



AUDITOR-GENERAL  
SOUTH AFRICA

# A ROADMAP FOR HIGH IMPACT **OUTCOMES**



**INTEGRATED ANNUAL**  
REPORT 2021-22

# PREAMBLE TO THE CONSTITUTION

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

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

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





# LETTER TO THE SPEAKER

Ms Nosiviwe Noluthando Mapisa-Nqakula  
Speaker of Parliament  
PO Box 15  
Cape Town  
8001

September 2022

Honourable Speaker

## Report to the National Assembly in terms of section 10(2)(b) of the Public Audit Act 25 of 2004

It is an honour to submit my integrated annual report, which includes a review of our performance against predetermined objectives and the audited financial statements for the financial year ended 31 March 2022, as required by our governing legislation.

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

I respectfully draw your attention to section 41(5) of the Act, which requires that we submit our report within six months of the end of the financial year. I therefore request that this report be tabled in the National Assembly by 30 September 2022.


Yours sincerely


Tsakani Maluleke,  
**Auditor-General**


# PERFORMANCE SNAPSHOT



## Value-adding auditing

Implemented all the elements of the MI definition at **189 auditees** (146 in the previous cycle) 


**Completed the vaccine real-time audit** and found that the money was mainly used for its intended purpose 

**Tabled the follow up performance audit** on the rehabilitation of derelict and ownerless mines 



**Most accounting officers acted on our recommendations:** improved internal controls to prevent further loss; took disciplinary action against the officials responsible; instituted fraud and criminal investigations, cancelled supplier contracts

**Multidisciplinary specialised audit teams** focused on service delivery insight in our audits 

Signed off the **Transnet audit** for the first time 

Achieved **86%** on quality standards against a target range of 80% to 90% 

**Finalised the ISQM risk profile** and conducted continuous risk assessments 





## Visibility for impact


Shared insight to encourage an **accountability ecosystem** aimed at influencing public sector accountability 

Parliament and committees requested additional insight to **monitor service delivery** in a maturing relationship that influences oversight of the authorities responsible for delivery 


**Collaborated** with the **Fusion Centre** to our mutual benefit 

**Grew cooperation with CSOs;** sharing insight helped give us a deeper understanding of our environment 

Cemented our **thought leadership** with opinion pieces, articles, and interviews 

Worked for a **stronger global community** of supreme audit institutions and an effective culture of cooperation 

**Received recognition** from various industry bodies 

Helped **Salga** train **incoming councillors** on governance 



## Viability



**Audit revenue – R4 395 million -**  
R112 million through resource pooling



**Recorded a R40 million surplus**  
(2020-21: R293 million deficit) at the end of the year

We are **owed R1 billion** in audit fees



Completed our **digital transformation roadmap**



Recruited **225** CTA-qualified trainee auditors,  
53% of our intake



**1 367** audit professionals



**308** AGSA  
candidates  
passed their  
**APC exams**



**1 151 trainee  
auditor contracts**  
with 60% being  
African females

Won the **2022  
employer of  
choice award** in  
the public sector



## Vision and values driven



Achieved **level 1 B-BBEE**  
contributor status for the  
fourth consecutive year



**88%** of our outsourced  
audit work went to  
**B-BBEE levels 1 and 2 firms**



Firms that are part  
of our enterprise  
supplier development  
programme **created 298  
jobs** in 2020-21

Outsourced audit  
work to **51%**  
**black-owned firms**  
increased to **70%**



Outsourced audit  
work to **30%**  
**black women-owned  
firms** increased to **26%**



**30%** of all **bursaries**  
go to students  
from **previously  
disadvantaged schools**

Received  
a **clean**  
**audit opinion**



Refined our  
**audit dispute  
resolution  
process**



Approved  
our **fraud  
prevention  
framework**



Finalised  
our new  
corporate strategy,  
**#cultureshift2030**





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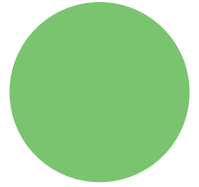
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## SECTION 1

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## AUDITOR-GENERAL'S MESSAGE



*Presenting the work of the Auditor-General of South Africa is a great privilege. As the supreme audit institution of the country, we endeavour to provide meaningful value to our stakeholders, and contribute to positive changes in the lives of the people of South Africa.*

**TSAKANI MALULEKE**  
AUDITOR-GENERAL

Our work was delivered during a particularly challenging year as we dealt with the impact of the pandemic while trying to meet the legislated timelines to complete audits. The adversity made us stronger as an organisation, as a team and as individuals.

### How we added value through our work

We audited and pronounced on the financial statements of 1 060 government and public sector entities, and summarised our results in two general reports which, read together provide a comprehensive, whole-of-government insight on the use of invaluable public resources. By making the results of our audits public we enable citizens to hold their elected representatives accountable for the economy, efficiency and effectiveness of service delivery.

We concluded our reporting on the real-time audits related to the use of funds aimed at combatting the impact of the covid-19 pandemic. We expanded this work to include observations on the distribution of covid vaccines.

Our impactful engagements with identified stakeholders encouraged them to institute corrective measures for poor performance, to apply consequences or to replicate desirable behaviour.

Our pursuit of audit quality is relentless. After a brief period during which we fell short of our stated targets, for the second consecutive year we have been able to report excellent results: 86% of the sampled audit files were found to be following the applicable audit standards. This outcome is a result of the systematic implementation of targeted initiatives, continuously monitoring our progress and fine-tuning our approaches.

### Implementing our extended powers

We made major strides in implementing our extended powers – from 25 auditees in the first year to 189 in the third year of implementation. We applied all elements of the material irregularities definition earlier than our original implementation plans. We developed unique audit methodologies to deal with instances of irregularities resulting from fraud, theft, or breach of fiduciary duty, or to assess whether the impact of an irregularity resulted in misuse, or in loss or substantial harm to public resources.

Since the inception of our extended powers, we identified 327 material irregularities with an estimated financial loss of R14,7 billion. We reached an important milestone in the use of our powers by issuing our first remedial action to Prasa, the departments of Defence and Human Settlements, and the Ngaka Modiri Molema District Municipality.

Albeit slowly, we have noticed successes in using the material irregularity process: we resolved 11 material irregularities over the past year, i.e. the financial loss was either recovered or avoided, or internal controls were strengthened and consequences applied as intended by the law. Even more encouraging is the unforced behavioural changes at some auditees. Of their own accord, accounting officers cancelled irregular contracts before incurring expenditure to prevent financial losses, corrected system weaknesses such as billing, improved the safeguarding of assets, and instituted fraud and criminal investigations against the officials responsible.

On the other side of the spectrum, we deal with accounting officers who failed to respond or institute actions for

more than a year, which invoked the further stages of the material irregularities process. Resolving material irregularities within their deadlines is complicated by a frequent change of incumbents in the role of accounting officer, and occasional misalignment of legal prescripts such as the Defence Act, the Municipal Systems Act and the Public Audit Act.

## Future audit focus

At local government level, financial health and service delivery regressed over the duration of the previous administration, which had a negative effect on these communities. We similarly raised service delivery concerns at the national and provincial government level. Of the total budget allocated to these levels, less than 20% was governed by auditees with clean audit outcomes.

Lack of internal controls and financial management disciplines, deteriorating financial health and declining service delivery demonstrate the pervasive absence of urgency and intention to change the audit outcomes.

The auditees are eclectic organisms characterised by the sum of the individuals that work there and their behaviour. They do not exist in a vacuum; they form part of a complex ecosystem where each role player has a specific, allocated part to play.

An auditee's success is dependent on its intrinsic culture. We believe that it is possible to instil the correct culture. Our new strategy, #cultureshift2030, is based on the premise that our audits and the insights generated through them, our influence over various role players in the accountability ecosystem and, as a last resort, enforcing our extended powers, can impact the culture of the auditees positively so that it is defined by transparency, integrity, accountability and performance.

We believe that courageous, ethical, accountable, capable and citizen-centric leadership is required to improve public sector culture and, ultimately, service delivery.

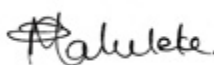
Our focus in the near future will be on executing tailored programmes aimed at understanding the auditee's mandate and their role in the accountability ecosystem, their level of performance and the impact they have on the citizen.

## Conclusion

Undoubtedly, the last reporting period was intense and fruitful for our organisation. Every member of TeamAGSA showed up when needed and gave their all in the quest for good governance in the public sector and in turn, a better life for ordinary South Africans.

It is witnessing their strength, determination and dedication that keeps me humble and motivated to lead from the front, without fear, favour or prejudice.

The work of the national audit office is not a solitary assignment. We depend on the work and collaboration of every single player in the accountability ecosystem to work toward a shared purpose that will contribute towards the wellbeing of our people. We call on all relevant stakeholders to join us on the journey towards creating a better South Africa.



Tsakani Maluleke,

**Auditor-General**



## DEPUTY AUDITOR-GENERAL'S OVERVIEW OF PERFORMANCE



*Becoming the deputy auditor-general, at the operational helm of an organisation dedicated to strengthening South Africa's democracy, is an honour and a privilege.*

**VONANI CHAUKE**  
DEPUTY AUDITOR-GENERAL

In providing assurance on the financial management of public organisations and entities, and reporting publicly on our findings, we undertake to promote the accountability and transparency that contributes to an efficient and effective public sector and, ultimately, benefits the lives of citizens in our country.

In this first year of my tenure, and during what was possibly one of the most trying periods in recent history, we implemented the final stages of our 4V strategy through great resilience. I am pleased with what we have achieved under the 4V strategy and look forward to the successes that the #cultureshift2030 strategy will bring.

## Our audits

The covid-19 pandemic had a tremendous impact on the progress of public sector reporting and auditing. Audits were concluded much later, with some 2019-20 local government audits only concluded within the 2020-21 cycle. This had a knock-on effect on the 2020-21 national and provincial government audits, some of which started late. The July 2021 riots in KwaZulu-Natal and Gauteng during the national and provincial government audit cycle made these tough operating conditions worse, forcing us to adjust our audit plans and timelines.

That we were able to conclude the vaccine real-time audit, the 2019-20 and 2020-21 local government audits, and the 2020-21 national and provincial government audits is a testament to our teams, and their resilience and hard work. Although we did not always meet the legislated timelines due to the environmental factors, we were able to finalise a large number of audit reports within a reasonable time.

As our audits concluded we observed that fewer issues of financial leakages were reported on the vaccine real-time audit, mostly because of centralised procurement and the National Treasury being involved earlier in the process.

At the same time, only slight improvements in the local, national and provincial government audit outcomes meant that we had to emphasise the need for greater improvement, especially at the local government level. Overall, a high number of auditees did not address the root causes of control deficiencies.

## Implementing our extended powers

It is an achievement that, even in these tough operating conditions, we implemented all the elements of the material irregularity (MI) definition at 189 auditees, an increase from 146 in the previous year. We identified 177 new MIs, bringing the total to 327 MIs carried forward since the inception of our extended powers. Most accounting officers acted on our recommendations: internal controls improved to prevent further loss; disciplinary action was taken against the officials responsible; fraud and criminal investigations were instituted, and supplier contracts were cancelled.

I am encouraged by the organic behavioural changes of some auditees without us having to take remedial action.

I am however concerned by delays in the process, especially in evaluating responses to notifications.

I am equally concerned about the number of threats of legal challenges over our audit-related services. While legal resolutions are part of a democratic process, spurious challenges are sometimes used as a new form of psychological intimidation that create a difficult environment for our audit teams to perform their duties without fear, favour or prejudice.

## Section 4(3) audits

I am pleased to report that we sign off on the audits of 71% of all state-owned enterprises (SOEs) which, for the first time, included the audit of Transnet. Signing off the Transnet audit was a result of the last three years of hard work from our teams to get ready for this audit.

With a total expenditure of approximately R100 billion, we are concerned that most of these SOEs are in perpetual poor financial health. They have significant deficits, a lack of funding and, for some, a reliance on bailouts for survival. All these factors inevitably compromise service delivery.

At the centre of many of these problems lies their poor state of corporate governance, weak internal controls, changes in leadership, non-compliance with legislation and a lack of consequence management.

## Audit methodology

We have worked tirelessly developing three new methodologies that helped to lay a solid foundation for audit engagements on annual financial statement reviews, audit of predetermined objectives and compliance. These also allowed us to improve efficiencies in audit hours and audit staff levels as we piloted a limited assurance audit of predetermined objectives at selected municipalities.

## Quality of audits

The effort that TeamAGSA has put into implementing key initiatives to improve audit quality is paying off. I am pleased that, for a second successive year, we have achieved our target of an 80-90% compliance rating in quality control. I thank all the audit teams for their effort to ensure that we produce audit files that have met the required quality standards.

We have also made substantial progress in preparing the organisation for implementing the International Standard on Quality Management (ISQM 1). The preparatory journey included finalising our ISQM risk profile despite some internal challenges. This project is on track to be implemented by 15 December 2022.

## Stakeholder engagements

Making sure that our work is visible helps to deepen an understanding of how our work assists not only our auditees, but also oversight bodies. Our engagements included briefing the house chairpersons of both the National Assembly and the National Council of Provinces (NCoP), as well as coordinating ministries after each audit cycle, while responding to specific Scopa requests on diverse topics. These briefings helped them to engage rigorously on the matters raised in our reports, including the general and special reports.

We encouraged premiers to reinforce setting the correct tone at the top. Members of the executive council (MECs), mayors and municipal managers were challenged to strengthen their oversight and monitor consequence management in their respective portfolios or municipalities to improve the lived experiences of people.

Equally important was highlighting proper preventative controls and the corrections auditees needed to ultimately stem the tide of misappropriated funds and re-establish accountability as a cornerstone of our democracy.

We also worked with the Association of Public Accounts Committees (APAC) to co-create solutions based on their understanding of the public sector challenges and participated in the South African Local Government Association (Salga) integrated councillor induction programme.

Collaboration through the Fusion Centre during our real-time audits enriched cooperation with the Special Investigating Unit and the Office of the Public Protector. We leverage these relationships to support our audits while referring matters to agencies that are better placed to investigate them.

We are implementing the next phase of our initiatives by introducing the accountability ecosystem, which is gaining momentum as we roll out our new strategy.

## Citizen engagement

Over the past few years, we have engaged with citizens via social media platforms to encourage discussions on a multitude of topics. These discussions helped to educate the public about our work and increased our following. Our public lectures, personal discussions and networking sessions also helped increase the reach of our message and engage citizens.

I am encouraged that our reports and messages were quoted by members of the public in their discussions in social media conversations.

We held information-sharing workshops with media forums such as the South African National Editors Forum and the Institute for the Advancement of Journalism to help journalists report our messages accurately and from an informed position.

Many of our leaders published opinion pieces in various media to share our vision of the public sector and insight from audit outcomes, and to influence accountability. We also reached out to professional and business associations, industry organisations, civil society organisations (CSOs) and institutions of higher learning.

These interactions reinforce our messages and create greater awareness of the mechanisms available to the AGSA to strengthen the accountability ecosystem. Stakeholders continued their advocacy by holding auditees accountable through public statements and reports.

## International visibility

Our international visibility continued to grow as we contributed towards a stronger global community of supreme audit institutions. We chair the International Organisation of Supreme Audit Institutions (Intosai) capacity-building committee (CBC), which continued to support supreme audit institutions to maximise their value to society by developing their professional capacities. We also contribute to developing supreme audit institutions in Africa through strategic development cooperation at a continental level (Afrosai), and through dedicated development support to 26 African supreme audit institutions through the African Organisation of English-speaking Supreme Audit Institutions (Afrosai-e). Together with other African supreme audit institutions, we provided external audit services to the African Union and related bodies. On a professional level, we benefitted from our participation in key working bodies of Intosai, and through knowledge sharing engagements with various supreme audit institutions at a bilateral level.

## Financial performance

The AGSA has rebounded from the economic uncertainty of the pandemic years to deliver strong performance results for 2021-22. The results reflect a healthy net surplus of R40 million, which is an immense improvement from last year's R293 million deficit.

Our actual revenue of R4 395 million is 5,2% above budget. This is a significant improvement from 13% below budget last year and has wiped away the actual revenue loss of R806 million suffered at the height of the hard lockdown. Our growth is mainly due to a combination of optimising resources and catching up on audits that were delayed during the hard lockdown in the previous year.

Our gross profit was R1 433 million, or 33% of audit income on a budget of 35%. Overhead costs were R1 447, which was up by 3% year on year and 4% below budget.

We collected R5 billion, which was R2 billion or 55% more than the previous year. We closed our books with a cash balance of R770 million, which is significantly higher than the R576 million recorded last year and translates to a margin of safety of 2,1 months (2020-21: 1,7 months). The year on year increase in the cash balance is a result of carefully managing our costs and enhancing collections.

The executive leadership's attention, employees' commitment, determination and performance focus contributed to this excellent performance.

## Building reserves and refuelling for growth

Building our cash reserves over the years kept us afloat through the difficult pandemic. There is no better advocate for continuing to build these reserves to ensure our viability in times of crisis. Cash reserves will also be needed to fund our initiatives for the new strategy.

Digital transformation, revamped Information Communication Technology (ICT) infrastructure, automated essential business processes and improved systems will all be given attention. In the short to medium term, we plan to invest in our expanded Certificate in the Theory of Accounting (CTA) study support programme. The additional costs and loss of productive hours were not included in the budget. It is important to make smart choices that prioritise investment in projects that will enhance organisational efficiencies and keep the organisation liquid now and in the future.

## Developing our human capital

Managing talent is a strategic priority that focuses on our ability to attract and retain the right calibre of staff. Its success as part of the talent management process and succession planning has allowed us to recruit 67% of our senior management and 74% of other staff internally. This does not include trainee auditor recruitment.

We had 665 vacancies at year end. While there has been a moratorium and stringent oversight on creating posts and filling vacancies, business operations necessitate filling critical positions that have an impact on the delivery of our mandate.

Our graduate recruitment efforts resulted in 425 trainees of which 225 (53%) had attained their CTA. Employing trainees with a CTA is vital to our business model.

Our Assessment of Professional Competence (APC) 2021 results increased significantly from 16% to 57%. I am proud of our 308 successful 2021 APC candidates.

The January 2022 Initial Test of Competence (ITC) results mirrored the 28% CTA pass rate. Our CTA support plan aims to address the pass rate decline in both the CTA and ITC using the successful AGSA Bootcamp model.

Our efforts focused on building a stable and dynamic high performing workforce.

We now employ 1 367 (36%) qualified auditors and 850 (23%) non-audit employees with tertiary education.

## Employee wellness

A healthy and engaged workforce is one of our greatest assets. According to an organisational report from ICAS, staff reporting problems relating to their mental health is consistent with the trends across the country. These include stress, anxiety and depression, which more than doubled. We provided proactive support to mitigate the risks associated with chronic mental ill-health and physical illness.

## Leadership development programmes

The past few years have had an impact not only on families and staff, but also on business and how we work. The focus on catch-up audit work disrupted our essential leadership development programme. Instead, we rolled out a series of practical webinars to help leaders navigate the disruption and continue to work – focusing on managing employees remotely and resilience.

## Organisational culture and employee engagement initiative

Our organisational values were developed to support our new strategy. The core values of caring, trust, doing the right thing and performance excellence also influenced our outcomes-based hybrid working model, implemented in the alternative work location policy.

## Organisational design

We amended our organisational structure to enable us to deliver quality, efficiency, value and relevance. This included reorganising our audit leadership structures, audit portfolios and risk management structures, and establishing a dedicated expanded audit support portfolio. While we finalised the audit support portfolio, restructuring the ICT portfolio was delayed by changes in leadership at chief technology officer, business unit leader and senior manager levels. This, together with project inefficiencies, have had an impact on the project's progress. Our focus for 2022-23 will be to finalise this restructuring as quickly as possible.

## Employer of choice award

I am proud that we were once again recognised for the good work we do as an organisation. We were awarded the 2022 Employer of Choice in the Public Sector for the second year in a row, and were ranked third in the Aspirational Employer of Choice category, up from #11 in 2021. The awards recognise and reward excellence and innovation in the graduate employment field.

## Organisational tools

We restarted the audit software project to incorporate new ways of thinking and improve our audit effectiveness. We finalised the “what good looks like” benchmarking exercise and the market analysis, and expect to start the project in 2022-23. We are reviewing our enterprise resource planning (ERP) capabilities and further research will determine the cost of the solution and suitable vendors.

A service provider began active work on our revised case management solution (CMS) in January 2022 to automate the MI process. The work is expected to be complete by the end of January 2023.

Our disaster recovery plan simulated test in March 2022 was successful and will form part of our testing processes going forward.

We completed our digital transformation roadmap. Our technology portfolio now also includes a digital transformation unit. We expect our technology strategy to be developed by 30 September 2022.

We also resolved most of our major ICT audit findings. Those that have not been resolved require management to implement all the action plans for closure.

## Ethics and risk management

Ethics is at the heart of our business. We reaffirmed this during our annual Ethics month in October, with the theme Live It... we do the right thing. Our leadership is a core driver of ethical conduct and contributed to strengthening the AGSA ethics environment. Our annual ethics declaration was completed by 99,8% of employees. The majority of outstanding declarations represent employees who were on extended leave.

In 2021-22, we received 29 complaints that fell within our mandate. Of these, 10 were referred to subject matter experts and 19 were investigated (9 were finalised and 10 are still in various stages of progress). We also emphasised the audit escalation process for disagreements before lodging a complaint, both internally and on our website. This has resulted in a significant drop in audit-related

complaints.

We achieved clean audit outcomes for the 2021-22 performance year and, in doing so, continue to demonstrate that clean administration achievable.

In the same vein, of the 47 audit findings that were raised by both internal and external audit, 40 (85%) have been resolved. The remaining findings are in the process of being finalised.

## Contribution to transformation

We maintained our level 1 B-BBEE contributor status, improving from 95% in 2016-17 to 104,2% in 2021-22. I attribute this success to our employees’ committed support, effective collaboration among our various experts, our processes and monitoring plans and our leadership’s strong oversight.

Designated groups, particularly small youth-owned businesses, received R188 million or 26% of our procurement budget. I commend TeamAGSA for its willingness to actively identify and support these businesses.

Our allocation of audit work to private firms stimulates growth and transformation in the accounting profession. We outsourced R880 million in audit work to private audit firms. Of this amount, R777 million (88%) was outsourced to B-BBEE levels 1 and 2 audit firms that make an important contribution to transformation.

An equally important contribution to transformation is our audit outsourcing expenditure on 51% black-owned firms, which has increased over the past six years from 16% in 2016-17 to 70% in 2021-22. Our audit outsourcing expenditure on 30% black women-owned firms over the past six years increased from 9% to 26%.

Our enterprise and supplier development (ESD) programme provides financial (allocated budget) and non-financial support to develop and support small black-owned businesses, and maximise their economic opportunities. We outsourced audit work and pre-issuance reviews to these firms, assisting them to create a total of 298 jobs during the year. ESD beneficiaries shared R201 million (which equates to 23% of our total outsourced audit expenditure).

## Conclusion

Overall, we have achieved the intentions of the 4V strategy over the past eight years. We have built the structure of a strong institution through professionalism, strict financial management and an ethical culture.

We are currently preparing our environment for our new #cultureshift2030 strategy, which will introduce a number of approaches to enhance public sector accountability. I am very excited about this journey and look forward to seeing its impact on the lived reality of our citizens.

The exceptional commitment, diligence and professionalism of our leadership and employees on this journey is admirable and greatly appreciated. I am sure that together we can help our stakeholders change the trajectory of public sector audit findings for the benefit of the country.

I also thank the auditor-general for selecting me to be part of her team and this great institution. I am certain that we will achieve great things under your leadership.



Vonani Chauke,

**Deputy Auditor-General**



## EXECUTIVE COMMITTEE



**Sibongiseni Ngoma**  
Head of National Audit



**Mabatho Sedikela**  
Head of Provincial Audit



**Sipho Ndaba**  
Head of Specialised Audit



**Polani Sokombela**  
Chief Financial Officer



**Mlungisi Mabaso**

Chief People Officer



**Phila Ndarana**

Chief Technology Officer\*



**Solomon Segooa**

Chief Risk Officer



**Jan van Schalkwyk**

Executive in the office of the  
auditor-general

\* Phila was appointed after the 2021-22 year end.





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# WHO WE ARE

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### Our mandate and legal form

The AGSA is South Africa's supreme audit institution, with a mandate stemming from chapter 9 of the Constitution of the Republic of South Africa, 1996. This makes us one of six state institutions that support constitutional democracy.

The Constitution entrenches the AGSA's independence, subject only to the Constitution and the law. In turn, the Constitution requires us to be impartial, and to exercise our powers and perform our functions without fear, favour or prejudice.

The AGSA is an organ of state as defined by sub-section 239(b)(i) of the Constitution, has full legal capacity and acts as a juristic person.

### Accountability and reporting

We account to the National Assembly by tabling our annual report, financial statements and the audit report on those financial statements in the National Assembly. This requirement is governed by sub-section 10(2)(b) of the Public Audit Act 25 of 2004 (PAA).

### Our functions, beneficiaries and products

Section 188 of the Constitution describes our functions and chapters 2 and 3 of the PAA regulate the powers necessary to perform them. By law, we audit and report on how the government spends the South African taxpayers' money. Every year, we audit national and provincial government departments, certain public entities, municipalities and municipal entities (our auditees). We issue audit reports that provide them with the outcomes of our audits, and emphasise material irregularities where we find them.

#### According to section 1(1) of the PAA, a material irregularity (MI) occurs when:



- a person does not comply with or contravenes legislation, engages in fraud or theft, or violates their entrusted duty
- this action can or does result in a significant financial loss, the misuse or loss of a significant public resource or substantial harm to a public sector institution or the general public
- the action is identified during an audit performed under the PAA

When our outcomes include MIs, we can either refer them to public bodies for investigation or include recommendations to address them in the audit report. In the case of the latter, if our recommendations are not implemented, we take binding remedial action. Where the accounting officer or authority does not implement the remedial action, the

auditor-general can issue a certificate of debt to recover money lost from accounting officers or authorities.

We undertake two main types of audits: financial audits and discretionary audits, such as performance audits, special audits and investigations.

## Definitions

1

**Regularity audit**, or financial audit, is our mandated examination and reporting on an auditee's financial statements. It also examines the auditee's compliance with relevant legislation and its reporting on its performance against its own predetermined objectives.

2

**Specialised Audit Services** is a division of the AGSA that nurtures and provides specialised skills and techniques for in-depth audits based on the auditee's risk profile. These audits can be stand-alone or integrated with regularity audits and other discretionary audits. The three specialised audit services business units are Investigations, Information Systems Audit and Performance Audit.

3

**Binding remedial action** directs the accounting officer or authority to address cases where our recommendations are not implemented. In the case of a financial loss, the accountable officer must calculate the loss and recover it from the person responsible.

4

**A certificate of debt** is a certificate issued in terms of section 5B(1) of the Act when remedial action has not been taken. It requires the accounting officer or authority to repay the specified financial loss to the State.

All our reports are meant to help the legislature call the executive to account for the way they manage public funds.

Auditees include our financial audit reports in their respective annual reports, which they table in their relevant

legislature (National Assembly, provincial legislatures or municipal councils). The reports may also be made available to bodies with a direct interest in the particular audit and to any other legislature or organ of state if we consider it in the public interest to do so.

In addition to these audit reports, we publish general reports in which we analyse the outcomes of the financial audits at national, provincial and municipal levels, and special reports that analyse our findings from real-time or other stand-alone discretionary audits.

## Our organisational scale

At the end of March 2022, the AGSA employed 3 765 people, including trainee auditors and those on short-term contracts. Our actual revenue for the year ended 31 March 2022 was R4 395 million from 1 060 audits.

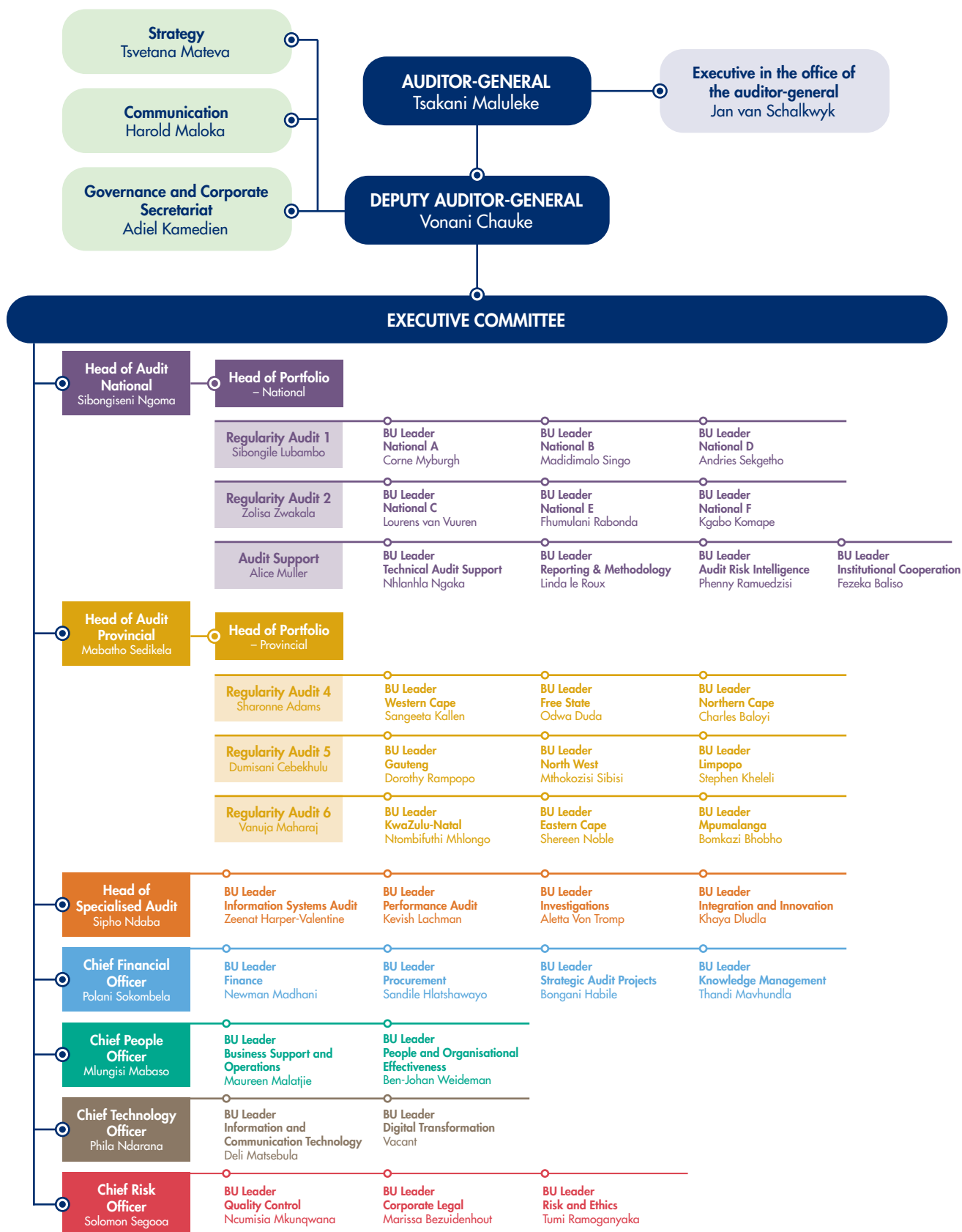
## Our organisational structure

The AGSA is based in South Africa and delivers services that benefit the people of our country. The business operations of some of our auditees require us to audit elsewhere in the world.

Our head office is in Pretoria. We have a regional office in each of the nine provinces to ensure that we are accessible to our clients and deliver our services in the most efficient and effective manner.

The AGSA is made up of 15 regularity audit business units – one operating in each of South Africa's nine provinces and six at a national level – three specialised audit services units, and 21 support business units (see our management structure on page 28). We use a shared services model for all enterprise resources, including financial and human capital, information and communication technology services, legal services, technical audit services, quality control, information and knowledge management, risk and ethics management, strategy management and communication.

## Management structure of the AGSA



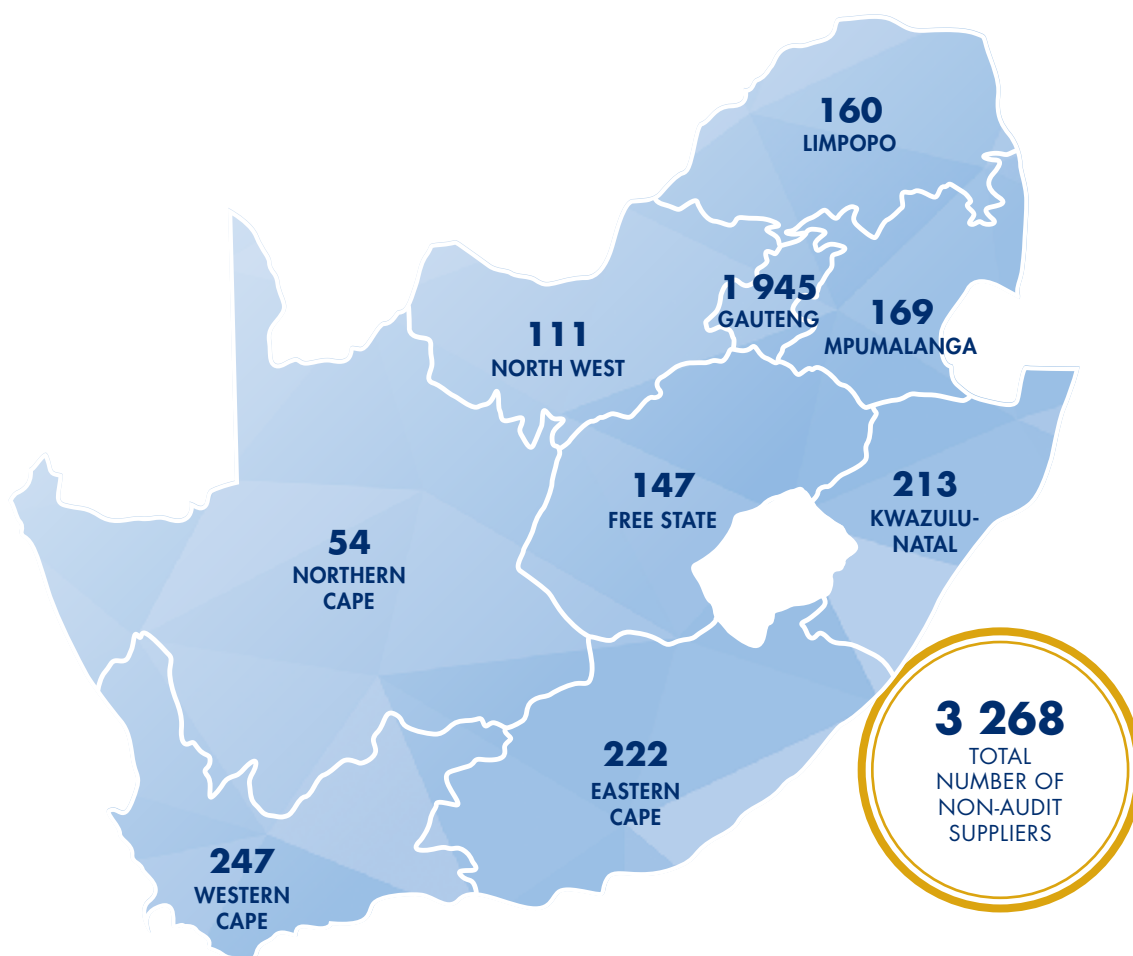
## 2021-22 Value-added statement

	%	R million
Revenue		4 395
Paid to suppliers		(1 364)
<b>Value added by operation</b>		<b>3 031</b>
Interest income		65
<b>Total value added</b>		<b>3 096</b>
Applied as follows		
<b>Paid on external empowerment</b>	<b>0,23%</b>	<b>7</b>
Corporate social investment	0,03%	1
External bursaries	0,20%	6
<b>Paid on employees and internal empowerment</b>	<b>91,92%</b>	<b>2 846</b>
Salaries, wages and benefits	91,05%	2 819
Employee wellness	0,06%	2
Study assistance	0,39%	12
Training	0,42%	13
<b>Paid to providers of capital</b>	<b>2,07%</b>	<b>64</b>
Finance cost	2,07%	64
<b>Reinvested in the business</b>	<b>5,78%</b>	<b>179</b>
Depreciation	4,49%	139
Retained surplus	1,29%	40
<b>Total value added</b>	<b>100%</b>	<b>3 096</b>

## Organisation's supply chain

In line with the principles prescribed in the Constitution, we maintain a procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective.

### Non-audit supplier database



Our annual database update led to our non-audit supplier database increasing from 2 938 suppliers in 2020-21 to 3 268 in 2021-22. To sustain our financial viability, we negotiated contracts tendered at R5 million and above as a cost-cutting measure and safeguard against paying a high premium for goods and services. This, and the decrease in procurement during the pandemic, led to R2,1 million in reductions. In the previous year, our reduction was R4,1 million as our tender threshold was R1 million. Going forward, we will negotiate all contracts tendered above R1 million.

### Audit contracts

As part of our business model, we outsource some of our audit work to firms that audit on our behalf. We appoint these firms using a transparent selection process that considers their size, location, expertise and quality of audit work. The appointment process incorporates principles of transformation to develop, grow and advance black chartered accountants.

During 2021-22, we spent R880 million on core audit work by private firms. Of this, R614 million (70%) was allocated to black-owned firms, while R230 million (26%) was allocated to black women-owned firms.

- 100 audit firms (9 large, 14 medium and 77 small)<sup>1</sup>
- 1 919 audit contracts were awarded to these firms
- outsourced work included pre-issuance reviews, regularity audits, information systems audits and performance audits.

For further information on our active response to transformation, see the vision and values driven chapter from pages 125 – 143.

### Significant changes during the reporting period

We finalised our #cultureshift2030 strategy to guide our activities over the next seven years. The strategy recognises that we cannot drive and deepen public sector accountability alone. To assist us, we will develop an effective network of stakeholders to form a public sector accountability ecosystem with the aim of changing the culture in the public sector. Organisationally, we restructured our leadership team and exco to align to our new strategy and aspirations.

Our real-time audits of the funds released for the covid-19 pandemic response and initiatives continued, with a focus on the Department of Health's vaccine rollout. We provided our stakeholders with insight from this audit in multiple engagements.

We approved the alternate work location policy and procedures, an approach we adopted in response to the pandemic.

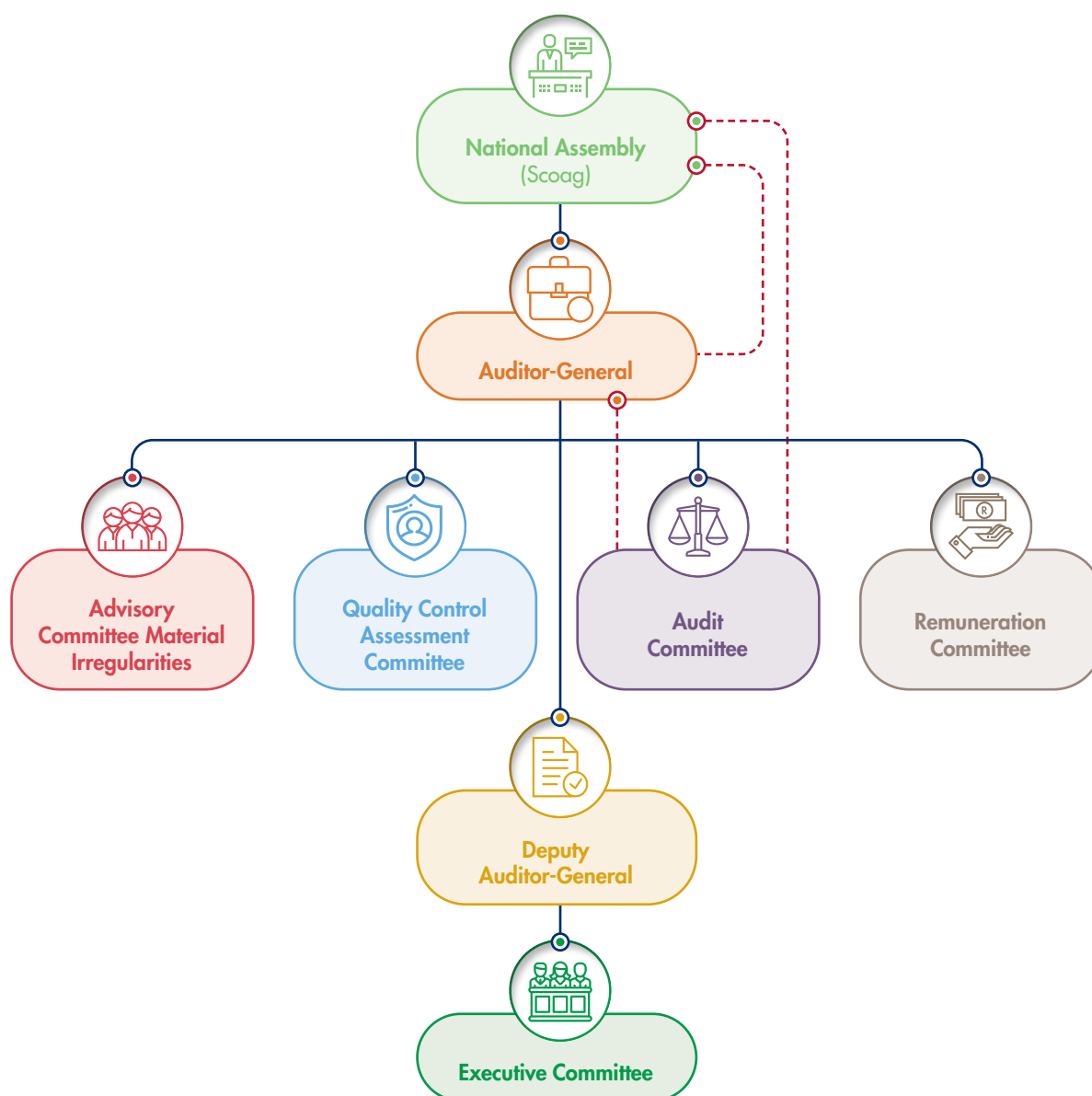
1. Large firm – turnover of more than R50 million  
Medium firm – turnover between R10 million – R50 million  
Small firm – turnover between R0 million – R10 million

## CORPORATE GOVERNANCE FRAMEWORK

Our governance framework is defined by the Constitution, the PAA and its regulations and good governance best practices. We fully adhere to most of the King IV principles and partially comply with principles 8, 9 and 10 in our reporting.

Given our fresh strategic approach, we are updating our internal governance framework to enhance our leadership decision-making processes. In line with best practice, we rotate the members of our governance structures and perform annual, independent reviews of the effectiveness of our structures and their members.

### AGSA governance structure





## STANDING COMMITTEE ON THE AUDITOR-GENERAL

*The National Assembly established the Standing Committee on the Auditor-General (Scoag) as an oversight mechanism aligned to the provisions of section 55(2)(b)(ii) of the Constitution and section 10(3) of the PAA. In addition to commenting on aspects of the AGSA's functioning, reviewing our annual report and considering certain reports from the audit committee and the deputy auditor-general, Scoag also:*

- advises the National Assembly
- ensures the AGSA's independence, impartiality, dignity and effectiveness
- approves an appropriate financial reporting framework for the AGSA
- recommends the auditor-general's conditions of employment to the president
- confirms the five-year appointment of an independent firm of external auditors and reviews the appointment annually
- agrees to the AGSA retaining any surplus at the end of a financial year for working capital and general reserves.

During its engagements with the AGSA from 1 April 2021 to 31 March 2022, Scoag considered the following matters:

- AGSA briefing on the appointment of the deputy auditor-general.
- AGSA briefing on the local government audit outcomes and findings on covid-19 municipal relief funds.
- AGSA briefing on the *Integrated annual report 2020-21*, the audit committee report, the *2022-25 Strategic plan and budget* and the *Audit directive*.
- AGSA briefing on the 2020-21 national and provincial audit outcomes.

In March 2022, Scoag visited our head office as part of its oversight. During this visit, Scoag discussed a number of its previous recommendations on the organisation's performance and was satisfied with our progress.

**Scoag's members are all members of Parliament from the following political parties:**

### ANC

MR SS SOMYO (Chairperson)

MR JB MAMABOLO

MR OM MATHAFA

MR Z MLENZANA

MS PT MPUSHE

MS C SEOPOSENGWE

MS DJ MYOLWA



### DA

MR MH HOOSEN

MS SP KOPANE



### EFF

MS NV MENTE

MS NKF HLONYANA (Alternate member)



### IFP

MR N SINGH



### AIC

MR SM JAFTA





## AUDIT COMMITTEE

Section 40(1) of the PAA mandates the auditor-general to establish an audit committee and appoint its members. The audit committee does not have managerial responsibility, but reports to the auditor-general and Scoag on:

- whether our internal controls and risk management are adequate and effective
- its evaluation of our annual financial statements
- its opinion of whether our chief financial officer and finance function have the necessary financial expertise to fulfil their responsibilities.

The committee consists of three independent, non-executive members. Their skills and competencies are aligned to their duties and cover business, financial and risk management matters.

