enterprise Management	-	-	444
Peoplesoft Cash Management	250	-	-
SAS Business Intelligence Toolset	150	-	-
Portfolio Manager Toolset	150	-	-
Business Process Management	-	-	1,036
ADOBE Acrobat Reader	-	-	116
Risk Management	-	-	155
Network Management	-	-	150
Supply Chain	-	-	100
MS Enterprise Select Agreement	-	3,000	3,038
Other (Internet & Knowledge Sharing Software)	58	-	130
Total	1,208	3,000	5,669

The renewal of the licence for Microsoft Agreement (R3 million) and once off acquisition of software that will optimise and stabilise the use of current anchor software (Peopl Soft and Teammate related) (R2.6 million)

19.5.3 Security

This cost relates to the software acquisition to enhance the security of audit and other information stored in notebook computers. This is of critical importance given the extensive use of mobile notebooks by audit staff. Refer not 19.4.4 for the related hardware acquisition.

20 EMPLOYEE WELLNESS PROGRAMME

Budget Item	2006-07 Budget '000	2006-07 Forecast '000	Variance '000	Variance %	2007-08 Budget '000	Change '000	Change %
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Employee Wellness Programme	1,008	1,008	-	0%	1,922	914	91%
Total	1,008	1,008	-	0%	1,922	914	91%

The use of the Employee Wellness Programme has continued to grow over the financial year. For the next budget cycle the wellness programme will be extended to cover special focus on prevallence testing,management intervention on MIS, treatment and support for employees, employee education and awareness. This proactive initiative will be managed with the assistance of a wellness service provider at an additional cost. This brings the AG in line with best practices in this area.

Budget Item	Budget 2006-07	Budget 2007-08			
	Total	Ongoing	Once-off	New	Total
Prevalence testing	233	338	391		729
Management intervention on MIS.	363	438			438
Treatment and support for employees	292	299			299
Employee education and awareness and corporate social responsibility	60	106	200		306
Health and safety	60	150		0	150
Total	1,008	1,331	591	0	1,922

