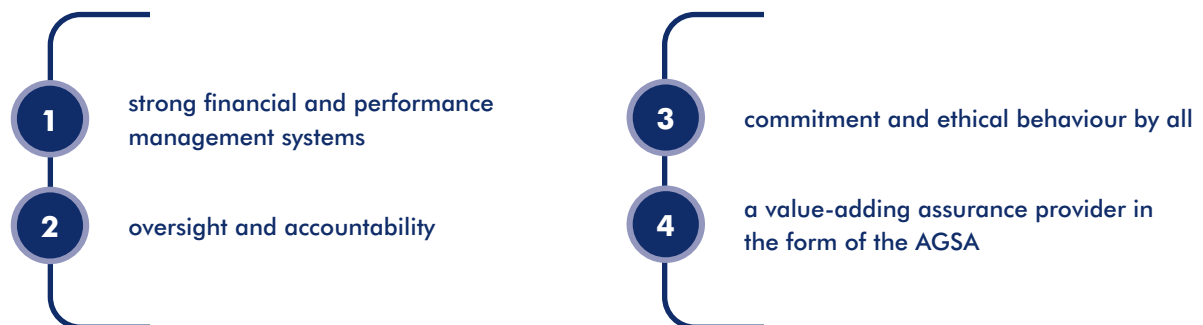


THE AGSA STRATEGY

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.

Our aspirations

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



Our four strategic goals

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

 <p>VALUE-ADDING AUDITING</p>	<p>V1</p> <p>Provides audit-derived valuable insight 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.</p> <p><i>Reporting on this goal is on pages 53 – 62.</i></p>
 <p>VISIBILITY FOR IMPACT</p>	<p>V2</p> <p>Structures our stakeholder engagement programmes to effectively encourage and enable the required improvements in the public sector.</p> <p><i>Reporting on this goal is on pages 63 – 72.</i></p>
 <p>VIABILITY</p>	<p>V3</p> <p>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.</p> <p><i>Reporting on this goal is on pages 73 – 90.</i></p>
 <p>VISION AND VALUES DRIVEN</p>	<p>V4</p> <p>Demonstrates that clean administration and transformation are achievable, as we lead by example through our work and behaviour.</p> <p><i>Reporting on this goal is on pages 91 – 102.</i></p>



Our audit teams have done everything in their power, under tremendous pressure, to complete the audits under the guidance of our leadership.

CONDITIONS UNDER WHICH WE OPERATE

Our strategy is informed by the major aspects of our environment and their potential to affect the delivery of our mandate. These aspects were:

Covid-19 pandemic disruption

The pandemic continued to impact our operations significantly. Normal audit processes were affected by our auditees not being ready for audit, their poor ICT systems, our limited access to their premises and legislated delays.

Increasingly complex audit environment

Our take-over of SOE audits has grown rapidly, 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, while enhancing the value that we provide in strengthening oversight of these entities. The Transnet audit is the most recent addition to our audit portfolio following a two-year transition, and is on track to be signed off as part of our annual audits for the first time.

Implementing the MI process intensified our need for greater skills and capacity to perform high-quality audits. During this process we focused on identifying and reporting MIs that result, or are likely to result, in a financial loss, and on driving consequences for such irregularities as prescribed. We have expanded the MI definition to include any non-compliance with, or contravention of, legislation, fraud, theft or breach of fiduciary duty that resulted, or is likely to result, in a material financial loss. Our defined plan will phase in the full MI definition at more auditees over the next year.

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.

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

South Africa's economic outlook has declined, mainly as a result of the pandemic. This has seen a stagnation in the country's negative credit ratings and presents government with fiscal constraints to delivering its programmes and generating revenue, especially at local government level, which exerts continued pressure on audit fees.

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 number of bailouts granted across the spectrum of critical service providers.

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

During the reporting period, the organisation's strategic risks were reassessed to consider all environmental factors prevailing at the time and, more significantly, the impact of the pandemic, the consequent lockdowns and the continued implementation of our enhanced powers.

The outcomes of the assessment led to a slight modification in our strategic risk profile. The exposure associated with the risk *Inability to maintain the organisation's financial viability (in areas of revenue, costs and collections)* increased from a high to a critical risk rating. The risk *Failure to promptly respond to business technology needs and manage information security threats* remains a critical risk. This risk receives greater attention from our leadership, especially because of the deficiencies noted by our assurance providers and our need to modernise our information technology infrastructure to respond to the changes in our environment.