The audit committee met five times during the year to consider, and where appropriate, approve:

- the status of our internal controls and risk management
- the progress of the internal and external audits
- the integrated annual report and audited financial statements
- our sustainability and performance information
- our internal audit work plan
- our recommendation to Scoag to appoint the external auditor and their work plan
- our chief financial officer and finance function's financial expertise to fulfil their responsibilities
- our complaints management
- the annual assessment of the audit committee members
- the mitigation we implemented to improve quality control.

The audit committee's full report is presented on page 152.

## Knowledge, skills and competencies of the audit committee members

### MR JOHN BIESMAN-SIMONS 68

B Com, CA (SA)

Date of appointment: 2005

Chairperson

100%



John served as an audit partner at Deloitte & Touche for 13 years. He recently retired as a non-executive director of a JSE-listed real estate investment trust (REIT), chaired its audit committee for 10 years and is chairman of other private companies. He has served on the audit committees of a number of public and private sector organisations.

Total paid: R243 147\*

### MS CAROL ROSKRUGE 49

BSc Hons Molecular Eng,

MSc Biochemical Science,

MBL Governance & Leadership

Date of appointment: 2016

Member

100%



Carol is a senior executive with many years of supply and value chain experience. She has experience as an independent Non-Executive director within the public and private sectors, as well as, a large JSE listed group.

Total paid: R149 712\*

### MR CEDRICK MAMPURU 46

CA(SA),

BCom Accounting (Cum Laude),

BCompt Hons/CTA ,

Higher Diploma in Tax Law

Date of appointment: 2018

Member

100%



Cedrick is a senior executive with over 20 years of experience in debt and equity structuring, risk and financial management. He serves on a number of boards as a director, and an audit and investment committee member.

Total paid: R146 593\*

Mr John Biesman-Simons's term as the audit committee chairperson comes to an end on 31 October 2022. Ms Grathel Motau has been enlisted as the new audit committee chairperson.

\* Audit committee member payment: April 2021 – March 2022  
Members are paid an hourly rate of R3 119 for the duration of a meeting and meeting preparation according to the approved Saica rates for 2021-22.



## QUALITY CONTROL ASSESSMENT COMMITTEE

The quality control assessment committee (QCAC) oversees the system of quality control at the AGSA. The QCAC consists of the auditor-general, the deputy auditor-general, a member of the audit committee and an additional external member co-opted by the auditor-general.

The QCAC assesses quality control based on inputs from our Quality Control business unit and the Independent Regulatory Board for Auditors (IRBA) to ensure that the AGSA and its employees adhere to professional standards and legal requirements, and that our audit reports are in line with accepted international standards.

All quality control monitoring review reports are submitted to the QCAC annually. The QCAC considers whether the Quality Control business unit's quality assessment ratings for the engagement managers subjected to a quality control review have been correctly evaluated. The QCAC also plays a critical role by reviewing and approving our policies and processes for monitoring quality control compliance.

At its meeting on 14 June 2021 the QCAC finalised the assessment results of a sample of our audit engagements reviewed in the 2020-21 performance year. The main points of deliberation were:

- the update on the system of quality control and progress made on the International Standards on Quality Management (ISQM1)
- the policy on monitoring quality control compliance
- the report on the legal assessment into the root causes for the quality control failures allocated during the 2020-21 review cycle
- the quality control review process and the assessment criteria
- the report on the peer review of internal quality control reviewers
- a consideration of review reports, review statistics and overall results and final decisions on proposed ratings for the 2020-21 audit cycle
- the possible impact of findings on policies and procedures, and on quality control policies
- scheduling 2022-23 reviews

The results are reported under performance information on the system of quality control on page 81.

## Knowledge, skills and competencies of the QCAC members

### MS TSAKANI MALULEKE 47

CA(SA)

Date of appointment: 2014

Chairperson

100%



Tsakani has more than 20 years of experience in the private and public sectors, spanning diverse areas that include auditing, corporate advisory, development finance, investment management and skills development.

### MR JAN VAN SCHALKWYK 55

CA(SA)

Date of appointment: 2010

Member

100%



Jan joined the AGSA in 1997 and was tasked with entrenching the new trainee auditor scheme. In 2010, he became a corporate executive and in 2015 was appointed executive in the auditor-general's office. He is also involved in the Intosai community and their capacity-building committee.

### MR JOHN BIESMAN-SIMONS 68

B Com, CA (SA)

Date of appointment: 2013

Member

100%



John served as an audit partner at Deloitte & Touche for 13 years. He recently retired as a non-executive director of a JSE-listed real estate investment trust (REIT), chaired its audit committee for 10 years and is chairman of other private companies. He has served on the audit committees of a number of public and private sector organisations.

Total paid: R24 952\*

### MS LINDA DE BEER 48

CA(SA),

Chartered Director (SA)

Date of appointment: 2015

Member

100%



Linda is a professional director serving on the boards of a number of JSE-listed companies, often chairing their audit committees. She also chairs the Public Interest Oversight Board in Spain, which oversees the setting of international audit and ethics standards for accountants and auditors and is a member of the International Valuations Standards Council, based in London.

Total paid: R24 952\*

\* Audit committee member payment: April 2021 – March 2022  
Members are paid an hourly rate of R3 119 for the duration of a meeting and meeting preparation according to the approved Saica rates for 2021-22.



## REMUNERATION COMMITTEE

The auditor-general determines the terms and conditions of employment of all employees in the organisation. The remuneration committee (remco) provides the auditor-general with specialised advice on remuneration and related issues, which is considered before the auditor-general makes a final decision. It also provides advice on industry developments in remuneration frameworks. The remuneration committee is reviewed annually for independence.

In addition, the amended PAA mandates remco to make recommendations to the independent commission for the remuneration of public office bearers on the salary, allowances and benefits of the auditor-general.

During the year, the committee met three times to deliberate on the following areas:

- Annual salary increase and performance bonuses
- Financial position update and the scenario planning going forward
- Proposed changes to the date for salary increases (from August to April)
- Auditees' engagement plans
- Consideration of consultation process for the auditor-general's remuneration

Ms Mpuseng Thalabane and Dr Mark Bussin completed their terms in November 2021. Ms Nkeli began her role as the new remco chair replacing Dr Mark Bussin effective from 1 March 2022. Ms Nkeli opted not to be paid for attending meetings.

## Knowledge, skills and competencies of remco

### DR MARK BUSSIN 59

BSc, HDPM, MM, D Com,  
Master Reward Specialist  
Date of appointment: 2007  
Chairperson

67%



Mark serves on several boards, human resource / remuneration and audit committees. He held global executive positions at three multinationals and was a professor at various universities.

Total paid: R30 254\*

### MR VONANI CHAUKE 46

CA (SA), CISA, CIA  
Date of appointment: 2021  
Member

100%



Vonani has over 23 years of auditing experience, and has spent 15 years as a partner in professional audit firms servicing clients in both the public and private sectors.

### MS MPHONG NKELI 57

BSc (Environmental Science);  
Marketing courses  
Management Advancement Programme;  
MBA  
Date of appointment: 2021  
Member

100%



Mpho trained as an environmental scientist, before focusing on human resources and transformation. She was chair of the Commission of Employment Equity and contributed to changes in legislation relating to BEE. Mpho has executive experience spanning over 15 years.

Mpho heads the SPi Board Practice and has successfully led NED placements and completed several board revamp projects.

She serves on two listed boards and has recently been invited to join the King IV remco.

Total paid: Nil

\* Audit committee member payment: April 2021 – March 2022  
Members are paid an hourly rate of R3 119 for the duration of a meeting and meeting preparation according to the approved Saica rates for 2021-22.

**MR BERNARD NKOMO 62**

BCom

Advanced Executive Development Programme

Senior Management Development Programme

Date of appointment: 2008

Member

100%



Bernard has over 18 years of senior management experience in finance and human resource reward management at various companies. He currently consults in human resources and reward management.

Total paid: R43 759\*

**MS MPUSENG TLHABANE 60**

B Admin Ind Psych

MDP

MyPDA Coach Analyst

FLA Coach

NLP Practitioner

Master HR Practitioner

Date of appointment: 2008

Member

67%



Mpuseng has 27 years of experience as a human resource practitioner, 15 at executive level and seven years at her own consulting company. She has served on the human capital & ethics committee of an SOE since November 2019.

Total paid: R33 373\*

**MS NAZLIE SAMODIEN 52**

B Soc. Science

PDM

M Dip (HR)

GRP

Master Reward Specialist

Date of appointment: 2009

Member

67%



Nazlie has 10 years of generalist HR experience and over 15 years in specialist remuneration. The last 10 years have been at senior management and executive levels. She was also the president of the South African Reward Association.

Total paid: R26 605\*



## EXECUTIVE COMMITTEE

*The PAA gives both the auditor-general and the deputy auditor-general the authority to delegate their assigned powers or duties to any member of staff. The executive committee (exco) assists the deputy auditor-general to manage the business affairs of the organisation, in line with the delegation of authority set out in the AGSA management approval framework.*

Chaired by the deputy auditor-general, exco consists of the heads of audit and specialised audit services and the chief officers. It focuses on our strategic plans, reviewing and directing their implementation throughout the year. Exco meets regularly during the year and, when required, holds special meetings. It also has the power to establish subcommittees to assist it.

Exco met 14 times during the 2021-22 financial year. It dealt with implementing strategic initiatives, approving various policies and strategic documents, considering the internal and external auditors' management reports, and monitoring management information for issues and trends. The organisational structure was implemented in May 2021 and resulted in some exco members being appointed heads of portfolio and others becoming members of leadco, which makes recommendations to exco.

### Biography of the executive committee

#### MR VONANI CHAUKE 46

CA (SA), CISA, CIA  
Date of appointment: 2021  
Chairperson

92%



Vonani has over 23 years of auditing experience, and has spent 15 years as a partner in professional audit firms servicing clients in both the public and private sectors.

#### MS SIBONGISENI NGOMA 46

CA(SA)  
Date of appointment: 2012  
Member

100%



Bongi served as a senior account manager and head of internal audit before joining the AGSA in 2012 as the chief financial officer. Bongi was appointed as Head of national audit in 2021.

#### MS MABATHO SEDIKELA 45

CA(SA);  
Master of Commerce Taxation  
Date of appointment: 2016  
Member

93%



Mabatho has over 16 years of experience in the audit profession. She joined the AGSA in 2010 and over the years climbed the corporate ladder to corporate executive. Mabatho was appointed as Head of provincial audit in 2021.

#### MR SOLOMON SEGOOA 49

CA(SA);  
Date of appointment: 2014  
Member

100%



Solomon has 23 years of experience, 19 of which were spent in executive positions. This includes leadership roles in the private and public sectors, in SOEs and industries such as investment banking, mining and auditing. He joined the AGSA as a corporate executive in 2014. Solomon was then appointed as the CRO in 2021.

**MR MLUNGISI MABASO 55***Honours degree – Industrial Relations**Masters diploma – Human Resources**Date of appointment: 2016**Member*

93%

*Mlungisi has 29 years of experience as a human capital professional, 16 of which have been in senior leadership roles. He joined the AGSA as chief people officer in 2016.***MR SIPHO NDABA 51***MSc**Date of appointment: 2018**Member*

93%

*Sipho has over 25 years of experience in technology audits, risk management and consulting. He spent 14 years at KPMG in various roles as a partner before joining the AGSA as a corporate executive.***Corporate executive in the  
auditor-general's office****MR JAN VAN SCHALKWYK 55***CA(SA)**Date of appointment: 2010**Member*

92%

*Jan joined the AGSA in 1997 and was tasked with entrenching the new trainee auditor scheme. In 2010, he became a corporate executive and in 2015 was appointed executive in the auditor-general's office. He is also involved in the Intosai community and their capacity-building committee*

### External charters, principles and initiatives that we subscribe to or endorse

The AGSA is an active member of Intosai and participates in several of its working groups. We host the secretariat of the African Organisation of English-speaking Supreme Audit Institutions (Afrosai-e), the regional chapter of Intosai.

We subscribe to the following standards and principles:

- The International Standard on Quality Control (ISQC 1) and are preparing for the implementation of the enhanced standards ISQM 1 and 2 which will replace ISQC 1
- The International Financial Reporting Standards (IFRS)
- The International Standards on Auditing
- The International Standards of Supreme Audit Institutions (ISSAI)
- The Institute of Internal Auditors' *International standards for the professional practice of internal auditing*
- The International Ethics Standards Board for Accountants (IESBA) *Code of ethics for professional accountants*
- The Intosai *Code of ethics*
- *Integrated annual reporting*
- *Global reporting initiative*

### Value and benefits of supreme audit institutions

As a member of Intosai, we subscribe to the principles entrenched in Intosai-P 12, which describe how supreme audit institutions demonstrate their value and benefits to the public sector.

The goal of supreme audit institutions is to make a difference in the lives of ordinary citizens in their respective countries.

The overall philosophy of the standard centres around the following notion:

SAls [supreme audit institutions] auditing government and public sector entities have a positive impact on trust in society because it focuses the minds of the custodians of public resources on how well they use those resources. Such awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions. Once a SAI's audit results have been made public, citizens are able to hold the custodians of public resources accountable. In this way, SAls promote the efficiency, accountability, effectiveness and transparency of public administration. An independent, effective and credible SAI is therefore an essential component in a democratic system where accountability, transparency and integrity are indispensable parts of a stable democracy. Acting in the public interest places a further responsibility on SAls to demonstrate their ongoing relevance to citizens, Parliament and other stakeholders.

The extent to which a SAI is able to make a difference to the lives of citizens is contingent on three main pillars:

### PILLAR 1



Strengthening the accountability, transparency and integrity of government and public sector entities

- Safeguarding the independence of the SAI
- Carrying out audits
- Enabling those charged with governance
- Reporting on audit results

### PILLAR 2



Demonstrating ongoing relevance to citizens, Parliament and other stakeholders

- Being responsive to changing environments and emerging risks
- Communicating effectively with stakeholders
- Being a credible source of independent and objective insight

### PILLAR 3



Being a model organisation through leading by example

- Ensuring appropriate own transparency and accountability
- Ensuring own good governance
- Complying with a code of ethics
- Striving for service excellence and quality
- Capacity building through learning and knowledge sharing





## SECTION 3

# INTEGRATED **ANNUAL** REPORT PROFILE

44	Reporting cycle and approach
44	Reporting principles, policies and practice
45	External assurance on this report
45	Approval of the report
46	Strategic overview
48	Conditions under which we operate
50	Strategic risks
52	Value creation
54	Business model

## Reporting cycle and approach

Every year we produce an integrated annual report to account to Parliament for our performance during the previous financial year. Our reporting period is from 1 April to 31 March. The last annual report was tabled in Parliament on 23 September 2021.

This integrated annual report provides a concise and balanced account of our performance from 1 April 2021 to 31 March 2022 against the commitments outlined in the *2021-24 Strategic plan and budget*. The report includes the audited financial statements and the reports of the remuneration and audit committees.

Our integrated approach to reporting is a result of applying integrated thinking to defining the imperatives for creating long-term, sustainable value for our stakeholders. This report covers the performance of all AGSA business units, including our head office and our offices across the nine provinces.

## Reporting principles, policies and practice

The 'core' option of the Global Reporting Initiative (GRI) guidelines for sustainable reporting and the International Integrated Reporting <IR> framework both informed the content and format of this report. Therefore, this report meets the information and reporting requirements of both the <IR> and the GRI standards 'core' option.

The report also reflects the requirements of our governing legislation, the PAA, and the principles of the King IV code on corporate governance and reporting. The financial statements are prepared according to the IFRS and the PAA.

## Our focus for the content of this report

We identify issues that have the potential to impact our sustainability, i.e. our ability to create, preserve or erode value for our stakeholders. We prioritise those with the greatest relevance in our operating context as material matters. These matters generally relate to our financial and performance management, as well as the risks and opportunities that inform the scenarios we may face in the future.

We assess the matter continually to ensure that we remain relevant, to inform our strategy, the movement of our six capitals and our performance targets.

The material topics reported on in this report were defined by our executive committee in the strategic commitments made to Parliament, which are based on our long-term strategy and outlined in detail in the AGSA's *2021-24 Strategic plan and budget*. At the end of the reporting period we confirmed these commitments and did not identify any new material matters

The material aspects are applicable to all our business units and key stakeholders. We therefore continuously engage with our stakeholders to find out what is important to them so that we can respond to their needs.

We did not need any restatements from our previous integrated annual reports.

## External assurance on this report

### Organisation's policy and practice on seeking external assurance

Our combined assurance model defines the various role players that provide assurance to the AGSA, which include management, internal specialists, actuaries, internal audit, external audit and the audit committee.

An independent external auditor audits our financial statements, financial management and performance information, and provides limited assurance on the selected sustainability performance indicators.

The assurance on this report was conducted according to the International Standards on Assurance Engagements 3000 (ISAE 3000: revised), issued by the International Auditing and Assurance Standards Board. The external auditor's report is on page 162 of this report.

### Relationship between the organisation and the assurance providers

The external auditor is completely independent of the organisation. The firm does not receive any allocation of audits to be done on behalf of the AGSA and its income from auditing the AGSA is less than 15% of the firm's annual revenue.

### Scoag's and the audit committee's contribution to the assurance on the organisation's sustainability report

Scoag, which oversees the AGSA's work on behalf of Parliament, appoints the external auditor for five years (renewable once) and confirms its appointment every year. The audit committee facilitates contracting the external auditor on behalf of Scoag in a process that is fair, equitable, transparent, efficient and effective and in line with our transformation agenda.

The audit committee also examines the auditor's capacity and competence to provide assurance on the sustainability information it reports on as part of its annual report to Scoag. We train the members of this committee annually on their responsibilities to the assurance of the integrated report.

## Approval of the report

The deputy auditor-general and auditor-general have applied themselves to ensure the integrity of the *2021-22 Integrated annual report*. They have considered the completeness of the material aspects addressed in the report and the reliability of the reported performance information presented based on the combined assurance process. Accordingly, the deputy auditor-general and the auditor-general are satisfied that the *2021-22 Integrated annual report* provides a fair and balanced account of the AGSA's performance on those material matters that have been assessed as having a bearing on the AGSA's capacity to create value.

We are also satisfied that the delegation of authority framework has contributed to role clarity and an effective exercise of authority and responsibilities. This report reflects the requirements of our governing legislation, the PAA, and has been prepared according to the GRI standards' 'core' option and the <IR> framework. It also reflects the principles of the King IV code on corporate governance and reporting.

The report, which includes the audited financial statements for the year ended 31 March 2022, has been approved by the deputy auditor-general and the auditor-general.



Signed: Deputy Auditor-General

Signed: Auditor-General

## STRATEGIC OVERVIEW

Over the last few years, we have implemented our long-term strategy focused on ensuring that our daily work provides value to the people of South Africa and their elected representatives in all spheres of government. We are driven by our aspirations for the public service and our existence is concisely defined by our vision, mission and values.

This report represents our account on the achievement of the goals that we set for the organisation in 2015.

While concluding the remaining matters of the 4V strategy, we worked hard to finalise our next strategic scope. Section 5 provides an extensive view of the #cultureshift2030 strategy as it builds on the successes and gains realised by collectively implementing the 4V strategy, and elevates our contribution to the South African people by attempting to influence positive change in the accountability culture of the public service.

### Our aspirations

We want to see a South African public service that is characterised by:

1

strong financial and performance management systems

2

oversight and accountability

3

commitment and ethical behaviour by all

4

a value-adding assurance provider in the form of the AGSA



#### Our vision

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



#### Our mission

We have a constitutional mandate and, as the supreme audit institution of South Africa, exist to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



#### Our values

- We care for each other
- We build trust
- We do the right thing
- We excel in all we do



## Our strategic goals

Our commitments to Parliament were structured around our 4V strategy's four strategic goals.

### V1



#### Value-adding auditing

provides audit-derived valuable insights to our stakeholders on the status of their internal control and performance environment, accompanied by actionable recommendations. When implemented, our recommendations will lead to visible improvements in public sector administration. Reporting on this goal is on pages 66 – 85.

### V2



#### Visibility for impact

structures our stakeholder engagement programmes to effectively encourage and enable the required improvements in the public sector. Reporting on this goal is on pages 85 – 99.

### V3



#### Viability

focuses internally to ensure 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. Reporting on this goal is on pages 100 – 124.

### V4



#### Vision and values driven

demonstrates that clean administration and transformation are achievable, as we lead by example through our work and behaviour. Reporting on this goal is on pages 125 – 143.

# CONDITIONS UNDER WHICH WE OPERATE

*Our work is informed by our environment and the changes that have the potential to affect the delivery of our mandate. Over the last few years, our operating environment has undergone significant shifts as a result of the covid-19 pandemic and developments in many aspects of life and business, locally and globally.*

These aspects were:

## Insufficient improvement of audit outcomes

The limited progress in improving audit outcomes, especially at auditees that are critical for driving service delivery, results in a pronounced, negative impact on the people in South Africa. These trends are most evident at a local government level and SOEs – something that is of significant concern to the AGSA, Parliament and citizens. Audit outcomes relate directly to the work we do, and this lack of improvement has an indirect effect on how the public and government perceive our relevance and effectiveness. The reflection on how to enhance our relevance and effectiveness has formed the basis of our new strategy, which targets improvement in the public sector culture.

## Intensified discourse on fraud and corruption

In our daily work we face the continuous misuse of state resources. The constitutional right to freedom of speech has allowed the media to highlight numerous cases of fraud and corruption. Several CSOs have also taken up the fight against the spillage of public resources.

An important input to this discourse was the investigative work of the Judicial Commission of Inquiry into State Capture, led by Chief Justice Raymond Zondo. We see the proceedings of the commission as a great example of executing one's mandate without fear, favour or prejudice; something that we are proud of and strive to demonstrate consistently through our audits. The commission's report highlights the role of the public sector auditor in identifying and preventing fraud, corruption and other forms of impropriety. The recommendations in the report compelled President Ramaphosa to seek our support in stemming such cases. Although we are currently studying the report and

defining our response, some solutions are already being implemented in our audit work.

## Proven value of real-time audits

The real-time audits on the use of the covid-19 relief funds and the use of our audit findings in recovering misused state funds has demonstrated the value of proactive auditing. It has not gone unnoticed and, when the unprecedented floods in KwaZulu-Natal and Eastern Cape struck, the country's leadership again turned to us to follow the money and assist the executive in ensuring that the relief fund is used for its intended purpose.

While we accept the recognition of the relevance and value of our work, we have the hard task of redeploying our limited resources, redefining our audit approaches, and motivating and caring for our staff, who have constantly been asked to step up in the last three years.

The pandemic continued to impact our operations. Our audit teams have done everything in their power, under tremendous pressure, to complete audits. Our measures to ensure staff safety have helped to limit the negative impact on staff availability. While we will be taking advantage of remote access to audit information, our staff is beginning to increase their physical presence at the auditees.

## Complex audit environment

Our SOE audit portfolio has grown further with our takeover of the Transnet audit, increasing the number of specialised and complex environments that we audit. Although the pace of this change has exerted pressure on our resources, it has led to intensive training and learning for our staff. We are investing in understanding Eskom's audit environment and scope with the intention of signing off the Eskom audit within

the next few years, once we create the necessary capacity and capability for such a complex audit.

We are continuously assessing the audit risks of the remaining schedule 2 SOEs, and our long-term plans include taking over two further audits.

Conducting real-time audits has increased our need for specialised audit skills, and especially investigative skills. We have challenges of scarcity when recruiting these skills, but continue to mitigate this using initiatives such as training, internships, promoting suitably skilled officials and employing outsourced resources over a fixed term.

Implementing the MI process intensified our need for greater skills and capacity to perform high-quality audits. The 2020-21 audit cycle is the first year in which we implemented the full MI definition as described in our legislation.

The poor quality of the annual financial and performance reports submitted by many of our auditees has a negative impact on the time frame and quality of our audits because additional work is needed to respond to the risks posed by misstatements. Often, our audit teams return the annual financial statements to the auditee to make adjustments for compliance with the applicable financial reporting framework.

Year after year we see internal control environments that are inadequately managed. Weak preventative controls and a disregard for our audit messages increase the audit risk profile.

Audit contestations have become a feature of our environment and we will continue to track such cases to understand how we can engage with the respective stakeholders to pre-empt pushbacks. A possible increase in contestations resulting from our enhanced mandate could pose a threat to our staff and an increase in judicial scrutiny of our reports. We use various internal platforms to support our staff to maintain their ethical conduct and make the right choices.

## Decline in the country's economic outlook and its financial impact on us

South Africa's economic outlook has depreciated, mainly as a result of the pandemic. This has seen our low global economic ratings stagnate and presents government with financial constraints to delivering its programmes and generating revenue, especially at local government level, which exerts continued pressure on audit fees.

Russia's invasion of the Ukraine carried significant risks for a South African economy that had not recovered from the pandemic. The higher oil and grain prices inevitably lead to high inflation that erodes consumers' already constrained disposable incomes and makes it harder for municipalities to collect customer debt.

Collecting outstanding debt, predominantly from local government and ailing SOEs, remains a challenge. We expect this trend to increase given the loss of revenue throughout the pandemic and the impact of Russia's invasion of the Ukraine.

## Increased risk of cyberattacks and new technologies

With cyberattacks on the rise globally, we recognise the potential for data breaches and have taken steps to protect our information from such threats. Phishing attempts were identified early and contained by our information and communication technology specialists. We will continue to intensify our information management and security measures to secure the information collected during our audits.

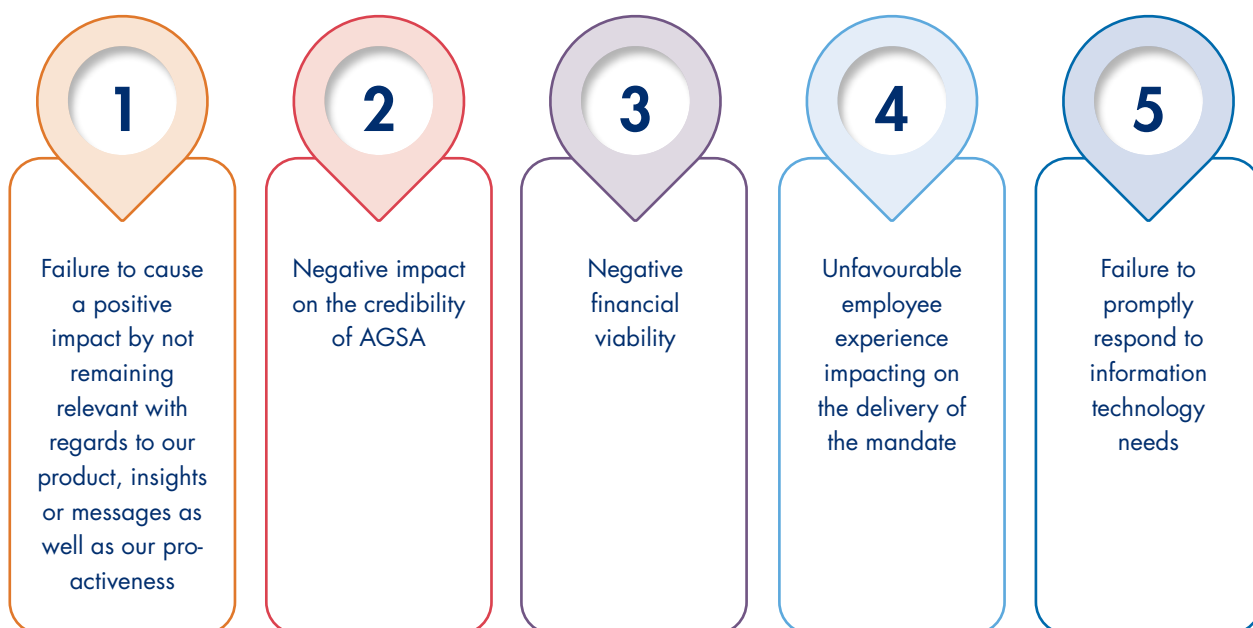
# STRATEGIC RISKS

*Our strategic risk profile represents the top risks the organisation faces. They are managed at an executive level and overseen by the independent audit committee. These are the risks that could fundamentally hinder us from achieving our strategic objectives, so they receive priority attention at the highest level.*

Over the year we rigorously monitored our mitigations for the strategic risks identified in 2020-21, periodically assessing the various risk indicators. We are satisfied with our efforts to address the risk exposure. The residual mitigations are long-term as the strategic objectives extend beyond the performance period.

We reassessed our strategic risks in November 2021 to consider all environmental factors identified at the time, as well as our #cultureshift2030 strategy.

The summary of the 2022-23 risk profile is outlined in the diagram below.



Fundamentally, we have retained our strategic risk profile; however, some elements such as threats against the credibility and reputation of the organisation and employee experience while delivering our mandate, have become more pronounced.

Mitigations that were yet to be implemented from the 2021-22 profile will be considered if they remain relevant, or will be considered in other related business-level risk management processes. The strategic initiatives defined in the new strategy have been incorporated, as they will mitigate many of our risks, especially risk 1 *Failure to cause a positive impact by remaining relevant with regards to our product, insights or messages*. We expect that the risk profile will be approved at the special audit committee meeting in August 2022, after their engagement with exco.

## Forward-looking statements

This report contains certain forward-looking statements on our financial condition, performance results and operations. They are based on our current beliefs and expectations of future events. These forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future, many of which are beyond our control. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements.

## Feedback on our report

We welcome feedback on our integrated reporting to ensure that we continue to disclose information that is pertinent to all our stakeholders. Send your written feedback via email to [agsa@agsa.co.za](mailto:agsa@agsa.co.za) or share your thoughts via twitter [@AuditorGen\\_SA](https://twitter.com/AuditorGen_SA)



# VALUE CREATION

We deliver value to our stakeholders in the following ways:



## THE PEOPLE OF SOUTH AFRICA

- Listening to conversations in the public sector and civil society organisations on areas of importance, acting in the public interest, and selecting areas of audit that have a direct impact on the lived reality of our people
- Making public the results of our audit work and providing insight in a simple manner, which may enable citizens to hold their elected representatives and custodians of public resources accountable
- Being a model organisation that champions clean administration and transformation imperatives
- Executing our audits in the most cost-effective, efficient and economical manner



## THE LEGISLATURES

- Being a trustworthy source of relevant, independent and objective insight based on professional judgement and sound analysis
- Proactively identifying themes, common findings, trends and root causes
- Providing audit recommendations and discussing these with key stakeholders to enable them to oversee and support beneficial changes in the public sector culture and service delivery so that we influence improvement in the lived reality of our people



## THE EXECUTIVE AND THE AUDITEES

- Identifying instances of mismanagement and their root causes, and recommending improvements tailored to the business of the auditee
- Equipping them with a value-adding understanding of the status of their financial and performance management and compliance with relevant laws
- Delivering tailored audit and engagement programmes to assist them to improve their respective cultures so that they are characterised by performance, accountability, transparency and integrity



## THE AUDITING AND ACCOUNTING PROFESSIONS

- Allocating contract audit work equitably and meaningfully
- Building skilled and qualified professionals
- Creating a pipeline of black chartered accountants to transform the profession and economically empower black-owned audit firms



## OUR EMPLOYEES

- Providing an invaluable opportunity to play a role in shaping the work of the public sector
- Creating meaningful employment and career development opportunities
- Providing fair, transparent, market-related and equitable remuneration and benefits

Our approach to funding has served us well since we formally adopted the funding model in 2009. However, the decline in South Africa's economic outlook has a material impact on us. The difficulty collecting outstanding fees, mostly from local government and embattled SOEs, increased due to their loss of revenue caused by the pandemic and other factors such as fraud, corruption and other forms of impropriety. We understand and accept that we have to explore other sources of income to supplement our revenue.

Our #cultureshift2030 strategy includes an initiative aimed at generating additional sources of funding and resources to cover costs beyond those that are recoverable through audit fees. Parliament has provided us with all the mechanisms outlined in section 36 of the PAA to source funding to ensure our sustainability. We are excited about exploring these further.



## BUSINESS MODEL

Section 36 of the PAA authorises us to access funding from multiple sources. These include the fees that we earn, money allocated by Parliament, interest on investments and funds from any other source. We are also legally authorised to accept donations and bequests provided that they will not result in a conflict of interest and are disclosed in the annual report.

Historically, we have focused on generating revenue by charging for the work required to complete an audit, using a fee structure that is publicly available and revised annually. A defined percentage of mark up, or our sustainability margin, is used to maintain our operations.

Section 38(4) of the PAA authorises the AGSA to retain any surplus, or a portion of it, after consulting with the National Treasury and with Scoag's approval. We use this surplus to fund our infrastructure (capital) expenditure and for working capital requirements to ensure our sustainability. Any portion of the surplus that Scoag does not approve for retention is paid into the National Revenue Fund.

Our business model is geared towards generating value. We use inputs (capitals) and transform them using business processes (activities) to produce outputs (outcomes) that, over the short, medium and long term create value for the organisation, its stakeholders, society and the environment.

**These processes transform our business inputs into outputs or outcomes and generate an impact in our environment**



### PRIMARY PROCESSES

- Auditing organisations and entities funded by public money using the following tools:
  - audit research methodology
  - audit planning
  - audit execution
  - audit reporting
  - quality control over audit processes and products
- Training of professional auditors



### SECONDARY PROCESSES

- Communication with stakeholders
- Stakeholders relations management
- Human resource management
- Legal
- Information technology management
- Information and records management



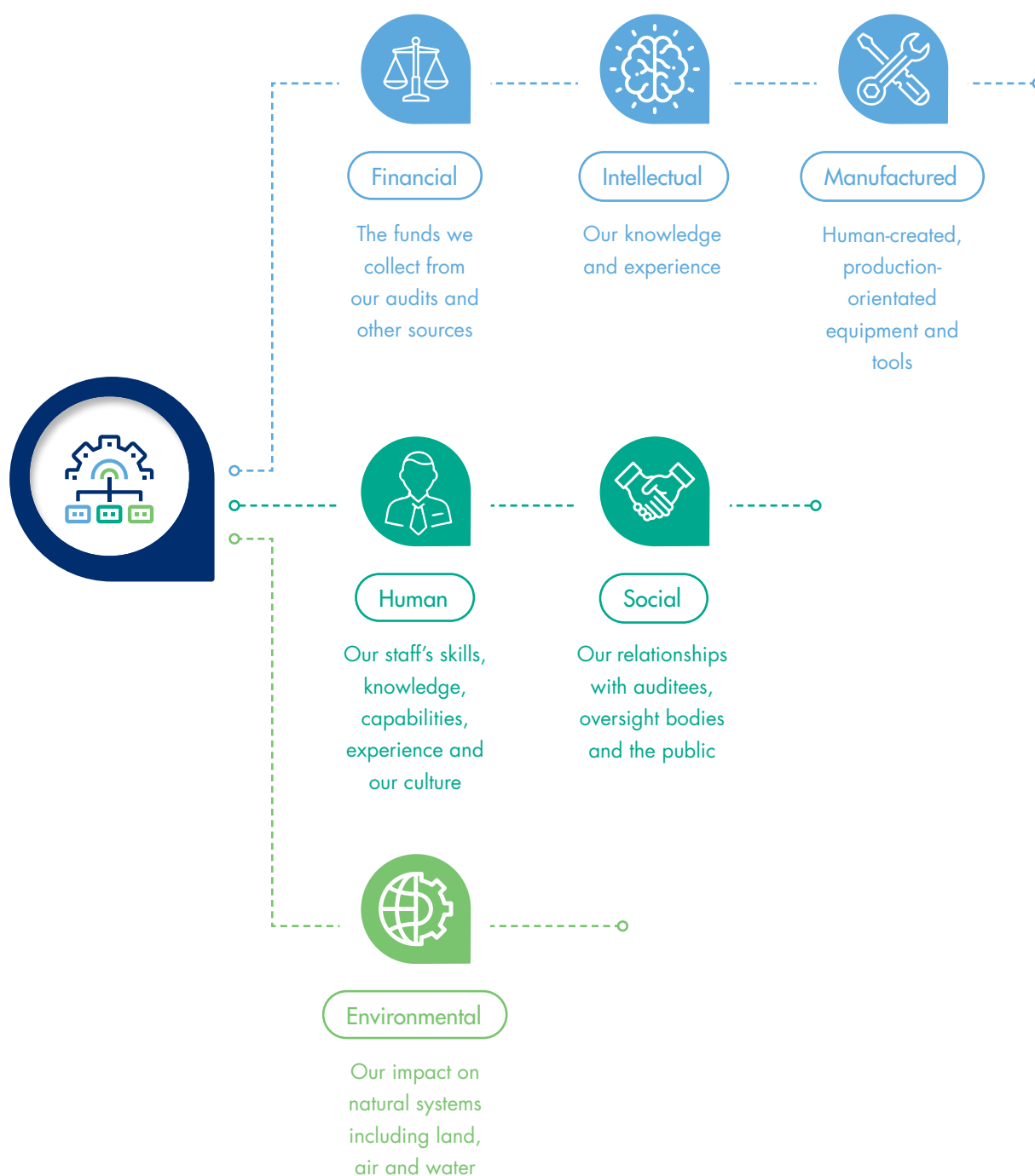
### MANAGEMENT CONTROL

- Strategy management
- Risk management
- Governance
- Ethics management
- Policy management
- Transformation

The term 'capital' used in the integrated reporting framework refers broadly to any store of value that we use to deliver our mandate. We depend on the various forms of capital for our success. Their availability, quality

and affordability can affect our long-term viability and, therefore, our ability to create value. They must be maintained if we are to continue creating value in the future.

## Business model summary



# 2021-22 AGSA BUSINESS MODEL

## Business inputs/resources

is the status of the capital at the beginning of the year.



### Financial capital

- Deficit R293 million
- Received R70 million from the National Revenue Fund (NRF) in payment for 1% auditees
- Received R44 million from the NRF to support our enhanced mandate
- R146 million income from pooling resources
- Reserves to the value of R828 million
- Debt owed to the AGSA of R1 085 million
- Cost optimisation initiatives



### Intellectual capital

- MIs identified using agile audit processes
- 1 065 audit reports issued
- Two general reports on the 2019-20 audit cycle and three special reports on real-time audits of pandemic-related disbursements issued
- Audit technical guidance and material updated, including on the MI process, with lessons learnt during the previous audits
- Technical expertise bolstered in specialised areas
- Preventative control guides



### Manufactured capital

- Head office and ICT infrastructure successfully relocated
- Property, plant and equipment of R110 million
- ICT stability and infrastructure through implementing VPN, security updates and 3G coverage
- Microsoft transformation journey and ICT security in line with the organisation's priorities



### Human capital

- Integrated culture improvement plan inclusive of new organisational values and culture statement
- Diverse, skilled, capacitated and motivated workforce of 3 703
- An cumulative 1 321 CAs(SA) qualified through our training programme
- 43 trainees recruited from Thuthuka
- A pipeline of 1 250 trainee auditors
- 61 students passed APC exams
- Increased number of registered audit professionals: CA(SA) – 746, RGA – 475, Cisa – 102, Acca – 46
- Accountable and ethical leaders (ongoing leadership development programmes such as LDP and EDP)
- Suppliers: 100 contract work firms and 1 636 outsourced audit contracts
- 20 academic trainee auditors and R19 million contributed to the Thuthuka bursary fund
- Recruited 231 trainees with CTA



### Social capital

- Voted the Sagea top employer in the public sector for 2021 among CTA trainees
- Increased engagements and improved stakeholder relationships, especially during real-time audits
- Maintained level 1 B-BBEE contributor status for three consecutive years
- Reinvigorated our culture journey
- Collaboration with CSOs



### Environmental capital

- New head office building boasts AAA green rating
- Virtual meetings and engagements
- Carbon footprint reduced further to 1 580,13 CO<sub>2</sub>e

Our business process



## Business outputs

is the capital at the end of the financial year.

- Surplus R40 million
- Received R141 million from the National Revenue Fund (NRF) in payment for 1% auditees
- Received R94 million from National Treasury to mitigate our liquidity risk due to auditees not settling their audit fees
- R122 million income from pooling resources
- Reserves to the value of R770 million
- Debt owed to the AGSA of R1 060 million
- Cost optimisation against the budget

- MIs identified using agile audit processes on the full MI definition
- 1 060 audit reports issued
- Two general reports on the 2020-21 audit cycle, an engagement on the vaccine real-time audit, and a section on service delivery in the local government audit general report
- Audit technical guidance and material updated, including on the MI process, with lessons learnt during the previous audits
- Technical expertise bolstered in specialised areas
- #cultureshift2030 strategy documentation
- Accountability ecosystem concept

- Property, plant and equipment of R125 million
- ICT stability and infrastructure through implementing VPN, security updates and 3G coverage
- Microsoft transformation journey and ICT security in line with the organisation's priorities

- Tools to facilitate guided values conversations for human capital business partners, culture champions and business unit leaders
- Diverse, skilled, capacitated and motivated workforce of 3 765
- A cumulative 1 629 CAs(SA) qualified through our training programme
- 49 trainees recruited from Thuthuka
- A pipeline of 1 151 trainee auditors
- 308 students passed APC exams
- Increased number of registered audit professionals: CA(SA) – 736, RGA – 474, Cisa – 89, Acca – 44, ACFE – 15, FP - 9
- Accountable and ethical leaders (ongoing leadership development programmes such as LDP and EDP)
- Webinars to help leaders navigate disruption and continue to work – focusing on managing employees remotely and resilience
- Project Salus to debrief employees after completing the audit cycle
- Suppliers: 100 contract work firms and 1 919 outsourced audit contracts
- 10 academic trainee auditors and R12,5 million contributed to the Thuthuka bursary fund
- Recruited 225 trainees with CTA

- Named the 2021 Corporate sector company of the year by the Association of Certified Fraud Examiners (ACFE) South Africa
- Awarded the 2022 Employer of choice in the public sector, and ranked third in the Aspirational employer of choice category by Sagea, up from #11 in 2021
- Increased engagements and improved stakeholder relationships, especially during real-time audits
- Increased our collaboration with the Fusion Centre
- Maintained level 1 B-BBEE contributor status for four consecutive years
- Increased collaboration with CSOs

- Carbon footprint increased to 4 523,42 CO<sub>2</sub>e
- Virtual meetings and engagements

## Business outcomes

- Maintained financial viability and independence during a globally unstable economic period by using investments and allocations from the NRF
- Maximised internal resources to increase own hours revenue and reduce expenditure

- Increased understanding of the auditee environment to provide better insight for improvements
- Audit efficiencies and reduced unbilled hours
- Commitment to addressing our MI findings and actionable recommendations
- Sharing our insight from real-time audits assisted the Fusion Centre's investigations
- Ability to respond to rapidly changing environments
- Providing transparency on the use of public funds for the benefit of citizens
- Increased impact and relevance to our stakeholders
- Employees excited about our aspiration to have an impact on the lived reality of ordinary citizens

- Greater efficiency and a conducive working environment
- Effective and efficient management of our operations
- Enabled auditors to access auditees' systems and data remotely
- Improved and streamlined business processes
- Strengthened protection of information

- Insightful and robust conversations with employees
- Retained and developed a competent and ethical workforce that enabled us to effectively execute our mandate
- Increased our contribution to the accounting and auditing profession
- Maintained leadership and trainee auditor pipelines to ensure organisational continuity
- Maintained a sustainable supplier database

- Enabled our stakeholders to better execute their mandates
- Increased our stakeholders' understanding of the amended PAA and the value we provide
- Increased citizens' understanding of our role and mandate
- Maintained the attractiveness of the brand to ensure access to desired resources
- Increased contribution to the country's transformation agenda
- Increased buy-in from our workforce on organisational culture

- Reduced environmental impact
- The move to virtual platforms reduced our carbon footprint
- Increased knowledge of our carbon footprint and a conscious effort to increase staff awareness of our impact on the environment





## SECTION 4

# PERFORMANCE INFORMATION

60

Strategy and achievements

66

Value-adding auditing (V1)

85

Visibility for impact (V2)

100

Viability (V3)

125

Vision and values driven (V4)

# STRATEGY AND ACHIEVEMENTS

## The 4V strategy

When Kimi Makwetu was appointed as South Africa's auditor-general in 2013, he described his vision of a public sector characterised by:

1

Robust financial and performance management systems

2

Oversight and accountability

3

Commitment and ethical behaviour by all

4

A value-adding assurance provider in the form of the auditor-general

To achieve this aspiration for the public sector, we crafted a new organisational strategy simply called the 4V strategy. It was built on the concept of value created through our audits that could be used by a variety of stakeholders. The value is embedded in the insight we derive through our work, the transparency of that insight, and the tailored engagement of stakeholders so that they, in turn, are empowered to execute their own mandates.

