# STRATEGIC GOAL 3: VIABILITY (V3)

## FINANCIAL PERFORMANCE

### Viability objective 1: Maintain financial viability

**PERFORMANCE MEASURE**

Net surplus as % of audit income

| 2020-21 TARGETS | 2020-21 ACTUAL |
| --- | --- |
| 0,8% – 1% | -8,6% |

The 2020-21 financial year was very challenging. Given the fundamental business and operational changes in response to the pandemic, the budget had to be revised and our revised forecast had to consider the current realities. In addition, we had to make a lot of calculated sacrifices to reduce our deficit.

The impact is clear in the R293 million deficit at the end of the year, compared to the surplus of R190 million reported in 2019-20. This deficit would have been worse without the additional income of R58 million from our investments, and the National Treasury allocation of R44 million to assist with funding our enhanced mandate.

### Audit income

The audit income of R3 395 million (R3 784 million in 2019-20) is 2% below our revised forecast. The audit revenue comprises own hours' income of R2 669 million, which is 1% above forecast. Contracted audit firms, together with subsistence and travel income, of R725 million is 11% (R94 million) below forecast. These revenue streams have a zero mark-up and do not have any impact on our margins (gross profit and surplus/deficit).

Direct expenses are 2% below forecast, resulting in a gross profit of R1 054 million that is aligned to the forecast of R1 051 million. Gross profit includes the revenue generated from resource pooling (R146 million) and the real-time audits (R67 million). Both these amounts are included in our own hours' income.

The benefits derived from our revenue enhancement tactics created the opportunity for us to maintain the level of audit work allocated to contracted audit firms at 19%.

## Optimising our operational costs

Efficiently managing overhead expenses and cost containment is still crucial given the state of the country's economy, its impact and the immense pressure put on our revenue due to the pandemic. During 2020-21, controlling costs and rationalising expenditure, which included our choice to not award salary increases or performance bonuses on 1 August 2020, played a major role in containing our costs.

The actual overhead expenses of R1 449 million are 7% above our revised forecast, as staff used additional data to work remotely, but R115 million below the budget.

We managed to derive some savings to narrow our deficit from R318 million in the first quarter of the financial year to R293 million for the year ended 31 March 2021.

## Debtors

The debtors' book closed at an all-time high of R1,1 billion compared to R931 million in 2019-20. The year-on-year increase of the debt book by 17% and revenue reduction of 10% confirms that the 2020-21 financial year was difficult to navigate. A major contributor to this high increase in the debt book is the local government debt, which is R722 million compared to R425 million in 2019-20.

The increase in local government debt was influenced by the legislated date for local government financial statements being moved from August to October 2020 to allow auditees to recover time that was lost during the hard lockdown. To accommodate this, we delayed our audit and reporting until the end of February 2021. Where under normal circumstances the organisation would have had four months (November to March, excluding December) to collect the local government debt, in the 2020-21 financial year we only had two months to collect i.e. February and March 2021.

### DEBTORS BALANCE AS AT 31 MARCH 2021 BY CATEGORY

| | 2018-19 R million | 2019-20 R million | 2020-21 R million |
|---|---|---|---|
| National government | 69 | 75 | 62 |
| Provincial government | 140 | 163 | 35 |
| Local government | 321 | 425 | 722 |
| Statutory debtors | 42 | 71 | 57 |
| Other debtors | 172 | 197 | 209 |
| **Total debt** | **744** | **931** | **1 085** |

Local government debt is exacerbated by the increase in municipalities that are financially distressed. Most of these municipalities are located in impoverished areas, have low revenue generation capacity and rely on the National Treasury or provincial government to pay salaries and other essential basic needs, with some even defaulting on statutory payments such as medical aid and PAYE.

The debt owed by some SOEs increased from R197 million to R209 million. SOEs subject to business rescue or liquidation are major contributors to the increased debt as settling audit fees is not a priority for them.

## Debt collection measures

While auditees are encouraged to settle their debt using normal payment methods, those with long outstanding debt are afforded opportunities to reduce or settle their debt.