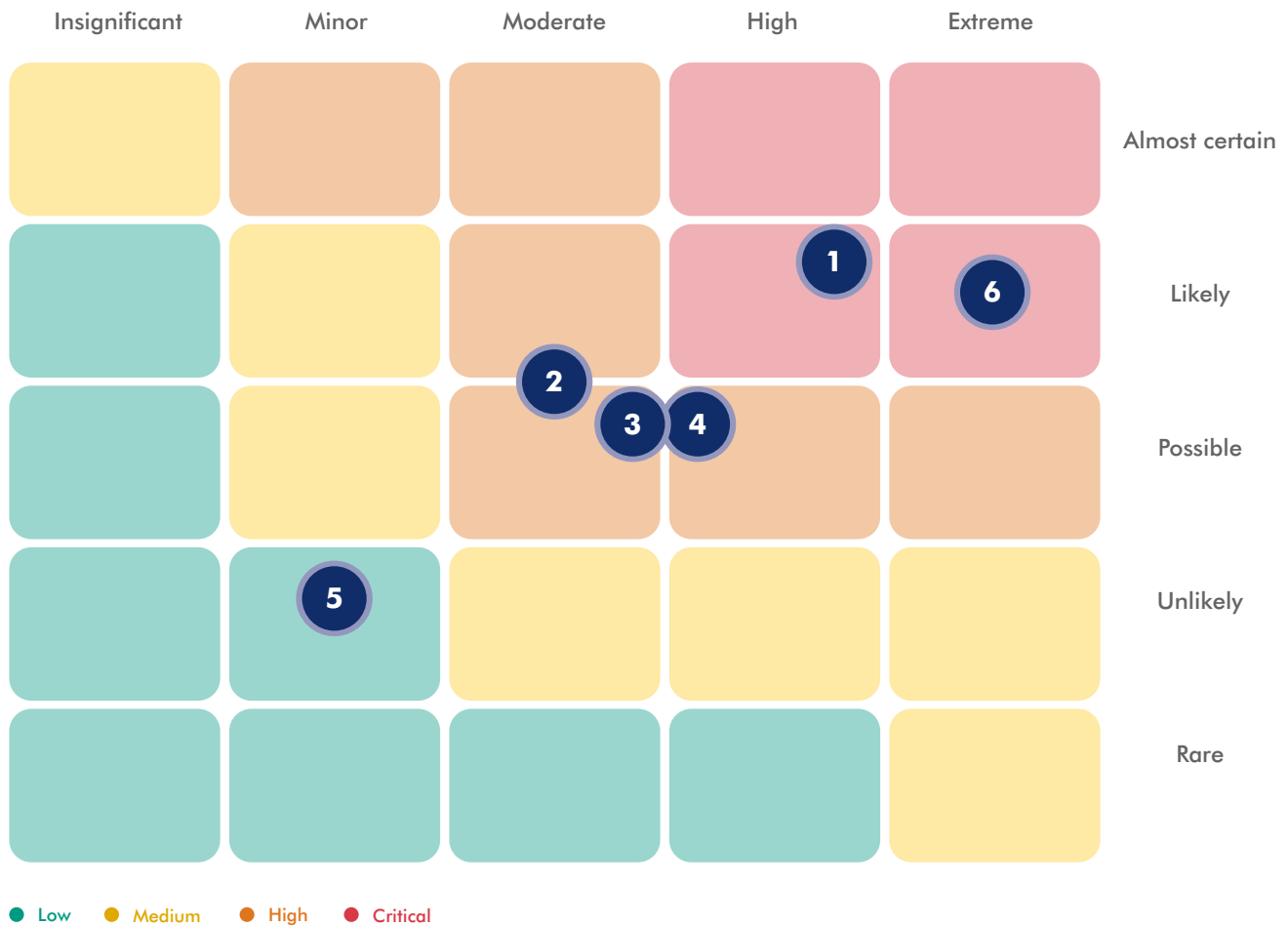
It should be noted that although the risk descriptions on the profile remained relatively unchanged, most factors/ root causes driving the risks changed in line with the changes in the environment.

Other business risk assessments undertaken during the year, such as the covid-19 and PAA risk assessments, complemented the strategic risk profile. These assessments raised our awareness of threats that may impact our ability to achieve our objectives and helped ensure that strategic and other organisational initiatives are geared towards optimising opportunities, minimising threats, and adequately articulating and mitigating organisational risks.

It is worth noting that, given the appointment of the new auditor-general during this reporting period, we are revising our strategy. We therefore postponed developing our strategic risk profile for 2021-22.

The focus will be to develop a strategic risk profile aligned to the revised strategy and ensure that we formulate appropriate mitigations to support the strategy by improving the probability of achieving our organisational objectives.

Strategic risk profile – 2020-21



The strategic risks for the 2020-21 performance period are:

- 1 Inability to maintain the organisation’s financial viability in areas of revenue, costs and collections.
- 2 Failure to prevent and consistently respond to issues of unethical conduct by own employees and external stakeholders.
- 3 Inability to develop and retain key skills and employees to enable achievement of key organisational priorities.
- 4 Non-adherence/application of defined audit standards.
- 5 Failure to have a positive impact, be relevant to our stakeholders.
- 6 Failure to promptly respond to business technology needs and manage information security threats.

VALUE CREATION

HOW WE ADD VALUE TO STAKEHOLDERS

We add value to:

The people of South Africa by

- listening to the conversations in the public sector, acting in the public interest and selecting areas of audit that have a direct impact on peoples' well-being
- making the results of our audit work public, which enables people to hold their elected representatives and the custodians of public resources accountable
- being a model organisation and demonstrating that good administration and transformation are achievable
- executing our audits in the most cost-effective, efficient and economical manner
- producing insights, exercising influence and applying our powers in a manner that shifts the behaviour of a critical mass of our auditees towards being predominantly characterised by accountability, transparency and integrity

The legislatures by

- being a credible source of relevant, independent and objective insight based on independent, professional judgement and sound analysis
- identifying transversal themes, common findings, trends and root causes
- providing audit recommendations and discussing these with relevant stakeholders who oversee and support beneficial changes in the public sector

The executive (auditees) by

- identifying instances of mismanagement and their root causes, and recommending improvements tailored for the business of the auditee
- equipping them with value-adding understanding about the status of their financial and performance management systems

The auditing and accountancy professions by

- allocating contract audit work
- building skilled and qualified professionals
- creating a pipeline of black chartered accountants to transform the profession and economically empowering black audit firms

Our employees and future employees by

- creating meaningful employment and career development opportunities
- providing fair, transparent, market-related and equitable remuneration and benefits