## What we achieved under the 4V strategy

### Changes introduced by the amended Public Audit Act

#### 2013-14

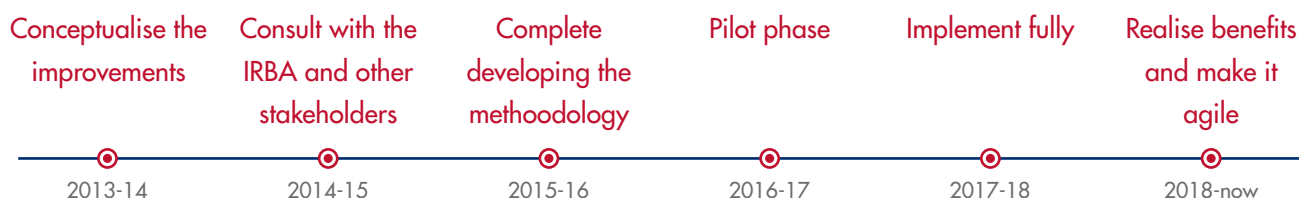
- Limited respect for our messages
- Growing irregular expenditure
- Lack of mechanisms to follow up on audit recommendations
- Staff morale beginning to wilt because of the lack of consequences in public sector

#### TODAY

- Unique mandate enabling consequence management in the public sector
- AGSA reports are largely respected
- Parliament more involved in oversight
- Powers enhanced for greater action
- Greater cooperation with other public bodies
- Focused on MIs

We augmented our mandate and successfully implemented it while still building capacity. The introduction of the MI process has started to bear fruit by changing the behaviour of accounting officers and authorities.

### Flexible, evolving, world-class audit methodology



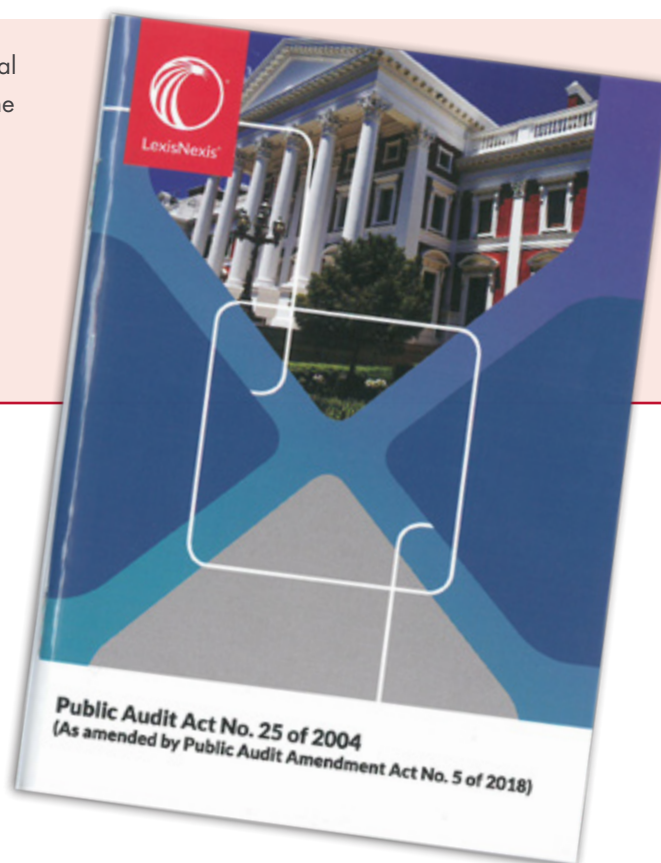
#### The improved audit methodology allowed our audit teams to:

- ✓ Integrate ISA, Investigation and PA procedures into the audit processes
- ✓ Enhance their knowledge of the auditees
- ✓ Phase in the value chain approach
- ✓ Increase the use of fraud experts
- ✓ Focus on what matters

Apply a consistent risk approach: risk assessment and response options enhancing audit efficiencies

We evolved our audit methodology on par with international best practice and made it responsive to the challenges of the South African public sector.

We also integrated our audit disciplines to examine the financial and performance behaviour of our auditees, and built audit expertise for a deeper and wider knowledge of our clients.



## Introduced real-time audits

### 2013-14

- Not done
- Standard approach to audits
- Less agility in responding to stakeholders' needs
- Less responsive methodology

### TODAY

- Used for the covid relief funds, covid vaccine and now, flood relief funds
- Agile: immediate response to government priorities
- First real-time audits, proactive, whole-of-government audit approach
- Institutionalised integrated audits - increased inputs by investigations, information systems and performance audit specialists
- Modernised audit methodology aimed at driving risk-based audits

We increased our relevance and credibility by responding to government's needs during the covid pandemic and floods disaster by conducting real-time audits. These encouraged action from government and oversight bodies before the initiatives saw any further abuses, losses or mistakes. These audits helped oversight to play their role proactively and elicited a very public commitment from accounting authorities and the executive to urgently deal with the matters reported.

## Sharply increased the number of SOE audits taken over

### 2013-14

6



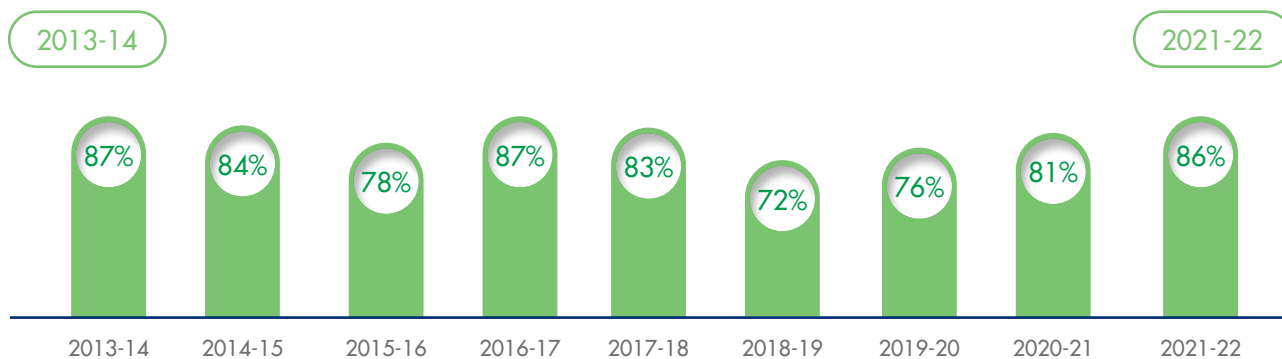
### TODAY

15



We paid special attention to the major SOEs that are critical for the functioning of our country and that have a big impact on the delivery of unique services to the people of South Africa. We increased the number of audits we took over, now auditing 71% of the major state-owned entities. We also enhanced our oversight of governance at the auditees we currently do not audit.

### Maintained the quality of our audit engagements



We maintained high quality audits and openly reported our results while safeguarding the credibility of our audit reports as they are directly related to the technical quality of our audit work. This was directly impacted by our effective systems of quality control related to leadership, ethical requirements, acceptance and continuation of client relationships, human resources, engagement performance and monitoring in terms of the International Standard on Quality Control (ISQC 1).

### Introduced the status of records reviews

#### 2013-14

- Standard approach to engagement with accounting officers and authorities
- Reactive discussions

#### TODAY

- Focused and insightful proactive conversations
- Improved audit risk assessment
- Early warning system
- Enabled an appropriate response to audits



#### OBSERVED IMPACT

- An improved internal control environment
- Active participation by accounting officers and authorities
- Reduced pushbacks on a technical level
- Corrective measures implemented before accounting officers and authorities submit financial statements for auditing

We grew our visibility with intensified programmes that encourage stakeholders to influence change and accountability in the public sector by developing new, contemporary methods of engagement and tools to encourage improvement in the public sector. These interactions helped stakeholders to gain a better understanding of our audit messages and in some cases influenced actions in the right direction.

## Enhanced international profile

### 2013-14

- Assumed chairmanship of the CBC

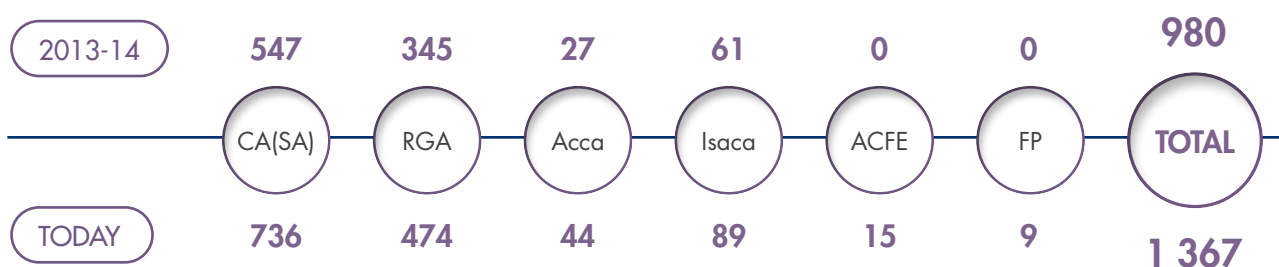
### TODAY

- Developed a competency framework for public sector auditors
- Issued a guide on professional development at supreme audit institutions
- Oversaw the implementation of supreme audit institutions performance management framework
- Produced a section on supreme audit institutions with jurisdictional responsibilities in the Intosai's competency framework for public sectors auditors

We continued to live up to our reputation as a leading supreme audit institution within the global Intosai community. Through our participation in Intosai, Afrosai, Afrosai-e and the African Union Commission (AUC), we contributed towards a stronger global community of supreme audit institutions. As chair of the Intosai CBC, we have helped to enhance capacity and professionalism, which leads to enhanced supreme audit institutions and greater global accountability.

## Professionalisation of the AGSA - not only numbers but variety

By 2013-14 more than 500 CAs were produced through our scheme



Over the past seven years, we produced more than 1 000 CAs through our trainee auditor scheme

Our investment in building our own professional capacity has significantly strengthened our internal pipeline. While we prioritised professional capacity to deliver on our enhanced mandate, we also maintained a healthy balance between availability of resources and financial sustainability. Our greatest achievement has been qualifying black chartered accountants, which contributed to transformation in the accounting and auditing profession in South Africa.

### Drove targeted transformation



Outsourced work distributed to black-owned and black women-owned firms on a small scale

Outsourced work distributed to black-owned and black women-owned firms on a large scale

As a good corporate citizen we support transformation objectives for economic empowerment, poverty alleviation and equality in South Africa. We used the allocation of audit work to private firms to effectively support growth and access to economic opportunities for black-owned and transformed firms.

### Maintained our independence and licence to operate



In continuing our own clean administration we lead by example and highlight that effective controls and efficient business processes are essential for clean administration. Our legal and financial viability ensures our independence. All these factors help elevate the organisation's reputation.

We celebrate the 4V achievements, but are aware that our actions over the past seven years have not resulted in the wholesale improvements in public sector audit outcomes that we had anticipated and more needs to be done to recognise this goal. Internally, we began developing systems and tools to achieve audit and operational efficiencies; however, we did not finalise all of them. These areas will be considered in our new #cultureshift2030

strategy. The new strategy recognises the challenges faced by the country and responds with appropriate objectives and initiatives aimed at contributing to public sector accountability and making a stronger, more direct and consistent impact on improving the lived reality of ordinary South Africans. A description of the strategy is provided in section 5 of this report.



V1

## VALUE-ADDING AUDITING

provides audit-derived valuable insights to our stakeholders on the status of their internal control and performance environment, accompanied by actionable recommendations. When implemented, our recommendations will lead to visible improvements in public sector administration.

## Our role in financial and performance management in the public sector

Our principal legislation requires that we annually audit and report on the quality of our auditees' financial statements, performance reports and compliance with key legislation. We choose audit focus areas that enable us to audit what matters most, guided by government priorities and the areas of public spending most relevant to citizens' wellbeing. Government priorities are defined in various strategic documents such as the Sustainable Development Goals (SDGs) from which the National Development Plan 2030 (NDP) and the Medium-Term Strategic Framework (MTSF) are derived.

We focus on sectors that have the greatest impact on the lives of the people of South Africa that also attract larger budget allocations from the fiscus. This allows us to gain an in-depth knowledge of the auditees' business and apply all analytical tools at our disposal to deliver relevant insight. We therefore continued to focus on the infrastructure, education, health, water and sanitation, and roads infrastructure sectors. Multidisciplinary teams of regularity, information systems and performance auditors, and investigators highlighted deficiencies in specific service delivery programmes and risks in the auditee's environment.

As we reported last year, the covid-19 pandemic had a negative impact on the progress of public sector reporting and auditing. This was mostly due to the extension granted to auditees exempting them from submitting their annual

financial statements within the legislated time frames. The knock-on effect remained evident during the performance year, with some 2019-20 local government audits being concluded well within the 2020-21 audit cycle, resulting in a late start to a number of 2020-21 national and provincial government audits. These tough operating conditions were amplified by the July riots in KwaZulu-Natal and Gauteng during the national and provincial government audit cycle.

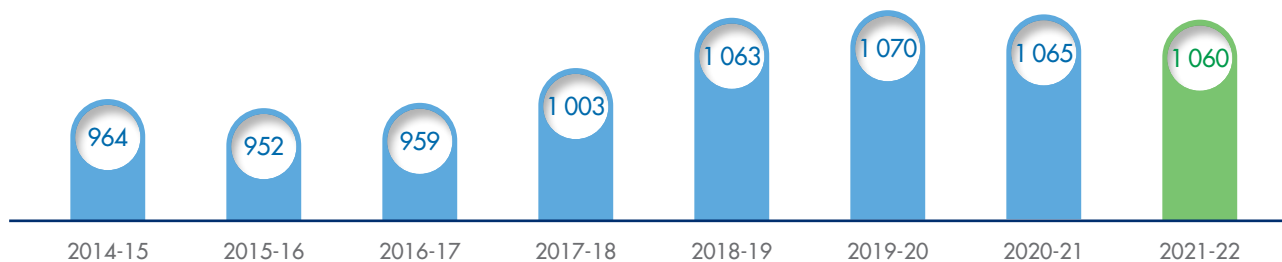
The personal impact of the pandemic on our staff, their families, and auditees put great pressure on our audit teams, who had to work a considerable amount of overtime to overcome the backlog. Despite all the challenges, we finalised our annual and real-time audits and continued to increase our relevance as a supreme audit institution.

Through our management, audit and general reports, we revealed the weaknesses in our auditees' internal controls and the risks that need attention. Our reports communicated the root causes of audit findings and provided recommendations to address these root causes. This insight empowered multiple stakeholders, from the auditees who use it to improve performance, to oversight bodies and citizens to hold elected representatives accountable. The insight constitutes the main value of our audits and reports.

To ensure that auditees act on our messages, we highlighted them in engagements with senior officials, accounting officers and authorities, the executives and premiers as well as portfolio and public accounts committees.

## Audit outcomes of the 2020-21 audit cycle

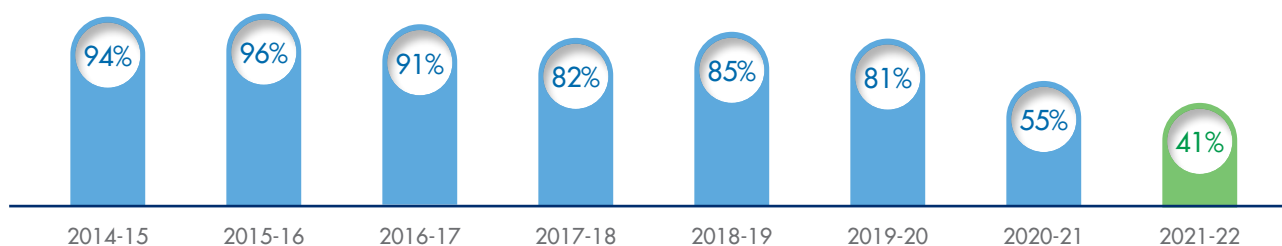
Total number of audits



Total number of audits

Consolidation of some national departments resulted in a slight decrease in the number of our annual audits. We completed the regular audit cycles while doing additional audit work for the real-time audits, thanks to the incredible dedication of our staff.

Audits completed within the legislated timelines



Audits completed within the legislated timelines

On average, we completed a combined 41% of our audits within legislated timelines. National and provincial audits performed better, with 47% completed, than local government audits with 26% completed. The unavoidable delays and their knock-on effects are mentioned earlier in this section. These effects continued into the 2020-21 local government audit cycle, which began in 2021, while teams were still working on the delayed national and provincial audits.

Outstanding financial statements, financial statements being submitted late and delays in the audit process posed further challenges to completing our audits. Audits that were not finalised on time placed excessive pressure on our staff and required significant overtime.

Although we did not meet the legislated timelines, due to the environmental factors, we were able to finalise a high number of audit reports within a reasonable time through close tracking and monitoring. This allowed us to conclude and report on the majority of auditees in the two general reports.

By the end of the 2020-21 local government cycle, we had caught up with our audits.

### National and provincial audit outcomes

Our messages in the previous general report, the special reports and through our engagements, were a call to action to strengthen accountability by preventing accountability failures and ensuring consequence management. The theme of the general report was *A continued call to act on accountability*.

Some key highlights in the general report:

- We continued auditing infrastructure grant management across sectors in the national and provincial government environment, with the emphasis on health, education and human settlement. The focus was on eradicating infrastructure backlogs at schools to support better learning environments, creating adequate human settlements and rehabilitating health facilities. We recognised an overall weakness in government's approach to infrastructure projects.

- In this cycle our reporting went a step further by not only highlighting billions of rand in irregular, fruitless and wasteful expenditure but also their impact. These included money wasted, continued shortage of housing, shortage of good schools and poor access to healthcare facilities. Coupled with the poor quality and maintenance of infrastructure, this exposes the public to harm.
- In the midst of a pandemic, the Department of Health becomes critical to citizens' wellbeing. In this cycle, we highlighted certain key weaknesses such as the medico-legal claims that the sector should focus on, as it has the potential to cripple the state.
- In the human settlements sector we discovered that although grant money provided for building houses or title deed restoration was fully used, uncoordinated planning across the sector left an estimated shortfall of 188 678 houses, 109 843 serviced sites and 1 061 527 title deeds to be transferred. We also highlighted that this will further increase the backlog for adequate housing.
- We audited 15 SOEs with a total expenditure of approximately R100 billion. Our concern was around the perpetual poor financial health of some SOEs, with significant deficits and lack of funding, and some relying on bailouts for survival. This compromises service delivery, with citizens bearing the brunt of these failings. The report highlights that central to these problems at SOEs are the poor state of corporate governance coupled with a weak internal control environment, instability at a leadership level, non-compliance with legislation and a lack of consequence management.

Overall, the 5% improvement in national and provincial audit outcomes indicates slow progress in the journey towards wholesale good governance. This is particularly concerning in two areas – SOEs and the key service delivery departments of health, education, housing and public works, which have the greatest impact on the lives of citizens and government's financial health.



## Local government audit outcomes

Our messages in the general report were aimed at the new provincial leadership, who took office after the November 2021 local government elections. We urged them to activate the accountability ecosystem to shift the culture in local government towards performance, integrity, transparency and accountability. This could be achieved through courageous, ethical, accountable, capable and citizen-centric leadership. As such, the theme of the report was *Capable leaders should demonstrate change by strengthening transparency and accountability*.



The general report highlighted these key issues:

- Local government was characterised by accountability and service delivery failures, poor governance, weak institutional capacity, and instability. The number of clean audits slightly increased but the improvement was not widespread.
- Using consultants in addition to available permanent financial officials at a substantial price tag did not provide the intended outcome of submitting financial statements for auditing without material errors.
- Although the economic downturn played a significant role in the dire financial state of municipalities, the lack of basic financial controls causing unbilled revenue and poor debt-collection practices added to local government's weak financial health.

- Disclaimed audit outcomes, although a technical limitation on the financial statements, are also an indicator of a lack of service delivery in those communities, as observed by our audit teams. These failures have a direct impact on the municipality's ability to provide water, sanitation and roads infrastructure, which affects the lived realities of citizens.
- After inspecting wastewater treatment works and landfill sites controlled by some municipalities, our experts identified poor, ineffective or limited environmental management, monitoring and enforcement, as well as deficiencies in managing and delivering wastewater and solid waste services. The impact is a significant likelihood of negative effects to both service delivery and the environment.
- We included actionable recommendations to all role players in the local government accountability ecosystem. This extended beyond our usual reflections on the direct assurance providers to include provincial ministries of Cooperative Governance and Traditional Affairs (Cogta) and Finance, coordinating national ministries of Cogta and Finance, provincial legislatures, Parliament, citizens and community organisations.

It is encouraging to see that there has been a slight increase in the number of clean audits – 27 municipalities were able to maintain their clean audit status throughout the term of the previous administration, while 14 achieved a clean audit for the first time and six lost their clean audit status over the five-year period. Clean audits continue to represent less than a fifth of the local government budget.

## Value adding auditing objective 1: Demonstrate value-adding auditing

### Continue implementing our enhanced powers

**Performance measure:** % completed actions as per the approved PAA implementation plans

2021-22 target



**80% – 100%**

of the actions for 2021-22

2021-22 actual



**87%**

Over the past three years we have phased in the different elements of the MI. By the 2020-21 audit cycle, which began in 2021, we had implemented all the elements of the MI and increased the number of auditees at which we implemented the MI process to 189. We focused on auditees where we could have the greatest impact without spreading our resources too thin or compromising on the quality of our processes. We plan to increase the number of these auditees to 372 in the 2021-22 audit cycle.

Our technical specialists directed their efforts to developing the remaining methodologies and creating or enhancing the guidance using practical examples from implementation during previous years. We supported our auditors with access to several platforms where technical and legal experts provided guidance on a range of complex matters and emerging challenges, which contributed to identifying high-quality, impactful MIs.

We continued to mitigate against potential risks to our audit quality during the MI process by subjecting selected audits to independent reviews, and widely sharing the lessons learnt throughout the organisation.

We have experienced an impressive learning curve among our staff and support units. Various guidance documents and best practice information have been collected and shared among teams. The reach included focused group discussions, such as the material irregularity committee workshops and sector alignment sessions to ensure consistency and enhance quality across different audits.

We believe that this systematic approach will allow us to implement our powers at 100% of our auditees by the end of 2024-25.

### Advisory committee on material irregularities

A critical part of the MI process is issuing a certificate of debt, which requires a fully capacitated advisory committee on material irregularities (ACMI). A workshop was held with the committee during the year to keep members aware of the developments in implementing the MI process. The committee currently has three vacancies and recruitment is at an advanced stage.

Based on previous engagements with the ACMI, we drafted revisions to the committee's terms of reference, which will only be finalised for approval after consulting the full committee.

### Status of identified material irregularities

We have either closed or resolved 21 MIs based on information provided by the accounting officer, with 11 resolved over the year.

By 15 April 2022, we had a total of 327 MIs on our system at various stages in the process. We estimate the total financial loss of these MIs to be R14,7 billion.

### Material irregularities identified per sphere of government

#### Local government



Estimate financial loss  
**R3,9 billion**

**185**  
MIs

#### Provincial government



Estimate financial loss  
**R2,1 billion**

**82**  
MIs

#### National government



Estimate financial loss  
**R8,6 billion**

**60**  
MIs



## Nature of identified MIs

The spread of the 327 MIs across the provinces (local government and provincial government) and the national government, and the nature of these MIs



## Total material irregularities per province and national

National (60 - R8,6 bn)



Gauteng (24 - R756 m)



Mpumalanga (27 - R1 bn)



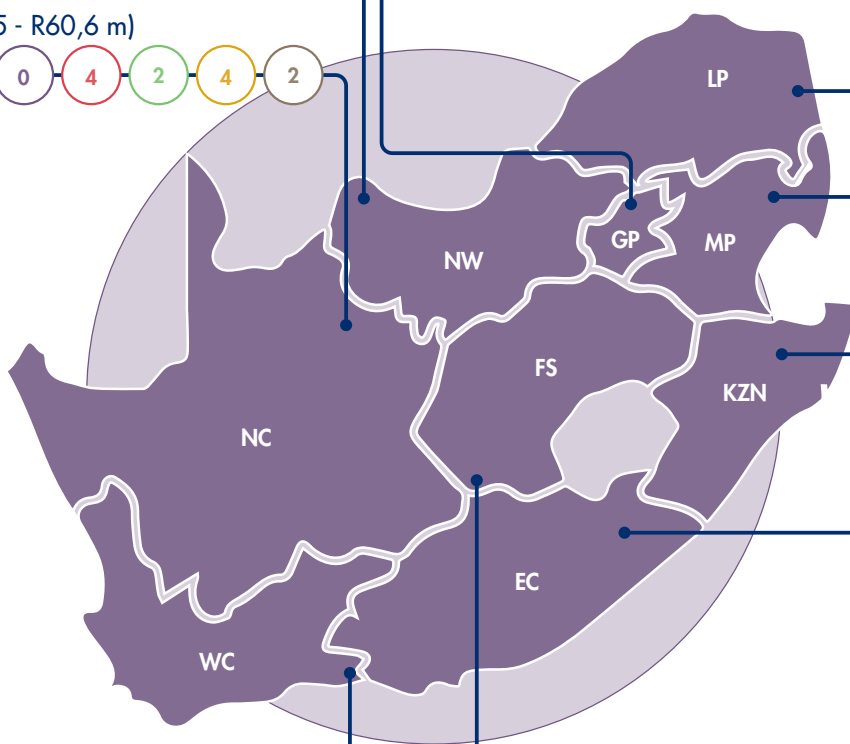
North West (58 - R1,1 bn)



Limpopo (14 - R1,4 bn)



Northern Cape (15 - R60,6 m)



Western Cape (3 - R14,9 m)



Eastern Cape (42 - R314 m)



Free State (37 - R515 m)

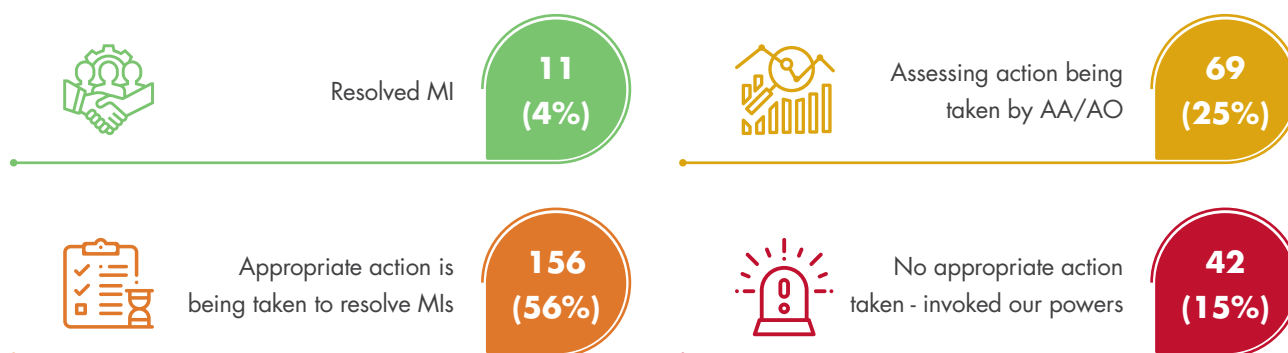


KwaZulu-Natal (46 - R866 m)



We recently notified the accounting officers and authorities of 39 of these MIs. However, our deadline for their response was later than 15 April 2022, which was the cutoff date for inclusion in this report. As 10 MIs were resolved in the previous year, we include the details on the remaining 278 MIs in this report.

### Status of the 278 MIs



Although slow, pockets of success are noted. We are beginning to see the MI process unfold as intended, acting as a complementary mechanism in the broader public sector accountability value chain. Most accounting officers and authorities are actively addressing the MIs. In some cases,

- financial losses were recovered or were in the process of being recovered
- internal controls improved to prevent further loss
- disciplinary action was taken against the officials responsible
- fraud and criminal investigations were instituted
- supplier contracts were cancelled.

This demonstrates how our expanded mandate promotes a small, but ever-expanding movement towards:

- better accountability
- protecting state resources
- enhancing public sector performance
- encouraging an ethical culture
- strengthening public sector institutions to better serve citizens and improve their lived experiences.

We also recognised the stumbling blocks that accounting officers and authorities encountered in resolving MIs – some were within their control, but external factors also hampered the process. Those matters within their control included:

- delays in internal investigations to identify the officials responsible and quantify losses
- delays in finalising disciplinary processes against officials
- instability at the accounting officer or authority level.

The external factors hampering MI resolution processes included:

- delays in criminal investigations by the Special Investigating Unit and Directorate for Priority Crime Investigation (Hawks)
- suppliers undergoing liquidation, which hampered recovery
- delays in recovery by the Office of the State Attorney
- delays in resolving matters of intergovernmental processes.



While we are pleased that most accounting officers and authorities were responsive to the MIs, there were instances where the accounting officers and authorities did not address the MIs appropriately. In those instances, we used our enhanced mandate and included recommendations in the audit reports, referred matters for investigation and

prescribed remedial action. We issued our first remedial actions in the performance period to the departments of Defence and Human Settlements, Prasa, and the Ngaka Modiri Molema District Municipality. We also raised MIs for not submitting financial statements for auditing.

### Audits of identified government initiatives

**Performance measure:** Improve our stakeholders' perception of our added value by tabling special audit reports

2021-22 target



**Tabling of special audit reports as per the auditor-general-defined timelines**

2021-22 actual

**100%**



Engagements on the outcomes of the vaccine real-time audit outcome:

- Minister (supported by the department's director-general) - 2 March 2022
- Portfolio committee on Health (Parliament) - 23 March 2022
- National Task Team of Directors-General (chaired by DG of the presidency) - 29 March 2022

During 2021-22, we used an alternative approach to reporting the results of special audits on the covid-19 relief funds by incorporating a close-out report of these audits in the 2020-21 national and provincial general report. We published the result of our audit of each government initiative on our website.

The real-time audit approach created a space for us to immediately engage, and management to take immediate corrective action, on matters as and when they were detected.

Our multidisciplinary teams, which include financial and specialised audit services, used their wealth of diverse skills to gain a holistic view of the initiative, understand

critical concepts in the health industry and provide efficiencies through data analytics.

Centralised procurement and the National Treasury being involved earlier in the process led to fewer potential leakages, indicating that mostly, the money was used to procure and distribute the vaccines. However, citizens' sluggish vaccination uptake slowed the sector's planned programme.

We concluded the vaccine real-time audit and presented the outcomes to the minister of health (supported by the director-general), the portfolio committee on health and the

National Task Team of Directors-General (chaired by the director-general in the presidency). The report received a lot of exposure and good feedback from the engagements.

The public and oversight stakeholders expected the vaccine audit to uncover the same extent of fraud and corruption that was reported during the personal protective equipment audit. We therefore had to very clearly explain our scope and our key messages, distinguishing between audit findings, risks and observations, which allowed for balanced views and reporting. We also provided health sector officials with additional opportunities to engage us.

### Delivering audits through multidisciplinary teams

Using multidisciplinary teams on audits has been one of our 4V strategy's major objectives to help deliver tailored value to stakeholders. Multidisciplinary teams harness a diversity of skills and expertise to achieve complex audit

objectives and gain a deep understanding of our auditees' businesses. This assists them in navigating the complexities of an environment associated with high expenditure and greater audit risk.

Multidisciplinary teams include professionals in information technology governance, risks and controls systems, data analytics, information security, financial fraud and investigations, and in key government sectors including health professionals, economists, education specialists and engineers.

Their contribution to audit risk assessment, fraud data analytics and specialised auditee knowledge added comprehensive audit insight and improved audit efficiencies and effectiveness. This was again evident in the vaccine audit and helped give the audit team a holistic view of the initiative.



*Integrated audits add value*

Data analytics intensified during our special audits, with the following key benefits:

- The ability to provide auditors with improved deep insight of the auditee's operational, fraud and financial reporting risks to reduce the audit risks.
- The ability to use intelligent analytics to support the audit process in delivering a higher quality of audit evidence and more relevant business insight and foresight, which assists the auditors to focus the audit on what matters.
- Increased efficiency in audit procedures.
- An assessment of the consistency between audit findings and information available through environmental scanning.

Developing capacity and skills in this discipline aims to increase our real-time auditing and establish data analytics dashboards within the next three years.

### Challenges experienced during multidisciplinary audits

While deploying multidisciplinary client-facing teams is our preferred approach going forward, significant challenges need to be resolved to deliver the intended value. The main impediment is the availability of quality data from auditees in a usable format to enable data analytics. We now use a direct link to the auditees' ERP systems to extract data directly.

Scarce specialist skills, specifically to deal with fraud and investigations, has prompted us to look internally and find innovative ways to capacitate our teams.

### Standalone audits

Standalone audits are focused audits that drill down into an identified topic to unearth the root causes of mismanagement, irregularities or lapses in service delivery. These projects do not span a performance year but could cover the lifetime of a project or the period of the alleged irregularity or mismanagement.

### Investigations

We assess requests for investigations and undertake those that fall within our mandate. These requests are put

through the annual audit process and, in many cases, are addressed during the audit. However, in cases where the merits of a request cannot be resolved during the audit process, we undertake a separate standalone investigation.

We continued to respond to those requests outside our mandate by referring the complainant to the relevant public bodies that are better equipped to deal with these matters through their mandates and raising awareness of the types of matters that our mandate covers.

### Performance Auditing

The follow up performance audit on the rehabilitation of derelict and ownerless (D&O) mines was tabled on 30 March 2022. This 2021 follow-up audit evaluated the department's progress since our previous audit in 2009, focusing on whether the issues highlighted in the previous report still exist.

The audit revealed that progress has been very slow and has had an impact on the environment and communities located close to these mines. These unrehabilitated D&O mines and mine openings often cause air pollution from dust or toxic gases, infertile soil and severely degraded water resources that are often devoid of life.

Illegal mining also contributes to these issues as it uses unsafe mining methods and threatens the viability of government's holing programme, as the illegal miners open previously sealed mine openings. The [Follow-up performance audit at the Department of Mineral Resources and Energy on the rehabilitation of derelict and ownerless mines](#) has details of our findings and the department's commitments to resolving the findings raised.

### Review of our audit programme for relevance and efficiency

We annually reflect on our audit approach and priorities to ensure that they remain relevant and use the latest technical and technological developments.

A key audit focus, identified during our tactical audit dialogue, is poor infrastructure project management and its impact on disadvantaged communities. We will implement a focus on this area in the upcoming audit cycles.

By implementing a differentiated audit approach, where the depth of audit is aligned to the prominence, size and impact of the auditee, we improve our audit efficiency and effectiveness in the areas that have the most fundamental impact on people's lives.

In 2021-22 we developed three new methodologies for the annual financial statement review engagements aligned to ISRE 2400, audit of predetermined objectives findings engagements, and compliance findings engagements. We trained our teams to test these new methodologies at pilot audit sites during the national and provincial 2021-22 cycle.

We piloted a limited assurance audit of predetermined objectives approach at selected municipalities during the 2020-21 local government audits, which allowed us to achieve efficiencies in audit hours and audit staff levels without diminishing the quality of the audit work. Based on the feedback from the 2020-21 local government pilot on the audit of predetermined objectives limited assurance approach, we saw an average of 42% reduction in audit hours. We will extend this approach to the 2021-22 local government audit cycle using the lessons learnt during this pilot.

In line with our new #cultureshift2030 strategy, we plan to enhance our approach to auditing predetermined objectives in a way that helps equate an auditee's achievements with its mandate.

### Review of our audit portfolios for maximum added value

After in-depth preparation over the last few audit cycles, we have taken over and signed off on the Transnet audit for the first time in 2021-22.

We intend to take over the Eskom audit in the next few years, once we have created the necessary capacity and capability for such a complex audit. Our preparation includes stronger governance over the work of private auditors, seconding AGSA staff to the audit and taking over sections of the audits in a planned staggered approach.

After we completed all our activities for the 2020-21 Eskom audit, the appointed auditors addressed all significant review observations before finalising the audit report. The scope of our assignment had a specific focus on key high-risk areas and areas of public interest.

Currently we audit 15 of the 21 schedule 2 entities. We are continuously assessing the audit risks of the remaining schedule 2 SOEs and our plans include taking over two further audits.

To improve our efficiency and capacity, we assessed 43 museums that we currently audit against their governing legislation. Of these museums, 24 are governed by legislation that requires us to be their appointed auditor. We have opted out of auditing 19 provincially funded museums in line with section 4(3) of the PAA.

### Strict oversight of governance in section 4(3) audits

In cases where we have opted not to audit specific public entities, we have included a comprehensive set of measures to enhance the governance around appointing private audit firms as external auditors for these entities. Our observations on the adherence to our requirements show that these measures, described in our regulations, are now comprehensively understood and applied by most of our auditees.

At entities where we opt out of auditing, we enhanced our review process with a due diligence exercise on all partners from the private audit firms chosen for the audit. The partners that did not pass the review were excluded from signing off on section 4(3) entities' audits. We implemented concurrence conditions for those identified as 'high-risk' audit firms to adequately mitigate the risk.



## Developing capacity in the banking and financial services sector

We developed banking and financial services sector specialists through focused targets over three years, using sector-specific technical skills training plans, skills transfer, research and collaboration with our external strategic partners.

Our team has shown remarkable growth in understanding the sector, interpreting accounting standards and regulations, providing considered recommendations and sharing insightful messages. This deepened understanding has led to a streamlined risk-based audit approach and standardised audit programmes to align with best practices when auditing banks and financial services companies.

The focus on dedicated training interventions over the three years has laid a strong technical foundation, which is a critical aspect of creating sector specialists. We continue to receive positive feedback from both internal and external stakeholders on our team's ability to engage in insightful conversations in these highly complex environments.

We continue to monitor the sustainability of this achievement.

## Litigation against the AG – a new form of intimidation

During the past 24 months, we have faced an increase in the number and complexity of legal challenges, or threats of legal challenges, over the audit and audit-related services we render. While resolving disputes in a court of law is a democratic process, it creates pressure and a difficult psychological environment for our audit teams to perform their duties without fear, favour or prejudice.

The following cases highlight our attitude to learn from such experiences and increase the resilience of our auditors in dealing with significant disputes while executing their audit functions.

Our audit of the Western Cape Provincial Department of Agriculture financial statements for 2016-17 and 2017-18 financial years concluded that, in essence, the department did not comply with the provisions of the Modified Cash Standard when preparing its financial statements. The department disagreed and took the matter to court.

Although the court did not support some of our findings, it concluded that the AGSA's audit opinions were not reviewable in terms of the Promotion of Administrative Justice Act 3 of 2000. This ruling sets an important precedence and creates legal certainty on the nature of the judicial scrutiny that can be applied to our audit product.

Nevertheless, in the public interest we resolved to work with the National Treasury to refine the Modified Cash Standard for maximum accountability and transparency. We have incorporated the lessons learnt from this case in our audit process.

In a much-publicised court case, the Road Accident Fund (RAF) took our 2020-21 audit report on judicial review. During the course of 2021, the auditee decided to change its accounting policy. We advised the RAF that their selected standard was not an appropriate standard and, after months of disagreements, we issued a disclaimer of audit opinion based on the inappropriateness of the RAF's annual financial statements.

The court saw no credible argument to interrupt, delay or halt the AGSA from executing its constitutional obligations. As such adhering to our legal obligations, we published the audit report when the RAF's executive authority decided not to do so, pending finalisation of the judicial review. The RAF opted to apply for leave to appeal the court's decision in the Supreme Court of Appeal and, in an unexpected turn of events, the high court granted the RAF such leave. The Supreme Court of Appeal must now decide whether to hear an appeal on a matter that is essentially moot since we published the audit report.

At the date of reporting, the case is still ongoing on both part A before the Supreme Court of Appeal and part B before the Gauteng High Court.

In another matter during the 2020-21 audit, the National Lotteries Commission (NLC) management pushed back on findings raised, specifically those that could potentially result in a modified audit opinion. As the audit team was ready to conclude the audit, the NLC complained that the audit process was unfair and indicated that they would take the AGSA to court. Their main contention was that the auditors were not prepared to accept additional information after the agreed cut-off date and that the audit process was therefore unfair.

Although the NLC did not follow through on its threat and accepted the audit finding, the dispute caused a significant delay in signing the audit report and the hostility of the auditee's staff in the process took a toll on the audit team.

Our technical support team analysed this legal challenge and confirmed that our audit process was technically correct and procedurally fair.

The work that we produce attracts significant attention, both from our auditees and from the public. We are mindful of the reality that our products and processes may be subject to increased scrutiny before the courts. We therefore continuously assess our legal capacity to respond to this upward trend and have revisited our dispute resolution process to demonstrate our commitment to resolving dissatisfaction without the intervention of the courts. It is vital that we track these cases to prioritise proper planning against threats of litigation materialising or mitigating against losses in court.

## Value adding auditing objective 2: Ensure high quality of our audits

Performance measure: % adherence to quality standards: audit engagements

2021-22 target



**80% – 100%**

(C1, C1#, C2 and C3 rating)

2021-22 actual



**86%**

### Continuously and sustainably improve the quality of our audits

The quality of our audit work continues to be paramount as it ensures the credibility of our opinions and enhances our reputation. This year we subjected 70 audit engagement files for 69 engagement managers to a post-issuance quality review. We are proud to announce that we achieved a rating of 86% compliance with engagement quality standards for the 2021-22 performance year. This improvement from the

last two cycles is testament to our sustained and consistent effort to implement key initiatives that improve audit quality and yield consistent, compliant results.

The AGSA's system of quality control is regularly reviewed and improved. Annually, transversal findings identified during the previous year's audit cycle are shared with all audit teams to ensure a practical understanding of the standard requirements.

In 2021-22 we conducted biannual performance evaluations of pre-issuance reviewers, who play an important role in ensuring the quality of the audit file. Pre-issuance reviewers that did not pass the assessment were removed from our database for a minimum of one year. We also sampled the work of engagement managers outside of their review period to ensure that we maintain audit quality.

### Prepare the organisation for implementing the International Standards on Quality Management

ISQM 1 will replace ISQC 1 on 15 December 2022. The standard is intended to strengthen audit firms' quality control systems. We have made substantial progress in preparing the organisation for implementing the ISQM.

We allocated roles and responsibilities to the respective officials and structures, although the ultimate responsibility lies with the deputy auditor-general and operational responsibility lies with our exco. We also included a commitment to ensure the quality of our audits in our strategic documents. Our teams finalised the ISQM risk profile and conducted continuous risk assessments, which is a significant highlight of the ISQM journey. This is detailed in the vision and values chapter. We have started the preparatory work required for the system of quality management (SQM) documentation. Overall, despite some internal challenges, the project is on track.

### Audit quality indicators

Audit quality indicators (AQIs) are an early warning system of potential threats to audit quality, which our leadership and audit teams could use to enhance conversations on audits and evaluate audit quality, while serving as a risk assessment tool to proactively identify and respond to audit quality risks.

During 2021-22, we developed processes and systems for real-time reporting on the AQIs and improving the efficiency of the AQI reporting process. We also ensured that AQIs flagged as requiring urgent or moderate intervention received attention and prompt corrective action during the audit cycle to limit their impact on audit quality.

A 'post-flight' AQI report for the 2020-21 audit cycles listed potential audit quality risks that needed to be addressed in the 2021-22 national and provincial, and local government audit cycles. The key observations included:

- Allocations to contracted audit firms and pre-issuance reviewers were done on time. This was a positive outcome as resources were planned in advance of the audit, and should continue.
- The need to strengthen employee wellness, specifically the mental health of employees, by creating a healthy working environment. Employees were encouraged to use the employee wellness programme to support them.
- Identifying contentious technical matters should be strengthened. Highlighting these matters earlier in the audit process would allow adequate time for consultation and implementing the recommendations.

These have been considered during our audit planning sessions.

### Proactive quality support reviews

Proactive reviews are conducted by our technical audit support during the audit and are limited to specific areas in the audit files where audit quality risks have been identified.

Part of the proactive review is for reviewers to engage with the audit teams to influence a higher quality on their audit files. Proactive reviews also identified audit quality findings in compliance, reporting and concluding. The audit teams resolved these findings prior to signing off the audit reports.

Details of these findings were also shared across the organisation to ensure that similar audit quality matters are addressed on audits that did not undergo a proactive review.

The proactive reviews on a selection of national and provincial, and local government audits implementing the MI process were part of a wider support plan for those audits that included internal peer reviews and external pre-issuance reviews.

## CONCLUSION ON THE PERFORMANCE OF THE VALUE-ADDING AUDITING STRATEGIC GOAL

Our phased approach to implementing the MI definition culminated in all the different elements being implemented for the first time during the 2020-21 audit cycle. We also increased the number of auditees at which we implemented the MI process, focusing on having the greatest impact without spreading our resources too thin or compromising the quality of our processes.

Our successes include resolving 11 MIs and having most accounting officers act on our recommendations to improve internal controls, take disciplinary action, institute fraud and criminal investigations, and cancel supplier contracts. We were pleased to note behavioural changes at some auditees without us having to make remedial action. Internally, we are getting better at implementing the MI process, although our teams sometimes take a long time to raise an MI, or to make decisions when adequate action is not taken by the accounting officer.

When it came to reporting on special audits, we changed our approach to include a close-out report of the audits in the 2020-21 national and provincial general report, and publish the results of each government initiative on our website.

Far fewer findings during vaccine real-time audit meant that the money spent mostly achieved the intended objective. Our multidisciplinary teams that included specialised audit services created a deeper understanding of the initiative and critical concepts in the health industry, and provided efficiencies through data analytics.

In a standalone audit, our follow-up performance audit on the rehabilitation of D&O mines revealed that the department's rehabilitation programme has achieved only minor improvements over the past 12 years.

For the first time in 2021-22, we signed off the Transnet audit. We have not yet taken over the Eskom audit, but the appointed auditors addressed our significant review observations before finalising the audit report. We intend to take over the Eskom audit in the next few years in a planned staggered approach, once we have created the necessary capacity and capability for such a complex audit.

