

# REMUNERATION COMMITTEE'S REPORT

## REPORT OF THE REMUNERATION COMMITTEE

### 1. 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, while the final decision-making rests with the auditor-general
- as an oversight governance structure with the primary purpose in terms of s5(2)(bA) to make recommendations to:
  - the independent commission on the salary, allowances and benefits of the auditor-general
  - the auditor-general on the conditions of employment, the remuneration, allowances and benefits of the employees of the Auditor-General of South Africa as contemplated in s34, thus ensuring that the organisation's remuneration principles, policies and practices are fair and transparent so as to promote the achievement of strategic objectives.

### 2. Membership

In terms of s5(2)(bA) of the PAA, the auditor-general appointed the following members:

- Dr Mark Bussin
- Mr Bernard Nkomo
- Ms Nazlie Samodien
- Ms Mpuseng Tlhabane

The chair, Dr M Bussin, and Ms M Tlhabane will retire by rotation from the committee by the end of 2021. The auditor-general will announce a replacement for Ms M Tlhabane in due course. A new member, Ms M Nkeli, has been appointed with effect from 1 March 2021 and will be the chair-designate to ensure a seamless transfer of skills.

Ms Nkeli is a remuneration expert in the industry and will contribute her executive experience gained over 15 years in diverse functions.

She trained as an environmental scientist, worked in a lab, then moved to marketing, communications, social investment and enterprise development. She later focused on human resources and transformation. She was a member of the Commission of Employment Equity before being appointed as its chair. She has contributed to changes in legislation relating to BEE.

Ms Nkeli received the Laureate Award from the University of Pretoria in 2009. She has been the head of HR for the Alexander Forbes Group as well as for the Vodacom Group. Ms Nkeli is currently a shareholder and director of Search Partners International (SPI) and has completed numerous CEO, C-Suite and senior leadership appointments. She heads the SPI board practice, has successfully led NED placements and completed several board revamp projects.

Ms Nkeli serves on two listed boards – Implats and Sasol – chairing both remcos. She has recently been invited to join the King IV remuneration subcommittee.

### 3. An overview of the main provisions of the remuneration policy

The organisation has developed a remuneration policy, procedures and processes that are made 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).

### 4. Internal and external factors that influenced remuneration

Remuneration considerations and decisions are always based on a combination of external and internal factors:

- Consumer price index (CPI) / inflation
- Economic outlook
- Sustainability of the organisation – budget considerations/affordability
- Market relativity/market positioning
- Attraction, retention and employee engagement considerations
- Strengthening performance culture.

### 5. Key focus areas for the remuneration committee

On 26 November 2020, remco recommended the change in salary increase date from August to April annually to align it with the financial year. The auditor-general subsequently approved this.

On 24 February 2021, remco discussed the annual increase process for April 2021 and an ex gratia one-off payment. The reality of covid-19 could not be disputed and the impact would continue to manifest in the future. The AGSA had managed to remain viable and continued to deliver on its mandate, as evidenced by the achievement of a number of key strategic objectives.

These achievements were an indication of the resilience of the organisation and the commitment and hard work of employees. Although caution had to be applied in terms of spending, it became equally important to recognise the efforts of employees and consider the impact of inflation and difficult economic conditions experienced by staff.

There had been no salary increases since August 2019 and it would be difficult to do future one-off salary catch-ups if salaries are not market related or have not kept up with inflation.

Considering the above, remco recommended adopting a more prudent approach by applying an inflation-related increase of 4% (in line with AGSA's Cola principles) to protect the uncertain projected cash flow position, to manage external perceptions, especially in the uncertain times the country finds itself in, and to remain within the organisation's salary increase budget for the 2020-21 financial year.

The ex gratia payment was not supported in light of the current difficult and uncertain future financial position and the unfavourable perception such payment can create given the difficult circumstances in which our country currently operates.

Remco preferred to see the ex gratia payment fall in line with the normal performance cycle timelines, processes and performance bonus considerations later in the year.

Subsequent to the financial year-end, the committee received and considered a proposed performance bonus for the 2020-21 performance year for all staff, effective 1 August 2021.

The committee noted that the organisation had conducted the review of performance at different levels and the analysis indicate an organisation performance score of 'achieved' for the 2020-21 performance year.

The committee noted that payment of a performance bonus was at the discretion of the auditor-general and was informed by the following criteria being met as per the total reward and performance management principles:

- The organisation should meet the minimum performance rating of 'achieved'.
- The AGSA should meet its financial targets as set out in the strategic plan and budget as well as in the balanced scorecard.
- Availability of cash funds.

Remco reviewed the proposed performance bonus proposal and after a robust consideration of the proposal, remco resolved to recommend that the AGSA pay the recommended proposal of the total performance bonus quantum of R132 621 286, which is aligned to the performance bonus provision of R133 million in the budget for the 2020-21 financial year.

## 6. Use of remuneration consultants

While the organisation strives to use its internal resources to deliver on remuneration initiatives, there have been areas of speciality where external remuneration reports were used due to the nature of benchmarking required.

These included:

- Market benchmarking – This can only be sourced from accredited service providers for the purposes of, among other things, developing pay scales, and providing salary increase projections and best practice on remuneration.
- Group risk benefits – 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.

The committee has satisfied itself that the AGSA remuneration policy has achieved its objectives.

## 7. Remuneration awarded to individual members of remco and executive management during the reporting period

Members of the governing body 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 translates into R3 119 per hour.

The AGSA remunerates its executives in terms of the AGSA remuneration policy and the details of executives' remuneration are reported as per section 6 of the 2020-21 *Integrated annual report*.

## 8. Independent commission on the salary, allowances and benefits of the auditor-general

The Independent Remuneration of Public Office Bearers Commission (the commission) is now required in terms of the amended Public Audit Act to consult the committee on the remuneration for the auditor-general. The commission submitted a proposal to the president and had indicated they would consult the incumbent auditor-general.

## 9. Employee wellness programme (EWP) and employee wellness insight

The committee deliberated on the insight on employee wellness shared by the people portfolio. In the last 12 months, employee wellness received even more prominence to ensure the organisation is alive to the realities posed by the covid-19 pandemic and its impact on employees, their families and the organisation.

Remco noted that the AGSA kept line of sight on organisational health and wellness through regular dipsticks via the employee well-being survey, and used this real-time feedback to improve employee wellness. Additionally, benchmarks with institutions in similar industries indicated that the AGSA's utilisation rate is higher than industry average, which indicated that employees were largely embracing the organisation's employee wellness programmes.

The top five employee wellness presenting problems, i.e. stress, relationship issues, money management, organisational issues and mental illness/psychiatric were noted. It was also noted that these mirrored the country's current challenges as exacerbated by the covid-19 pandemic.

## 10. Conclusion

The committee expressed an appreciation that staff members were committed and continued to work hard to achieve the goals of the organisation, and the need to reward staff members so that they continue to contribute to the mandate of the AGSA.