As a last resort, and in line with the PAA, litigation is used to collect from auditees that do not make payments. The debt collection interventions have resulted in the following:

- We now collect debt by distressed 1% auditees directly from the National Revenue Fund (NRF). Of the R132 million billed, we received R70 million. This is considered an improvement as, in the past, the collection for these auditees was an average of R45 million. In preparation for the 2021-22 financial year, we requested R133 million from the NRF, of which only R71 million was allocated to the 2021-22 NRF budget approved in February 2021.
- Since we began ring-fencing debt in 2013, we collected R418 million (92%) of the R452 million in ring-fenced debt. We collected R31 million of this amount in 2020-21, which reduced some long-outstanding debt.

### ACCUMULATED RING-FENCING AGREEMENT COLLECTIONS

| | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Ring-fencing agreements | 114 | 128 | 136 |
| Ring-fenced amount | R358 million | R407 million | R452 million |
| Amount collected | R338 million | R387 million | R418 million |

The approach to enforcing debt payments through litigation also contributed positively to recovering long-outstanding debt. We collected R23 million compared to R59 million in the same period last year.

Our legal costs for litigation are contained by using our internal legal team for most of the litigation.

### ACCUMULATED COLLECTIONS FROM LITIGATION

| | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| No. of auditees | 93 | 104 | 140 |
| Litigated amount | R436 million | R486 million | R692 million |
| Amount collected | R404 million | R463 million | R486 million |

### Provision for impairment of debtors

Our provision for impairment of debtors increased from R160 million in 2019-20 to R198 million. The provision represents 18% of all outstanding debt that we may not be able to collect. Contributors to this increase included local government and SOE debt that may not be settled. The provision is concentrated mainly in four provinces (Eastern Cape, Free State, North West and Northern Cape), and includes SOEs that are struggling financially.

### Cash flow

The 2020-21 year-end cash balance suffered negatively from the effects of the pandemic. We ended the year with a R576 million cash balance, which was lower than the previous year's balance of R674 million. This cash balance translates to a cash reserve of 1,8 months, which is less than the target of 3,0 months. We closed our books for the 2020-21 financial year under very difficult conditions. The results demonstrate our sustained resilience, commitment and collaborative teamwork.

During the year, we lost revenue and surplus due to legislated delays in starting audits. The reporting deadlines for national, provincial and local government had to be adjusted to allow the auditees to complete their work before our audit process could begin. In addition, we heeded a call by the president for real-time audits covering covid-19 transactions. In the process, our revenue lines declined because of unbilled hours, especially during the local government audits, and lower collections from auditees, a situation that compromised our cash margin of safety.

Despite these challenges, we continue to take pride in the talent, work ethic, knowledge, competencies, skills and professionalism of our staff. The strong legislative framework and funding model ensures that we remain a viable and sustainable business. We implemented our mandate economically, efficiently and effectively, focusing on providing value-for-money audits to the public sector.

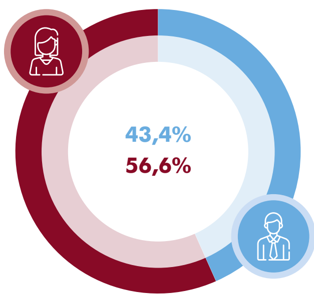
## PEOPLE VIABILITY

### AGSA workforce

On 31 March 2021, we had 3 703 staff (3 667 in 2019-20), including trainee auditors and short-term contract employees. This was an increase of 36 (0,98%) employees from last year. We continued our moratorium on hiring except in cases where specialist skills were required to fulfil our mandate. Most of these positions were fixed-term contracts to manage our long-term remuneration obligation under uncertain economic conditions. During the performance year, 88,8% of positions in the organisation were filled, which was 1,2% below our targeted rate of 90%.

#### AGSA WORKFORCE PROFILE

| | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Occupancy rate | 93,7% | 93,9% | 88,8% |
| Number of positions | 3 796 | 3 904 | 4 171 |
| Number of employees | 3 556 | 3 667 | 3 703 |
| Vacancies | 240 | 237 | 468 |




Against an economically active population (EAP) target of 44,8%, 56,6% of our workforce are women, which is an increase from 55,4% in 2019-20. Males make up 43,4% of our workforce; a decrease from 44,6% and against the EAP target of 55,2%.