We created banking and financial services sector specialists by implementing a sector-specific technical skills training plan and skills transfer, and collaboration with our external strategic partners.

We also assessed the 43 museums we currently audit and opted out of auditing 19 provincially funded museums to improve our efficiency and capacity.

At entities where we opt out of auditing, we enhanced our review process with a due diligence exercise on all partners from the private audit firms chosen for the audits. The partners that did not pass the review were excluded from the signing off on section 4(3) entities.

We developed three new methodologies for the annual financial statement review engagements aligned to ISRE 2400, audit of predetermined objectives findings engagements and compliance findings engagements. We trained our teams to test these new methodologies at pilot audit sites during the national and provincial 2021-22 cycle.

Initiatives such as proactive reviews, enhanced targeted communications, root-cause analysis and taking corrective action to improve and maintain audit quality allowed us to achieve our audit quality target range of 80% to 90% for the second consecutive year.

With the AQI reporting process well established and positioned to deliver more relevant messages on areas of audit quality risk, we also developed processes and systems for real-time reporting on the AQIs and improving the reporting process. We considered the 'post-flight' AQI report on potential audit quality risks during our audit planning sessions for the upcoming 2021-22 national and provincial, and local government audit cycles.

Our proactive reviews identified audit quality findings in audit reports, which the audit teams resolved before signing off the audit reports. These findings were also shared across the organisation to ensure that similar audit quality matters are addressed on audits not subject to a proactive review.

We have made substantial progress in preparing the organisation for implementing the ISQM. We completed the risk assessment process, which is one of the most significant aspects of the ISQM journey. Overall, despite some internal challenges, the project is on track.

### Key challenges

The increase in threats of legal challenges against our institution is of great concern as it poses a threat to our independence.

Auditees not providing quality data on time and in a usable format, officials not being available to discuss findings, and pushbacks continued to be a challenge. This inevitably delayed finalising the respective audits and placed further pressure on our teams and capacity.

### Future outlook

In continuing the journey of implementing the MI process, we will increase the number of auditees at which we implement the MI process until we have included the population of our auditees. We plan to focus on identifying high-quality MIs that will increase our impact on the accountability mechanisms of national, provincial and local

government. We are aware of pockets of frustration with the perceived slow pace of issuing certificates of debt and holding accounting officers and accounting authorities to account. Our main objective, though, remains to improve audit outcomes, which in turn should lead to improved service delivery and the realisation of the basic human rights for ordinary South Africans.

We will continue to capacitate our specialised audit units to effectively respond to the risks in our audit environment and develop insight. Real-time auditing and reporting uses such teams extensively, including on the KwaZulu-Natal flood relief fund audit. We will also continue to enhance our capacity to audit SOEs while using available opportunities to create the necessary balance within the audit portfolios.

We reviewed the categories of our auditee portfolios to develop additional differentiated audit approaches and ensure that we audit what matters in the most efficient and effective manner. We will pilot these categories and differentiated audit approaches in the next performance year.

We intend to continue to use our mandate to audit and report on matters that have an impact on the lives of the people of South African, which has found expression in our new #cultureshift2030 strategy. We truly believe that this new organisational strategy will allow us to realise our reputational promise of building public confidence.



## V2

### VISIBILITY FOR IMPACT

structures our stakeholder engagement programmes to effectively encourage and enable the required improvements in the public sector.

Engaging with stakeholders allows us to build professional relationships that enable and influence the public sector to build strong financial and performance management systems, and to use public funds as intended for the benefit of the people of South Africa.

Our visibility programmes are designed to create mutually beneficial relationships that support our objective to promote public sector accountability. Broadly, we categorise our stakeholders as either constitutional or non-constitutional. Our constitutional stakeholders include our auditees, the executive and legislative stakeholders. Non-constitutional stakeholders have been identified over the years as integral partners to achieving our mandate and improving public sector accountability. These include professional institutions, other chapter 9 institutions, CSOs, the media, regulatory bodies, the citizens of South Africa,

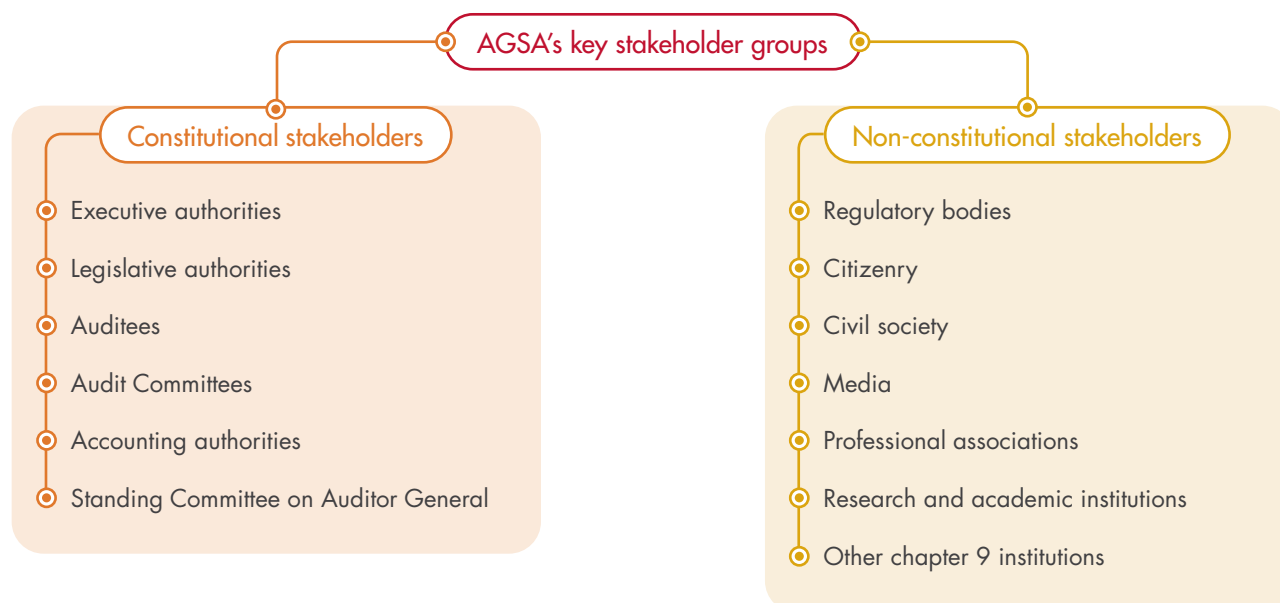
and Intosai and Afrosai-e as international bodies providing guidance to supreme audit institutions.

## Our approach to stakeholder management

We use a simple three-step approach:

- Analyse stakeholder needs
- Develop specific action plans for each stakeholder group within the stakeholder categories
- Engage with stakeholders and monitor the impact.

Prioritising stakeholders enables us to deliver customised messages linked to the stakeholders' mandates and AGSA needs. This helps to identify specific mandate-aligned actions for each stakeholder and their intended objectives.



## AGSA's key stakeholder groups

## CONSTITUTIONAL STAKEHOLDERS

**Performance measure:** % implementation of our constitutional stakeholders visibility programme

2021-22 target



**80% – 100%**

of the actions for 2021-22

2021-22 actual



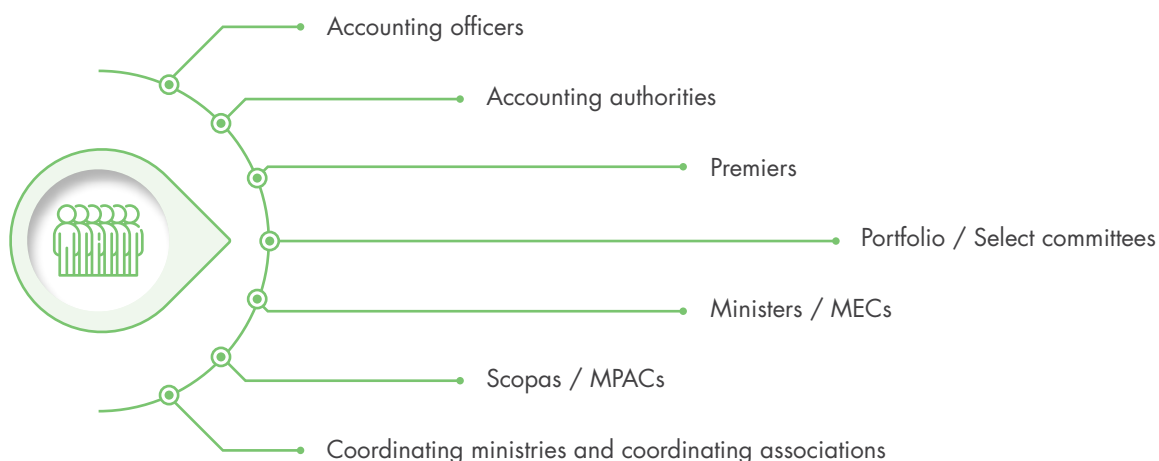
**123%**

*Visibility for impact objective 1: Achieve impact through visibility programmes*

### Impact of our visibility programmes

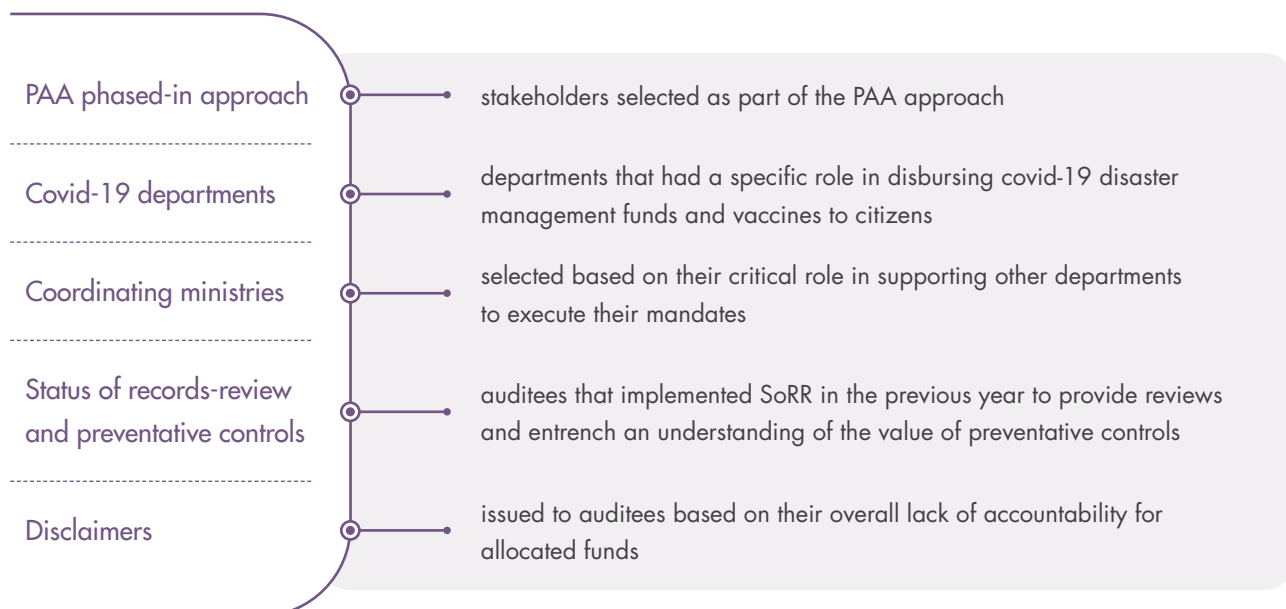
Our customised messages and interactions help to deepen our stakeholders' understanding of audit outcomes, MIs, the PAA, the status of records review (SoRR) and preventative controls, and to clarify the corrective actions needed to further their specific mandates. This is critical to helping our constitutional stakeholders understand their roles and responsibilities, and entrench them as part of the public sector accountability ecosystem.

To strengthen our impact and influence change, we targeted 501 interactions with 270 prioritised constitutional stakeholders. Our 618 interactions exceeded this target and strengthened our relationships with our stakeholders.



*Prioritised constitutional stakeholders*

We used the following criteria to customise our messages to these stakeholders:



In our interactions we focused on the key root causes of poor performance, highlighted good practices and encouraged corrective measures. The interactions reinforced the significance of the stakeholder's role in the accountability ecosystem.

public administration. We engaged the ministers and MECs after each audit cycle to share our insight on transversal audit issues and on how each coordinating ministry fared against the requirements of their mandates.

## Executive interactions

The executive authorities are stewards of public funds. They have the executive power to determine how to allocate resources for service delivery that benefits citizens. We engaged with executive authorities quarterly, either individually, in a collective such as in Cabinet, during roadshows, or through written communication.

## Cabinet and coordinating ministries

The Cabinet is the most senior level of the executive branch of the government of South Africa and consists of the president as head, the deputy president and ministers.

Coordinating ministries have collective transversal responsibilities that are mandated to several ministers. These responsibilities include the cooperative governance development, local government, public financial management, performance, monitoring, evaluation and

## The National Assembly and National Council of Provinces

Together, the National Assembly and NCoP make up the South African Parliament. After each audit cycle, we briefed the house chairpersons of both the National Assembly and NCoP on the audit outcomes and elevated the key issues that needed oversight attention. These briefings were sometimes followed by engagements with committee chairpersons. All these engagements assisted to prepare parliamentary and legislative communities for

more pointed engagements when the general reports were launched.

### Standing Committee on Public Accounts (Scopa)

Scopa's mandate is to scrutinise all annual reports, and to identify and hold accountable all departments with undesirable audit outcomes. The committee's strategic objective is to use oversight to curb the rise of irregular, fruitless and wasteful expenditure. It executes this mandate using our reliable and relevant information on state accounts.

The national Scopa depends on us to support its thematic approach to oversight. As a result, we receive requests for briefings on diverse topics based on the committee's focus at the time. This work is outside of the annual briefings on our national, provincial and local government audit cycles.

The select committee on appropriations continues to demonstrate interest in our work by summoning provincial MECs of finance, mayors and municipal managers to give an account of the poor financial and project management that normally results in grant funds going back to the National Treasury.

### Portfolio committees

The national Parliament and provincial legislatures execute their oversight mandate through portfolio committees, which are their implementing agents. Our engagements generally take the form of personal engagements with committee chairpersons, which are crucial for highlighting the committees' critical needs. Our long-standing relations with these committees encouraged them to request insight that assisted their oversight visits to various auditees to monitor service delivery.

At a national level, our insight during the budget review and recommendation report (BRRR) process helped committees to frame appropriate questions for the executive authorities and their accounting officers, and to make informed decisions regarding budget adjustment approvals.

While committees appreciated the insight that helped shape their resolutions, some were still unhappy with the pace of implementing our expanded mandate and the link between a clean audit opinion and service delivery. We reassured the committees of our commitment to effectively address these concerns and drive better stakeholder understanding. We also highlighted their role in tracking and monitoring the implementation of identified MIs.

### Provincial engagements

Premiers assume overall responsibility for provincial government's delivery against citizens' expectations. This makes them the focal point for enhancing overall provincial progress in building state capability to deliver quality services to citizens. During our engagements, we reinforced the importance of setting the correct tone at the top and demanding a culture of compliance and ethics in driving the right behaviour in the public sector.

We engaged MECs and directors-general on the root causes of their department's poor performance and the corrective action required to turn the tide. We also encouraged them to strengthen their oversight of accounting officers and monitor consequence management in their portfolios. MECs need to ensure that all employees with the authority to spend public funds are answerable for their actions.

Local government is at the coalface of government's service delivery efforts. Mayors and municipal managers are instrumental in delivering the municipal service delivery and budget implementation plan. We shared our insight into the root causes of undesirable performance with these local government stakeholders and challenged them to strengthen their oversight of the municipal machinery to ensure an improvement in people's lived experiences.

We participated in the Salga integrated councillor induction programme as a key strategic partner in training new councillors. Generally, our messages were received well. The new councillors were eager to understand our work and how it supports local government.



### Association of Public Accounts Committees

The APAC serves as the coordinating structure for national and provincial Scopa chairpersons. It provides a cost-effective platform for engaging oversight bodies on transversal issues.



Our engagement with the APAC on the audit outcomes of both audit cycles gave public accounts committees an acute understanding of the root causes of poor audit

outcomes and performance. The APAC, in turn, shared its understanding of public sector challenges with us, and together we co-created solutions. The APAC is able to drive accountability by asking the right questions during public hearings and demanding action from accounting officers and executive authorities.

We briefed the council of delegates and APAC support staff on our expanded mandate and preventative controls to enable effective oversight.

## NON-CONSTITUTIONAL STAKEHOLDERS

### Collaboration with law-enforcement and other agencies

Collaboration with the Fusion Centre on the real-time audits special reports 1 to 3 continued. The centre provided us with reports on the South African Social Security Agency and the Unemployment Insurance Fund, and a list of data to assist us when performing our functions. In turn, we provided the Fusion Centre with data to assist its investigations.

A further advantage of our involvement in the Fusion Centre is our ability to leverage these relationships to help us assess requests for investigation and refer matters to other agencies that are better placed to investigate.

### Task team on the professionalisation of the public sector

We received great recognition for our experience in professionalising our workforce when one of our executives (Jan van Schalkwyk) was appointed to serve on the High-Level Task on the Professionalisation Framework advising the minister of public service and administration on creating a capable, ethical and developmental public service. Once the framework is finalised and put in action, we believe that it will assist to strengthen state capacity and public service reforms, aspects that in turn will contribute to a desired public sector culture of performance, accountability and integrity.

### Standard-setters and regulators

Our mandate requires engagements with the various like-minded institutions responsible for setting accounting and auditing standards, regulations, and reporting frameworks. We continued to strengthen our partnerships with these institutions, using our technical and audit insight to influence them while gathering relevant insight from them for our own use.

### National Treasury

The National Treasury plays a significant role in government. It is a key standard setter for financial reporting frameworks and a custodian of the national and provincial, and local government financial management legislation. Our key stakeholders within the National Treasury are the Office of the Accountant-General and the Office of the Chief Procurement Officer.

We engage with these offices to resolve contentious technical matters arising from our audits and to understand their role in local government. We also provide input and comments on standards, templates, procurement prescripts, guidelines and other technical documents.

### Office of the Accountant-General

We provided input on a number of transversal technical issues identified from the 2020-21 national and provincial government audit cycle. The Office of the Accountant-General published the updated Modified Cash Standard financial reporting framework documents, which included

our input, in September and October 2021 for the 2021-22 financial year.

We also continued to engage on numerous contentious technical matters brought up by our auditees. The majority of these matters were resolved during our engagements and were used to provide additional guidance to auditees in the form of frequently asked questions or guidance documents. These matters will also be escalated to the 2022-23 Modified Cash Standard financial reporting framework where necessary.

### Office of the Chief Procurement Officer

The Office of the Chief Procurement Officer engagements centred on key legislation that impacts our audits. These include the implications of National Treasury Instruction Note 03 of 2021-22 and the Constitutional Court judgement that invalidated the Preferential Procurement Regulation of 2017.

### Accounting Standards Board

The Accounting Standards Board is responsible for developing and maintaining the Standards of Generally Recognised Accounting Practice (GRAP), and advancing financial reporting in the public sector. Our engagement objective is to provide insight on auditing and accounting considerations when setting the GRAP standards.

Our participation in review projects resulted in enhanced guidance to address transversal practices and trends arising from an incorrect understanding, interpretation and application of the standards.

### Formal trilateral meetings

The formal trilateral meeting is between the AGSA, the director-general at the National Treasury and the chief executive officer of the Accounting Standards Board. The objective is to strategically collaborate to improve financial reporting, accountability systems and transparency, and to give direction to technical specialists dealing with operational issues.

During the 2021-22 cycle, our two meetings focused on identifying areas for collaboration and matters of contention or clarification. These included the need for a reporting framework for smaller entities, the differentiated

audit approach project, and the use of materiality in preparing financial statements.

### Independent Regulatory Board for Auditors

We engaged with the IRBA to facilitate public sector audit insight in developing standards and guidance for auditors. These interactions included updating and issuing the IRBA and AGSA joint Guidance on performing audits.

The guides are used where the AGSA has opted not to directly perform an audit and are aimed at improving the quality of public sector audits performed by private audit firms. They enhance the contracted audit firms' understanding of public sector audits and improve audit quality. The IRBA also plays a critical role in the quality control assessment process.

We also provided input to the *Proposed conforming and consequential amendments to IRBA pronouncements arising from the International Auditing and Assurance Standards Board's (IAASB) quality management standards and the IAASB's exposure draft: ISA: Audits of less complex entities (LCE)*.

Our participation on the IRBA project task team to explore the need for additional disclosures and increase the value of audit reports resulted in a proposal to include enhanced disclosures in the audit report. The proposal is being considered by the IRBA board and is expected to result in IRBA issuing rules and guidance to this effect.

### South African Institute of Chartered Accountants

We engaged the South African Institute of Chartered Accountants (Saica) with a view to contributing to and influencing practical audit guidance. We participated on Saica's Assurance Guidance Committee, which issued guidance as technical articles and webcasts.

The committee's initiatives included:

- guidance on real-time audits
- guidance in response to the recent civil unrest, published on 23 August 2021
- guidance on common errors made in audit reports, published in December 2021
- updated FAQs



We were also part of the Saica task team to comment on the *IESBA exposure draft: Proposed revisions to the definitions of listed entity and public interest entity*.



### Stakeholder interactions with contracted audit firms

Contracted audit firms and pre-issuance reviewers assist us to close capacity shortages when conducting our audits in line with our constitutional mandate. These firms are viewed as an extension of our capacity to conduct audits, so we try to be prompt with work allocations and communication to enable us to plan audits on time.

Our continuous communication with contracted audit firms ensures that they are kept abreast of all developments and remain aligned to our audit methodology and our needs. We also communicate on challenges during the audit cycle and the quality of audits.

Although the audit firms are required to adhere to the standard, we are mindful of our ownership of the standard for providing assurance and our senior managers are equally responsible for overseeing the work done by audit firms. In the spirit of professionalism, we hold audit firms accountable for quality at the highest level of audit partner.

## Our citizen engagement strategy

**Performance measure:** % implementation of actions as per our citizen engagement programmes

2021-22 target



**80% - 100%**  
of the actions for 2021-22

2021-22 actual



**98%**

### Engage actively with citizens

We continue to make progress in educating citizens about our role and mandate to empower them to hold elected representatives accountable. We leveraged our reputation and credibility to interact with stakeholders that have a voice to augment our messages and influence auditees to achieve better outcomes. However, while appreciating our role in strengthening the accountability ecosystem, non-constitutional stakeholders are increasingly looking for stronger action from the AGSA. This would include a demonstration of our ability to enforce the changes required to improve audit outcomes and the governance mechanisms in public institutions, with an emphasis on using public funds responsibly and efficiently.

### Enhancing community reach

As part of our community engagement programme, we developed citizen reports for all three special reports and the 2019-20 national and provincial, and local government general reports. We also displayed our messages on various platforms to reach citizens. Platforms include:

- a standalone reporting website
- the media
- CSOs
- social media
- the AGSA website
- GCIS platforms
- community platforms
- public lectures.

Our social media platforms allowed us to share our reports and audit outcomes, and encouraged discussions on a multitude of other topics. These discussions helped us educate the public, which grew our following as citizens responded to our messaging. We are encouraged that our reports and messages were quoted by members of the public in their arguments and deliberations in social media conversations. The lessons we learnt will be carried forward to improve our social media offering and presence.

Our engagements with the media helped them to understand our work and how we implement our expanded mandate. We held various workshops with regional and community media, the South African National Editors Forum and the Institute for the Advancement of Journalism. Information-sharing sessions included journalists from mainstream, regional and community media to help our messages reach all the citizens of South Africa. We also published opinion pieces in various media to share our vision of the public sector and insight from audit outcomes, and to influence accountability.

### Engagement with professional associations and industry organisations

We engaged a number of professional associations, industry organisations, business associations, CSOs and institutions of higher learning using various platforms such as public lectures, personal discussions and networking sessions.

These interactions helped us reinforce our messages and create greater awareness of the mechanisms available to the AGSA to strengthen the accountability ecosystem. The stakeholders continued their advocacy work by holding auditees accountable and monitoring implementation through public statements and reports.

Our executives drove these engagements both nationally and abroad. We shared insight on the 2019-20 local government and 2019-20 national and provincial audits, discussed preventative controls, and explained the enhanced role and mandate of the AGSA. These engagements aimed to co-create solutions for improvements in the public sector and create ambassadors for our messages.

The main points of discussion included:

- national, provincial and local government audit outcomes, and issues of non-compliance from supply chain management
- progress of MI implementation
- special report insight
- ethical leadership
- strengthening accountability
- preventative controls.

In addition, we held engagements with the following:

### Professional associations and industry bodies

- ProudlySA Public Sector Procurement Forums
- Saica
- Association for the Advancement of Black Accountants of Southern Africa (Abasa)
- African Women Chartered Accountants (Awca)
- South African Medical Technology Industry Association (Samed)
- Salga management committee and National Executive Committee meeting
- State-Owned Entities Procurement Forum (SOEPF)
- CFO SA Finance Indaba
- South African institute of Government Auditors (Saiga)

### Points of discussion

- The role of professionals in building capable administration
- Influencers and drivers of change to respond to the future of work
- Impact of the outcomes on the health ecosystem
- Real-time audits
- Role of public accounting and auditing professionals

### Academic institutions

- University of Johannesburg (UJ)
- 2021 International Conference of Accounting and Business (ICAB) conference
- Human Science Research Council (HSRC) and Sol Plaatjie University
- Gordon Institute Business School (Gibs) of the University of Pretoria
- South African Accounting Association (SAAA)

### Points of discussion

- Impact of emerging technologies on the auditing profession
- Progressive and sustainable improvements required to drive change
- New and emerging roles for accountants
- Reforms required to future proof the accounting profession

### Publications

We profiled our trainee audit scheme in the November edition of the Accountancy SA (ASA) magazine and our Head of National audit in the Accountancy SA magazine in the January edition.

### Auditor-general engagements

- Saica – Narrowing the expectation gap
- Abasa Womens forum
- Wits School of Governance
- Public dialogue with civil society organisation Afesis Corplan and Daily Dispatch newspaper
- Combined CSO engagement
- Business Unity South Africa (Busa)

### Points of discussion

- Dysfunctions in internal audit, remuneration and audit committees
- Consequences management
- Leadership failures
- Developing a gender transformed leadership pipeline
- Resilience of institutions to respond to crisis
- Building adequate controls to enable monitoring and prevention of financial loss
- Mechanisms and strong instruments to enforce accountability
- Capable administration
- Ethical leadership

### AGSA recognition

- As part of their annual women's conference and recognition awards in August 2021, Awca honoured head of national audit, Bongi Ngoma, as the winner of the 2021 public sector CFO of the year award. This provided an opportunity for profiling and showcasing the depth of leadership in the AGSA. These awards are recognition of the calibre of women leaders in the AGSA who continuously demonstrate the tenacity to succeed in their careers, and who continue to raise the bar of excellence within the chartered accountancy profession
- Bongi Ngoma won three awards from CFO South Africa: CFO of the year, the public sector CFO of the year, the transformation & empowerment award
- Mabatho Sedikela was recognised and awarded as public sector woman executive of the year by Abasa
- Sisonke Mvumbu, audit manager at the Eastern Cape business unit, won the under 35 women leader of the year award by Abasa
- The auditor-general was honoured with the Charlotte Manny-Maxeke institute's 4th annual bring her up: Women of firsts award
- AGSA was named the 2021 Corporate sector company of the year by the ACFE South Africa



Bongi Ngoma



Mabatho Sedikela



Sisonke Mvumbu

### Our engagement with civil society organisations

Engagements with CSOs provide a fresh perspective on focus areas and risk assessments from the ordinary person's view. To nurture and clarify these engagements, we launched the position paper outlining the relationship between the AGSA and CSOs in July 2021. We mapped CSOs in detail to identify those for priority engagement. Dedicated process flows provided structure to CSO engagements.



The auditor-general met with various CSOs to share audit outcomes, a special report (SR3), and progress on MIs. The auditor-general stated our intention to collaborate with CSOs in line with global best practices (Intosai-P 12), expand the accountability ecosystem, and enhance the accountability value chain. Our goal is to improve the audit product and message to ensure that AGSA reports reflect and touch citizens' lived experiences.

### International thought leadership

We continued to contribute to, and benefit from, the global public sector audit community. Our key leadership role within the global community of 196 supreme audit institutions continued as the chair of the CBC, which is goal 2 of Intosai's four strategic goals.

The CBC supports supreme audit institutions to maximise their value and benefits to society by developing their professional capacities, and continued to do so despite the limitations imposed by the global pandemic.

We also continued to contribute to the development of supreme audit institutions in Africa through strategic development cooperation at a continental level (Afrosai), and through dedicated development support to 26 African supreme audit institutions through Afrosai-e. Together with other African supreme audit institutions we provided external audit services to the African Union and related bodies.

On a professional level, we benefitted from our participation in key working bodies of Intosai, and through knowledge sharing engagements with various supreme audit institutions at a bilateral level.



### International participation

Through our participation in Intosai, Afrosai, Afrosai-e and the AUC, we contribute towards a stronger global community of supreme audit institutions and developing an effective culture of cooperation.

### Global leadership

- crafted ISSAI 150, GUID 1950 and 1951 pronouncements on global requirements for auditor competence for adoption by Intosai
- continued to lead Intosai CBC, directing and monitoring delivery of 18 CBC projects
- headed the global rollout of the *SAI performance measurement framework*
- participated in global forums on strengthening the role of supreme audit institutions, anti-corruption, and real-time audits
- participated in developing the new 2023-28 Intosai strategy
- participated in SADCOPAC training for PACs

### SAI development in Africa

- committed to hosting Afrosai-e's executive secretariat for another five years
- participated at a strategic level in Afrosai governance structures
- supported a quality control review of supreme audit institutions of Eritrea and Rwanda
- 16 quality control reviewers received QC accreditation in Afrosai-e methodology
- participated in various workshops and training initiatives
- contributed to developing the new strategic plan for Afrosai and revising the Afrosai statutes
- continued to share best practices
- Became a member of two Afrosai technical committees to share knowledge

### AUC

- permanent member of the board of external auditors (BoEA)
- contributed to the revision of the BoEA's terms of reference
- completed the audit of the African Court on Human and Peoples Rights in Tanzania within the African Union timelines
- continue to grow and nurture the relationship with the African Union and fellow African supreme audit institutions to strengthen the control environment

### Professional exposure

- participated in various Intosai working bodies to strengthen professional standards and benefit from mutual knowledge-sharing
- took part in G20 countries' knowledge exchange on the role of supreme audit institutions in preventing and countering corruption, including developing guidance on effective cooperation between supreme audit institutions and anti-corruption agencies.
- obtained valuable information about successful business approaches and audit methodologies by other leading supreme audit institutions

## CONCLUSION ON THE PERFORMANCE OF THE VISIBILITY FOR IMPACT STRATEGIC GOAL

We have grown our visibility with intensified programmes that encourage stakeholders to influence change and accountability in the public sector. We believe that our interactions have helped stakeholders to gain a better understanding of our audit messages. Our focus has been to determine how stakeholders view our work and how it supports their strategic objectives. This helped us to customise our messages, linking them to stakeholder mandates, and co-create solutions that strengthen our relationships and derive mutually beneficial outcomes. In this way, we forged a spirit of true partnership to strengthen the accountability ecosystem.

We held 618 interactions with 270 prioritised constitutional stakeholders. These interactions encouraged specific mandate-aligned corrective actions, which were critical to entrenching stakeholder roles and responsibilities as part of the public sector accountability ecosystem.

Effective corrective actions by some auditees tightened governance mechanisms and consequence management, which at times alleviated the need for us to apply the full scope of our expanded mandate. Nevertheless, in some instances the MI process was implemented, and our non-constitutional stakeholders are confident that, in good time, the MI process will realise tangible results.

The real-time audits enhanced our cooperation and information sharing with the Special Investigating Unit and the Office of the Public Protector through the Fusion Centre. This platform enabled us to leverage the relationships created to support our audits, as well as to refer matters that come to our attention to other agencies that are better placed to investigate.

Multiple stakeholders such as CFO SA, Awca, Abasa and the ACFE expressed their recognition of our successes.

Our citizen engagement initiatives increased the reach and impact of our messages by enhancing community awareness and ensuring an appropriate social media presence to engage citizens. Our social media community continued to grow, which gave citizens direct exposure to our messages on accountability, governance and oversight.

We engaged with CSOs on our audit outcomes, our covid-19 special report and MIs. The CSOs appreciated our engagements and efforts to strengthen good governance in the public sector. Long term relationships with CSOs will create ambassadors for our messages and mandate, and assist us to deepen our risk assessments and clarify our messages with the objective of improving the lived reality of citizens.

We continued to take an active role on the international stage. This included crafting a professional pronouncement as part of the CBC, heading the global rollout of the *SAI performance measurement framework* and being invited to brief a European Union delegation on our MI and general report processes. On the African continent, we increased our footprint, contributing to the new Afrosai strategic plan, becoming a member of two Afrosai technical committees to share knowledge, and completing the audit of the African Court of Human and People's Rights within the African Union deadlines.

## Key challenges

There are still questions in the public space and among stakeholders about the connection between a clean audit opinion and service delivery. While we have clarified that we do not necessarily audit service delivery, we are convinced that a clean audit opinion provides a basis for transparency in reporting and enables auditees to deal with impediments to service delivery.

Although progress has been made in deepening understanding, there is still some public frustration with the perceived slow pace of issuing certificates of debt and demonstrating that accounting officers are held accountable. Stakeholders also seemed unhappy that we reported cooperation from accounting officers, as they perceived such a message as counterproductive to issuing a certificate of debt. We managed frustrations about the perceived delay in effective consequence management through our expanded mandate by emphasising that the certificate of debt was not our primary goal; rather our goal is to improve audit outcomes to make a certificate of debt unnecessary.

## Future outlook

We have rigorously engaged with stakeholders on the audit outcomes expressed in our reports over the years. We have also engaged with legislated oversight mechanisms and shared audit insight to proactively equip them to scrutinise reports and hold executive authorities accountable for their stewardship of public funds. These institutionalised practices have matured; however, more action is required to improve audit outcomes.

Our recently released seven-year corporate strategy, #cultureshift2030, emphasises the need to influence a culture change in the public sector, in partnership with our stakeholders as part of the public sector accountability ecosystem. Our aim is to partner widely, and differently, with stakeholders that have a voice to augment our messages, encourage change to achieve better outcomes and can hold the public sector accountable.

We will enhance our partnerships with our stakeholders by strengthening the accountability ecosystem that reinforces the links between them and encourages them to operate with an awareness of how their respective roles influence others within the ecosystem at large. This will drive our deliberate interactions with stakeholders that can play a role in holding our auditees accountable and achieve better outcomes.

The media will play a key role in helping socialise our new strategy. Our key focus will be to profile the organisation's vision using interviews with identified media practitioners and agencies to enable our officials to explain and encourage support for the strategy.

Our leaders have the depth and drive to ensure a culture shift towards wholesale good governance in the public sector.



V3

## VIABILITY

focuses internally to ensure 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.

## FINANCIAL VIABILITY

### Viability objective 1: Maintain financial viability and legal independence

Performance measure: Net surplus / sustainability margin (% of audit revenue)

2021-22 target



1,0% - 4,0%

2021-22 actual



0,92%

Performance measure: Level of safety (cash margin)

2021-22 target



1,5 - 2,5 months

2021-22 actual

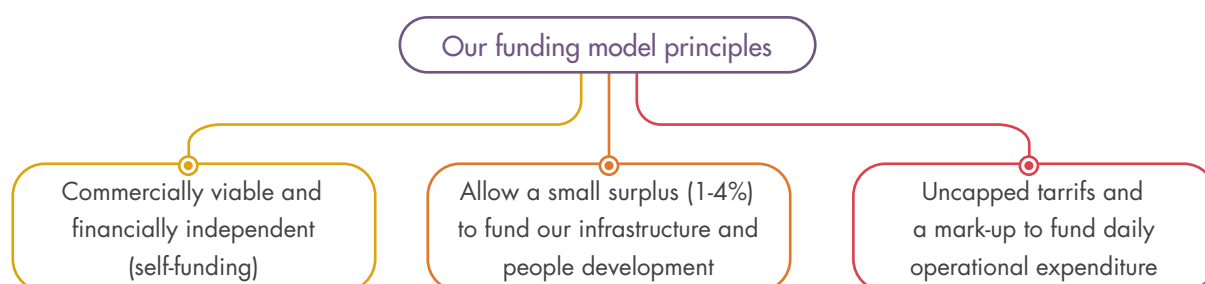


2,1 months

### Strengthen financial viability

Our financial viability is based on sound financial principles, strict cash flow management and strong internal controls supported by sustainability approaches. At the centre of these is our funding model, which enables us to

deliver on the organisational mandate in a manner that is cost-efficient and effective, and adds value to the public sector. The model allows us to remain solvent and ensures that we have sufficient capacity to meet our operational and capital expenditure, and developmental and technological requirements.



## Audit income

Actual revenue for the year ended 31 March 2022 was R4 395 million, representing a year on year increase of 29% from R3 395 million in 2020-21. Of this percentage, about 23% relates to revenue from the catch-up audit work that could not be completed in the previous year. The results were achieved by proactive continuous plans that included:

- a drive to achieve efficiencies through staff pooling between national and provincial business units
- a determination by our audit teams to achieve better productivity and recoverable rates (own hours' revenue).

We generated an audit income of R983 million or 22% (2020-21: 18%) through the audit work outsourced to private firms. This increase was also driven by catch-up audits that could not be completed in the previous financial year.

Our overhead expenses of R1 447 million was R48 million above the previous year's expenditure of R1 399 million.

We managed the increase in overheads as we continued our costs optimisation practices, and our culture of consciousness continued to have a positive impact.

## Debtors

The cash collections for the organisation performed exceptionally well for the year, R5 billion was collected, which is R2 billion or 55% more than in the previous year.

The slight decrease in the overall debt owed to us indicates the success of our concerted collection strategies. We continue to leverage our strategic relationship with stakeholders such as the National Treasury and provincial treasuries to address our concerns regarding this debt.

At 31 March 2022, we were owed R1 060 million, which was a decrease from the R1 085 million owed in the same period last year. Local and district municipalities owed us 52 %, or R548 million, while SOEs and public entities owed 23%, or R243 million. Of the debt, R311 million or 29% (2020-21: R291 million) was owed for 120 days or more, mainly by auditees in financial distress.

	2019-20	2020-21	2021-22
National government	75	62	80
Provincial government	163	35	130
Local government	425	722	548
Statutory debtors	71	57	59
Other debtors	197	209	243
<b>Total debt</b>	<b>931</b>	<b>1 085</b>	<b>1 060</b>

*Debt owed per category of auditee*

The decrease in local government debt, from R722 million in March 2021 to R548 million in March 2022 is due to the delay in the local government audits last year. This year, the majority were completed on time. In addition, our concerted collection efforts through a debtors sprint project and collaboration with the National Treasury played a part in increasing our debt collections.

Local government debt is still concentrated in the Northern Cape, Eastern Cape, Free State and North West.

### Debt collection

We continue to enforce collections in line with our accounts receivable policy and the Public Audit Act. We also made notable strides in collecting debt using the following strategies:

- Engagement with National Treasury, which continues to yield positive results. We reported the risk to our liquidity of some auditees not settling their audit fees. With the intervention of the National Treasury director-general, we collected R94 million.
- We negotiated a R70 million debt settlement to liquidate old debt for financially distressed and 1% debtors. This was in addition to the R71 million allocated for this purpose and which we also received during the year.
- We continue to provide auditees with opportunities to reduce their debt through ring-fencing payment arrangements. We collected a cumulative R471 million since the beginning of this initiative, with R53 million collected in 2021-22 (2020-21: R31 million). We consider this initiative very effective, especially for those financially distressed auditees that would have not ordinarily have settled some of their debt.

Ring-fencing agreements

Ring-fenced amount

Cumulative amount collected

Ring-fencing agreement collections

2020-21	2021-22
136	153
R452 million	R559 million
R418 million	R471 million

Where auditees do not settle their audit fees or form payment arrangements, we will litigate to recover the debt, in line with the Public Audit Act. This approach contributed to recovering long outstanding debt, as we collected a cumulative R642 million, with R156 million collected in 2021-22.

Our litigation cost is contained to only R0,2 million (2020-21: R0,1 million) as most of this work is done by our in-house legal team.

No. of auditees

Cumulative litigated amount

Cumulative amount collected

*Litigation since implementation*

2020-21	2021-22
140	170
R692 million	R 923 million
R486 million	R642 million

## Provision for impairment of debtors / doubtful debt

We halted the overall increase in the debt book; however, the quality of the debt owed by SOEs and local government, especially in the Eastern Cape, Free State, North West and Northern Cape, remains a concern. As a result, the provision for impairment of debtors increased from R198 million in 2020-21 to R213 million. The provision for impairment is 20% (2020-21: 18%) of the outstanding debt, which means that for every one rand owed to the AGSA, 20 cents may not be collectable.

## Cash flow

Our financial performance, the improved cash collections, cash inflows and the well-managed outflows resulted in a year-end cash balance, including short-term investments, of R770 million (2020-21: R576 million). This translates to a margin of safety of 2,1 months, which is close to the AGSA risk appetite target of three months.

Our working capital shows positive financial health, with an acid test ratio of 0,92:1 (2020-21: 0,80:1), which is just below the norm of 1:1. This means that for every one rand that we owe and have to pay to creditors within the next 12 months, we have ninety two cents to cover the payment.

## Optimise own hours' revenue with resource pooling and reducing outsourced work

We saved R129 million as at 31 March 2022 by resource pooling, where we prioritise using our own resources before considering outsourcing work.

However, a certain amount of additional outsourcing was unavoidable to assist on the national and provincial interim audits without pooling resources from the delayed local government audits. A total of R17 million was allocated to national outsourced contracts, which makes the true reflection of revenue generated through resource pooling R112 million in 2021-22.

For the national and provincial audit cycle resource pooling was R16,6 million, where our regional offices provided assistance on audits that required a provincial presence. Our specific national audit units generated R23 million by adopting provincial audits, which helped to meet our commitment on planned audits.

# PEOPLE VIABILITY

## AGSA workforce

On 31 March 2022 we had 3 765 staff, including trainee auditors and short-term contract employees, reflecting an increase of 62 employees from last year's total of 3 703. The increase was mainly due to the number of trainee auditors appointed in the last quarter of the financial year.

Our staff establishment stood at 4 430 positions, with 4 269 approved positions and 161 temporary positions. Temporary positions increased by 46 (40%) since the end of the 2020-21 financial year, largely due to the strained economic climate resulting from the pandemic. The temporary staffing model helps us maintain our agility and a healthy balance between a permanent workforce and flexible staffing solutions to meet our emerging needs.

Occupancy rate

Number of positions

Number of employees

Vacancies

Voluntary staff turnover

2020-21	2021-22
88,81%	84,82%
4 171	4 430
3 703	3 765
468	665
3,16%	5,90%

AGSA workforce profile

We strive to create a workplace that embraces diversity and promotes inclusion. On 1 April 2021, we entered our final year of implementing our three-year employment

equity (EE) plan. When we introduced the plan we benchmarked it against the national economically active population (EAP).



AGSA by race and gender

Against an EAP target of 44,8%, 57,08% of our workforce are female, while 42,92% are males against an EAP target of 55,2%. In the previous year, our workforce was 56,6% female and 43,4% male.

Our diverse and inclusive workforce reflects the demographics of South Africa. The race profile shows that the African group has the highest overall representation at 80,03%, against an EAP target of 77,9%.

Age group	Ethnic group					Total	%
	African	Coloured	Indian	White	Foreign		
< 25	274	21	10	4	0	309	8,21%
25-35	2 019	98	83	29	0	2 229	59,20%
36-55	673	99	109	204	15	1 100	29,22%
> 55	47	3	4	70	3	127	3,37%
<b>Total</b>	<b>3 013</b>	<b>221</b>	<b>206</b>	<b>307</b>	<b>18</b>	<b>3 765</b>	
<b>%</b>	<b>80,03%</b>	<b>5,87%</b>	<b>5,47%</b>	<b>8,15%</b>	<b>0,48%</b>		<b>100%</b>

Workforce distribution by age and race



Our predominately young workforce has an average employee age of 34 years, with 67,41% (2020-21: 65,78%) under the age of 36 years. As a learning organisation, the young workforce profile is a deliberate approach to nurturing talent and ensuring a steady stream of professionals for the organisation and the profession.

Diversifying our workforce is vital for new ideas and innovation. Information about our employees is helpful when making long-term decisions about areas such as workforce planning, the EVP, talent mobility and new ways of working.

Contract type	Gender				Total	AGSA %
	Female	%	Male	%		
AG / DAG	1	50,00%	1	50,00%	2	0,05%
Fixed-term contract	317	56,61%	243	43,39%	560	14,87%
Permanent	1 158	55,83%	916	44,17%	2 074	55,09%
Trainee contract	673	59,61%	456	40,39%	1 129	29,99%
<b>Total</b>	<b>2 149</b>	<b>57,08%</b>	<b>1 616</b>	<b>42,92%</b>	<b>3 765</b>	<b>100%</b>

Workforce distribution by gender and contract type

People with disabilities as part of our workforce has decreased slightly from 1,73% in the previous financial year to 1,59% at the end of March 2022.