Annexure 3

AUDITOR-GENERAL

PROPOSED INTERNAL RATES (AT A 4% INCREASE) FOR 2007-08

1 PACKAGE From		To	2 Total staff	3 Standard recoverable hours	4 Recoverable hours	5 Total own hours income	6 Proposed tariffs as per markup	2007-08 Budget tariff
SENIOR MANAGER		96						
700,000	-		5	1,265.7	6,328	5,695,515	900	
680,000	-	699,999	24	1,265.7	30,376	27,338,472	900	
660,000	-	679,999	8	1,265.7	10,125	9,112,824	900	
640,000	-	659,999	11	1,265.7	13,922	12,530,133	900	
620,000	-	639,999	2	1,265.7	2,531	2,278,206	900	
600,000	-	619,999	9	1,265.7	11,391	10,251,927	900	
580,000	-	599,999	12	1,265.7	15,188	13,669,236	900	865
560,000	-	579,999	7	1,265.7	8,860	7,973,721	900	865
540,000	-	559,999	11	1,265.7	13,922	12,376,987	889	854
520,000	-	539,999	6	1,265.7	7,594	6,508,075	857	824
500,000	-	519,999	1	1,265.7	1,266	1,045,443	826	794
					121,504	108,780,539	895	845
							5.9%	
AUDIT MANAGER		286						
470,000	-	489,999	14	1,406.3	19,688	13,860,493	704	676
450,000	-	469,999	40	1,406.3	56,252	39,601,408	704	676
430,000	-	449,999	49	1,406.3	68,909	46,375,555	673	647
410,000	-	429,999	41	1,406.3	57,658	37,074,287	643	618
390,000	-	409,999	27	1,406.3	37,970	23,275,671	613	589
370,000	-	389,999	46	1,406.3	64,690	37,714,153	583	560
350,000	-	369,999	21	1,406.3	29,532	16,272,297	551	529
330,000	-	349,999	16	1,406.3	22,501	11,677,915	519	499
310,000	-	329,999	9	1,406.3	12,657	6,201,783	490	471
290,000	-	309,999	8	1,406.3	11,250	5,163,934	459	441
270,000	-	289,999	2	1,406.3	2,813	1,206,605	429	412
250,000	-	269,999	5	1,406.3	7,032	2,805,569	399	383
230,000	-	249,999	3	1,406.3	4,219	1,552,555	368	353
210,000	-	229,999	3	1,406.3	4,219	1,417,550	336	323
190,000	-	209,999	2	1,406.3	2,813	860,656	306	294
					402,202	245,060,432	609	548
							11.1%	
AUDITOR		407						
270,000	-		30	1,456.5	43,696	16,779,168	384	369
250,000	-	269,999	41	1,456.5	59,718	22,931,530	384	369
230,000	-	249,999	42	1,456.5	61,174	21,716,788	355	341
210,000	-	229,999	87	1,456.5	126,718	41,309,962	326	313
190,000	-	209,999	80	1,456.5	116,522	34,607,034	297	285
170,000	-	189,999	26	1,456.5	37,870	10,073,327	266	255
150,000	-	169,999	18	1,456.5	26,217	6,213,536	237	227
130,000	-	149,999	14	1,456.5	20,391	4,221,009	207	199
110,000	-	129,999	9	1,456.5	13,109	2,333,353	178	171
100,000		109,999	11	1,456.5	16,022	2,499,397	156	150
90,000	-	99,999	20	1,456.5	29,131	4,107,401	141	135
80,000	-	89,999	15	1,456.5	21,848	2,752,832	126	121
70,000	-	79,999	6	1,456.5	8,739	970,046	111	106
60,000	-	69,999	8	1,456.5	11,652	1,118,611	96	92
					592,806	171,633,993	290	258
							12.1%	
TRAINEE		806						
150,000	-	159,999	21	1,426.4	29,954	7,009,280	234	225
140,000	-	149,999	14	1,426.4	19,969	4,373,312	219	210

AUDITOR-GENERAL

PROPOSED INTERNAL RATES (AT A 4% INCREASE) FOR 2007-08

1 PACKAGE From	To	2 Total staff	3 Standard recoverable hours	4 Recoverable hours	5 Total own hours income	6 Proposed tariffs as per markup	2007-08 Budget tariff
130,000 -	139,000	28	1,426.4	39,939	8,067,662	202	194
120,000 -	129,999	30	1,426.4	42,792	8,130,423	190	182
110,000 -	119,999	51	1,426.4	72,746	12,585,039	173	166
100,000	109,999	49	1,426.4	69,893	11,182,898	160	153
90,000 -	99,999	220	1,426.4	313,806	44,874,229	143	137
80,000 -	89,999	71	1,426.4	101,274	13,064,306	129	124
70,000 -	79,999	272	1,426.4	387,978	44,229,501	114	109
60,000 -	69,999	23	1,426.4	32,807	3,215,083	98	94
50,000 -	59,999	9	1,426.4	12,838	1,078,351	84	80
40,000 -	49,999	18	1,426.4	25,675	1,720,226	67	64
				1,149,670	159,530,310	139	125
						11.0%	
TOTAL AUDIT PERSONNEL		1,595		2,266,182	685,005,275		
BUSINESS EXECUTIVES		17	1,004.5	17,077	15,716,718	920	884
TOTAL RECOVERABLE				2,283,259	700,721,993	307	286
		1,609			700,721,993	7.3%	
						0	

Notes:

1. Based on the salaries per level
2. Total staff per budget (see note 3.4)
3. Standard recovery hours (see note 2.1.2)
4. Recoverable hours = total staff (2) X standard recoverable hours (3)
5. Total own hours income = recoverable hours (4) X proposed tariff (6)
6. Proposed tariff = average salary per band (1) / standard recoverable hours (3) X factor of 1.9