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 78,5%, against an EAP target of 77,9%.

## WORKFORCE DISTRIBUTION BY AGE AND RACE

| AGE GROUP | ETHNIC GROUP | | | | | TOTAL | AGSA % |
|---|---|---|---|---|---|---|---|
| | AFRICAN | FOREIGN | COLOURED | INDIAN | WHITE | | |
| <25 | 150 | | 13 | 5 | 1 | 169 | 4,6 |
| 25-35 | 2 023 | 2 | 115 | 92 | 35 | 2 267 | 61,2 |
| 36-55 | 682 | 18 | 100 | 107 | 221 | 1 128 | 30,5 |
| >55 | 52 | 3 | 5 | 5 | 74 | 139 | 3,7 |
| **Total** | **2 907** | **23** | **233** | **209** | **331** | **3 703** | |
| % | 78,5 | 0,6 | 6,3 | 5,7 | 8,9 | 100,0% | |

You can get more details on our management control in the transformation section, from pages 91 to 92.

The AGSA comprises a predominately young workforce, with 65,8% (2019-20: 68,29%) under the age of 36 years and an average employee age of 34 years. The age demographics reflect that our future is sustained by a strong pipeline of young professionals. In addition, it is vital to diversify our workforce to bring in new thinking and energy. This information about our employees helps us to make long-term decisions about the future of our workforce in areas such as workforce planning, the employee value proposition, talent mobility and new ways of working.

## WORKFORCE DISTRIBUTION BY GENDER AND CONTRACT TYPE

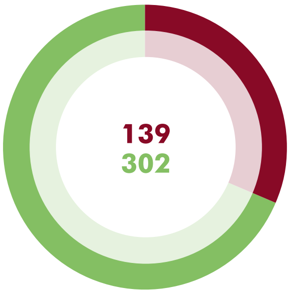
| CONTRACT TYPE | GENDER | | | | TOTAL | AGSA % |
|---|---|---|---|---|---|---|
| | | % | | % | | |
| **Auditor-general** | 1 | 100,0 | | | 1 | 0,03 |
| **Fixed-term contract** | 244 | 53,2 | 215 | 46,8 | 459 | 12,39 |
| **Permanent** | 1 151 | 56,0 | 903 | 44,0 | 2 054 | 55,47 |
| **Trainee contract** | 699 | 58,8 | 490 | 41,2 | 1 189 | 32,11 |
| **Total** | **2 095** | **56,6** | **1 608** | **43,4** | **3 703** | |

Our workforce of people with disabilities has slightly increased from 1,72% in the previous financial year to 1,73% at the end of March 2021.

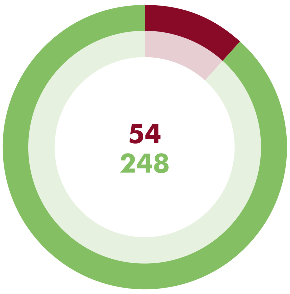
Our focus for the next financial year will be to develop a new five-year employment equity (EE) plan. Part of the preparation will include reviewing the current occupational levels and aligning them with the employment equity definitions stipulated in the act.

## AGSA RECRUITMENT

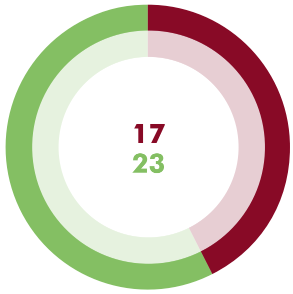
### OVERALL APPOINTMENTS




### EXTERNAL APPOINTMENTS




### SENIOR MANAGEMENT




### *Attract, develop and retain great talent*

The constraints to bringing in additional capacity opened up the opportunity to use our internal talent pool, borrowing skills from other business units and, where possible, sharing resources. We also focused on programmes to build skills internally through our learnership programmes.