Over the next financial year, we will focus on developing a new five-year EE plan. Part of the preparation includes reviewing the current occupational levels and aligning them with the EE definitions stipulated in the act.

Achieving the target for persons with disabilities remains a challenge. Our disability plan is being reviewed to ensure that we improve attraction and retention. An internship programme is also being considered.

Developing a new five-year employment equity plan allows a review our occupational levels to ensure that they are aligned to the *Code of good practice on equal pay / Remuneration for work of equal value* EEA9. This plan will attempt to eliminate all forms of EE barriers.

We are committed to eliminating discriminatory practices through our policies and take a zero-tolerance approach to all forms of discrimination in our reporting processes.

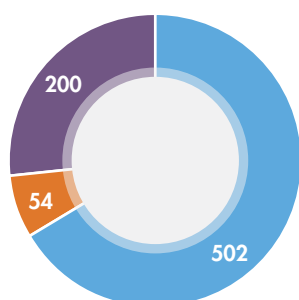
### Attract, develop and retain great talent

The demand for skilled candidates in our industry has increased with new entrants to the market in competition for skilled candidates. This makes recruiting in an already skills-short market even more challenging. Both internal appointments, and external hires and rehires increased in this performance year, indicating a recovery of employment patterns to that of pre-pandemic levels. Internal appointments reflect an increase of 44%, from 139 in the previous year to 200 in 2021-22. External appointments, excluding trainee auditors, increased by 28% from 54 in the previous year to 69.

The biggest increase in internal appointments was at senior manager, specialist and manager levels, to respond to our operational requirements. While we have a moratorium on positions, the increase in terminations from 246 to 419 meant that key positions had to be filled. A 6% increase in our staff establishment also contributed to the increased number of internal and external appointments.

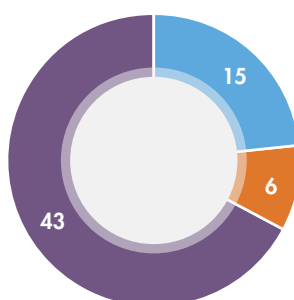


Overall appointment



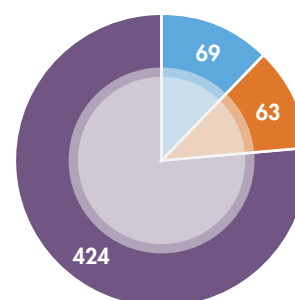
- Internal
- External
- Rehire

Senior management appointment



- Internal
- External
- Rehire

External appointment



- Trainee Auditors
- Experience Hire
- Retentions

AGSA recruitment

## Vacancy rate

Vacancies increased by 197 positions, giving us a vacancy rate of 15,01% at 31 March 2022 (2020-21: 11,54%). Of the 665 vacancies, 316 (47,5%) were in seven audit business units. While we have a moratorium on creating and filling vacancies, we regularly review our business operations and fill the critical positions necessary to deliver on our mandate.

## Labour disputes

This year, 13 disputes were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) (2020-21: 11).

### Favourable decision

### Unfavourable decision

### Settled

### Withdrawn by applicant

### Ongoing

### Total

2019-20		2020-21		2021-22	
Total	%	Total	%	Total	%
4	40	3	27,3	2	15,4
1	10	1	9,1	1	7,7
0	0	1	9,1	2	15,4
2	20	1	9,1	4	30,8
3	30	5	45,4	4	30,8
<b>10</b>	<b>100</b>	<b>11</b>	<b>100</b>	<b>13</b>	<b>100</b>

## CCMA disputes by outcome



A number of cases remain open from the previous year (not included in this year's figures) because of their complexity and the CCMA's decision to reduce its resources during the pandemic.

## Employee wellness

Employee wellness continues to form an integral part of our strategic agenda. We recognise the value of a healthy and well workforce and have taken strides to achieve this goal.

Problems relating to mental health, which include stress, anxiety and depression, more than doubled from 307 in the previous year to 654 in 2021-22. According to an organisational report from ICAS, this is consistent with trends across the country due to the effects of the pandemic on the workforce and families alike. Relationship difficulties decreased from 659 to 576.

An assessment of our environment pointed to the need for targeted and customised support for trainee auditors. In total, 1 276 people, including employees and 91 immediate family members, accessed the employee health and wellness programme (EHWP) with psychosocial challenges. Our EHWP held 69 sessions on emotional impact, which included 2 after the audit cycles, 12 for APC candidates and 16 for ITC candidates. We also implemented other initiatives such as emotional readiness, stress and time management sessions, and engagements with psychologists to support ITC/CTA candidates. These proactive initiatives helped to mitigate the risks associated with chronic mental ill-health and associated physical illness.

## Occupational health and safety

During the year, our initiatives included:

- updating and providing ongoing awareness and communication on the covid 19 response protocol and step-by-step guidelines
- supplying personal protective equipment and sanitisers at all our offices
- providing training to ensure staff compliance with the Occupational Health and Safety Act
- ensuring that employees and people with disabilities have easy and clear access to all our offices.

### Accidents/incidents reported (this does not include covid-19 cases)

Two motor vehicle accidents were reported:

- In the first accident, an employee was injured and required hospitalisation.

- In the second accident, three employees were injured. One required hospitalisation and the other two were treated for injuries.

A member of staff passed on from a suspected heart attack during a scheduled regional site visit. Support was provided to the employee's family and colleagues that assisted with repatriation.

### Trainee auditor scheme

Our business model and talent pipeline are crucial to our sustainability and rely on our ability to attract great talent into our trainee auditor scheme. It is also part of our strategy to continue professionalising the AGSA and contributes to transforming the accounting and auditing professions.



Ethnic group	Total learners		Saiga		Saica		2021-22	Isaca		ACFE		2021-22
							Saiga, Saica					Isaca, ACFE
African	428	641	2	1	401	598	1 002	21	36	4	6	67
Coloured	18	29	0	0	16	29	45	2	0	0	0	2
Indian	14	15	0	0	14	15	29	0	0	0	0	0
White	3	3	0	0	3	3	6	0	0	0	0	0
Total	463	688	2	1	434	645		14	23	4	6	
<b>Total M&amp;F</b>	<b>1 151</b>		<b>3</b>		<b>1 079</b>		<b>1 082</b>	<b>37</b>		<b>10</b>		<b>69</b>

### Learnership profile

Ethnic group		
African	1	4
Coloured	1	0
Total	2	4
<b>Total</b>	<b>6</b>	

### Learners with disability

## Employer of choice award

We were recognised as the Employer of choice in the public sector for the second consecutive year and ranked third in the Aspirational employer of choice category, up from 11th in 2021. The awards reward excellence

and innovation in the graduate employment field. Being voted the top employer in the public sector by graduates showcases the AGSA as an organisation that provides an uplifting working environment for graduates entering the workforce.



## Recruiting trainees with a Certificate in the Theory of Accounting

2019-20

CTA - **221 (54%)**  
Non-CTA - **189**

2020-21

CTA - **231 (93%)**  
Non-CTA - **17**

2021-22

CTA - **225 (53%)**  
Non-CTA - **200**

*Trainee auditor intake*

We recruited 425 trainees of which 225 (53%) had attained their CTA. Last year we had decreased our intake to maintain our financial viability following the impact of the pandemic. While we increased our intake in 2021-22, the number of trainees with a CTA remained steady as competition in the market rose. We are concerned about a trend at universities of reduced CTA classes.

## Trainee auditor assessment outcomes

### Initial Test of Competence

The June 2021 Saica ITC exam was rescheduled and written in September 2021, which gained our candidates an improved pass rate. We spearheaded the Saica decision to discount the second sitting as an exam attempt for repeat candidates. The timing of the September exam and our intensive internal support to all ITC candidates worked well for us.

**ITC results**

Total:

Passed:

Failed:

Percentage pass:

2020		2021		2022
January	November	April	September	January
400	355	520	417	321
142	68	217	215	86
258	287	303	202	235
36	19	42	52	27

*AGSA ITC results***ITC results**

Total:

Passed:

Percentage pass:

2020		2021		2022
January	November	April	September	January
3 657	2 024	3 887	2 002	2 946
2 149	441	2 507	1 175	1 739
59	22	64	59	59

*National Saica ITC results*

We saw a significant decline in the January 2022 ITC results, which mirrored the 28% CTA pass rate, and Unisa candidates did not perform well. Our CTA support plan aims to address the decline in both the CTA and ITC pass rate using the successful AGSA Bootcamp model.

**Assessment of Professional Competence**

In 2021 we launched #APClifestyle as a preparatory programme to support our APC candidates. The programme was designed to help our aspirant chartered accountants bridge the gap between competencies for their learnership and competencies for exam success. #APClifestyle introduced candidates to preparing for a designation and not an exam event and embedded critical thinking as a lifestyle. The programme focused on:

- APC success plans to improve professional competencies
- critical thinking skills
- reading with comprehension
- evaluation to identify triggers
- business writing, planning and organisation
- essential research techniques
- a six-day simulation of the final APC assessment.

We also provided our candidates with support initiatives such as emotional readiness, stress and time management sessions.





In December 2021, 544 of our candidates wrote the Saica APC, the largest group in the history of the trainee auditor scheme. The results, released in February 2022, indicated a 49% pass rate. However, the December APC was marred by a number of technological challenges that affected candidates. Saica therefore held a special optional rewrite in March 2022.

Of our candidates, 51% opted to rewrite. We provided supplementary support, which included access to IFRS

e-learning and unlimited employee wellness support. Our ICT was also available at the venues to provide additional ICT technical support.

The AGSA APC 2021 results increased significantly year on year (by 41 basis points) from 16% (2020) to 57% (2021). We recognised and congratulated the 308 AGSA candidates who were successful in the 2021 APC examination.

APC	2019	2020	2021
Total:	375	381	544
Passed:	149	61	308
Failed:	226	320	235
Percentage pass:	40	16	57

## AGSA APC results

APC	2019	2020	2021
Total:	3 560	3 880	4 928
Total pass:	2 024	1 653	3 549
Percentage pass:	57	43	72

## National Saica APC results



## Implementing our trainee auditor tactical plan

We are proud of the unique value proposition offered to our trainee auditors, but also understand the need to evaluate the root causes of the decline in professional exam pass rates. We launched the trainee auditor tactical plan in 2020, with the objective of assessing the training environment structure, professional support, work exposure and the future-fit readiness of our current training programme.

We addressed AGSA-specific root causes by:

- developing the work exposure dimension programme and APC success plan
- reviewing current training interventions and simulations to prepare updated intervention plans
- aligning and elevating gaps identified in exam competencies
- rolling out exam competency simulations for audit, tax and financial management.

## Academic trainees

Our 10 new academic trainees will represent us at various universities over the 2022 academic year, cementing our strategic partnerships with universities. Academic trainees help to market and champion the AGSA while often mentoring current trainees and helping bridge the technical gap between university and their articles.

## Bursaries

### External bursary

The AGSA external bursary scheme provides financial assistance to individuals who are academically capable but not able to afford tertiary education. The bursary scheme, which currently has 38 bursars, provides opportunities to people with disabilities, socio-economic development candidates, the so-called “missing middle”, and for AGSA employee family members. We decreased our spending on bursaries in 2021-22 to R5,9 million, mainly because of our financial constraints during the covid pandemic.

2019-20

Total bursaries  
**R28 375 030**

Thuthuka bursary fund  
**R17 596 150**

External bursaries  
**R10 778 880**

2020-21

Total bursaries  
**R28 508 550**

Thuthuka bursary fund  
**R19 355 650**

External bursaries  
**R9 152 900**

2021-22

Total bursaries  
**R18 425 652**

Thuthuka bursary fund  
**R12 500 000**

External bursaries  
**R5 925 652**

*External bursary scheme*

### Thuthuka bursary fund

Forty nine Thuthuka candidates began their articles with the AGSA in 2022. The AGSA-Thuthuka partnership continues to be an important lever in highlighting the AGSA as a formidable training organisation in the public sector for aspirant chartered accountants. We have provided for R12 500 000 to be paid to Thuthuka in 2022-23 for 2021-22.



### Investment in training

#### Technical training update

We continued to use online electronic platforms to deliver our training programmes. These platforms have proven to be cost-effective, convenient and conducive to learning. We continue to improve our technology to support online learning. While the 46 training programmes delivered electronically represent 95% of our available programmes, our planned training hours reduced from 39 hours in 2020-21 to 30 hours in this period.

The delayed 2020-21 national, provincial and local government audits meant that employees were not available for training programmes. Training timelines were postponed to accommodate the audit delays. Nevertheless, employees did attend and complete their training outside of the allocated training sessions and have begun to apply their learning to their respective audits.

We also improved our collaboration with internal subject matter experts, which helped reduce turnaround times. These training sessions were well received by the audience.

#### SOE training

The training for the year averaged 5,8 hours, which is significant decrease from the previous year's average of 13,6 hours.

In an effort to create accessible and readily available training that teams could access whenever required, virtual micro-learning was introduced on SOEs. This ensured that the teams could be trained and skills refreshed conveniently when needed. We rolled out five SOE micro-learning sessions. Two sessions could not be rolled out in time as we reprioritised resources.

### Audit principles assessment

The various measures used to maintain or increase our audit quality standards included a compulsory audit principles assessment for all auditors. The objective was to test our audit professionals' understanding of audit methodology principles. Of our 1 676 auditors, 1 199 (72%) completed the assessment and 57% achieved a pass of 70%. This is an increase from the previous year's 51% pass rate. The assessment's outcome was used to identify areas that require further training interventions.

### PAA training

This year, we delivered key training to a further 1 796 auditors within the different audit business units. To date, all our audit staff have attended the PAA MI training. As a result, all future MI training will be offered as updated or refresher training based on an annual needs analysis. In addition, we also trained 98 individuals from 34 outsourced audit firms. These firms have been allocated audits that form part of our PAA implementation for the national, provincial, and local government 2021-22 audits.

### Growing the number of qualified professionals

Ensuring our organisation is skilled professionally remains an ongoing imperative. Our recruitment and talent management strategies have allowed us to retain our qualified auditors at the same level as in the previous year. Our staff complement also consists of 850 non-audit employees with tertiary education (23%).

Ethnic group	Total		Acca		Saiga		Isaca		Saica		ACFE		FP (fiduciary practitioner)	
African	422	501	11	10	148	182	23	38	236	269	4	2	0	0
Coloured	56	35	1	1	14	6	3	2	38	25	0	0	0	1
Indian	31	52	2	5	20	11	5	1	3	32	1	1	0	2
White	118	98	2	6	63	29	11	5	35	52	3	4	4	2
Foreign	47	7	3	3	0	1	1	0	43	3	0	0	0	0
Total	674	693	19	25	245	229	43	46	355	381	8	7	4	5
	1 367		44		474		89		736		15		9	

*Our audit professionals per audit professional body*

## Viability objective 2:

Attract, develop and retain great talent

Performance measure: Saica risk rating for our training offices

2021-22 target



Low risk: **7 - 9**  
 Medium risk: **6 - 8**  
 High risk: **0 - 2**  
 Very high risk: **0**

2021-22 actual



Low risk: **14**  
 Medium risk: **1**  
 High risk: **0**  
 Very high risk: **0**

## Saica risk ratings for our training offices

A key priority as an organisation is to ensure that we continue to position ourselves as a preferred employer of choice and are seen as a notable training institution – a place where critically-skilled professionals choose to remain and contribute to our mandate. The AGSA has 15 decentralised Saica-accredited training offices across the regions that help us ensure that all training complies with the regulations prescribed by the professional body.

We are proud of the improved outcomes we achieved to date. Most of our training offices are on a low risk rating, with one office on a medium risk rating. This is proof that our monitoring and preventative controls, as well as our training initiatives are effective. Four of our training offices (National B, National E, KwaZulu-Natal and Mpumalanga) obtained low risk ratings in the current year, resulting in our last 11 Saica reviews receiving low risk ratings.



## Talent management

Managing performance remains key to delivering on our strategy. We continue to re-engineer our performance and, as a preferred employer, review our reward philosophy and principles regularly to ensure that we are consistently aligned with current market-related practices, both in the private sector where we compete for talent, and within the public sector in which we operate.

Our focus for the year was to align the behavioural competency framework to our people management processes and implement it across the organisation.

We are currently redesigning our performance and talent management frameworks and developing a remuneration strategy as a response to our ever-changing environment and, more importantly, the new strategy #cultureshift2030 strategy.

## Multistage development framework

The primary purpose of the multistage development framework is to develop an inventory of the required or projected knowledge, skills and capabilities across all employee levels in the organisation. We introduced a career advancement model that helps facilitates employee growth, using a horizontal and vertical approach. The key building blocks for the multistage development framework are a competency framework (technical and behaviour), role profiles, and professional and leadership development programmes.

In 2021-22 we focused on piloting the technical competency framework for financial audits, which was targeted at aligning the technical framework to the human capital value chain (recruitment, retention, training and development). This process concluded in the last quarter of 2021-22, with positive results that indicate the technical framework can be rolled out.

## Reward management

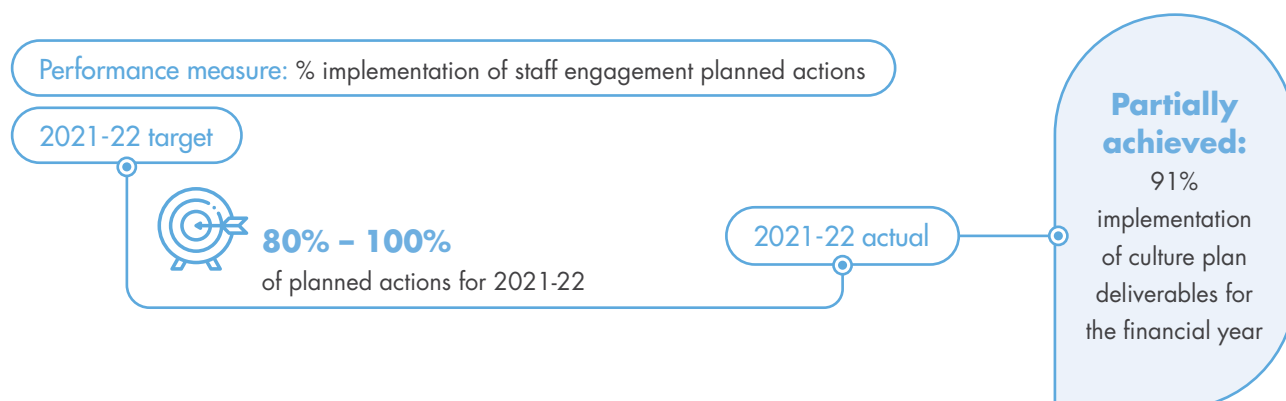
We review our employees' salaries annually in line with cost of living adjustments (Cola) principles. In April 2021, general staff salary increases including trainee auditors was 4%, which aligned with the average consumer price index forecast of 4,1%.

Our performance bonus scheme remains a major vehicle to motivate, engage and retain performing employees. In 2020, the effect of covid-19 saw the organisation forego performance bonuses and salary increases. In August 2021, employees were rewarded for outstanding performance with performance bonuses.

A broader recognition framework saw us targeting, identifying and rewarding employees by merging our various recognition initiatives into one streamlined organisation-wide recognition programme. Our focus for 2022-23 is on approving the draft recognition framework and implementing it across the organisation.

## ORGANISATIONAL DEVELOPMENT

### Viability objective 3: Create an enabling culture and leadership to drive strategy execution



#### Organisational values campaign

We entered the covid-19 environment with a renewed culture statement that shaped our organisational values. This confirmed our aspirations of creating a caring environment strengthened by trust, courage and ethical behaviour. Our organisational values campaign championing our new culture and revised values was launched in March 2021.

Our focus for 2021-22 was to help employees grasp, embrace and live our values. We provided a collection of tools to begin guided values conversations and, despite these conversations not being consistent across the organisation, we received good feedback where they have taken place.

We continued our employee wellness pulse surveys to gain insight on supporting our employees and their needs. Our March 2022 survey results indicated that over 90% of employees who responded were well aware of the new values and agree that there is alignment between the values and their personal values.

With the first phase of our values campaign complete, our focus is to embed the culture in a series of interactive “values in action” workshops that will be held across all business units.

As part of the future of work journey, we have implemented the alternative work location policy. The core principles of the policy are thrive, trust, performance excellence and outcomes. The policy represents the first phase in our response to the overarching question ‘What will happen to workplace flexibility beyond covid-19?’

#### Improvements in the organisational design

In 2021-22, we adopted a holistic evolutionary approach to our organisational structure to help us deliver on our promise of value, quality, efficiency and relevance. We reorganised our audit leadership, audit portfolio and risk management structures, and established a dedicated expanded audit support portfolio.

While we completed the audit support portfolio organisation design, changes in ICT leadership, together with project inefficiencies, have affected the ICT portfolio restructure. This had a negative impact on employee



morale, which we responded to by providing change management, communication and employee wellness support. Our focus in 2022-23 will be to finalise this restructuring as quickly as possible.

### Develop leadership capability

Many leadership programmes and events were held virtually, while others were delayed or postponed because of the covid-19 pandemic and the lockdown regulations. While we redesigned content for virtual rollout, it became evident that learner executives were not likely to derive maximum benefit during the high pressure period when audit cycles put enormous demands on their time and availability.



In addition, executives delayed responding to invitations for e-learning. We need to understand the reasons behind the low uptake of e-learning as executives will need to be at the forefront of embracing technology and e-learning as a positive step towards evolution, innovation and change. We delivered the following leadership programmes:

#### Executive development programme

The executive development programme (EDP) is designed to strengthen leadership capability by developing the new skills, abilities and behaviour needed to drive business results. The EDP 2 and the executive masterclass faced many delays as learning executives focused on increasing work demands and audit work. Notwithstanding the challenges, we achieved the following:

- 15 learning executives completed their EDP1 journey and graduated in November 2021
- 26 learning executives (48% business unit leaders and 52% deputy business unit leaders) resumed their development journey in both EDP2 and the executive masterclass.

#### Leadership development programme

The leadership development programme (LDP) is designed to prepare management for leadership roles. We successfully introduced blended learning approaches to meet the needs of our remote workforce.

- 104 learners (61% senior managers and 39% managers) completed their LDP journey
- 85 learners (52% senior managers and 48% managers) begun their LDP journey as part of phase 3 of the programme.

#### Manager development programme

The manager development programme (MDP) was launched in June 2021 to build assistant manager leadership capabilities. The MDP is delivered virtually.

- 89 assistant managers enrolled in phase 1
- only 48% successfully completed the programme.

We are working on improving the group's low success rate with the relevant programme providers. Initial indications are that increased work pressures may have led to these outcomes. This requires further exploration and ongoing monitoring to understand the factors behind the low success rate.

#### Focused practical webinars to support leaders

We rolled out a series of practical webinars to help leaders navigate the disruption and continue to work. These webinars emphasised:

- managing employees remotely – trained 240 senior management
- emotional resilience – trained 113 line managers.

#### Project Salus

We introduced project Salus to debrief employees after they had completed their audit cycles. The aim was to provide each employee with an opportunity to reflect on their experiences during the audit cycle, share their thoughts and highlight lessons learnt and areas of improvement for themselves as individuals, their respective teams, and at an operational level. Audit business units were prioritised with a multidisciplinary project team from the people portfolio facilitating these debriefings:

- 17 sessions for the leadership team debrief. These were full day sessions that included an introduction to “time to think”, which enabled leaders continue the conversations beyond the session.
- 261 sessions for the employee debrief. These were four-hour sessions, with a member of the leadership team expected to be present at each session.

### Behavioural skills training

We continue to support employees to build behavioural skills that contribute to personal and professional growth. Employees are given opportunities to strengthen their skills and attributes that help them interact better with others, perform their tasks effectively and work towards self-improvement.

### AGSA’s internal response to the covid-19 pandemic – Covid-19 Nerve Centre

In managing the covid-19 pandemic, the Covid-19 Nerve Centre (CNC) ensured a coordinated response, considered infections and vaccinations and managed the gradual return to the office. During this period the CNC communicated with employees continuously on office developments and safety protocols.

We implemented an internal communication campaign to encourage employees to get vaccinated. An anonymous vaccination poll found that approximately 50% of the 1 672 participants had been vaccinated. We therefore held a vaccination drive on 5 November 2021 in partnership with the Department of Health to offer all employees access to vaccinations to exercise their choice; however, uptake was low.



## SYSTEMS AND TOOLS

### Viability objective 4: Enable operational effectiveness and efficiencies



## Progress on our technology optimisation journey

### Develop an organisational technology strategy

Our technology strategy is currently being reviewed to ensure that matters of digital transformation and support for our strategic goals are included. While working on our technology strategy we have optimised the ICT operating model for greater efficiency, refined job profiles and confirmed the roles required to fulfil the strategy. Our technology portfolio now includes a digital transformation unit. We expect our technology strategy to be completed by 30 September 2022.

and the amended PAA expanded our mandate, which makes manual audit processes intensive. This can lead to delays in concluding audits and makes it very difficult to consolidate insight for reporting at an organisational level.

Our current audit software application does not allow us to leverage the industry's technological advancements. We need to acquire and implement a suitable and successful audit software solution that meets our complex business needs.

The phase 1 market analysis has been completed. The "What good looks like" subcommittee undertook the analysis at the four major audit firms and the Council for Scientific and Industrial Research to benchmark their audit software. This helped us in our search for an audit software that would work for us both now and in the future. We also benchmarked against supreme audit institutions.

### Audit software platform

The audit scope of work has increased significantly over the years. We have taken over a number of SOE audits



Key milestones	Initiation	Business case document	Requirement	Define roadmap	Procurement process
Activities	<ul style="list-style-type: none"> <li>✓ Develop project mandate</li> <li>○ Reestablish dedicated project team and PMO</li> <li>✓ Document phase 1 reset project plan</li> <li>✓ Develop terms of reference (ToR)</li> <li>○ <b>Approve governance documents</b></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Market analysis</b></li> <li>○ Update the existing business case</li> <li>○ Submit business case for review</li> <li>○ Conduct a business case walkthrough</li> <li>○ Finalise business case</li> <li>○ <b>Approve business case</b></li> </ul>	<ul style="list-style-type: none"> <li>○ Confirm the project and solution scope</li> <li>○ Source and review existing business requirements</li> <li>○ Elicit information to bridge the gaps</li> <li>○ Update business requirements document</li> <li>○ Conduct a BRS walkthrough</li> <li>○ <b>Approve business requirements</b></li> </ul>	<ul style="list-style-type: none"> <li>○ Develop the roadmap</li> <li>○ Review the roadmap</li> <li>○ Submit to project steering committee</li> <li>○ Submit to exco for approval</li> <li>○ <b>Approve roadmap</b></li> </ul>	<ul style="list-style-type: none"> <li>○ Source information</li> <li>○ Request for quotation for solution development</li> <li>○ Assess quotations</li> <li>○ Selection process</li> <li>○ <b>Approve contract</b></li> </ul>
Deliverables	<ul style="list-style-type: none"> <li>○ Approved project mandate</li> <li>○ Approved ToR</li> </ul>	<ul style="list-style-type: none"> <li>○ Sign-off business case</li> </ul>	<ul style="list-style-type: none"> <li>○ Sign-off business requirements</li> </ul>	<ul style="list-style-type: none"> <li>○ Approved roadmap implementation</li> </ul>	<ul style="list-style-type: none"> <li>○ Approved contract</li> </ul>



Complete



In progress



Not commenced yet

### Audit software journey map

### Enterprise resource planning solution

We appointed a service provider to review our current PeopleSoft capability. Further research will determine the cost of the new ERP solution recommended and identify suitable ERP vendors in the market.

### Develop a case management solution

We appointed a service provider to develop the case management solution to automate the MI process. Active work on the system began in January 2022 and is expected to be completed by the end of January 2023.

### Disaster recovery plan testing

Our disaster recovery plan simulated test in March 2022 was successful and will form part of our testing going forward.

### Digital transformation road map

We completed our digital transformation roadmap, which maps the steps needed to become a digitally transformed organisation. The roadmap outlines the following three steps:

- Laying the foundation
- Organisational recalibration
- Value creation

Laying the foundation is complete and included:

- a digital transformation maturity survey
- documenting the audit value chain

## CONCLUSION ON THE PERFORMANCE OF THE VIABILITY STRATEGIC GOAL

Our audit revenue was R4 395 million, up from R3 395 million in 2020-21. This represents a year on year increase of 29%. Of this percentage, 23% relates to revenue from the catch-up audit work that could not be completed in the previous year. The results were achieved by driving efficiencies through staff pooling between national and provincial business units and better productivity and recoverable rates (own hours' revenue). Outsourced audit work also realised savings of R112 million as at 31 March 2022, as we prioritised our own resources before outsourcing.

The overall debt owed to us decreased slightly from R1 085 million to R1 060 million. We continued our concerted collection strategies and leveraged our strategic relationship with stakeholders such as the National

Treasury and provincial treasuries to address our concerns regarding this debt.

Debt owed by local government continued to be a challenge at R548 million, while SOEs and public entities owe R243 million. Local government debt decreased slightly due to delayed local government audits. Our concerted efforts and collaboration with the National Treasury also yielded R164 million, in addition to the R71 million that was allocated to us for financially distressed auditees.

Ring-fencing continued to be our most effective collection strategy, specifically for financially distressed auditees who would not have ordinarily settled some of their debt.

With auditees that failed to settle their audit fees and did not take up any form of payment arrangement, we instituted litigation.

Our financial status remained healthy because of our improved cash collections, cash inflows and well managed outflows. This translated into a margin of safety of 2,1 months.

The pandemic has had a significant impact on our employees and their wellbeing. Our wellness outcomes highlight multiple mental health issues that include stress, anxiety and depression. This trend also mirrors the current environment in the country and globally. Ongoing support to employees through our employee wellness and employee assistance programmes remains a top priority for the organisation.

We entered the covid-19 environment with a renewed culture statement and updated our organisational values. Covid-19 continued to influence our ways of working as we implemented the alternative work location policy, which was built on the core principles of trust, performance excellence and outcomes.

Our people continued to show great resilience and commitment to the proud mandate of the office. The voice and behaviour of our employees is a reflection of our organisational culture, underpinned by trust, courage and ethical behaviour.

Although we managed our headcount in response to the uncertain economic conditions, we did create temporary positions to meet critical business needs. We also equipped our specialised units with specialist skills to respond effectively to audit risks.

We changed our leadership audit and risk management structures in response to the evolving environment in which we operate. These structural changes helped us to deliver value in the quality, efficiency and relevance of our work. Our focus now is to close off restructuring our ICT portfolio.

Developing our employees' skills remained a key priority during this current year. Online training and e-learning has proven to be a cost effective, convenient and conducive method of learning, with 95% of our training conducted online.

As a transformative organisation, we pride ourselves on our unique value proposition for our trainee auditors. We rolled out various support initiatives that included the launch of #APClifestyle and interventions before and after examinations, which resulted in improved results for the APC. This success unfortunately did not translate to the ITC results, which experienced a decline in the pass rate.

We introduced debriefing sessions after the audit cycles to give employees the opportunity to reflect on their experiences, and encouraged them to share their thoughts and lessons learnt, and identify opportunities for improvement across all levels.

We are proud of the improved Saica accreditation ratings of our 15 training offices, with 14 of our training offices securing a low risk rating, and one office with a medium risk rating. This is confirmation of our focus to maintain our status as a good training institution where those with critical skills are encouraged to remain and contribute to our mandate.

While later than normal, we successfully concluded the organisational performance and talent review process for 2020-21. Based on the organisational performance and our financial position, the organisation paid bonuses for the first time since August 2019.

Our ICT strategy is making progress and is currently being reviewed to ensure alignment with the new organisational strategy to create greater efficiencies and further improvements in customer experience.

We made progress on our audit software project as we concluded the "what good looks like" benchmark exercise

and the market analysis on supreme audit institutions. We engaged a service provider to review our current ERP capability and successfully appointed a service provider to begin developing our case management solution.

### Key challenges

The impact and the disruptions caused by the covid-19 pandemic continued to have a significant impact in all areas of business, and on our people. Mental health challenges continued to be prominent, understandably so as the effects of the pandemic continue to affect families. Ongoing support to employees through the employee wellness and employee assistance programmes remain a top priority for the organisation.

We continue to struggle to recruit for some mission-critical positions in our business units and have noted a gap in our internal talent management systems, which poses challenges for the organisation. We continue to explore innovative ways to close this gap. Part of this will be expanding and integrating our internal comprehensive talent management and recruiting for specialised capabilities. These will be addressed in the new strategy.

Vacancies and resignations in ICT affected the unit's stability. Recruitment for these vacant positions remains a key priority.

### Future outlook

Resource capacity will continue to be prioritised cautiously to ensure a healthy balance between available resources to deliver on our commitments and our financial sustainability. We will apply innovation to recruit for our audit machinery and will continue to focus on capacitating specialised units to ensure that we respond to emerging business needs.

Our focus for the new performance year is to incorporate the technical competencies required to implement our new strategy into the multistage development framework. From a professional development perspective, technical training programmes will be aligned to the framework.

The importance of employee wellness will continue to form an integral part of our strategic agenda, as contained in our new strategy. We recognise the value of promoting and creating a healthy and emotionally sound workforce, and will explore practical solutions to help alleviate pressure on employees.

We will continue implementing our culture plan to deliver our #cultureshift2030 strategy.

Our long-term projects will continue to enable efficiencies within our working environment. We will also finalise procuring our disaster recovery service to ensure business continuity. It will also enable rapid recovery from ransomware attacks, since the organisational data will be stored in an offsite facility that is not part of our local network.



V4



## VISION AND VALUES DRIVEN

demonstrates that clean administration and transformation are achievable, as we lead by example through our work and behaviour.

Our call for accountability and the country's transformation objectives underpin our values as a supreme audit institution. Our successes continue to demonstrate that clean administration and transformation are achievable,

guided by the principles of accountability, governance and ethical conduct, and championing high levels of diversity and inclusion.

## Vision and values driven objective 1: Drive the AGSA's transformation programme

Performance measure: B-BBEE level

2021-22 target



Level 2

2021-22 actual



Level 1



We remain committed to transformation in South Africa and take pride in achieving a broad-based black economic empowerment (B-BBEE) level 1 contributor status for the past four consecutive years. Over the past two years, the covid-19 pandemic saw us reduce our spending to ensure our financial sustainability; however, we still achieved a level 1 contributor status.

The following factors had an impact on our B-BBEE status:

- **Management control**  
The appointment of new business unit leaders and deputy business unit leaders had a positive impact on executive management levels. However, we did not meet the targets at the middle and junior management levels.

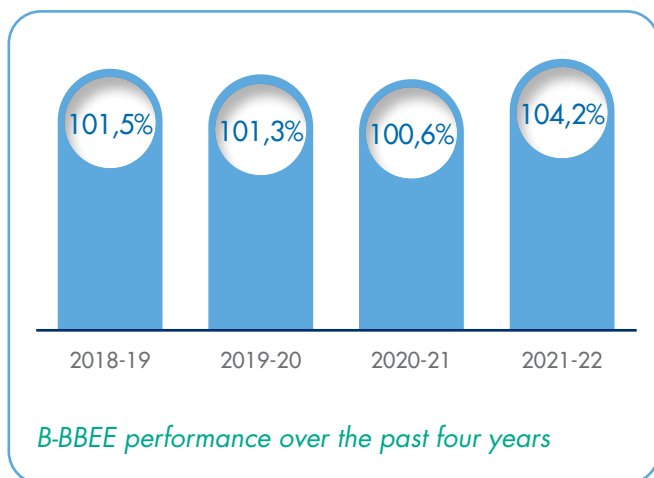
### • Skills development

With the pandemic restricting traditional face-to-face learning, we explored innovative ways of delivering skills development. We did not spend on our training and development programmes in accordance with the EAP targets, specifically on the coloured demographic. Recruitment within the coloured demographic remains a challenge. The absorption rate of final year students boosted the overall score.

### • Preferential procurement

We maintained our performance of the previous financial year.

The success of attaining a level 1 B-BBEE status was a result of our employees' collaborative efforts to support transformation objectives, our processes and monitoring plans and our leadership's strong oversight.



Of our 37 business units, 21 maintained their B-BBEE performance (level 1 or 2) for the second consecutive year. The focus for the future goes beyond numbers to define the behaviour that drives and embeds the spirit of transformation in the organisation.

### Entrenching transformation at the AGSA

We have entrenched transformation into our organisational culture, especially in our supply chain management processes and people value chains. We are addressing reports of non-audit black-owned businesses in rural areas having difficulty upgrading their security standards, which has an impact on our being able to use them as service providers. Our enterprise development programme will support these suppliers by conducting a gap analysis, which will inform subsequent interventions.

Our quarterly organisational EE Forum identifies barriers – such as unfair recruitment processes, a lack of reasonable accommodation for persons with disabilities, and gender-related matters – and solutions to support a culture of transformation. We have incorporated detailed solutions to these barriers in our new five-year EE plan.

Extending our transformation culture outward, we worked in collaboration with the wesolve4xconsultancy, a 100% black-owned company of actuaries, to pilot a project at the Glenbrack High School in Boksburg. The project supports learners studying mathematics, mainly by providing them with the tools necessary for their studies. We will evaluate the results of the pilot project before deciding whether to extend this project to all the AGSA's adopted schools.

### Management control

While we met our B-BBEE targets at the level of exco, executive, and senior management, we did not meet the targets at the middle and junior management levels, nor did we meet the coloured demographic EAP targets.

We continued to promote an inclusive culture for persons with disabilities and ring-fenced positions, supported by the employee wellness programme and our leadership who remain key enablers for achieving these targets.

### Skills development

Our contribution to transformation has gone beyond the audit profession. Our learnership intake has diversified and currently includes non-audit professions.

The organisation-wide budget cuts to ensure our sustainability through the pandemic and its aftermath had a profound effect on our training and development programmes. With the pandemic restricting traditional face-to-face learning, we explored innovative ways to deliver skills development such as e-learning, where venue and travelling costs became virtual platform and connectivity costs.

Persons with disabilities continue to be the most vulnerable group in society and most likely to experience economic exclusion. As a result, we continue to elevate their challenges and difficulties and are making deliberate efforts to host an internship programme that specifically focuses on persons with disabilities.

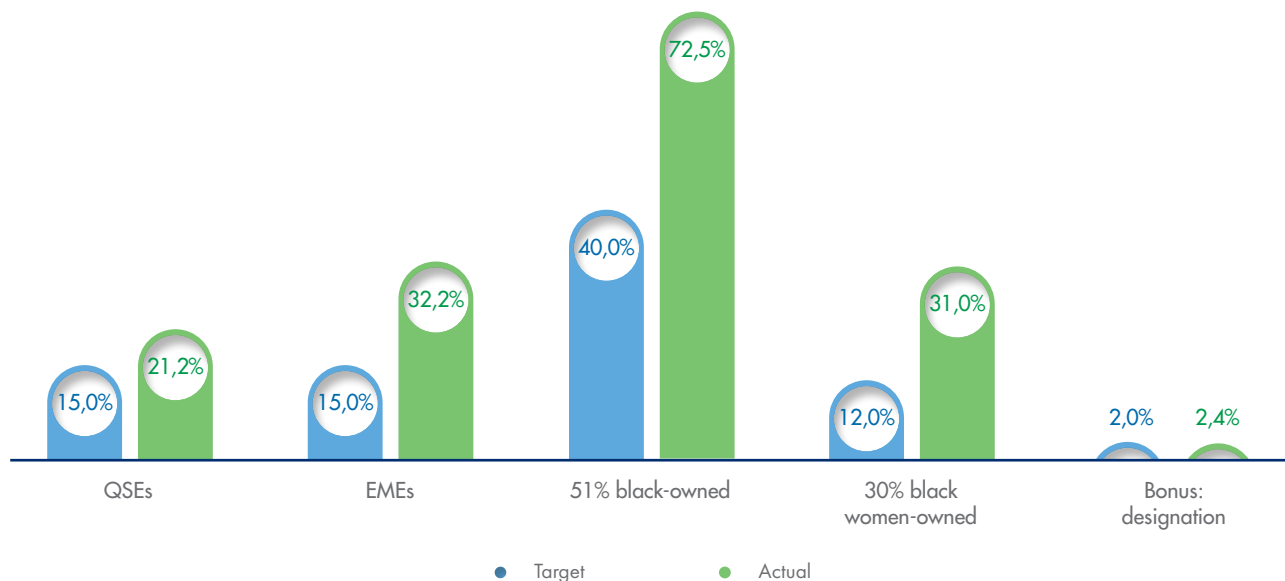
### Preferential procurement

We achieved full points for preferential procurement. In contributing to the country's economic growth we made a deliberate effort to support procurement from B-BBEE-compliant suppliers. We focused our procurement on exempted micro enterprises (EMEs) and qualifying small enterprises (QSEs), and continued to support 51% black, and 30% black women-owned businesses.



We also achieved the procurement target for designated groups<sup>1</sup>, particularly small youth-owned businesses, and developed a B-BBEE procurement framework to safeguard our support of small black-owned businesses.

We commend our staff for their willingness to actively identify and support small businesses. Similar to last year, the pandemic provided us with an opportunity to prioritise payments to small businesses.



*B-BBEE procurement*



## Enterprise and supplier development programme

The objective of our ESD programme is to provide financial and business support to help qualifying companies overcome obstacles and increase their market competitiveness. Our small ESD programme successfully introduced our small and medium-sized audit firms into the mainstream economy, accelerated their growth and ensured the sustainability of black and black women-owned firms, which transforms the auditing landscape.

The ESD programme runs over a five-year cycle. In March every year, ESD beneficiaries are assessed to determine which will proceed with the programme. In 2021, we assessed the 20 beneficiaries selected for the ESD programme.

Thirteen small audit firms applied to join the programme. However, the organisation's cost reduction initiative, driven by the covid-19 pandemic, allowed for the inclusion of only four firms into the programme for the remaining 2020-25 tender cycle.

The R2 000 000 ESD programme budget for 2021-22 was exceeded by R500 000. The additional funds were used to align firms' operational infrastructure such as IT equipment to our specifications. We also helped firms to comply with professional bodies and to obtain other office material.

The table below shows our financial assistance to firms during 2021-22:

1. Designated groups include small businesses owned by black youth, persons with disabilities, military veterans and peri-urban or rural enterprises.

Name of firm	Existing/New	Support	Description
Harvest Assurance Inc	Existing	R400 000	New office set-up for new branch
Khulagro Inc	New	R300 000	Saica accreditation with registrations for trainee auditors plus office set-up registrations
Kuyasa Registered Auditors	Existing	R500 000	Saica accreditation and trainee auditor registrations
Maine Management Inc	Existing	R500 000	New office set-up for new branch
NUE Chartered Accountants Inc	Existing	R500 000	New office set-up for new branch
Pamag Inc	New	R300 000	Saica accreditation with registrations for trainee auditors plus office set-up registrations

In addition, to help their business continuity and sustainability we provided ESD firms with grants for operating resources, which contributed to their rapid growth. Some firms expanded to other provinces and some increased their Saica trainee quotas, making them eligible to be prioritised for ad hoc work.

Nationally, 11 ESD beneficiaries applied for Saica office accreditation and five applied to increase their trainee quota. Four firms received their office accreditation and three firms were allocated an additional four trainees. The remainder of the firms are still in the application process.

We outsourced audit work and pre-issuance reviews to these firms, assisting them to create a total of 298 jobs during the year. ESD beneficiaries shared 23% of our total

outsourced audit expenditure (R201 million of our total outsourced audit expenditure).

### Contracted audit work

Outsourced audit expenditure increased in the current year to R983 019 000 as a result of our additional audit work, which included real-time audits. Of the total expenditure, R880 035 338 (90%) was paid to the outsource creditors and the remaining 10% was accrued at year end, and will be paid in the new financial year.

B-BBEE levels 1 and 2 audit firms were allocated 88% (R865 million) of the total outsourced audit work and were subsequently paid 88% (R777 million) of the total paid.



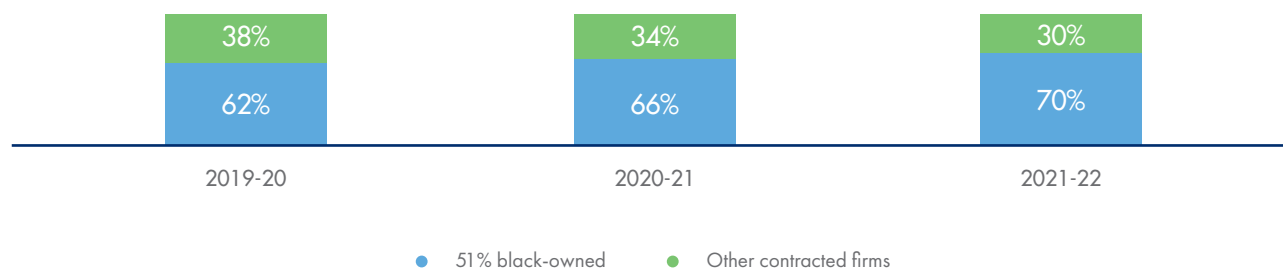
Firm B-BBEE level	No. of firms	Allocations (R)	% allocated	Actual paid (R)	% paid
Level 1	62	752 765 276	76,6%	680 026 827	77,3%
Level 2	15	112 637 887	11,4%	96 873 805	11,0%
Level 3	1	7 729 059	0,8%	7 157 819	0,8%
Level 4	15	86 675 165	8,8%	75 793 027	8,6%
Level 5	1	1 242 128	0,1%	1 232 475	0,1%
Level 6	1	918 082	0,1%	883 629	0,1%
Level 7	1	4 678 825	0,5%	4 691 249	0,5%
Level 8	4	16 372 578	1,7%	13 376 507	1,5%
<b>Total</b>	<b>100</b>	<b>983 019 000</b>	<b>100%</b>	<b>880 035 338</b>	<b>100%</b>

*Payments to firms at the various B-BBEE levels*



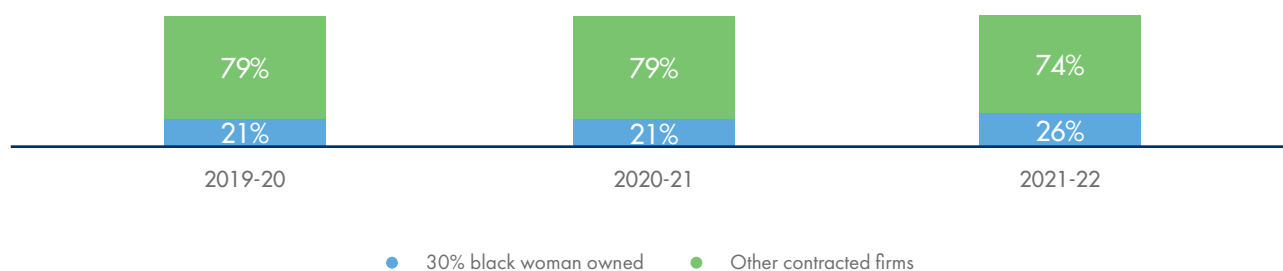
## Expenditure on 51% black-owned firms

Our tender processes continue to be open to subcontracting and partnering opportunities for 51% black and 30% black women-owned EMEs and QSEs. Our allocation processes for ad hoc audit work also prioritise 51% black and 30% black women-owned firms.



*Expenditure on 51% black-owned firms*

Our contracted audit work to 51% black-owned firms increased from 66% of our total expenditure in 2020-21 to 70% in 2021-22. The actual expenditure on these firms for 2021-22 was R613 886 371.



#### Expenditure on 30% black women-owned firms

Our audit work expenditure on 30% black women-owned firms increased from 21% to 26% in 2021-22.

### Socio-economic development

The AGSA's transformation strategy strives to respond to South Africa's transformation objectives for economic empowerment, poverty alleviation and equality by implementing the B-BBEE mechanism.

Our socio-economic development programme is not only a component of the broader B-BBEE mechanism, but is also viewed as a critical lever to drive transformation in the accounting and auditing profession. The programme is driven by three initiatives: Mandela day, adopted schools and historically disadvantaged universities.

In 2021-22, all our socio-economic development activities were aligned to the theme covid-19: alleviation of poverty and inequality. We allocated R780 000 to the programme, with each business unit within the organisation receiving approximately R23 000 for their identified projects.

### Adopted schools initiative

We actively engaged rural and peri-urban schools (including those that have students with disabilities) to introduce the accounting and auditing professions. Our business units adopt these schools to introduce students to the profession and assist them to gain access to tertiary institutions that offer accounting and auditing degrees.

However, because of the impact of the covid-19 pandemic, students had difficulty applying for an AGSA bursary. We had to adapt our processes to help students apply for the bursary on time.

Initiatives such as bring a girl or boy child to work supplemented our schools initiative to drive transformation in these communities. During 2021-22, we spent R283 514 to support 14 schools, including those providing special needs services.

## Mandela day initiative

Mandela Day is commemorated annually as part of International Mandela Day activities. Our business units identified beneficiaries in need of assistance within their proximity and determined those areas where our support would be most useful.



We spent R387 084 to support 18 beneficiaries during 2021-22.

## Historically disadvantaged universities initiative

As part of our socio-economic development programme, we have partnered with the Abasa and Awca student chapters at previously disadvantaged universities. During 2021-22, we spent R70 000 to sponsor the student chapters' annual accounting student induction and mentorship programmes at the various universities. The

objective of these programmes is to bridge the information gap between the accounting profession and students, facilitate and encourage the entry of black students into the accounting profession, promote vocational training and technical education in the accounting profession and assist black students to gain access to accounting education and employment.

## AGSA bursary application – Previously disadvantaged schools

As part of our transformational strategy, we maintain a bursary scheme that focuses on previously disadvantaged schools providing 30% of all applications. Our relationships with our adopted schools assist by identifying eligible students and supporting them through the application process. We also monitor the applications and approvals to ensure that we meet our 30% target.

# DEMONSTRATE CLEAN ADMINISTRATION

## Vision and values driven objective 2: Demonstrate clean administration

Performance measure: External audit opinion

2021-22 target



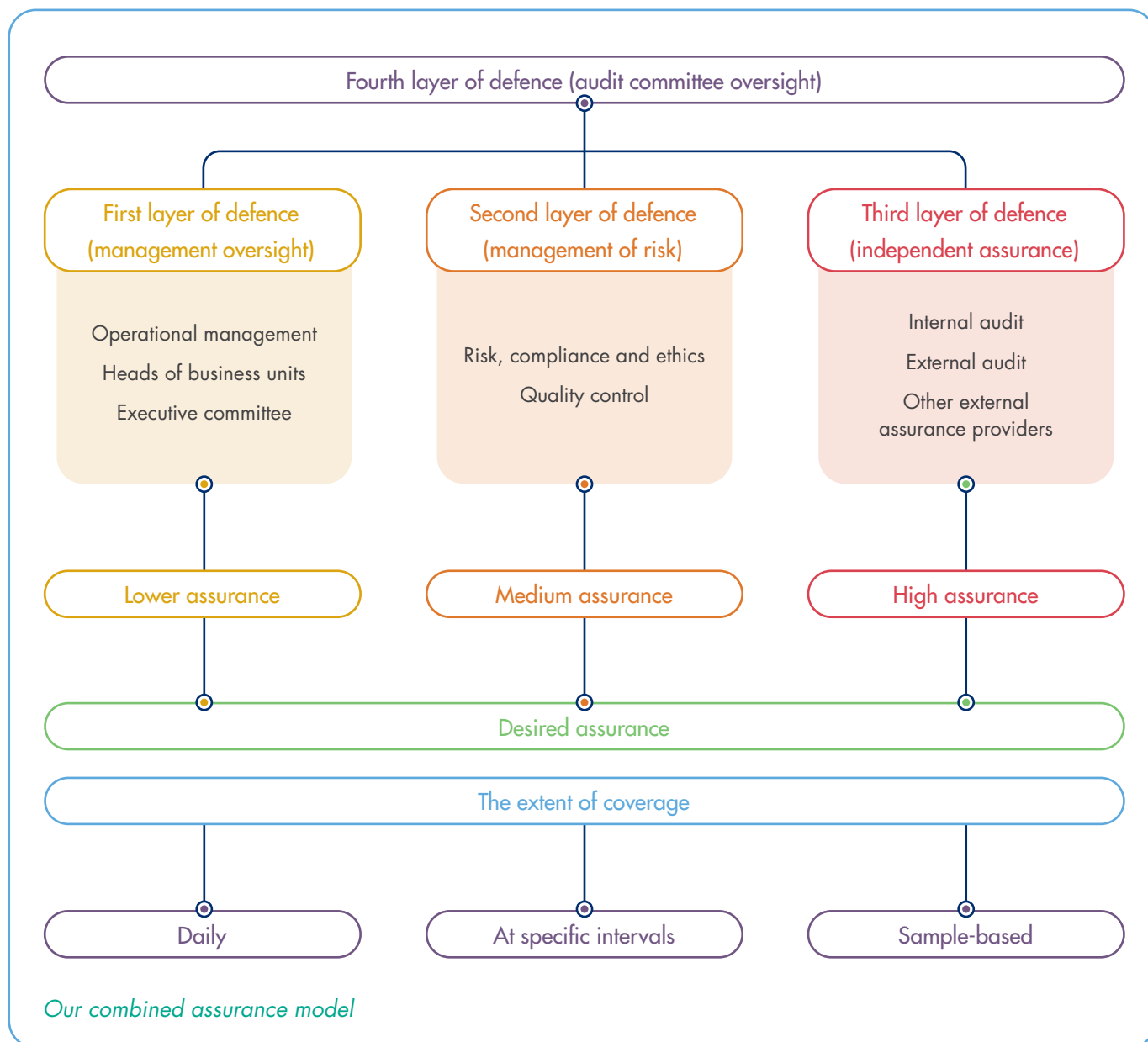
Clean audit

2021-22 actual



Clean audit

## Continuously enhance business process ownership and accountability





Our aspiration to enable a risk-intelligent culture across the organisation continues. Although this is still a growth journey, our teams consciously and proactively manage risk in their various activities, especially in key projects and initiatives.

Process owners are increasingly taking accountability for managing risks by strengthening their processes while remaining responsive to prevailing operational or legislative risks – this is our first layer of defence. These positive observations complement our risk management’s functional role as a second layer of defence in our assurance model and brings effectiveness and efficiencies to the existing processes.

These first and second layers of defence in our combined assurance model contributed to our clean administration during the year.

## Alert to organisational risks

In remaining vigilant to the risks we faced, we assessed several risk levels and categories to identify and mitigate against significant risks. Our primary risk profiles included strategic risk, various key project risks, and other business risk profiles. Section 3 of this report provides a summary of our top risks for the performance year and those proposed for the next period.

## ISQM compliance

With the ISQM 1 effective from 15 December 2022, we undertook a firm-level risk assessment to identify and mitigate risks to the overall system of quality management in line with the standard’s requirements. We developed an ISQM compliance risk register to strengthen the control environment in which the system of quality management operates to improve and sustain the quality of our audits.

The risk assessment touched on each component of the standard.

### Governance & leadership

9

Ineffective culture processes to enable trust and equal sharing of responsibilities and accountability within the SOQM

### Engagement performance

14

- Inefficiencies within the consultation process
- Limited capacity of engagement managers to fulfil their role

### Resources

11

- Inadequate processes to enable development of our own resources and efficient access to external resources
- Inability to recruit and retain skills other than that of a regulatory auditor

### Ethical requirements

7

Non-compliance to ethical requirements by service providers contracted to perform work on behalf of AGSA

### Acceptance & client continuance

5

Inadequate processes (including capacity) to enable appropriate processing of risks at a macro level

### Information & communication

5

Inefficient systems to enable identification, capturing, processing and communication of information within the SOQM

## Summary of our firm-level risk assessment

Our summary displays the outcomes of the assessment, looking at emerging themes across the different elements of the standard and the number of risks identified within each of the elements (51 risks in total).

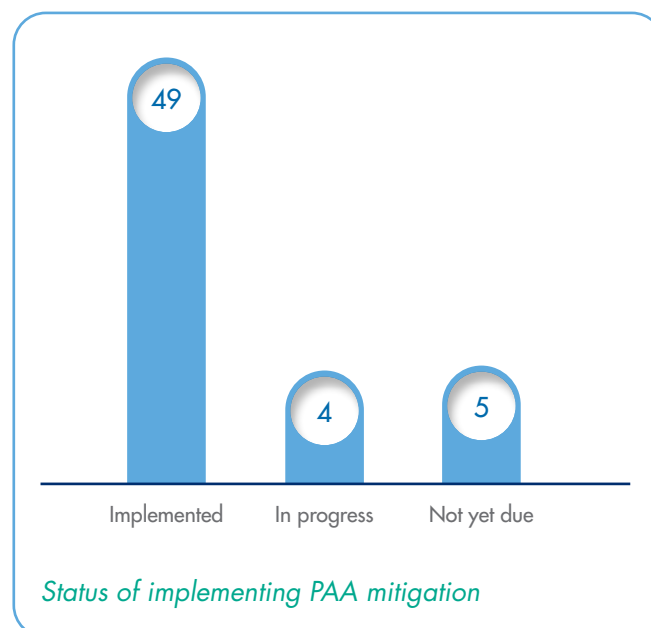
These risks affect almost all processes across the organisation and require integration from multiple process owners. Owing to the all-encompassing nature of the standards, we created a project team to assist process owners to implement mitigations and monitor them through the ISQM project management plan.

We set up an ISQM project steering committee to oversee the functions of the project team and assess the potential risks to the project's successful implementation. Some project risks mitigations included ensuring that the project helps achieve the desired changes and that there is adequate capacity (people, technology and processes) to successfully manage interventions aimed at adhering to the standard by 15 December 2022.

### PAA implementation

Another key strategic project has been implementing the PAA amendments, which remained an organisational priority for the reporting period and called for continued proactive risk management. With the PAA implementation project coming to an end, over 80% of project risk profile mitigations have been implemented. Based on an evaluation of the risk indicators, the risks are managed, and some mitigations have been institutionalised into normal business operations.

A few risks that still require attention will be mitigated either through existing structures or within implementing business units and will be integrated into normal operations. Proactively managing our PAA implementation risks is testament to our risk intelligence.



We revisited the ethics and IT business risk profiles when assessing our business risks.

## Ethics business risk profile

The ethics business risk profile is aimed at safeguarding our ethical character. An assessment shows themes consistent with the ISQM element *Relevant ethical requirements*.

Our efforts to mitigate ISQM implementation risks will result in most of the ethics business risks also being addressed.



Inconsistent application of consequence management for identified ethical breaches



Tone at the top inconsistent with relevant ethical requirements



Failure to embed an ethical culture



Consistent threats and intimidation from auditees coercing employees to act unethically

### Ethics risk profiles



## Information technology business risks

We evaluated the information technology business risks and assessed whether the recently reviewed information technology operational risk register aligned to the ISQM risks. Similarly, the information technology business risks show themes consistent with other information technology-related risk profiles. Efforts to mitigate information

technology business risks will result in information technology operational risks also being addressed.

We are confident that risks across the various risk levels are appropriately aligned, which provides assurance that there is understanding of how the different risk level may affect information technology strategic objectives and operations.



Low level of equality between ICT and business - Low levels of understanding of roles and responsibilities for organisational information technology between business and ICT



Inability or failure to meet information technology needs



Inefficient use of technology resources



Financial/non-financial losses arising from technological/security events caused by external or internal parties (cyber and information security risk)

### Information technology risk profiles

## Audit business transversal risk profile

In addition to strategic, business and project risk support, we also gave attention to the audit business transversal risk profile, which was updated following a risk assessment undertaken with one of the provincial business units. We are pleased to see that the transversal risk profile also remains relevant and responsive to current environmental factors.

It is reassuring that the risks identified by these assessments are consistent with those identified at a strategic and project level, which bodes well for efficiently managing and integrating our organisational risks.

## Responsive risk management

For the organisation to remain relevant and responsive to its environment, we reviewed and aligned various policies and procedures to environmental, organisational and regulatory changes and best practices. We are confident that the revised policies and procedures led to better, more streamlined and consistent processes for managing business risks.

We provided risk training to all business process owners affected by the newly introduced ISQM to enable them to better respond to the emerging risks. These included risk champions and business administration managers, as the first line of defence in administrative functions.

At the end of the performance year, our policy and framework index reflected 51 policies and 10 frameworks. We enhanced the policy frameworks to strengthen policy development processes and maintain their relevance. The enhanced frameworks were approved by exco in April 2021, and further evaluated for their relevance to ISQM requirements.

## Compliance risk management

Managing compliance risk is equally as important as managing business risks. We review the AGSA compliance universe annually, a process that continues to improve. Our universe consists of 62 Acts, and 33 codes and standards. In 2021-22, none of the items in our compliance universe were residually rated as being a critical or high risk, while those rated low risk increased compared to the previous year. This meant that our compliance was adequately managed. We continue to monitor the action plans provided on the regulatory compliance universe.

## Our regulatory compliance universe

Overall, we are satisfied with our commitment to meeting our regulatory requirements and managing the related risks. For 2021-22, management self-assessments monitored our internal control environment, which remained relatively sound and consistent as business activities increased when the covid-19 regulations eased.

We are pleased that our first and second layers of defence in our combined assurance model worked as intended to ensure that the key risk areas we committed to for the year were achieved.

## Independent assurance

Independent assurance is the third layer of defence in our combined assurance model. Our independent assurers had recorded 47 audit findings, an increase from 46 in the previous year. Many of these findings were in the ICT environment. Of the 47 audit findings, 40 have been resolved. This closure rate of 85% is a regression from 88% in the previous year.

In addressing these findings, we have created leadership stability and ICT capacity, which will contribute to a sustainable system of internal control.

After management closed the reported audit findings, our risk and ethics function validated their closure and assessed the sustainability of the controls.



## CULTIVATE AN ENVIRONMENT OF ETHICAL BEHAVIOUR

### Vision and values driven objective 3: Safeguard the ethical character of the organisation

Performance measure: % decisive and timely action against reported ethical breaches

2021-22 target



100%

2021-22 actual



100%



#### Our ethical principles, standards and norms

Our principles are adopted from the International Ethics Standard Board for Accountants (IESBA) and International Standards for Supreme Audit Institutions (ISSAI 130) codes of ethics. Our ethics policy and procedures give contextual and practical guidance on applying these codes. In line with best practice and the AGSA policy framework, we reviewed the policy during 2021-22 to ensure that it remains relevant and responsive, and continues to align with the codes and the AGSA environment.

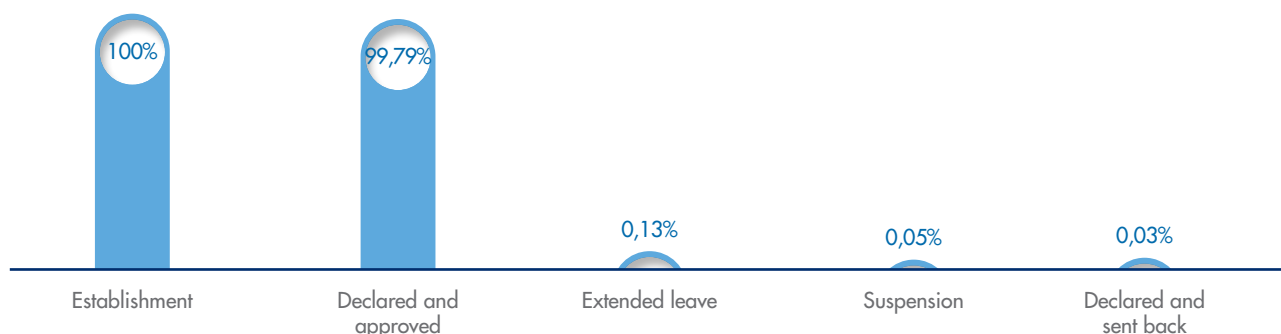
#### Strengthen leaders driving ethical behaviour

Every year, we celebrate Global Ethics Day. In 2021-22, we declared October Ethics Month, with the theme *Live It... we do the right thing*. Our leadership is a core driver

of ethical conduct, and their messages demonstrated their personal ethics and contributed to strengthening the AGSA ethics environment. We are deliberate in prioritising our leadership's role when crafting the initiatives for the ethics strategic programme, in line with the recommendations of the ethical maturity assessment we conducted in 2020-21.

#### Ethical and independence requirements

Annually, all employees are required to declare that they conform to the ethics policy, procedure and principles. The annual declaration status details the compliance rates for the 2021-22 performance year, which stand at 99,8%. Employees that could not complete the declaration (0,2%), provided valid reasons and committed to completing their declarations as soon as they were able.



### Annual declaration status

This ethics control mechanism has matured and is demonstrating qualitative growth. Considering how important it is for us to remain, and be seen to remain independent, this area remains a priority for us.

Our annual ethics awareness drive, held from February to April 2022, was customised to focus on applying ethical principles in practice; the importance of seeking support when faced with ethical dilemmas and the platforms to report suspected ethical breaches. The integrated approach to complaints and ethics has proven valuable for strengthening both functions, and for highlighting leadership's responsibility in driving an ethical culture and responding to ethical breaches or threats.

### Addressing concerns about unethical conduct and integrity matters



In 2021-22, we confirmed four ethical breaches related to travel and subsistence, conduct during an audit process and the conduct of certain staff. Our investigations recommended corrective and disciplinary action, which the business support and operations, and the relevant business units' leadership are implementing.

### Ensure sustainable and timely management of complaints

During 2021-22, we received 78 complaints that were assessed and categorised.

Category	Description	2019-20		2020-21		2021-22	
		Lodged	In progress	Lodged	In progress	Lodged	In progress
1	Complaints not in the policy	19	0	52	0	49	0
2	Audit-related complaints	3	0	7	0	1	0
2 + 3	Audit and conduct complaints	4	0	2	2	2	1
3	Conduct and administration complaints	37	6	32	5	26	9
4	Complaints about the auditor-general, not the institution	0	0	0	0	0	0
5	Complaints related to the Protected Disclosures Act	0	0	0	0	0	0
<b>Total</b>		<b>63</b>	<b>6</b>	<b>93</b>	<b>7</b>	<b>78</b>	<b>10</b>

### Summary of the complaints received per category



For 2021-22, we received 29 complaints that fell within our mandate. The majority of the complaints were received through the AGSA's website.

The trend of the public expecting us to solve their complaints or disputes with third parties is likely based on the AGSA's reputation as a Chapter 9 institution. However, these complaints are outside our mandate, which is communicated to the complainant.

Ten complaints, classified as category 3, were referred for resolution to the respective process owners who were considered subject matter experts. These referrals were only in cases where there was no risk of compromising the independence of the complaints process. This helped improve turnaround times in resolving complaints.

Of the complaints received in 2021-22, 19 were investigated, 9 were finalised and the rest are still in various stages of progress. In addition, we finalised 42 complaints that were carried over from the previous periods (34 from 2020-21 and 8 from 2019-20). As at May 2022, we had 14 cases from previous periods in the final stages of reporting.

### Audit-related complaints

We emphasised the audit escalation process for disagreements before lodging a complaint both internally and on our website. This has resulted in a significant drop in audit-related complaints, with three matters reported in 2021-22, two being audit-related matters on the conduct of the audit team. Two of these cases have since been finalised.

During their audits, our audit teams considered any audit tip-offs that we received. We shared this information and the outcome of the assessment with the complainant.

### Whistleblowing

Our complaints awareness drive helped to reassure employees about the anonymity of the whistleblowing facility. We believe this initiative will increase employees' confidence in the mechanism and encourage an appropriate use of our organisational channels.

The whistleblowing platform was introduced in June 2019 and remains effective because it allows for two-

way communication with whistleblowers who choose to remain anonymous. The platform has only been launched internally to ensure that its use and responses are efficient and institutionalised. The type of allegations reported on the whistleblowing platform therefore tend to be internal and range from unethical behaviour to misconduct by AGSA personnel and issues with our administration. External platforms for lodging complaints against the AGSA include the AGSA's website and by direct email to members of the Risk and Ethics business unit.

### Develop a fraud prevention framework

Our exco approved the fraud prevention framework in April 2021. To help contributing process owners understand the principles and implement the framework,

we have run a roll-out campaign and are developing a fraud prevention plan, which we expect to finalise in 2022-23. The plan will contain specific actions to prevent occupational fraud and demonstrate the impact of integrating the various contributors to this key control mechanism.

### New strategy development

We finalised our new corporate strategy, #cultureshift2030, in the fourth quarter of 2021-22. The new strategy was developed with multi-level input across the organisation, allowing us to craft a shared vision for the future – one that each employee contributed to and can take personal ownership of.



## CONCLUSION ON THE PERFORMANCE FOR THE VISION AND VALUES DRIVEN STRATEGIC GOAL

We continued to champion transformation in the country and in the organisation, maintaining our level 1 contributor status for the fourth consecutive year while overcoming internal and external challenges.

The country's transformation objectives to reduce poverty, inequality and unemployment, continue to inform our efforts. We contribute enormously to the youth employment agenda through our learnership programmes, make a conscious effort to absorb our final year students in our learnership programmes and continue to elevate the plight of youth-owned businesses in our procurement practices.

In the same vein, our ESD firms have demonstrated resilience even through the challenges of the pandemic. These firms created 298 jobs during 2021-22, with some expanding to other provinces and some increasing their training quota.

Our internal control environment remains strong, with management periodically assessing its effectiveness and showing an ongoing commitment to addressing control gaps as they arise. Risk management processes continue to mature, incorporating best practice and demonstrating integration targeted at managing organisational risks.

We also finalised the ISQM 1 risk assessment, which involved numerous senior and executive managers and process owners. Exco approved the ISQM risk profile, which was a major milestone in the project.

During the year, we received 78 new complaints, 49 of which were outside of our mandate. Ten category 3 complaints were referred to the respective process owners for resolution, while nine complaints were finalised by our complaints team. We also referred audit tip-offs to our audit teams for them to consider during their audits.

We concluded our annual ethics declaration cycle with 99,8% of employees completing their declarations. Employees unable to complete the declaration provided valid reasons and committed to completing the declarations as they were able. Our exco approved the Fraud Prevention Framework to help prevent organisational fraud.

We are excited that our #cultureshift2030 corporate strategy was finalised and is ready for implementation.

### Key challenges

Some non-audit black-owned businesses in rural areas experienced difficulties in upgrading their security standards, which has an impact on our being able to use them. This is being addressed with an enterprise development programme to support suppliers in the non-audit space

Meeting our EAP targets for the coloured demographic was a challenge, even with business units making a deliberate effort to appoint according to the EAP and B-BBEE targets. The necessary organisation-wide budget cuts over the past two years had a large impact on our training and development programmes and skills development.

We recorded 47 audit findings compared to 46 in the previous year. However, we were able to close the majority of these findings.

### Future outlook

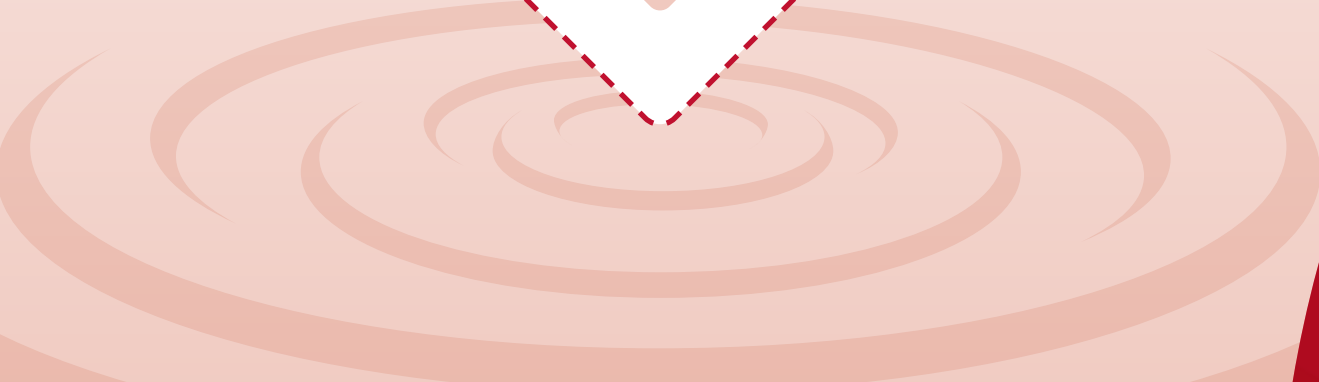
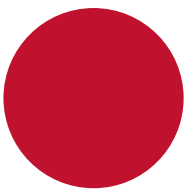
The future focus for transformation is to go beyond numbers and define key behaviour that drives and embeds the spirit of transformation in the organisation. During the next performance year, we will roll out an internship programme that specifically focuses on persons with disabilities, and an enterprise development programme to support suppliers in the non-audit area.

We are also focused on closing all audit findings to proactively manage and decrease our risk exposure.

The overall focus for the new performance year will be on launching and assimilating the #cultureshift2030 strategy. We will use a sequential approach, holding several events to unveil, unpack and engage on the strategy throughout the organisation.

The project plan will prioritise the various strategic initiatives. The task teams will drive these strategic initiatives in order of priority. The aim is to ensure that everyone goes into the future knowing how they will implement the new strategy.







## SECTION 5

# THE AGSA'S **#CULTURESHIFT2030** STRATEGY

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Theory of change and strategic priorities

# THE AGSA'S #CULTURESHIFT2030 STRATEGY



Our aspirations and how we intend to achieve them are framed in our call to action:

- We are practitioners in public sector accountability, transparency and integrity.
- Audit is not all we are; audit is what we do to collect, analyse and translate data into information, and information into meaningful insight.
- Our influence translates insight into action.
- Action stimulates and shifts our clients towards a culture of accountability.
- A culture of accountability enables sustained, consistent and meaningful improvements in audit outcomes.
- Sustained, consistent and meaningful improvements in audit outcomes translate into sustained, consistent and meaningful improvements in the lived reality of ordinary South Africans.
- In that manner our constitutional democracy is strengthened.
- We are not just auditors – we are independent, relevant, exemplary culture-improvers.
- Every single one of us.

## Strategic context in which we operate

Over the past few years our operating environment has undergone significant shifts, not only because of the covid-19 pandemic, but also because of simultaneous developments in many areas of life and business, locally and globally. These recent developments, together with certain long-term trends and considerations, form our strategic context:

- The regressive and non-responsive trend in audit outcomes is of significant concern to South Africans.
- The headlines on outcomes tend to overshadow the more important story of the impact on the lived reality of ordinary South Africans that is represented by the numbers, findings and outcomes.
- Regressing outcomes, and the lived reality of ordinary South Africans that they represent, have damaging implications for the strength of our constitutional democracy.
- Persistent patterns of regressing audit outcomes also impact public confidence in the AGSA and our perceived relevance.
- We have a constitutional and professional mandate as South Africa's supreme audit institution to make a difference in the lives of citizens.



### Our strategic aspiration

Our strategic aspiration is to have a more direct, stronger and consistent impact on improving the lives of ordinary South Africans by improving the public sector culture through insight, influence and enforcement.

The nature of the public sector that we aspire to see is one where public administration is governed by the democratic values and principles enshrined in the Constitution, including the following principles:

- a. A high standard of professional ethics must be promoted and maintained.
- b. Efficient, economic and effective use of resources must be promoted.
- c. Public administration must be development-oriented.
- d. Services must be provided impartially, fairly, equitably and without bias.
- e. People's needs must be responded to, and the public must be encouraged to participate in policy-making.
- f. Public administration must be accountable.
- g. Transparency must be fostered by providing the public with timely, accessible and accurate information.
- h. Good human-resource management and career-development practices, to maximise human potential, must be cultivated.

We envisage that by 2030, the AGSA will be associated with a meaningful and sustainable impact on the public sector in a manner and on a scale that engenders a culture of performance, accountability, transparency and integrity.

### Theory of change and strategic priorities

A theory of change comprises an envisaged end state and a set of assumptions of why a particular way of working will be effective, showing how change happens over time to achieve an intended result.

Culture refers to the shared values and way of life of a given set of people – it reveals the fundamental values of a society or a sub-set of society. An engendered culture goes beyond simple, occasional compliance with rules; it relates

to an appreciation for – and habitualised advancement of – the outcomes for which the rules exist. From culture flows behaviour.

To fundamentally influence behaviour, therefore, it is important to fundamentally change the underlying culture. It is the solidity of such a culture within the public sector that we believe will ultimately drive a sustained, consistent and meaningful improvement in the lived reality of South Africans. We therefore intend to sustainably and efficiently shift public sector culture through insight, influence and enforcement.





Our success in applying the theory of change is contingent on us excelling in the following dimensions in a coordinated manner:

#### Sustainably

Acquire, develop and maintain quantity, quality and configuration of resources and capabilities to achieve and sustain desired levels of impact

#### Insight

Generate insight that illuminates understanding, drive action and yield results

#### Efficiently

Unlock latent capacity in the existing resource base and lower the cost and effort with which we derive each marginal unit of impact

#### Influence

Move stakeholders from mere awareness to action and advocacy of our messaging

#### Shift public sector culture

Move critical mass of auditees to organisational cultures characterised by performance, transparency, integrity and accountability

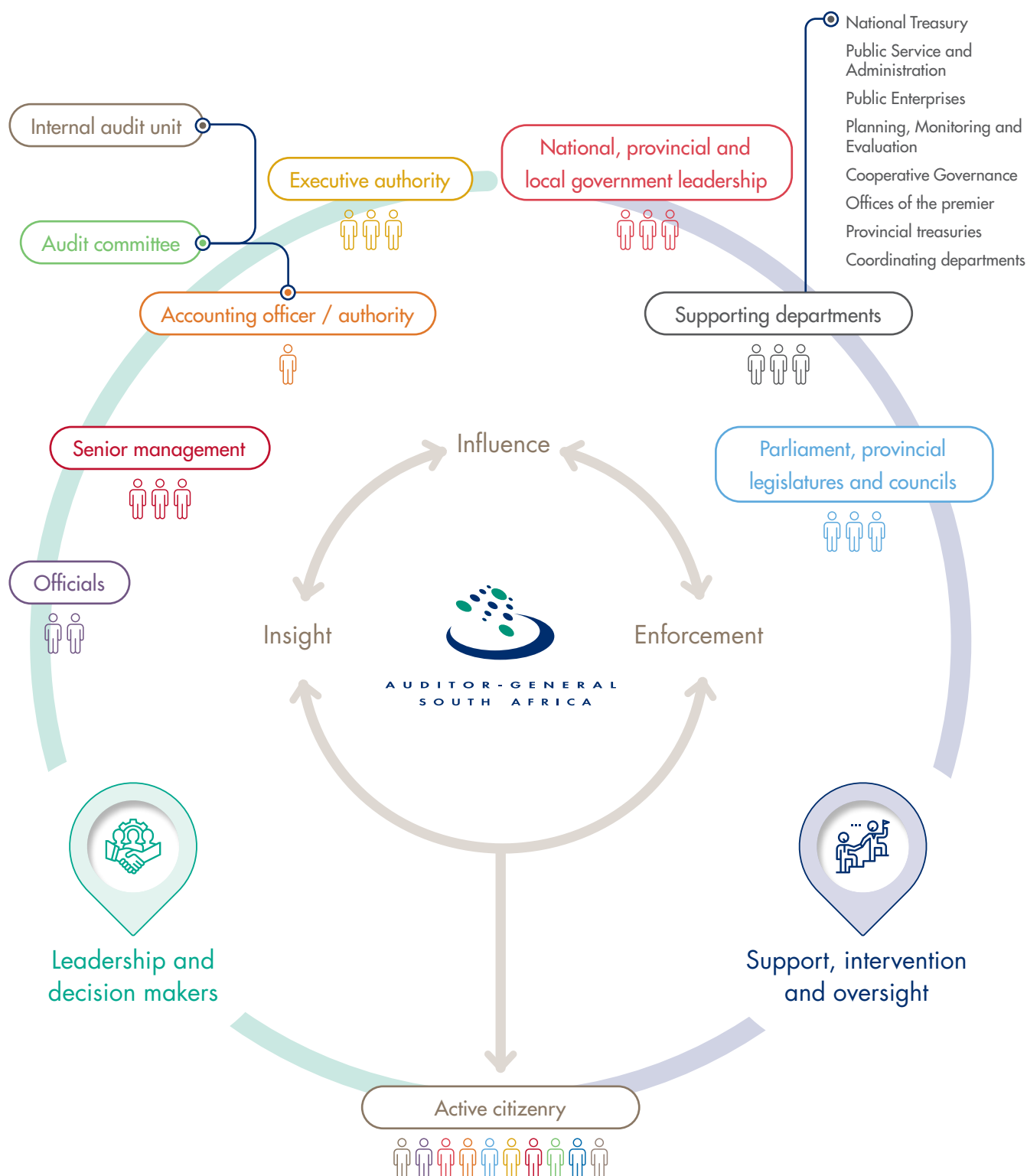
#### Enforcement

Directly or indirectly recover resources lost to the state and taxpayers, and ensure consequences for wrongdoing



Ultimately, success is a shift of critical mass to cultures characterised by performance, accountability, transparency and integrity, driven through partnerships in an accountability ecosystem of stakeholders willing to use their advocacy and influence to create meaningful improvements in the lived reality of ordinary South Africans.

# ACTIVATING THE ACCOUNTABILITY ECOSYSTEM







## SECTION 6

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# AUDIT COMMITTEE'S REPORT

## Introduction

This report of the audit committee (the committee) is prepared and based on the requirements of section 40 (6) (a) of the Public Audit Act 25 of 2004 (PAA), as well as its terms of reference, reviewed and approved on an annual basis.

The committee is pleased to present its report for the 2021-22 performance year, to the Standing Committee on the Auditor-General (Scoag) and all other stakeholders of the Auditor-General of South Africa (AGSA), in a period where the AGSA is embarking on implementing a new strategy, the #cultureshift2030 strategy.

While our primary focus as an oversight structure of the AGSA remains fulfilling our statutory and other duties as set out in our terms of reference, we support the AGSA in its novel endeavour to shift the culture in the public sector.

## Committee governance

The committee is a statutory oversight structure, constituted in terms of section 40 of the PAA. It is accountable to the auditor-general and Scoag.

The composition and meetings of the audit committee are outlined in section 2 of this integrated annual report (IAR).

In line with the PAA, all members of the committee are independent of the AGSA and have, in accordance with their statutory responsibilities, attended all committee meetings. Furthermore, prior to each sitting the members declared their independence and that they are free of any conflict of interest in discharging their statutory duties throughout the reporting period.

The committee's terms of reference, which are reviewed annually and approved by the auditor-general in line with best practice, outline its processes and responsibilities.

Furthermore, the committee prepares an annual work plan that directs and drives its activities for the performance period.

The committee accordingly fulfilled its statutory duties to enable it to:

- comment in the IAR on the adequacy and effectiveness of the internal control and its evaluation of the AGSA's annual financial statements
- control and direct the internal audit function within the AGSA.

Furthermore, in terms of its other responsibilities it:

- oversaw the activities of the external audit function
- reviewed the risk management processes and concluded they were operating satisfactorily
- evaluated whether the organisation has the resources and financial expertise to perform its duties
- ensured that the combined assurance model was applied to provide a coordinated approach to all assurance activities
- ensured that it fulfilled its oversight responsibilities in respect of the IAR.

## Activities of the committee

### External audit and evaluation of the annual financial statements

The committee assessed the external auditor's independence as required by section 39(2)(b) of the PAA and makes a recommendation on their reappointment to Scoag, who appoints the external auditors annually. The committee is satisfied that Crowe JHB (the external auditors) is independent and not conflicted in any way, and has conducted the external audit for the 2021-22 financial year under the direction of the engagement partner, Mr Raakesh Khadoo.

The committee:

- considered the audit approach and audit risks in approving the external audit plan
- reviewed the financial statements and agreed with management and the external auditors that the AGSA is a going concern
- considered the appropriateness of the accounting policies, accounting treatments, any significant unusual transactions and judgement areas; and reviewed compliance with the International Financial Reporting Standards and the PAA
- considered the management report received from the external auditors and reviewed the summary of unadjusted differences, of which there were none in the current reporting period
- reviewed the audit report on the annual financial statements and the audit report on performance against predetermined objectives
- ensured that the nature, scope and materiality of non-audit services do not compromise the independence of the external auditor
- met separately with the external auditors without management present, to ensure that the quality, credibility, and effectiveness of the external audit process was maintained at all times; and received confirmation that no pressure was put on them to suppress any findings, nor were there any scope restrictions placed on their work
- considered all factors and risks that may impact on the integrity of information in the IAR and that it presents the economic, social, and environmental performance of the AGSA.

After having reviewed the management representation letters addressed to the external auditors, the committee recommended that the deputy auditor-general sign the annual financial statements, and that the auditor-general and the deputy auditor-general should sign the IAR.

### Internal audit

Ngubane Management Company (Johannesburg) Proprietary Company Limited ("Ngubane" or "the internal auditors") are the internal auditors of the AGSA and are in the last year of their three-year contract with the AGSA. A risk-based internal audit plan operates on a three-year

rolling basis and ensures that all key finance functions are covered at least once during the three-year cycle.

In accordance with its terms of reference and the internal audit charter, the committee:

- reviewed and approved the three-year rolling plan, annual operational plan and the internal audit charter
- considered reports from the internal auditors on the internal audit work performed throughout the year, and their annual written assessment, which concluded that the internal controls in the areas tested were satisfactory (i.e., adequate and effective), however, some deficiencies were identified. The internal auditors advised that these deficiencies were mainly administrative in nature and can easily be rectified
- met separately with the internal auditors without management present to ensure that the independence, quality, credibility, and effectiveness of the internal audit process was maintained at all times; and received confirmation that no restrictions nor pressure was put on them to suppress audit findings.

The committee concluded that, considering the work done in the current year by the internal auditors, and the reliance they place on other assurance providers and their written assessment, that the system of internal control in place at the AGSA is adequate and is operating effectively.

In view of the end of the contractual arrangement with Ngubane, the audit committee has embarked on a procurement process to appoint a new outsourced internal auditor service provider for the AGSA for the next three years.

### Risk management

Under the stewardship of a chief risk officer, the Risk and Ethics business unit (R&E) is responsible for coordinating the risk management function in the AGSA. In accordance with its terms of reference, the committee was kept abreast of organisational, strategic and other key business risks, as well as those posed by the introduction of the new International Standard of Quality Management (ISQM) which becomes effective on 15 December 2022.

The committee exercised oversight of:

- the strategic risks of the organisation, where it monitored implementation of the mitigations agreed with management to manage the risks to an acceptable level; as well as reviewed and approved the strategic risk profile for the 2022-23 financial period
- the assurance received from the internal auditors on the risk management function
- the risk appetite statement for the reporting period, and monitored the organisation's performance in relation to the appetite measures defined, and approved the organisation's risk appetite statement for the 2022-23 performance period
- the 2021-22 combined assurance matrix ensuring that the assurance obtained for all material risk areas, from the different assurance providers is adequate.

The committee is satisfied with its oversight over the adequacy and effectiveness of risk management processes employed throughout the financial year by the organisation to manage risks to an acceptable level.

### Assessment of the finance function and the chief financial officer

The committee assessed the composition, experience and skills set of the finance function as well as the performance and expertise of the former chief financial officer and is satisfied that those were appropriate to fulfil their responsibilities. The committee welcomes the new chief financial officer and is confident that the finance function will continue to fulfil its financial management responsibilities for the organisation.

### Key focus areas

During the 2021-22 performance period, the committee placed a key focus on the information technology function of the organisation due to the observations of various assurance providers in the prior performance period and the relative leadership instability within the function. Considering the outcomes of assurance providers in the current performance period, and the work that has been done by management to stabilise the information technology function, the committee is pleased with the progress that has been made and encourages management to continue on this trajectory.

For the 2022-23 performance period, the committee will continue to monitor the information technology function, to strive to positively and constructively contribute towards a sustainable system of internal control for the organisation, while being responsive to the ever-changing risk environment in which the organisation operates.

### Conclusion

In the committee's opinion, the AGSA's system of internal control and risk management processes are adequate and are operating effectively, with some minor deficiencies that can easily be rectified. The committee recommended that the deputy auditor-general may sign the annual financial statements and that the deputy auditor-general and the auditor-general may sign the IAR.

The committee is satisfied that it has adequately discharged its responsibilities as outlined in the PAA and its terms of reference during the current financial year.

# REMUNERATION COMMITTEE'S REPORT

## Background statement

The auditor-general is responsible for determining the terms and conditions of employment of all employees in the organisation, in accordance with section 34(3) of the PAA. The remuneration committee (remco) was established to provide specialised advice to the auditor-general on remuneration and related issues. It is an oversight governance structure with the primary purpose of ensuring that the organisation's remuneration principles, policies and practices are fair and transparent to promote the achievement of strategic objectives. However, the final decision-making in this area rests with the auditor-general.

In order to ensure adherence to good governance practices, the membership of Remco is reviewed regularly, it is with this practice in mind that the committee has had changes in its membership, Dr M Bussin retired on 30 November 2021 and was succeeded by Ms M Nkeli who had already commenced her term on 1 March 2021 as a chair designate to allow for a smooth transition. The committee has also appointed a deputy chairperson to enable succession planning. Ms T Fubu was appointed with effect from 1 June 2022.

## An overview of the main provisions of the remuneration policy

The organisation has developed a remuneration policy, procedures and processes that are available to all employees. Any amendments to the policy principles are communicated to employees following consultations (where applicable).

The AGSA's approach to recognising and rewarding employees is based on a total reward philosophy in which the benefits of working for the AGSA are considered in their entirety, taking into account a whole range of financial

and non-financial benefits, rewards and the working environment. The total reward policy has been designed to support the achievement of the organisational objectives, reinforce organisational values and behaviours, as well as recognise outstanding contributions made by individuals and teams.

The implementation of the policy principles is executed in accordance with the provisions of the organisation's management approval framework (MAF).

## Internal and external factors that influenced remuneration

Remuneration considerations and decisions are based on a combination of external and internal factors:

- Consumer price index and inflation
- Economic outlook
- Sustainability of the organisation – budget considerations and affordability
- Market relativity and positioning
- Attraction, retention and employee engagement considerations
- Strengthening performance culture.

## Key areas of focus by the remuneration committee

On 23 February 2022, Remco discussed the annual increase process for the 2022-23 financial year. Remco recommended a 5% increase for the performance year based on the annual average consumer price index of 4,5% for the January to December 2021 period and the 4,9% consumer price index forecast for 2022. Annual salary increases for all AGSA staff come into effect on 1 April of each year.

The approved salaries budget for the year was 6% and based on this the proposed 5% increase was within AGSA's affordability range. Assessment of the cash flow affordability indicated that the AGSA will afford the salary increases and will still be liquid, viable and sustainable going forward. The salary scales were not adjusted for the proposed increase as most employees were located between the entry and mid-point of the salary scales and aligned with salary benchmarking performed in 2021. The review of salary scales will again take place as part of the overall review of AGSA's remuneration philosophy and strategy in line with the new approved corporate strategy in 2022-23.

There has been a continued effort and focus on attending to salary disparities and alignment progressively, consistently and in a financially viable manner. In the current year, we focused on the senior manager cohort. The proposed salary progression is meant to address salary anomalies within the cohort of senior managers in our efforts to achieve fair and equitable pay in line with the principle of equal pay for work of equal value. Based on the AGSA's remuneration philosophy consideration for movement of employee's salary within a pay range are determined by several factors including market rates, years of experience in the role and other related factors. The proposed salary progression for eligible staff will have a financial impact of 0,5% on the current salary bill which amounts to R11,1 million. Remco did not support the proposal for the salary progression for senior management as the tenure criteria was not in line with current best practices; however, the committee left the decision to the discretion of AGSA management. The AGSA embarked on a project to review the AGSA remuneration philosophy, strategy, policies, procedures, practices etc. that will underpin the organisational strategic aspirations as set in the #cultureshift2030 strategy.

### Use of remuneration consultants

While the organisation strives to use its internal resources to deliver on remuneration initiatives, it should be noted that there have been areas of specialty where external remuneration reports were used due to the nature of benchmarking required.

These include:

- Market benchmarking – This is an area of specialty that can only be provided by service providers that are accredited as salary survey providers for the purposes of, among other things, developing pay scales, considering salary adjustment projections and best practices on executive remuneration.
- Group risk benefits (i.e., group life, disability, funeral cover as well as the group pension fund) are all administered through the use of external service providers. These functions require specialist expertise and in-depth knowledge of various financial regulations and legislation.
- Job evaluation – The organisation uses the services of external service providers for its job evaluation processes.

### Remuneration awarded to individual members who served on the external governance structures and executive management during the reporting period

Members of the governance structures are remunerated as per the rate in the *Guideline on fees for audits done on behalf of the Auditor-General of South Africa (AGSA)*. This currently stands at R3 201 per hour.

The AGSA remunerates its executives in terms of the AGSA remuneration policy and the details of executives' remuneration are reported in section 6 of the integrated annual report.

### Post-retirement medical aid liability

The post-retirement medical aid (PRMA) is an initiative borne out of the need by the organisation to harmonise employee benefits, particularly the staff rules conditions of service on medical aid subsidy, this initiative is aimed at eliminating the financial liability associated with this benefit on the AGSA. The PRMA is a historical employee benefit, which was governed by the Audit Arrangements Act and Policy Framework on medical assistance.

According to the policy framework, the AGSA must annually consider the assistance and may adjust the benefit after consideration of available information such as:

- The consumer price index
- Medical inflation
- The AGSA's financial position and obligations.

Since inception of the 2002 revision of the framework, the AGSA annually benchmarked its assistance against the benefits paid by the public service.

The success of the buy-out offer is to a large extent dependent on the AGSA's ability to reach as many beneficiaries as possible. The overall success rate for those to whom the offer has been presented is 90,59%. Despite going as far as using the services of professional tracers to help find contacts of outstanding retired members, there are still 35 members (9%) whose tracing has been unsuccessful. The approach that will be adopted for this group is that as and when they are reached, the offer will be presented to them under the same conditions.

The PRMA initiative is approaching its conclusion, with the final milestone of this initiative being the payout to the beneficiaries who opt to take up the offer. This is envisaged to take place in September and October 2022. As at 24 August 2022, 140 (41,54%) individuals have accepted the buy-out offer, 13 (3,85%) individuals have rejected the offer and 184 are still considering the offer. The buy-out offer expires on 10 September 2022.

### Conclusion

The committee expressed an appreciation that the staff remained committed to achieving the goals of the organisation, the committee is passionate about rewarding staff members so they can continue to contribute to the mandate of the organisation.





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# INDEPENDENT ASSURANCE PRACTITIONER'S LIMITED ASSURANCE REPORT TO PARLIAMENT ON SELECTED KEY SUSTAINABILITY INDICATORS

## Report on Selected Key Sustainability Indicators

We have undertaken a limited assurance engagement on selected key sustainability indicators, as described below, and presented in the 2021-22 Integrated annual report of the Auditor-General South Africa (AGSA) for the year ended 31 March 2022 (the report).

### Subject matter

We have been engaged to provide a limited assurance conclusion in our report on the following selected key performance indicators, prepared in accordance with the Global Reporting Initiative (GRI) G4 Standards.

Category	Key Performance Indicators	Scope of Coverage
Economic	Application of the funding model. Amounts and initiatives in respect of: <ul style="list-style-type: none"><li>• Trainee auditors scheme</li><li>• Preferential procurement</li><li>• Corporate social investment</li></ul>	Republic of South Africa
Social	Amounts and initiatives in respect of: <ul style="list-style-type: none"><li>• Bursaries and scholarships</li><li>• Rural schools programme</li><li>• Social responsibility programmes</li><li>• Enterprise and supplier development</li></ul>	Republic of South Africa
Cultural	Disclosures in respect of: <ul style="list-style-type: none"><li>• Employee profile</li><li>• Diversity</li><li>• Staff turnover</li><li>• Ethics training initiatives</li><li>• Employee wellness programmes</li><li>• Employee relations</li></ul>	Auditor-General of South Africa

Category	Key Performance Indicators	Scope of Coverage
Stakeholder engagements	Disclosures in respect of: <ul style="list-style-type: none"> <li>• Employees</li> <li>• Auditees</li> <li>• Constitutional stakeholders</li> <li>• Contract firms</li> <li>• Media</li> <li>• Professional bodies</li> <li>• Regulatory bodies</li> <li>• Citizenry</li> <li>• International stakeholders</li> </ul>	Republic of South Africa

### Deputy auditor-general's responsibilities

The deputy auditor-general (DAG) is responsible for the selection, preparation and presentation of the selected key performance indicators in accordance with the GRI G4 Standards. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The DAG is also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected key performance indicators and for ensuring that those criteria are publicly available to the report users.

### Our independence and quality control

We have complied with the independence and all other ethical requirements of the *Code of professional conduct for registered auditors*, issued by the Independent Regulatory Board for Auditors (IRBA), that is consistent with the International Ethics Standards Board for Accountants *Code of ethics for professional accountants* (Parts A and B), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Crowe JHB applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive

system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Auditors responsibility

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

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of AGSA's use of GRI G4 Standards as the basis of preparation for the selected key performance indicators, assessing the risks of material misstatement of the selected key performance indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected key performance indicators.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in

relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

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

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected key performance indicators;
- Performed a controls walkthrough of identified key controls;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgments made by the DAG in the preparation of the selected key performance indicators; and
- Evaluated whether the selected key performance indicators presented in the Report are consistent with our overall knowledge and experience of sustainability management and performance at AGSA.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether AGSA's

selected key performance indicators have been prepared, in all material respects, in accordance with GRI G4 Standards.

### Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected key performance indicators as set out in the subject matter paragraph above for the year ended 31 March 2022 are not prepared, in all material respects, in accordance with GRI G4 Standards.

### Other matters

The maintenance and integrity of the AGSA's website is the responsibility of AGSA management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on AGSA's website.

### Restriction of liability

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

Grove JHB

Partner

Registered Auditor

Sandton

29 July 2022

## DEPUTY AUDITOR-GENERAL'S RESPONSIBILITIES AND APPROVAL

As the deputy auditor-general I am required by the Public Audit Act 25 of 2004 (PAA) to maintain adequate accounting records and am responsible for the content and integrity of the financial statements and related financial information. It is my responsibility to ensure that the financial statements fairly present the financial position of the Auditor-General of South Africa (AGSA) as at the end of the financial year and the results of its operations, changes in equity and cash flows for the year then ended. The financial statements conform to the International Financial Reporting Standards (IFRS) and the PAA, and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. External auditors are engaged to express an independent opinion on the financial statements.

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

The AGSA's risk management focus is to identify, assess, manage and monitor all known forms of risk across the organisation. While operational risk cannot be eliminated, we try to minimise it by defining our risk appetite and ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

I have reviewed the AGSA's cash flow forecast for the year to 31 March 2023 and, in the light of this review and the current financial position, I am satisfied that the AGSA has, or has access to, adequate resources to continue operating as a going concern for the foreseeable future. The going concern basis assumes that the AGSA will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

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

The financial statements set out on pages 161 to 215, prepared on the going concern basis, were approved and signed by me on 29 July 2022 on behalf of the AGSA.



Vonani Chauke

**Deputy Auditor-General**



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## INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

Report on the audit of the financial statements and report on predetermined objectives

### Opinion

We have audited the financial statements of the Auditor-General of South Africa (AGSA) as set out on pages 161 to 215, which comprise the statement of financial position as at 31 March 2022, the statement of surplus or deficit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AGSA as at 31 March 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Audit Act 25 of 2004 (PAA).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of professional conduct for registered auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *international code of ethics for professional accountants (including international standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Expected credit losses allowance on trade receivables (IFRS 9)</b>	
<p>In terms of the accounting standard on financial instruments, IFRS 9 <i>Financial instruments</i>, the standard requires an expected credit loss model to be used in impairing financial assets.</p> <p>This model requires the AGSA to account for expected credit losses (ECL) and changes thereto at each reporting date, to reflect changes in credit risk since initial recognition of the financial assets.</p> <p>As at 31 March 2022 gross trade receivables amounted to R1,1 billion against which an expected credit loss (ECL) of R213 million was raised.</p> <p>As included in notes 5 and 26, the ECL on trade receivables amounting to R213 million (2021: R198 million) has been considered to be an area where the most significant judgements were required as it incorporates forward looking information into the ECL model as prepared by management, and additional overlays with respect to the current macro-economic environment.</p> <p>The AGSA has elected to apply the simplified approach for measuring the loss allowance at an amount equal to lifetime credit losses for trade receivables.</p> <p>The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.</p> <p>These various scenarios constructed were probability weighted to determine the final debtors book impairment.</p> <p>Due to the size of the balance, the complexity and the judgement inherent in the calculation of the related ECL allowance it resulted in a key audit matter.</p> <p>Refer to note 1.2 (Significant judgements and accounting estimates, expected credit losses allowance) and note 26.2 (Credit risk) to the annual financial statements for the related disclosure.</p>	<p>Our audit procedures comprised, amongst others:</p> <ul style="list-style-type: none"> <li>• We performed procedures in order to assist our understanding of the methodology applied by management in their IFRS 9 model;</li> <li>• We agreed the source data used in the modelling to supporting documentation on a sample basis to assess accuracy and validity;</li> <li>• We involved our independent specialists to test assumptions and calculations used in the ECL. This included, but not limited to, performing the following: <ul style="list-style-type: none"> <li>– An assessment of the credit model against the developed methodology to confirm the methodology is appropriately applied in calculating the ECL allowance;</li> <li>– Reperformed the modelling at period end including the appropriateness of forward-looking macro-economic information;</li> <li>– An assessment of the reasonableness of the overlays that management calculated to determine the potential impact of the current macro-economic environment and other legislation on the allowance;</li> <li>– Sensitivity analysis on scenarios and probability weightings applied to these scenarios used to determine the impact of current macro-economic environment on the allowance.</li> </ul> </li> <li>• We assessed the disclosures in the annual financial statements relating to the expected credit losses on trade receivables in terms of the disclosure requirements of IFRS 9: Financial instruments and IFRS 7: Financial instruments disclosures.</li> </ul> <p>We evaluated the accounting policy and we are satisfied that is consistent with the requirement of IFRS 9.</p> <p>Based on the procedures performed above, we are satisfied that the expected credit losses on trade and other receivables were reasonable and in line with our expectation and appropriately disclosed.</p>

## Other information

The deputy auditor-general (DAG) is responsible for the other information. The other information comprises the annual report which includes the audit committee's report and the remuneration committee's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the deputy auditor-general and the audit committee

In terms of section 43 of the PAA the DAG is responsible for the preparation and fair presentation of these financial statements in accordance with the IFRS and for such internal control as is determined as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the DAG is responsible for assessing the AGSA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The audit committee is responsible for overseeing the AGSA's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from

material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the DAG's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AGSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained to the date of our auditor's report. However, future events or conditions may cause the AGSA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the DAG and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the DAG and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Crowe JHB has been the auditor of the AGSA for five years.

### Report on predetermined objectives introduction

We have audited the report on performance against predetermined objectives of the AGSA for the year ended 31 March 2022, as set out on pages 66 to 143 of the integrated annual report 2021-2022.

### The deputy auditor-general's responsibilities

The DAG is responsible for the preparation and fair presentation of the report on performance against predetermined objectives as required by the PAA, and for such internal controls as determined necessary to enable the preparation of a report on performance against predetermined objectives that is useful and reliable.

### Auditor's responsibility

As required by the PAA, our responsibility is to express an audit conclusion on the report on performance against predetermined objectives.

### Assurance work performed

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

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

We provide reasonable assurance with respect to the usefulness of the information contained in the annual performance report.

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

- Value-add
- Visibility for impact
- Viability
- Vision and values driven

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

### Usefulness of information

Presentation: Performance against predetermined objectives is reported using the relevant provisions from the Public Audit Act.

Consistency: Objectives, indicators and targets are consistent between the 2021-2024 Strategic plan and budget and the 2021-2022 IAR as required by the Public Audit Act.

Measurability: Indicators are well defined and verifiable, and targets are specific, measurable and time bound, as required by best practice.

**Relevance:** The indicators relate logically and directly to aspects of the AGSA's mandate and the realisation of strategic goals and objectives, as required by the Public Audit Act and the 2021-2024 Strategic plan and budget tabled in Parliament.

## Reliability of information

**Validity:** Reported performance has occurred and relates to the AGSA.

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

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

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

- Understanding and testing the internal policies, procedures and controls relating to the management of, and reporting on, performance information.
- Evaluating and testing processes, systems, controls and review of documentation in place at a detailed level to support the generation, collation, aggregation, monitoring and reporting of the performance indicators and targets.

- Evaluating, testing and confirmation of the existence and consistency of planned and reported performance information as well as the presentation and disclosure thereof in accordance with applicable requirements and guidance.
- Conducting detailed audit testing and obtaining sufficient appropriate audit evidence to verify the validity, accuracy and completeness of reported indicators and targets.

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

## Conclusion

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

Grove JHB

Raakesh Khandoo  
Partner  
Registered Auditor

Sandton  
29 July 2022

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Notes	2022 R'000	2021 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		540 471	607 470
Property, plant and equipment	2	124 813	109 916
Intangible assets	3	13 718	15 457
Right-of-use assets	4	401 940	482 097
<b>Current assets</b>		1 655 402	1 506 760
Trade and other receivables	5	885 058	930 508
Cash and cash equivalents	6	770 344	576 252
<b>Total assets</b>		<b>2 195 873</b>	<b>2 114 230</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>		868 585	828 330
General reserve	7	823 366	1 116 366
Special audit services reserve	8	4 964	4 964
Accumulated surplus/(deficit)	9	40 255	(293 000)
<b>Liabilities</b>			
<b>Non-current liabilities</b>		489 783	568 516
Lease liabilities	10	420 493	494 954
Post-retirement benefit obligations	11	46 214	51 076
Provisions	12	20 998	21 978
Trade and other payables	13	2 078	508
<b>Current liabilities</b>		837 505	717 384
Lease liabilities	10	84 753	60 586
Post-retirement benefit obligations	11	2 749	2 886
Provisions	12	1 480	7 182
Trade and other payables	13	748 523	646 730
<b>Total equity and liabilities</b>		<b>2 195 873</b>	<b>2 114 230</b>

# STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Notes	2022 R'000	2021 R'000
<b>Revenue</b>			
Local services rendered	14	4 394 732	3 394 575
<b>Direct audit cost</b>		(2 962 070)	(2 340 577)
Recoverable staff cost	15	(1 833 904)	(1 601 775)
Contract work	16	(983 019)	(637 723)
Subsistence and travel	17	(145 147)	(101 079)
<b>Gross surplus</b>		<b>1 432 662</b>	<b>1 053 998</b>
Government grant and other income	18	44 162	44 300
<b>Contributions to overheads</b>		<b>1 476 824</b>	<b>1 098 298</b>
<b>Operating expenditure</b>		1 447 070	(1 398 884)
Non-recoverable staff cost	15	1 015 875	(891 633)
Depreciation expense - property, plant and equipment	2	(36 517)	(54 659)
Amortisation expense - intangible assets	3	(2 102)	(12 468)
Depreciation expense - right-of-use assets	4	(100 264)	(119 377)
Other operational expenditure	19	(291 706)	(315 329)
Post-retirement benefit obligations - past and current service costs	11	(606)	(5 418)
<b>Operating surplus/(deficit) before finance charges</b>		<b>29 754</b>	<b>(300 586)</b>
Interest income	20	65 026	57 571
Interest expense	20	(64 160)	(51 067)
<b>Surplus/(deficit) for the year</b>		<b>30 620</b>	<b>(294 082)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to surplus or deficit			
Post-retirement benefit obligations - actuarial gains	11	9 635	1 082
<b>Total comprehensive surplus/(deficit) for the year</b>		<b>40 255</b>	<b>(293 000)</b>

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	General reserve R'000	Special audit services reserve R'000	Accumulated (deficit)/ surplus R'000	Total equity R'000
<b>Balance at 31 March 2020</b>	<b>926 412</b>	<b>4 964</b>	<b>189 954</b>	<b>1 121 330</b>
Transfer of accumulated surplus to reserves	189 954	-	(189 954)	-
Total comprehensive deficit	-	-	(293 000)	(293 000)
Deficit for the year	-	-	(294 082)	(294 082)
Other comprehensive income	-	-		
- Actuarial gains	-	-	1 082	1 082
<b>Balance at 31 March 2021</b>	<b>1 116 366</b>	<b>4 964</b>	<b>(293 000)</b>	<b>828 330</b>
Transfer of accumulated deficit to reserves	(293 000)	-	293 000	-
Total comprehensive surplus	-	-	40 255	40 255
Surplus for the year	-	-	30 620	30 620
Other comprehensive income	-	-		
- Actuarial gains	-	-	9 635	9 635
<b>Balance at 31 March 2022</b>	<b>823 366</b>	<b>4 964</b>	<b>40 255</b>	<b>868 585</b>
Notes	7	8	9	

## STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Notes	2022 R'000	2021 R'000
<b>Cash flows from operating activities</b>			
Cash receipts from auditees	21.1	4 443 486	3 254 597
Total direct audit cost payments	21.2	(2 963 335)	(2 291 889)
Operational expenditure payments	21.3	(1 128 614)	(936 369)
Interest received	20	35 407	36 892
Interest paid	20	(57 475)	(44 428)
<b>Net cash inflow from operating activities</b>		<b>329 469</b>	<b>18 803</b>
<b>Cash flows from investing activities</b>			
Cash payments for property, plant and equipment	2	(66 820)	(59 556)
Cash payments for intangible assets	3	(237)	(172)
Proceeds from sale of property, plant and equipment	2	2 272	1 223
<b>Net cash outflow from investing activities</b>		<b>(64 785)</b>	<b>(58 505)</b>
<b>Cash flow from financing activities</b>			
Payment of lease liabilities	10	(70 592)	(58 483)
<b>Net cash outflow from financing activities</b>		<b>(70 592)</b>	<b>(58 483)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>194 092</b>	<b>(98 185)</b>
Cash and cash equivalents at the beginning of the year		576 252	674 437
<b>Cash and cash equivalents at the end of the year</b>	6	<b>770 344</b>	<b>576 252</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Accounting policies

### 1. Presentation of financial statements

The financial statements have been prepared on the going concern basis in accordance with the IFRS issued by the IFRS Foundation, and in line with the requirements of the PAA. The financial statements are presented in South African rand, which is the AGSA's functional currency. All financial information has been rounded to the nearest thousand unless stated otherwise. The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at amortised cost or unless stated otherwise, and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous year, unless otherwise stated.

#### 1.1 New standards and interpretations

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

Standard / Interpretation	Effective date	Details	Impact
IAS 1 - Presentation of financial statements	1 Jan 2023	Classification of liabilities as current or non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	No impact on the AGSA financial statements
	1 Jan 2023	Disclosure of accounting policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	Impact on the AGSA financial statements to be determined
IAS 8 - Accounting policies, changes in accounting estimates and errors	1 Jan 2023	Definition of accounting estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	No impact on the AGSA financial statements

## 1.2 Significant judgements and accounting estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. In addition, management is required to exercise its judgement in the process of applying the AGSA's accounting policies. Using available information and applying judgement is inherent in forming estimates.

### Significant judgements:

The following judgements are made by management in applying the accounting policies that have the most significant effect on these financial statements.

#### Revenue from contracts with customers

In accordance with IFRS 15, management is required to make an assessment of the collectability of amounts recorded as revenue. When management identifies that there is doubt on the collectability of revenue, that portion of revenue is only recognised when the amount is received by the AGSA. This adjustment does not affect the legal nature of the transaction; any amounts invoiced to auditees remain due and payable in the ordinary course of business and payable in terms of the PAA within 30 days of invoice. The AGSA is entitled under law to pursue the collection of any debts owed and due to the AGSA.

In determining the collectability of amounts recorded as revenue, management has taken into account the payment history of the related auditees over the past 2 – 3 years when no payments have been received, or whether current circumstances suggest that an auditee will not be able to meet its obligation to the AGSA. These amounts will only be recognised as revenue once they have been received by the AGSA.

#### Amortised cost of ring-fenced debtors

The amortised cost of ring-fenced debtors is calculated using the prescribed interest rate and the remaining periods of the outstanding ring-fenced agreements. Since the amount was insignificant and considered immaterial, no adjustment was made to the amount owed by ring-fenced debtors.

### Determining the lease term of contracts with renewal options

For lease contracts that include an option to renew the lease for a further period, management considers all facts and circumstances to determine whether it is likely that an extension option will be exercised. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The AGSA applies judgement in assessing whether it is reasonably likely that extension options will be exercised. Factors considered include past history of renewing leases, how far in the future an option occurs and the AGSA's business plan.

The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the AGSA.

### Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results in the future could differ from these estimates, which may be material to the financial statements.

#### Post-retirement medical care benefits

The costs and liabilities of the post-retirement medical care benefits are determined using methods relying on actuarial estimates and assumptions. Advice on the appropriateness of the assumptions is taken from independent actuaries. Changes in the assumptions used may have a significant effect on the statement of surplus or deficit and other comprehensive income, and statement of financial position (refer to note 1.10).

#### Allowance for impairment of receivables

An allowance for impairment of trade receivables accounts for expected credit losses, and changes thereto, to reflect changes in credit risk since initial recognition of financial assets. The calculation of the amount to be allowed for impairment of receivables requires the use of estimates and judgements (refer to note 1.6).

The AGSA measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

#### Annual evaluation of property, plant and equipment and intangibles

To review property, plant and equipment and intangibles for possible impairment, changes in useful lives and changes in residual values at the end of each financial year, reference is made to historical information and the intended use of assets (refer to notes 1.3 and 1.4).

#### Estimating incremental borrowing rate used for leases

If the interest rate implicit in the lease cannot be readily determined, the AGSA uses the incremental borrowing rate, which is the rate that the AGSA would have to pay to borrow the funds to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the AGSA holds for its own use and which are expected to be used for more than one year. An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the AGSA, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition of the asset and costs incurred subsequently to add to or replace part of it, if it is probable that future economic benefits associated with the replacement will flow to the AGSA and the cost can be measured reliably. If a replacement cost is recognised in the carrying amount of an item of property, plant and

equipment, the carrying amount of the replaced part is derecognised.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in surplus or deficit to bring the carrying amount in line with the recoverable amount.

Estimates are mainly based on historical information relating to use, and the intended use, of the asset. Depreciation is calculated on the straight-line method to write off the cost, less residual value, of each asset over its estimated useful life as follows:

ITEM	Useful life	
	2022	2021
Computer equipment	8 - 12 years	8 years
Notebooks	3 years	3 years
Motor vehicles	7 - 12 years	7 - 10 years
Furniture and fittings	6 - 23 years	6 - 19 years
Office equipment	5 - 15 years	5 years
Leasehold improvements	Over the period of the lease	Over the period of the lease

The depreciation charge for each period is recognised in surplus or deficit.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in surplus or deficit when the item is derecognised.

## 1.4 Intangible assets

### Computer software

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost.

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

ITEM	Useful life	
	2022	2021
Enterprise resource management system - PeopleSoft	14 years	14 years
Licences	8 - 10 years	8 years

The amortisation charge for each period is recognised in surplus or deficit.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the AGSA and that will generate probable economic

benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and overheads directly attributed to preparing the asset for use. Other development expenditures are recognised as an expense as incurred.

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

An item of intangible asset is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. The gain or loss arising from the derecognition of an intangible asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, is included in surplus or deficit when the item is derecognised.

## 1.5 Financial instruments

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

### Financial assets

The AGSA group its financial assets into one of the categories discussed below, depending on the business model assessment, which centres on whether financial assets are held to collect contractual cash flows. The accounting policy for each category is as follows:

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits held at call that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are initially

recognised at fair value, and are subsequently carried at amortised cost using the effective interest method.

#### Receivables measured at amortised cost

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

#### Impairment

IFRS 9 requires an expected credit loss model to be used in impairing financial assets. This model requires the AGSA to account for expected credit losses and changes thereto at each reporting date, to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit loss event to have occurred before impairments are recognised. The AGSA has elected to apply the simplified approach for measuring the loss allowance at an amount equal to lifetime credit losses for trade receivables. For trade receivables, which are reported net, such amounts are recorded in a separate allowance account with the loss being recognised within operational expenditure in surplus or deficit. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the allowance. Reversals of impairment losses are recognised in surplus or deficit.

#### Derecognition of financial assets

The AGSA derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. Gains or losses arising from changes in financial assets carried at amortised cost are recognised in surplus or deficit when the financial asset is derecognised or impaired, and through the amortisation process.

#### Financial liabilities

Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

#### Derecognition of financial liabilities

The AGSA derecognises financial liabilities when, and only when, the AGSA's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

### 1.6 General reserve

The general reserve relates to the retention of accumulated surpluses that is transferred to the general reserve in the statement of financial position. The reserve can be used for working capital and general reserve requirements of the AGSA.

### 1.7 Special audit services reserve

The special audit services reserve is a fund set aside to finance special investigations or audits whose costs the AGSA may not be able to recover from a specific auditee. Increases in and utilisation of the reserve is recognised through the statement of surplus or deficit and other comprehensive income.

### 1.8 Leases

At inception of a contract, the AGSA assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the AGSA assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified,
- the AGSA has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use, and
- the AGSA has the right to direct the use of the asset. The AGSA has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the AGSA has the right to direct the use of the asset if either:
  - the AGSA has the right to operate the asset, or
  - the AGSA designed the asset in a way that predetermined how and for what purpose it will be used.

Some lease contracts include both lease and non-lease components. The AGSA has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in surplus or deficit as they are incurred.

For the leases of land and buildings, the AGSA has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The AGSA recognises a right-of-use asset and a lease liability at the lease commencement date for most leases. However, the AGSA has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (e.g. office equipment) and for short-term leases (leases that at commencement date have lease terms of 12 months or less). The AGSA recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### Lease liability

The lease liability is presented as a separate line item on the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the AGSA's incremental borrowing rate. Generally the AGSA uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the fixed lease payments and lease payments in an optional renewal period if the AGSA is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate or if the AGSA changes its assessment of whether it will exercise a renewal option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

Interest costs are charged to the statement of surplus or deficit and other comprehensive income over the lease period so as to produce a constant periodic interest on the remaining balance of the liability for each period.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in interest expense (refer to note 20).

### Right-of-use assets

The right-of-use assets are presented as a separate line in the statement of financial position. Lease payments included in the measurement of the lease liability comprise the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred, any estimated costs to restore the underlying asset when the AGSA incurs an obligation to do so and less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The depreciation charge for each period is recognised in surplus or deficit. For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

ITEM	Useful life
Office buildings	2 to 12 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The gain or loss arising from the derecognition of a right-of-use asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the

derecognition of a right-of-use asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## 1.9 Employee benefits

### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The expected bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### Pension plan - defined contribution plan

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

### Post-retirement medical care benefits - defined benefit plan

The AGSA provides post-retirement medical care benefits to certain employees and their legally recognised spouse at time of death. The entitlement to post-retirement medical care benefits is based on the employee being on the staff rules terms and conditions, remaining in service up to retirement age of 65 (or when reaching 50 in the case of early retirement) and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Actuarial gains and losses arising from experience adjustments are recognised in other comprehensive income in the statement of surplus or deficit and other comprehensive income in the period in which they occur. Interest cost and service cost are recognised in surplus or deficit in the period in which they occur. The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation. Valuations of these obligations are carried out annually by independent qualified actuaries.

### Leave liability

The AGSA calculates the value of leave not taken at year-end based on the guaranteed package or basic salary, dependent on the category of leave. The value of leave is recognised in the statement of financial position as a short-term employee benefit.

## 1.10 Provisions

Provisions are recognised when the AGSA has a present obligation (legal or constructive) as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

## 1.11 Contingencies

Contingent liabilities are not recognised until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recognised.

## 1.12 Revenue

IFRS 15 establishes a single, comprehensive and robust framework for the recognition, measurement and disclosure of revenue. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The AGSA generates revenue by rendering of audit services to the public sector. The AGSA has three main revenue streams:

- Own hours - audit services performed by the AGSA
- Contracted work recoverable - audit services contracted out to third parties and performed on behalf of the AGSA
- Subsistence and travel - amounts recovered from auditees for the costs of the AGSA audit staff's subsistence and travelling while performing their duties.

Revenue is recognised for the three revenue streams mentioned above over time as the services are rendered and is measured based on the consideration specified in

a contract with an auditee to the extent that the amounts are collectable. Revenue consists of amounts net of value-added tax. In terms of the PAA, amounts are due and payable within 30 days of the invoice date.

### 1.13 Interest income

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

### 1.14 Government grants

Government grants are accounted for through the statement of financial position and statement of surplus or deficit and other comprehensive income in accordance with IAS 20.

Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which

the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants received as a compensation for costs already incurred or for immediate financial support, with no future related costs, are recognised as income in the period in which they are receivable. Grants related to future obligations are presented as deferred income in the statement of financial position. This will be amortised as and when the expenses are incurred.

## 2 Property, plant and equipment

	Cost	Accumulated depreciation	Carrying amount
2022	R'000	R'000	R'000
Computer equipment	72 870	(65 250)	7 620
Notebooks	119 598	(69 403)	50 195
Motor vehicles	7 705	(3 399)	4 306
Office equipment	5 741	(4 393)	1 348
Furniture and fittings	63 298	(54 383)	8 915
Leasehold improvements	66 832	(14 403)	52 429
	<b>336 044</b>	<b>(211 231)</b>	<b>124 813</b>

The carrying amounts are reconciled as follows:	Balance at the beginning of the year	Additions [1]	Disposals	Depreciation	Balance at the end of the year
	R'000	R'000	R'000	R'000	R'000
Computer equipment	8 883	685	(19)	(1 929)	7 620
Notebooks	25 373	53 972	(1 711)	(27 439)	50 195
Motor vehicles	4 474	-	-	(168)	4 306
Office equipment	1 561	10	(17)	(206)	1 348
Furniture and fittings	9 163	302	(301)	(249)	8 915
Leasehold improvements	60 462	59	(1 566)	(6 526)	52 429
	<b>109 916</b>	<b>55 028</b>	<b>(3 614)</b>	<b>(36 517)</b>	<b>124 813</b>

2022

R'000

Proceeds on disposal of property, plant and equipment

2 272

## 2 Property, plant and equipment (continued)

	Cost	Accumulated depreciation	Carrying amount
2021	R'000	R'000	R'000
Computer equipment	72 397	(63 514)	8 883
Notebooks	88 728	(63 355)	25 373
Motor vehicles	7 705	(3 231)	4 474
Office equipment	5 752	(4 191)	1 561
Furniture and fittings	65 797	(56 634)	9 163
Leasehold improvements	68 339	(7 877)	60 462
	<b>308 718</b>	<b>(198 802)</b>	<b>109 916</b>

The carrying amounts are reconciled as follows:	Balance at the beginning of the year	Additions [1]	Disposals	Depreciation	Balance at the end of the year
	R'000	R'000	R'000	R'000	R'000
Computer equipment	22 537	1 799	(52)	(15 401)	8 883
Notebooks	44 724	3 950	(695)	(22 606)	25 373
Motor vehicles	2 466	1 306	(287)	989	4 474
Office equipment	408	2 459	(8)	(1 298)	1 561
Furniture and fittings	19 425	1 685	-	(11 947)	9 163
Leasehold improvements	10 329	54 890	(361)	(4 396)	60 462
	<b>99 889</b>	<b>66 089</b>	<b>(1 403)</b>	<b>(54 659)</b>	<b>109 916</b>

[1] Included in additions is R8 752 000 (2021: R22 127 000) accrued at year end but not yet paid. Included in the R22 127 000, is an over accrual of R1 583 000 that was reversed in the current year.

2021

R'000

Proceeds on disposal of property, plant and equipment

**1 223**

### 3 Intangible assets

	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
2022			
<b>Computer software - purchased</b>			
Enterprise resource management system - PeopleSoft	17 288	(7 933)	9 355
Licenses	35 474	(31 111)	4 363
	<b>52 762</b>	<b>(39 044)</b>	<b>13 718</b>

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions R'000	Disposals R'000	Amortisation R'000	Balance at the end of the year R'000
<b>Computer software - purchased</b>					
Enterprise resource management system - PeopleSoft	10 466	-	-	(1 111)	9 355
Licenses	4 991	237	126	(991)	4 363
	<b>15 457</b>	<b>237</b>	<b>126</b>	<b>(2 102)</b>	<b>13 718</b>

	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
2021			
<b>Computer software - purchased</b>			
Enterprise resource management system - PeopleSoft	17 288	(6 822)	10 466
Licenses	54 231	(49 240)	4 991
	<b>71 519</b>	<b>(56 062)</b>	<b>15 457</b>

### 3 Intangible assets (continued)

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions R'000	Disposals R'000	Amortisation R'000	Balance at the end of the year R'000
<b>Computer software - purchased</b>					
Enterprise resource management system - PeopleSoft	11 561	-	-	(1 095)	10 466
Licenses	16 192	172	-	(11 373)	4 991
	<b>27 753</b>	<b>172</b>	<b>-</b>	<b>(12 468)</b>	<b>15 457</b>

### 4 Right-of-use assets

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2022			
Office buildings	622 980	(221 040)	401 940
	<b>622 980</b>	<b>(221 040)</b>	<b>401 940</b>

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Adjustments for lease modifications R'000	Disposals R'000	Depreciation R'000	Balance at the end of the year R'000
Office buildings	482 097	20 107	-	(100 264)	401 940
	<b>482 097</b>	<b>20 107</b>	<b>-</b>	<b>(100 264)</b>	<b>401 940</b>

## 4 Right-of-use assets (continued)

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2021			
Office buildings	604 310	(122 213)	482 097
	<b>604 310</b>	<b>(122 213)</b>	<b>482 097</b>

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions R'000	Adjustments for lease modifi- cations R'000	Disposals R'000	Depreciation R'000	Balance at the end of the year R'000
Office buildings	292 914	282 840	25 720	-	(119 377)	482 097
	<b>292 914</b>	<b>282 840</b>	<b>25 720</b>	<b>-</b>	<b>(119 377)</b>	<b>482 097</b>

The AGSA leases all the premises occupied by its head office and regionally-based staff in the major centres of the country. The table below describes the nature of the AGSA's leasing activities by type of right-of-use asset recognised:

Office buildings	Remaining lease term R'000	Extension option R'000	Option to purchase R'000	Variable payment linked to an index R'000	Termination option R'000
Eastern Cape	12 months	No	No	No	No
Free State	8 months	Yes	No	No	No
Gauteng	74 months	Yes	No	No	No
Head Office	50 months	Yes	No	No	No
Kwa-Zulu Natal	109 months	Yes	No	No	No
Limpopo	19 months	Yes	No	No	No
Mpumalanga	69 months	Yes	No	No	No
Northern Cape	74 months	Yes	No	No	No
North West	3 months	Yes	No	No	No
Western Cape	33 months	Yes	No	No	No

The AGSA leases office equipment that are low-value assets. The lease payments are recognised in surplus or deficit on a straight-line basis over the period of the lease (refer to note 10).

2022  
R'0002021  
R'000

## 5 Trade and other receivables

Trade receivables (refer to note 26.2)	1 059 892	1 084 836
Allowance for impairment of receivables [2]	(213 322)	(198 079)
Net trade receivables	846 570	886 757
Staff debtors	5 470	11 547
Prepayments	32 811	31 986
Other debtors	207	218
Balance at the end of the year (refer to note 26.3)	<b>885 058</b>	<b>930 508</b>
[2] Allowance for impairment of receivables		
Balance at the beginning of the year	(198 079)	(160 180)
Amount written off during the year	5 809	6 844
Adjustment of allowance for impairment of receivables (refer to notes 19 and 21.3)	(21 052)	(44 743)
Balance at the end of the year (refer to note 26.2)	<b>(213 322)</b>	<b>(198 079)</b>

In determining the recoverability of trade receivables, the AGSA considered the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

## 6 Cash and cash equivalents

Investment reserved for specific liabilities [3]	212 906	203 902
Overnight call account	111 557	95 493
Notice deposits	131 547	120 847
Current bank account	314 334	156 010
Balance at the end of the year (refer to note 26.4)	<b>770 344</b>	<b>576 252</b>

	2022 R'000	2021 R'000
<b>6 Cash and cash equivalents (continued)</b>		
[3] Investment reserved for specific liabilities		
The liabilities covered by this investment include the following:		
Post-retirement medical care benefits (refer to note 11) [4]	48 963	53 962
13th cheque accrual (refer to note 13) [5]	8 664	8 758
Leave pay accrual (refer to note 13) [6]	178 961	192 283
Repayment to former TBVC states employees - deductions of salary over-payments	195	195
	<b>236 783</b>	<b>255 198</b>

[4] The future service liability for post-retirement medical care benefits totalling R3 168 000 (2021: R4 003 000) is not included in the investment reserved for specific liabilities. Future service costs are recognised when the services are delivered by the employees during the employment terms.

[5] Employees have the option of structuring their packages to include a 13th cheque (equal to one month's basic salary) that is paid in their birthday month. The accrual relates to the bonus portion of the packages due to employees at 31 March 2022.

[6] Only R137 242 050 (2021: R139 521 597) of the leave pay accrual is ring-fenced through the investment reserved for specific liabilities. The balance of R41 718 717 (2021: R52 761 751) is covered through the current account as this can be encashed within the current year.

## 7 General reserve

Balance at the beginning of the year	1 116 366	926 412
Transfer of accumulated (deficit)/surplus to general reserve (refer to note 9)	(293 000)	189 954
Balance at the end of the year	<b>823 366</b>	<b>1 116 366</b>

Accumulated surplus that was recommended by the Standing Committee on the Auditor-General (Scoag) and approved by Parliament (in terms of section 38(4) of the PAA) to be retained for working capital and general reserve requirements of the AGSA.

	2022 R'000	2021 R'000
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## 8 Special audit services reserve

Balance at the beginning and end of the year	4 964	4 964
--	-------	-------

A fund set aside to finance special investigations or audits whose costs the AGSA may not be able to recover from a specific auditee. The former audit commission instructed that the reserve should not be increased before further guidance is provided by Scoag, established in terms of section 55(2)(b)(ii) of the Constitution.

## 9 Accumulated surplus/(deficit)

Balance at the beginning of the year	(293 000)	189 954
Transfer of accumulated deficit/(surplus) to general reserve (refer to note 7)	293 000	(189 954)
Total comprehensive surplus/(deficit) for the year	40 255	(293 000)
Balance at the end of the year	40 255	(293 000)

## 10 Lease liabilities

### Maturity analysis of future lease payments (discounted)

Due within one year	134 133	116 535
Between one and five years	425 323	505 763
More than five years	120 835	163 909
<b>Total future lease payments (refer to note 26.4)</b>	<b>680 291</b>	<b>786 207</b>
Total future finance costs	(175 045)	(230 667)
<b>Lease liabilities (refer to notes 26.3 and 26.4)</b>	<b>505 246</b>	<b>555 540</b>
Non-current portion	420 493	494 954
Current portion	84 753	60 586
<b>Expenses related to leases</b>		
Low-value lease expense - recognition exemption	476	146

The AGSA elected the recognition exemption on low-value leases of office equipment (refer to note 4).

	2022 R'000	2021 R'000
<b>10 Lease liabilities (continued)</b>		
<b>Total cash outflows relating to leases</b>		
<b>Presented under financing activities</b>		
Cash payments for capital portion of lease liabilities	70 592	58 483
<b>Presented under operating activities</b>		
Cash payments for interest portion of lease liabilities	56 769	44 412
Cash payments for low-value leases	476	146
<b>Total cash outflow relating to leases</b>	<b>127 837</b>	<b>103 041</b>

The AGSA leases all the premises occupied by its head office and regionally-based staff in the major centres of the country. The table below describes the nature of the AGSA's leasing activities by type of right-of-use asset recognised:

	Remaining lease term R'000	Extension option R'000	Option to purchase R'000	Variable payment linked to an index R'000	Termination option R'000
<b>Office buildings</b>					
Eastern Cape	12 months	No	No	No	No
Free State	8 months	Yes	No	No	No
Gauteng	74 months	Yes	No	No	No
Head Office	50 months	Yes	No	No	No
Kwa-Zulu Natal	109 months	Yes	No	No	No
Limpopo	19 months	Yes	No	No	No
Mpumalanga	69 months	Yes	No	No	No
Northern Cape	74 months	Yes	No	No	No
North West	3 months	Yes	No	No	No
Western Cape	33 months	Yes	No	No	No

The incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 11,15%. The incremental borrowing rates for new leases and lease modifications entered into after initial recognition are as follows:

2020-21 financial year - between 6,95% and 10,16%

2021-22 financial year - between 5,83% and 5,94%

	2022 R'000	2021 R'000
<b>11 Post-retirement benefit obligation</b>		
Post-retirement medical care benefits	<b>48 963</b>	<b>53 962</b>
<b>The liability is reconciled as follows:</b>		
Balance at the beginning of the year	53 962	45 695
Current year provision	(2 344)	10 975
Past service cost	-	4 839
Current service costs	606	579
Actuarial gain	(9 635)	(1 082)
Remeasurements due to experience adjustments	(6 850)	(5 743)
Remeasurements due to financial assumptions	(2 785)	4 661
Interest expense adjustment on retirement benefit obligations (refer to note 20)	6 685	6 639
Less: Payments made	(2 655)	(2 708)
Balance at the end of the year (refer to note 6)	<b>48 963</b>	<b>53 962</b>
Non-current portion	46 214	51 076
Current portion	2 749	2 886
	<b>48 963</b>	<b>53 962</b>

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed as at 31 March 2022 by Alexander Forbes Health (Pty) Ltd using the projected unit credit method.

	2022	2021
The discount rate reflects the timing of benefit payments and is based on market bond yields	11,3%	12,7%
Subsidy increase rate (based on the inflation rate)	6,4%	8,0%
Expected retirement age	63	63/65
Number of continuation members	223	224
Average age of continuation members	71,7	71,4
Percentage continuation members married	60%	74%
Number of in-service members	146	157
Average age of in-service members	55,5	54,9
Average years of past service of in-service members	30,8	30,0

## 11 Retirement benefit obligations (continued)

### Sensitivity analysis

Below is the recalculated liability, as per the actuarial report, showing the effect of:

- A one percentage point decrease or increase in the discount rate;
- A one percentage point decrease or increase in the inflation rate;
- A one-year decrease or increase in the expected retirement age.

	2022		
	Discount rate		
	Assumption 11,30%	-1%	+1%
Accrued liability 31 March 2022 (R'000)	48 963	54 818	44 092
% change		12,0%	-9,9%
	Inflation rate		
	Assumption 6,40%	+1%	-1%
Accrued liability 31 March 2022 (R'000)	48 963	54 822	44 030
% change		12,0%	-10,1%
	Expected retirement age		
	Assumption 63 years	1 year younger	1 year older
Accrued liability 31 March 2022 (R'000)	48 963	50 172	47 795
% change		2,5%	-2,4%

## 11 Retirement benefit obligations (continued)

	2021		
	Discount rate		
	Assumption 13,50%	-1%	+1%
Accrued liability 31 March 2021 (R'000)	53 962	60 623	48 431
% change		12,3%	-10,2%
	Inflation rate		
	Assumption 8,00%	+1%	-1%
Accrued liability 31 March 2021 (R'000)	53 962	60 872	48 164
% change		12,8%	-10,7%
	Expected retirement age		
	Assumption 63/65 years	1 year younger	1 year older
Accrued liability 31 March 2021 (R'000)	53 962	55 288	52 722
% change		2,5%	-2,3%

	2022 R'000	2021 R'000
<b>12 Provisions</b>		
<b>Reinstatement cost [7]</b>		
Opening balance	29 160	-
Provision raised	-	29 160
Payments made	(6 490)	-
Provision reversal	(192)	-
Closing balance	<b>22 478</b>	<b>29 160</b>
Non-current portion	20 998	21 978
Current portion	1 480	7 182
	<b>22 478</b>	<b>29 160</b>

[7] Provision for reinstatement costs relating to the AGSA's leased premises.

## 13 Trade and other payables

Trade payables [8]	141 140	112 969
Accruals	59 062	102 665
Deferred compensation [9]	2 078	508
13th cheque accrual (refer to note 6)	8 664	8 758
Leave pay accrual (refer to note 6)	178 961	192 283
Performance bonus accrual	269 692	132 963
Staff creditors	2 441	6 909
VAT and PAYE	88 563	90 183
Balance at the end of the year (refer to notes 26.3 and 26.4)	<b>750 601</b>	<b>647 238</b>
Non-current portion	2 078	508
Current portion	748 523	646 730
	<b>750 601</b>	<b>647 238</b>

### 13 Trade and other payables (continued)

[8] Ageing of trade payables:

	Total R'000	Current R'000	30-60 R'000	60-90 R'000	90-120 R'000	120+ R'000
<b>2022</b>						
Trade payables	141 140	37 599	31 944	32 010	20 805	18 782
<b>2021</b>						
Trade payables	112 969	59 441	32 868	8 987	2 191	9 482

[9] The Auditor-General is entitled to a termination benefit (deferred compensation) at the completion of her term. The deferred compensation is accrued over the 7-year term, based on past service.

	2022 R'000	2021 R'000
<b>14 Revenue [10]</b>		
Local services rendered		
Own hours	3 270 733	2 669 219
Contract work recoverable (refer to note 16)	978 852	624 401
Subsistence and travel recoverable (refer to note 17)	145 147	100 955
	<b>4 394 732</b>	<b>3 394 575</b>

[10] The amount of revenue invoiced but not recognised for the current period is R7 858 000 (2021: R36 717 000) and R14 343 000 (2021: R2 559 000) income previously not recognised was recovered and included in revenue in the current period.

	2022 R'000	2021 R'000
<b>15 Staff cost</b>		
Management salaries (refer to note 25.1)	39 969	43 442
Other non-recoverable staff salaries	558 984	523 796
Other staff expenditure	311 485	174 142
Performance bonus	261 454	129 583
Group life scheme	39 683	36 025
Other employer contributions	10 348	8 534
Course fees and study assistance	54 512	84 214
Adjustment of leave pay accrual	50 925	66 039
<b>Total non-recoverable staff cost</b>	<b>1 015 875</b>	<b>891 633</b>
Recoverable staff cost (part of direct audit cost)	1 833 904	1 601 775
<b>Total staff cost</b>	<b>2 849 779</b>	<b>2 493 408</b>
Average number of staff	<b>3 734</b>	<b>3 685</b>

## 16 Contract work

Contract work recoverable (refer to note 14)	978 852	624 401
Contract work non-recoverable	4 167	13 322
	<b>983 019</b>	<b>637 723</b>

This represents work done by external audit firms on behalf of the AGSA. Work is allocated to audit firms based on a tender process. No mark-up is applied to contract work.

## 17 Subsistence and travel

Subsistence and travelling recoverable (refer to note 14)	145 147	100 955
Subsistence and travelling non-recoverable	-	124
	<b>145 147</b>	<b>101 079</b>

This represents subsistence and travel cost of AGSA staff while performing their duties. No mark-up is applied to subsistence and travel.

	2022 R'000	2021 R'000
<b>18 Government grant and other income</b>		
Government grant received [11]	43 478	43 478
Sundry income [12]	317	822
Profit on sale of property, plant and equipment (refer to note 22.3)	367	-
	<b>44 162</b>	<b>44 300</b>

[11] Non-refundable grant received from National Treasury to assist with the implementation cost of the revised PAA which has already been incurred.

[12] Sundry income consist mainly of income from the AGSA's gift shop.

## 19 Other operational expenditure

Auditor's remuneration - statutory audit services	4 844	4 847
Adjustment of allowance for impairment of receivables (refer to notes 5 and 21.3)	21 052	44 743
Governance costs	1 013	887
ICT services	101 913	91 440
Internal audit fees	3 168	3 652
Legal costs	10 086	13 834
Loss on disposal of property, plant and equipment (refer to note 21.3)	-	179
Service costs - land and buildings	30 695	37 152
Low-value leases - office equipment	1 435	1 063
Other operational expenses (excluding staff cost)	17 193	18 544
Publications	1 664	2 717
Refreshments	2 236	1 419
Repairs and maintenance	10 576	11 167
Bank charges	482	424
Labour and staff relations	310	839
Insurance	1 925	1 978
Outsourced services	42 424	45 097
Recruitment costs	13 061	12 034
Stakeholder relations	14 623	15 504
Stationery and printing	3 498	3 428
Subsistence and travelling non-audit	16 323	10 308
Telephone and postage	10 378	12 617
	<b>291 706</b>	<b>315 329</b>

	2022 R'000	2021 R'000
<b>20 Interest</b>		
<b>Interest income</b>		
Interest income on bank and investments	25 078	25 398
Interest on overdue debtors accounts - received	10 329	11 494
	35 407	36 892
	29 619	20 679
Interest on overdue debtors accounts - accrued	<b>65 026</b>	<b>57 571</b>
<b>Interest expense</b>		
Interest on lease liabilities	(56 769)	(44 412)
Interest on staff debt [13]	(706)	(16)
	(57 475)	(44 428)
Interest expense adjustment on retirement benefit obligations (refer to note 11)	(6 685)	(6 639)
	<b>(64 160)</b>	<b>(51 067)</b>

[13] The termination bonus was paid to the deceased estate of the former auditor-general Thembekile Makwetu in July 2021 and included an interest amount of R564 365.

## 21 Notes to the cash flow statement

### 21.1 Cash receipts from auditees

Revenue	4 394 732	3 394 575
Net decrease/(increase) in trade receivables	48 754	(139 978)
	<b>4 443 486</b>	<b>3 254 597</b>

### 21.2 Total direct audit cost payments

Direct audit cost	(2 962 070)	(2 340 577)
Net (decrease)/increase in trade payables	(1 265)	48 688
	<b>(2 963 335)</b>	<b>(2 291 889)</b>

2022  
R'0002021  
R'000

## 21 Notes to the cash flow statement (continued)

### 21.3 Operational expenditure payments

Surplus/(deficit) for the year	30 620	(294 082)
Adjusted for:		
Revenue	(4 394 732)	(3 394 575)
Direct audit cost	2 962 070	2 340 577
Interest income	(65 026)	(57 571)
Interest expense	64 160	51 067
Depreciation - property, plant and equipment	36 517	54 659
Depreciation - right-of-use assets	100 264	119 377
Amortisation - intangible assets	2 102	12 468
Increase in allowance for impairment of receivables (refer to notes 5 and 19)	21 052	44 743
Decrease in 13th cheque accrual	(94)	(743)
(Decrease)/increase in leave pay accrual	(13 322)	37 367
Increase in performance bonus accrual	136 729	132 963
(Decrease)/increase in liability for post-retirement medical care benefits	(2 049)	2 710
(Decrease)/increase in accruals	(8 868)	189
(Profit)/loss on the disposal of property, plant and equipment (refer to note 19)	(367)	179
	<b>(1 130 944)</b>	<b>(950 672)</b>
Other working capital changes	2 330	14 303
Decrease/(increase) in other receivables	5 264	(7 104)
(Decrease)/increase in other payables	(2 934)	21 407
	<b>(1 128 614)</b>	<b>(936 369)</b>

## 22 Notebook losses

Notebook computers stolen and written off at the carrying amount: 64 (2021: 37)

482

230

The AGSA policy is to self-insure notebook computers as this has proven to be more economically effective.

## 23 Commitments

### 23.1 Other Commitments

#### Thuthuka

The AGSA has committed to fund 125 undergraduate students for a period of three years while they complete their studies, at a rate per student that is determined every year by the Thuthuka Bursary Fund trustees and on condition that the AGSA can stop its financial contribution by written notice. As the rate per student is determined yearly, the commitment cannot be quantified; however, the yearly commitment at current rates amounts to R13 758 655 (125 students x R110 070 per student).

#### External bursaries

External bursaries are awarded annually to full-time students for undergraduate and postgraduate studies until they complete the qualification and on condition that all subjects are passed. Failed subjects are repeated at the student's own expense. If a student fails repeatedly, the bursary agreement is terminated and the amounts advanced must be repaid to the AGSA, or in certain instances redeemed through employment at the AGSA if the student already has a degree. Due to the uncertainties around the varying costs of studies across the universities and the pass rate, the amount cannot be quantified, but will be managed within the budgeted amount of R5 003 100 for approximately 43 students for the 2021-22 financial year.

	2022 R'000	2021 R'000
Approved and contracted [14]	73 512	77 146
Source of funding		
Internal resources	(64 160)	(51 067)

[14] Property, plant and equipment approved and contracted for in 2021-22, for implementation in the 2022-23 financial year.

## 24 Contingent liabilities

#### Legal claim

During the 2017 financial year, a review application was brought against the AGSA in the High Court of South Africa. The application concerned the decision of the AGSA not to increase the post-retirement medical care benefit of qualifying in-service and continuation members. In 2018, the presiding judge converted the application into a trial, given the numerous disputes of facts and opinions in the matter. The trial was partly heard from 10 to 19 August 2020. The trial resumed on 3 May 2021 and concluded on 21 May 2021. Judgement in favour of the AGSA was handed down in November 2021.

## 25 Related parties

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

### 25.1 Key management personnel compensation

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

2022				Short-term benefits		Long term benefits	
Position	Name	Appointment date	Term end date	Gross remuneration	Performance bonus	Deferred Compensation	Total remuneration
				R'000	R'000	R'000	R'000
Auditor-General	T Maluleke	1 Dec 2020		5 233	-	1 570	6 803
Deputy Auditor-General	JH v Schalkwyk (acting)	1 Mar 2021	30 Jun 2021	942	-	-	942
Deputy Auditor-General	V Chauke	1 Jul 2021		3 375	1 012	-	4 387
National Leader [15]	AH Muller (acting)	1 Feb 2019	31 May 2021	591	-	-	591
National Leader	MS Segooa (acting)	1 Jun 2021	30 Jun 2021	273	-	-	273
Head of Audit National	SS Ngoma	1 Jun 2021		3 083	1 451	-	4 534
Head of Audit Provincial	MM Sedikela	1 Jun 2021		3 083	726	-	3 809
Corporate Executive	JH v Schalkwyk	1 Nov 2010		2 468	654	-	3 122
Corporate Executive [15]	OH Duda (acting)	1 Feb 2019	31 May 2021	426	-	-	426
Corporate Executive	MS Segooa	1 Aug 2014	31 May 2021	545	-	-	545
Corporate Executive	MM Sedikela	1 Jan 2016	31 May 2021	545	-	-	545
Corporate Executive [15]	SL Lubambo	1 Aug 2017	31 May 2021	472	-	-	472
Corporate Executive [15]	V Maharaj	1 Aug 2017	31 May 2021	498	-	-	498
Head of Specialised Audits	SL Ndaba	1 Jul 2018		3 110	679	-	3 789
Chief Financial Officer	SS Ngoma	1 Nov 2012	31 May 2021	545	-	-	545
Chief Financial Officer	P Sokombela	1 Mar 2022		222	-	-	222
Chief People Officer	MM Mabaso	1 Aug 2016		3 009	-	-	3 009
Chief Risk Officer	MS Segooa	1 Jul 2021		2 453	654	-	3 107
Chief Technology Officer	SL Ndaba (acting)	1 Jun 2021	30 Jun 2021	283	-	-	283
Chief Technology Officer	V Pillay	1 Aug 2021	31 Mar 2022	2 067	-	-	2 067
Total management compensation (refer to note 15)				33 223	5 176	1 570	39 969

## 25 Related parties (continued)

### 25.1 Key management personnel compensation (continued)

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

2021				Short-term benefits		Long term benefits	
Position	Name	Appointment date	Term end date	Gross remuneration	Performance bonus	Deferred Compensation	Total remuneration
				R'000	R'000	R'000	R'000
Auditor-General	T Makwetu	1 Dec 2013	11 Nov 2020	3 489	-	1 054	4 543
Auditor-General	T Maluleke	1 Dec 2020		1 722	-	508	2 230
Deputy Auditor-General	T Maluleke	1 Apr 2014	30 Nov 2020	2 885	432	-	3 317
Deputy Auditor-General	JH v Schalkwyk (acting)	1 Mar 2021		262	-	-	262
National Leader	AH Muller (acting)	1 Feb 2019		3 418	315	-	3 733
Corporate Executive	OH Duda (acting)	1 Feb 2019		2 470	222	-	2 692
Corporate Executive	JH v Schalkwyk	1 Nov 2010		2 882	315	-	3 197
Chief Financial Officer	SS Ngoma	1 Nov 2012		3 145	314	-	3 459
Corporate Executive	MS Segooa	1 Aug 2014		3 144	315	-	3 459
Corporate Executive	MM Sedikela	1 Jan 2016		3 144	315	-	3 459
Chief People Officer	MM Mabaso	1 Aug 2016		2 893	289	-	3 182
Corporate Executive	SL Lubambo	1 Aug 2017		2 873	287	-	3 160
Corporate Executive	V Maharaj	1 Aug 2017		2 873	287	-	3 160
Corporate Executive	SL Ndaba	1 Jul 2018		3 263	326	-	3 589
Total management compensation (refer to note 15)				38 463	3 417	1 562	43 442

[15] The AGSA changed the composition of the executive management team in line with a new reporting structure from 1 June 2021. As a result, some key management personnel that were included in the previous year only appear for two months.

2022  
R'0002021  
R'000

## 25 Related parties (continued)

### 25.2 Members of Governing Boards

Total board fees paid to members of Governing Boards

Name	Role		
Mr J Biesman-Simons	Audit Committee	243	159
Ms C Roskrige	Audit Committee	150	114
Mr C Mampuru	Audit Committee	146	104
Ms T Maluleke	Quality Control Assessment Committee	-	-
Ms L de Beer	Quality Control Assessment Committee	25	20
Mr JH van Schalkwyk	Quality Control Assessment Committee	-	-
Mr J Biesman-Simons	Quality Control Assessment Committee	25	25
Dr M Bussin	Remuneration Committee	30	33
Ms M Nkeli	Remuneration Committee	-	-
Mr B Nkomo	Remuneration Committee	44	33
Ms M Tlhabane	Remuneration Committee	33	33
Ms N Samodien	Remuneration Committee	27	23
Mr V Chauke	Remuneration Committee	-	-
		<b>723</b>	<b>544</b>

## 26 Financial instruments

The carrying amount of financial assets and liabilities reasonably approximate their fair value due to the short-term nature of the financial instruments.

### 26.1 Market risk

#### Interest rate risk management

The exposure to changes in interest rates relates primarily to the AGSA's current and investment accounts.

#### Interest rate sensitivity

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

A one percentage point decrease or increase in the current account interest rate

A one percentage point decrease or increase in the investment account interest rates

	Current and investment accounts interest rates		
	Current balance	+1%	-1%
2022			
Net surplus (R'000)	40 255	47 072	33 451
% change		-16,9%	16,9%
Current bank and investment accounts balances (R'000)	770 344	777 104	763 589
% change		0,9%	-0,9%

	Current and investment accounts interest rates		
	Current balance	+1%	-1%
2021			
Net deficit (R'000)	(293 000)	(286 465)	(299 058)
% change		-2,2%	2,1%
Current bank and investment accounts balances (R'000)	576 252	582 623	570 465
% change		1,1%	-1,0%

## 26 Financial instruments (continued)

### 26.2 Credit risk

Financial assets that potentially subject the AGSA to concentrations of credit risk consist principally of cash and short-term deposits placed with financial institutions that have the following national short-term credit ratings:

Financial institution	2022 (2021)		
	Fitch	Moody's	S&P
Standard Bank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
Investec	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
Nedbank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
First National Bank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
ABSA	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)

Trade receivables are presented net of the allowance for impairment. Credit risk with respect to trade receivables is limited to some degree due to the AGSA's constitutionally conferred audit mandate. However, the AGSA has a significant concentration of credit risk with local government debtors.

All financial assets are unsecured. The carrying amount of financial assets included in the statement of financial position represents the AGSA's exposure to credit risk in relation to these assets.

	AGSA expected credit loss rates 2021-22:							
	Current	30 days	60 days	90 days	120 days	150 days	180 days	181+ days
National	1%	3%	21%	50%	48%	49%	27%	100%
Provincial	1%	3%	11%	17%	23%	31%	35%	100%
Local								
Local municipality	11%	18%	25%	29%	32%	36%	45%	100%
District	1%	2%	5%	11%	16%	26%	23%	100%
Metro	1%	4%	39%	50%	47%	47%	26%	100%
Statutory	2%	9%	11%	12%	11%	13%	15%	100%
Other debtors	10%	24%	55%	70%	72%	68%	77%	100%
Non audit debtors	55%	69%	86%	82%	83%	85%	85%	100%

## 26 Financial instruments (continued)

### 26.2 Credit risk (continued)

	AGSA expected credit loss rates 2020-21							
	Current	30 days	60 days	90 days	120 days	150 days	180 days	181+ days
National	0%	0%	0%	0%	0%	0%	0%	100%
Provincial	0%	1%	3%	9%	14%	17%	20%	100%
Local								
Local municipality	12%	21%	30%	36%	37%	42%	51%	100%
District	2%	3%	8%	14%	19%	26%	29%	100%
Metro	0%	0%	0%	0%	0%	0%	0%	100%
Statutory	2%	6%	15%	23%	25%	27%	30%	100%
Other debtors	4%	11%	27%	39%	39%	45%	53%	100%
Non audit debtors	37%	56%	75%	75%	75%	76%	76%	100%

An analysis of the ageing of trade receivables that are 30 days and over is as follows:

	Total	Current	30 - 120	120 - 180	180+
2022	R'000	R'000	R'000	R'000	R'000
National	79 834	79 834	-	-	-
Provincial	129 809	126 326	1 356	2 127	-
Local	548 229	131 171	214 124	48 646	154 288
Local municipality	468 516	91 409	189 629	40 794	146 684
District	41 118	17 009	18 743	3 221	2 145
Metro	38 595	22 753	5 752	4 631	5 459
Statutory	59 299	26 523	2 882	7 624	22 270
Other [16]	242 721	132 998	33 525	9 054	67 144
Total trade receivables (refer to note 5)	<b>1 059 892</b>	<b>496 852</b>	<b>251 887</b>	<b>67 451</b>	<b>243 702</b>

## 26 Financial instruments (continued)

### 26.2 Credit risk (continued)

	<b>Total</b>	<b>Current</b>	<b>30 - 120</b>	<b>120 - 180</b>	<b>180+</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
2021					
National	61 849	61 126	723	-	-
Provincial	35 085	27 347	1 640	5 355	743
Local	721 882	466 693	108 030	7 345	139 814
Local municipality	576 897	344 787	91 384	7 041	133 685
District	80 198	61 905	12 753	223	5 317
Metro	64 787	60 001	3 893	81	812
Statutory	56 642	19 931	12 187	240	24 284
Other [16]	209 378	72 545	23 861	6 167	106 805
Total trade receivables (refer to note 5)	<b>1 084 836</b>	<b>647 642</b>	<b>146 441</b>	<b>19 107</b>	<b>271 646</b>

R563 040 000 (2021: R437 194 000) of receivables, comprising 53,1% (2021: 40,3%) of total receivables, are in arrears. Local government debtors' arrears is R417 058 000 (2021: R255 189 000), which is 74,1% (2021: 58,4%) of total arrears and 39,3% (2021: 23,5%) of total receivables.

#### Financial assets subject to credit risk

	<b>Trade receivables</b>	<b>Allowance for impairment of receivables</b>	<b>Net trade receivables</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
2022			
National	79 834	(754)	79 080
Provincial	129 809	(3 329)	126 480
Local	548 229	(131 875)	416 354
Local municipality	468 516	(126 716)	341 800
District	41 118	(4 466)	36 652
Metro	38 595	(693)	37 902
Statutory	59 299	(1 413)	57 886
Other [16]	242 721	(75 951)	166 770
	<b>1 059 892</b>	<b>(213 322)</b>	<b>846 570</b>

## 26 Financial instruments (continued)

### 26.2 Credit risk (continued)

	Trade receivables	Allowance for impairment of receivables	Net trade receivables
	R'000	R'000	R'000
2021			
National	61 849	(13)	61 836
Provincial	35 085	(2 361)	32 724
Local	721 882	(129 810)	592 072
Local municipality	576 897	(124 516)	452 381
District	80 198	(5 294)	74 904
Metro	64 787	-	64 787
Statutory	56 642	(19 274)	37 368
Other [16]	209 378	(46 621)	162 757
	<b>1 084 836</b>	<b>(198 079)</b>	<b>886 757</b>

[16] Other receivables include unlisted public entities, municipal entities and utility agency corporations.

### 26.3 Liquidity risk

Liquidity risk is the risk that the AGSA will not be able to meet its financial obligations as they fall due.

The AGSA has adequate cash balances at its disposal and minimal long-term debt, which limits liquidity risk. Budgets and cash flow forecasts are prepared annually to ensure liquidity risks are monitored and controlled.

## 26 Financial instruments (continued)

### 26.3 Liquidity risk (continued)

#### Maturity profile of financial instruments

2022	Within 1 year R'000	1 to 5 years R'000	Later than 5 years R'000	Total R'000
<b>Assets</b>				
Trade and other receivables (refer to note 26.4)	852 247	-	-	852 247
Total trade and other receivables (refer to note 5)	885 058	-	-	885 058
Prepayments	(32 811)	-	-	(32 811)
Cash	770 344	-	-	770 344
Current account	314 334	-	-	314 334
Overnight call account	111 557	-	-	111 557
Notice deposits	344 453	-	-	344 453
Total financial assets	<b>1 622 591</b>	<b>-</b>	<b>-</b>	<b>1 622 591</b>
<b>Liabilities</b>				
Lease liabilities (refer to note 10)	84 753	320 753	99 740	505 246
Trade and other payables (refer to note 26.4)	480 999	-	2 078	483 077
Total trade and other payables (refer to note 13)	748 523	-	2 078	750 601
Leave pay accrual	(178 961)	-	-	(178 961)
VAT and PAYE	(88 563)	-	-	(88 563)
Total financial liabilities	<b>565 752</b>	<b>320 753</b>	<b>101 818</b>	<b>988 323</b>
<b>Net financial assets</b>	<b>1 056 839</b>	<b>(320 753)</b>	<b>(101 818)</b>	<b>634 268</b>

## 26 Financial instruments (continued)

### 26.3 Liquidity risk (continued)

#### Maturity profile of financial instruments

2021	Within 1 year R'000	1 to 5 years R'000	Later than 5 years R'000	Total R'000
<b>Assets</b>				
Trade and other receivables (refer to note 26.4)	898 522	-	-	898 522
Total trade and other receivables (refer to note 5)	930 508	-	-	930 508
Prepayments	(31 986)	-	-	(31 986)
Cash	576 252	-	-	576 252
Current account	156 010	-	-	156 010
Overnight call account	95 493	-	-	95 493
Notice deposits	324 749	-	-	324 749
Total financial assets	<b>1 474 774</b>	<b>-</b>	<b>-</b>	<b>1 474 774</b>
<b>Liabilities</b>				
Lease liabilities (refer to note 10)	60 586	365 129	129 825	555 540
Trade and other payables (refer to note 26.4)	364 264	-	508	364 772
Total trade and other payables (refer to note 13)	646 730	-	508	647 238
Leave pay accrual	(192 283)	-	-	(192 283)
VAT and PAYE	(90 183)	-	-	(90 183)
Total financial liabilities	<b>424 850</b>	<b>365 129</b>	<b>130 333</b>	<b>920 312</b>
Net financial assets	<b>1 049 924</b>	<b>(365 129)</b>	<b>(130 333)</b>	<b>554 462</b>

## 26 Financial instruments (continued)

### 26.4 Classification of financial instruments

Line items presented in the statement of financial position summarised per category of financial instrument

	Loans and receivables	Non-financial assets	Total
	R'000	R'000	R'000
2022			
<b>Financial assets</b>			
<i>Financial assets measured at amortised cost</i>			
Trade and other receivables (refer to note 26.3)	852 247	32 811	885 058
Cash and cash equivalents (refer to note 6)	770 344	-	770 344
	<b>1 622 591</b>	<b>32 811</b>	<b>1 655 402</b>

	Financial liabilities	Non-financial liabilities	Total
	R'000	R'000	R'000
<b>Financial liabilities</b>			
<i>Financial liabilities measured at amortised cost</i>			
Lease liabilities (refer to note 10)	505 246	-	505 246
Trade and other payables (refer to notes 13 and 26.3)	483 077	267 524	750 601
	<b>988 323</b>	<b>267 524</b>	<b>1 255 847</b>

	Loans and receivables	Non-financial assets	Total
	R'000	R'000	R'000
2021			
<b>Financial assets</b>			
<i>Financial assets measured at amortised cost</i>			
Trade and other receivables (refer to note 26.3)	898 522	31 986	930 508
Cash and cash equivalents (refer to note 6)	576 252	-	576 252
	<b>1 474 774</b>	<b>31 986</b>	<b>1 506 760</b>

## 26 Financial instruments (continued)

### 26.4 Classification of financial instruments (continued)

	Financial liabilities	Non-financial liabilities	Total
	R'000	R'000	R'000
2021			
<b>Financial liabilities</b>			
<i>Financial liabilities measured at amortised cost</i>			
Lease liabilities (refer to note 10)	555 540	-	555 540
Trade and other payables (refer to notes 13 and 26.3)	364 772	282 466	647 238
	<b>920 312</b>	<b>282 466</b>	<b>1 202 778</b>

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities is as follows:

Minimum lease payments due	Within 1 year	1 to 5 years	Later than 5 years
2022			
Lease payments (refer to note 10)	134 133	425 323	120 835
Finance charges	(49 380)	(104 570)	(21 095)
<b>Net present value</b>	<b>84 753</b>	<b>320 753</b>	<b>99 740</b>
2021			
Lease payments (refer to note 10)	116 535	505 763	163 910
Finance charges	(55 949)	(140 634)	(34 085)
<b>Net present value</b>	<b>60 586</b>	<b>365 129</b>	<b>129 825</b>

## 27 Taxation

No provision is made for income tax as the AGSA is exempt in terms of section 10(1)(cA)(i) of the Income Tax Act 58 of 1962.

## 28 Events after the reporting period

During the year, the AGSA started a process to offer a buy-out to the qualifying members of the post-retirement medical care benefit. The process is expected to be finalised by the end of the next financial year. The AGSA is offering an ex-gratia amount over and above the valuation amount per member, but the number of members that will take up the offer is uncertain.

The offers have been made to the members after year-end, but confirmation of acceptance has not yet been received and therefore this does not have an effect on these financial statements.

No other matters or circumstances arose after the end of the financial year and up to the date of the signing of these financial statements that will materially affect these financial statements.

## 29 Going concern

Based on the AGSA's cash flow forecast for the next 12 months to 31 July 2023 and the year to date performance, the AGSA will continue to operate as a going concern for the foreseeable future.

## 30 Comparative information

The classification of certain statement of financial position items were restated for better presentation. The effect of the reclassification in the prior year was as follows:

	Restated R'000	Originally disclosed R'000
2021		
<b>Effect in the statement of financial position</b>		
<b>Non-current liabilities</b>		
Trade and other payables	508	-
<b>Current liabilities</b>		
Provisions	7 182	25 126
Trade and other payables	646 730	629 294
	<b>654 420</b>	<b>654 420</b>
<b>Effect in the notes</b>		
<b>Note 12 - Provisions</b>		
<b>Leasehold improvements</b>		
Provision raised	-	17 944
<b>Note 13 - Trade and other payables</b>		
Accruals	102 665	85 229
Deferred compensation	508	-
<b>Note 21.3 - Operational expenditure payments</b>		
Increase in provisions	-	17 944
Other working capital changes		
Increase in other payables	21 407	3 463
	<b>124 580</b>	<b>124 580</b>

### 31 Change in estimates

The useful lives of certain property, plant and equipment and intangible assets were revised during 2021-22. The useful lives used in 2021-22 are as follows:

#### Property, plant and equipment

Item	Useful life	
	Revised	Original
Computer equipment	8 - 12 years	8 years
Notebooks	3 years	3 years
Motor vehicles	7 - 12 years	7 - 10 years
Furniture and fittings	6 - 23 years	6 - 19 years
Office equipment	5 - 15 years	5 years
Leasehold improvements	Over the period of the lease	Over the period of the lease

#### Intangible assets

Item	Useful life	
	Revised	Original
Enterprise resource management system - PeopleSoft	14 years	14 years
Licenses	8 - 10 years	8 years

The effect of the change in estimate is as follows:

	2022		
	Net impact R'000	After change R'000	Before change R'000
<b>Effect in the statement of financial position</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3 065	124 813	121 748
Intangible assets	3 962	13 718	9 756
<b>Effect in the statement of comprehensive income</b>			
Depreciation expense - property, plant and equipment	(3 065)	(36 517)	(39 582)
Amortisation expense - intangible assets	(3 962)	(2 102)	(6 064)

### 31 Change in estimates (continued)

Effect in notes to the financial statements (continued)

Property, plant and equipment (note 2)	2022					
	After change			Before Change		
	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Computer equipment	72 870	(65 250)	7 620	72 870	(65 135)	7 735
Notebooks	119 598	(69 403)	50 195	119 598	(69 403)	50 195
Motor vehicles	7 705	(3 399)	4 306	7 705	(3 744)	3 961
Office equipment	5 741	(4 393)	1 348	5 741	(4 357)	1 384
Furniture and fittings	63 298	(54 383)	8 915	63 298	(57 105)	6 193
Leasehold improvements	66 832	(14 403)	52 429	66 832	(14 552)	52 280
	<b>336 044</b>	<b>(211 231)</b>	<b>124 813</b>	<b>336 044</b>	<b>(214 296)</b>	<b>121 748</b>

The carrying amounts are reconciled as follows:	After Change				Balance at the end of the year R'000
	Balance at the beginning of the year R'000	Additions R'000	Disposals R'000	Depreciation R'000	
Computer equipment	8 883	658	(19)	(1 929)	7 620
Notebooks	25 373	53 972	(1 711)	(27 439)	50 195
Motor vehicles	4 474	-	-	(168)	4 306
Office equipment	1 561	10	(17)	(206)	1 348
Furniture and fittings	9 163	302	(301)	(249)	8 915
Leasehold improvements	60 462	59	(1 566)	(6 526)	52 429
	<b>109 916</b>	<b>55 028</b>	<b>(3 614)</b>	<b>(36 517)</b>	<b>124 813</b>

The carrying amounts are reconciled as follows:	Before change				Closing carrying amount R'000
	Opening carrying amount R'000	Additions R'000	Disposals R'000	Depreciation charge R'000	
Computer equipment	8 883	685	(19)	(1 814)	7 735
Notebooks	25 373	53 972	(1 711)	(27 439)	50 195
Motor vehicles	4 474	-	-	(513)	3 961
Office equipment	1 561	10	(17)	(170)	1 384
Furniture and fittings	9 163	302	(301)	(2 971)	6 193
Leasehold improvements	60 462	59	(1 566)	(6 675)	52 280
	<b>109 916</b>	<b>55 028</b>	<b>(3 614)</b>	<b>(39 582)</b>	<b>121 748</b>

## 31 Change in estimates (continued)

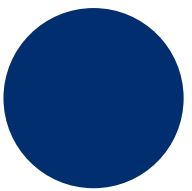
Effect in notes to the financial statements (continued)

	2022					
	After change			Before Change		
	Cost	Accumulated amortisation	Carrying amount	Cost	Accumulated amortisation	Carrying amount
Intangible assets (note 3)	R'000	R'000	R'000	R'000	R'000	R'000
<b>Computer software - purchased</b>						
Enterprise resource management system - PeopleSoft	17 288	(7 933)	9 355	17 288	(8 113)	9 175
Licenses	35 474	(31 111)	4 363	35 474	(34 893)	581
	<b>52 762</b>	<b>(39 044)</b>	<b>13 718</b>	<b>52 762</b>	<b>(43 006)</b>	<b>9 756</b>

	After Change				
	Balance at the beginning of the year	Additions	Disposals	Amortisation	Balance at the end of the year
	R'000	R'000	R'000	R'000	R'000
<b>The carrying amounts are reconciled as follows:</b>					
<b>Computer software - purchased</b>					
Enterprise resource management system - PeopleSoft	10 466	-	-	(1 111)	9 355
Licenses	4 991	237	126	(991)	4 363
	<b>15 457</b>	<b>237</b>	<b>126</b>	<b>(2 102)</b>	<b>13 718</b>

	Before change				
	Balance at the beginning of the year	Additions	Disposals	Amortisation	Balance at the end of the year
	R'000	R'000	R'000	R'000	R'000
<b>The carrying amounts are reconciled as follows:</b>					
<b>Computer software - purchased</b>					
Enterprise resource management system - PeopleSoft	10 466	-	-	(1 291)	9 175
Licenses	4 991	237	126	(4 773)	581
	<b>15 457</b>	<b>237</b>	<b>126</b>	<b>(6 064)</b>	<b>9 756</b>







## SECTION 7

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## ACRONYMS AND ABBREVIATIONS

<b>ABASA</b>	Association for the Advancement of Black Accountants of South Africa	<b>CNC</b>	Covid-19 Nerve Centre
<b>ACCA</b>	Association of Chartered Certified Accountants	<b>Cogta</b>	Cooperative Governance and Traditional Affairs
<b>ACFE</b>	Association of Certified Fraud Examiners	<b>CSIR</b>	Council for Scientific and Industrial Research
<b>ACMI</b>	Advisory committee on material irregularities	<b>CSO</b>	Civil society organisation
<b>Afrosai-e</b>	African Organisation of English-speaking SAs	<b>CTA</b>	Certificate in the Theory of Accounting
<b>APAC</b>	Association of Public Accounts Committees	<b>D&amp;O</b>	Derelict and ownerless
<b>APC</b>	Assessment of Professional Competence	<b>DraaS</b>	Disaster Recovery as a Service
<b>AQI</b>	Audit quality indicators	<b>EAP</b>	Economically active population
<b>AUC</b>	African Union Commission	<b>EDP</b>	Executive Development Programme
<b>ASB</b>	Accounting Standards Board	<b>EE</b>	Employment equity
<b>Awca</b>	African Women Chartered Accountants	<b>EHWP</b>	Employee health and wellness programme
<b>B-BBEE</b>	Broad-based black economic empowerment	<b>EME</b>	Exempted micro enterprises
<b>BRRR</b>	Budget review and recommendation report	<b>ERP</b>	Enterprise resource planning
<b>CBC</b>	Capacity-building committee	<b>ESD</b>	Enterprise and supplier development
<b>CCMA</b>	Commission for Conciliation, Mediation and Arbitration	<b>EVP</b>	Employee value proposition
		<b>Exco</b>	executive committee

<b>GRAP</b>	Generally Recognised Accounting Practice
<b>GRI</b>	Global Reporting Initiative
<b>HSRC</b>	Human Science Research Council
<b>IAASB</b>	International Auditing and Assurance Standards Board's
<b>ICT</b>	Information Communication Technology
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>Intosai</b>	International Organisation of Supreme Audit Institutions
<b>IRBA</b>	Independent Regulatory Board for Auditors
<b>ISQM</b>	International Standard on Quality Management
<b>ITC</b>	Initial Test of Competence
<b>ISQC 1</b>	International Standard on Quality Control
<b>ISSAI</b>	International Standards of Supreme Audit Institutions
<b>LDP</b>	Leadership Development Programme

<b>MDP</b>	Manager Development Programme
<b>MEC</b>	Members of the executive council
<b>MI</b>	Material irregularity
<b>MTSF</b>	Medium-Term Strategic Framework
<b>NCoP</b>	National Council of Provinces
<b>NLC</b>	National Lotteries Commission
<b>NRF</b>	National Revenue Fund
<b>PAA</b>	Public Audit Act 25 of 2004
<b>QCAC</b>	Quality control assessment committee
<b>QSE</b>	Qualifying small enterprises
<b>Remco</b>	Remuneration committee
<b>Scoag</b>	Standing Committee on the Auditor-General
<b>Scopa</b>	Standing Committee on Public Accounts
<b>SDG</b>	Sustainable Development Goals
<b>SOE</b>	State-owned enterprise
<b>SOQM</b>	System of quality management
<b>SoRR</b>	Status of records review

# GRI CONTENT INDEX

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

GRI	Description	Page #
<b>GRI 102 2016: General standard disclosures - strategy and analysis</b>		
<b>102-14</b>	Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation.	<b>11-12</b>
<b>GRI 102 2016: General standard disclosures - organisational profile</b>		
<b>102-1</b>	Name of the organisation	<b>26</b>
<b>102-2</b>	Activities, brand, products and services of the AGSA	<b>26-27</b>
<b>102-3</b>	Location of head office	<b>27</b>
<b>102-4</b>	National footprint of the AGSA	<b>27</b>
<b>102-5</b>	Nature of ownership and legal form	<b>26</b>
<b>102-6</b>	Geographic breakdown, types of customers and beneficiaries	<b>26</b>
<b>102-7</b>	Scale of the organisation including <ul style="list-style-type: none"> <li>• Number of employees</li> <li>• Number of operations</li> <li>• Net revenue</li> <li>• Quantity of services / products offered</li> </ul>	<b>27</b>
<b>102-8</b>	Workforce profile <ul style="list-style-type: none"> <li>• Total number of employees (permanent)</li> <li>• Total number of employees (contract)</li> <li>• Workforce by employment contract and gender</li> <li>• State whether a substantial portion of the organisation's work is performed by contractors</li> </ul>	<b>106</b>   <b>31</b>
<b>102-9</b>	Description of AGSA's supply chain	<b>30-31</b>
<b>102-10</b>	Report any significant changes during the reporting period regarding the organisation's size, structure or supply chain	<b>31</b>
<b>102-11</b>	Report on whether and how the precautionary approach or principle is addressed by the organisation	<b>44</b>
<b>102-12</b>	External charters, principles and initiatives that we subscribe to or endorse	<b>44</b>
<b>102-13</b>	Memberships maintained at an organisational level	<b>40</b>

GRI	Description	Page #
<b>GRI 102 2016: General standard disclosures - identified material aspects and boundaries</b>		
102-46	Process for defining the report content and the aspect boundaries	44
102-47	List of material aspects identified	47-51
<b>GRI 102 2016: General standard disclosures - stakeholder engagement</b>		
102-40	List of stakeholder groups identified by the organisation	86
102-42	Basis for identification and selection of stakeholders	86
102-43	Organisation's approach to stakeholder management	86
102-44	Key topics raised through stakeholder engagement	87-88 93-95
<b>GRI 102 2016: General standard disclosures - report profile</b>		
102-50	Reporting period	44
102-51	Date of the most recent report	44
102-52	Reporting cycle	44
102-53	Contact point for questions regarding the report	51
102-54	Claims of reporting in accordance with GRI standards	44
102-55	GRI content index	220-222
102-56	Organisation's policy and practice on seeking external assurance	45
<b>GRI 102 2016: General standard disclosures – governance</b>		
102-18	Governance structures within the AGSA	32-39
102-22	Composition of the highest governance body and its committees	32-39
<b>GRI 102 2016: General standard disclosures - ethics and integrity</b>		
102-16	• The organisation's ethical principle, standards and norms of behaviour such as code of ethics and code of conduct	40
	• Ethical and independence requirements	138-139
<b>GRI 103 2016: General standard disclosures - disclosures on management approach</b>		
103-2	Labour practices and grievance mechanisms	108
<b>GRI 401: Specific standard disclosures - labour practices and decent work – employment</b>		
401-1	• New employee hires	107
	• Staff turnover	105

GRI	Description	Page #
<b>GRI 403: Specific standard disclosures - labour practices and decent work - occupational health and safety</b>		
<b>403-2</b>	Occupational health - types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<b>109</b>
<b>GRI 404: Specific standard disclosures - Labour Practices and Decent Work - Training and Education</b>		
<b>404-1</b>	Average hours of training, per employee and by employee category	
	Diversity and equal opportunity	
	<ul style="list-style-type: none"> <li>• Workforce by region and gender</li> <li>• Workforce by grade, race and gender</li> <li>• Workforce by employment contract and gender</li> <li>• Workforce profile by race and age</li> <li>• Executive committee by race group</li> </ul>	<b>106</b>     <b>106</b>  <b>22-23</b>
<b>GRI 102 2016: General standard disclosures – governance</b>		
<b>413-1</b>	Local communities <ul style="list-style-type: none"> <li>• Socio-economic development initiatives</li> </ul>	<b>131-132</b>

# INTEGRATED REPORTING INDEX

IIRC content elements	Major report sections addressing the elements
<b>Organisational overview and external environment</b>	<ul style="list-style-type: none"> <li>• The auditor-general's message</li> <li>• The deputy auditor general's overview of performance</li> <li>• Who we are</li> <li>• Value creation process</li> <li>• Strategic risks</li> <li>• Conditions under which we operate</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Corporate Governance Framework</li> <li>• External Charters, principles and initiatives that we subscribe to or endorse</li> </ul>
<b>Business model</b>	<ul style="list-style-type: none"> <li>• Business model</li> <li>• Our value creation model</li> <li>• Value &amp; benefits of supreme audit institutions</li> </ul>
<b>Risks and opportunities</b>	<ul style="list-style-type: none"> <li>• Strategic risks</li> <li>• Our value creation model</li> </ul>
<b>Strategy and resource allocation</b>	<ul style="list-style-type: none"> <li>• The auditor-general's message</li> <li>• The deputy auditor general's overview of performance</li> <li>• Who we are</li> <li>• Value creation process</li> </ul>
<b>Performance</b>	<ul style="list-style-type: none"> <li>• Organisation's performance against predetermined objectives               <ul style="list-style-type: none"> <li>• Value-adding auditing</li> <li>• Visibility for impact</li> <li>• Viability</li> <li>• Vision and values driven</li> </ul> </li> </ul>
<b>Outlook</b>	<ul style="list-style-type: none"> <li>• The deputy auditor general's overview of performance</li> <li>• In the conclusion of each of the strategic goals:               <ul style="list-style-type: none"> <li>• Value-adding auditing</li> <li>• Visibility for impact</li> <li>• Viability</li> <li>• Vision and values driven</li> </ul> </li> </ul>
<b>Basis of preparation and presentation</b>	<ul style="list-style-type: none"> <li>• Reporting profile</li> </ul>

## AGSA STRATEGIC OBJECTIVES

The 2020-23 strategic plan and budget outlines the performance and financial plan based on our long-term strategy and creates the foundation for the information reported in this integrated annual report.

Strategic objective	Page #
<b>Value-adding auditing</b>	
Demonstrate value-adding auditing	71
Ensure high quality of our audits	81
<b>Visibility for impact</b>	
Achieve impact through visibility programmes	87
Engage actively with citizens	92
<b>Viability</b>	
Maintain financial viability and legal independence	101
Attract, develop and retain great talent	107
Create an enabling culture and leadership to drive strategy execution	117
Enable operational effectiveness and efficiencies	119
<b>Vision and Values driven</b>	
Drive the AGSA's transformation programme	126
Demonstrate clean administration	132
Safeguard the ethical character of our organisation	138

## SUSTAINABLE DEVELOPMENT GOALS

The sustainable development goals (SDGs) aim to ensure economic prosperity and an improvement in human well-being. Achieving these goals takes sound governance structures.

Our awareness of the SDG priorities in our own reporting is highlighted to demonstrate areas that are influenced by these goals.

### 2 ZERO HUNGER



Refer to pages 104, 126

### 3 GOOD HEALTH AND WELL-BEING



Refer to pages 69, 78, 109, 119

### 4 QUALITY EDUCATION



Refer to pages 109-114, 116, 131-132

### 5 GENDER EQUALITY



Refer to pages 105-106, 109, 115-116, 126-127

### 6 CLEAN WATER AND SANITATION



Refer to pages 70, 78

### 8 DECENT WORK AND ECONOMIC GROWTH



Refer to pages 92, 101-110, 114, 116-119, 126-127, 129

### 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Refer to pages 69, 120, 122

### 10 REDUCED INEQUALITIES



Refer to pages 105-106, 109, 116, 126-132

### 14 LIFE BELOW WATER



Refer to page 70

### 16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Refer to pages 72-73, 75-76, 87-92, 96-97, 101-103, 107-110, 112, 114-116, 118, 120, 122, 126-127, 134-141, 146-148

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