### *Staff turnover*

With 88,8% of our positions filled, we had a total staff turnover of 3,16%, which is well below the industry benchmark of 15%.

## TOTAL STAFF TURNOVER EXCLUDING RETIREES AND EXPIRED CONTRACTS

| | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Staff turnover | 6,4% | 6,8% | 3,2% |

We had 246 staff leave during the reporting period. Nearly half of them (47,6%) chose to resign (2019-20: 49,0%), while contracts expired for 37,8% (2019-20: 44%). Overall terminations decreased by 47,1% since 2019-20.

This is due to the pandemic's business disruptions and employees' hesitancy in leaving the security and stability of permanent employment to venture into new career paths or organisations.

### TERMINATIONS BY CATEGORY AND BAND

| TERMINATION REASON | GRADE B | GRADE C | GRADE D | GRADE E | GRADE G | TOTAL | AGSA % |
|---|---|---|---|---|---|---|---|
| Contract expired | | 4 | 2 | 18 | 69 | 93 | 37,8 |
| Death | 1 | 1 | 3 | 6 | 2 | 13 | 5,3 |
| Dismissal | | 2 | 3 | 3 | 2 | 10 | 4,0 |
| Incapacity: ill health | | 1 | | 1 | | 2 | 0,8 |
| Retirement | 1 | 3 | 4 | 3 | | 11 | 4,5 |
| Voluntary | 2 | 22 | 21 | 44 | 28 | 117 | 47,6 |
| **Total** | **4** | **33** | **33** | **75** | **101** | **246** | |
| % | 1,6 | 13,4 | 13,4 | 30,5 | 41,1 | 100,0 | |

## Labour disputes

This year, we had 11 disputes referred to the Commission for Conciliation, Mediation and Arbitration (2019-20: 10).

We have agreed one settlement and have five ongoing disputes referred for arbitration.

### COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION DISPUTES BY OUTCOME

| OUTCOME | 2018-19 TOTAL | 2018-19 % | 2019-20 TOTAL | 2019-20 % | 2020-21 TOTAL | 2020-21 % |
|---|---|---|---|---|---|---|
| Favourable decision | 4 | 40 | 4 | 40 | 3 | 27,3 |
| Unfavourable decision | 1 | 10 | 1 | 10 | 1 | 9,1 |
| Settled | 2 | 20 | 0 | 0 | 1 | 9,1 |
| Withdrawal by applicant | 1 | 10 | 2 | 20 | 1 | 9,1 |
| Ongoing | 2 | 20 | 3 | 30 | 5 | 45,4 |
| **Total** | **10** | **100** | **10** | **100** | **11** | **100** |

### Employee wellness

We view employee wellness as a top priority. Covid-19 has had an impact on our employees' mental and physical wellness. There was a notable increase of 70 stress-related cases and 217 money management cases reported. Challenges mirror the current conditions in the country, which is displaying unprecedented levels of stress and financial difficulties, all linked to the pandemic.

As we adjust to new ways of working, we will continue to emphasise employee wellbeing, focusing on providing measures that will help employees navigate the ongoing effects of the pandemic.

## TRAINEE AUDITOR SCHEME

Our business model and talent pipeline rely on our ability to attract great talent into our trainee auditor scheme. We are constantly looking at how we can use our graduate recruitment efforts and the brand communication strategy to make the AGSA brand more attractive.

### *South African Graduate Employers Association (Sagea) employer awards*

Our efforts continue to yield results, ensuring that brand AGSA becomes more attractive. This led to the AGSA recruiting over 93% of trainees with a Certificate in the Theory of Accounting (CTA). We also attracted talent among forensics and information systems graduate programmes.

Each graduate was asked to name the organisation that they felt had the best graduate literature, and the AGSA was nominated as the best in that category.

AGSA was voted the Sagea top employer in the public sector for 2021.

### LEARNERSHIP PROFILE

| RACE GROUP | SAICA | | SAIGA | | ISACA | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| African | 471 | 627 | 2 | 2 | 5 | 21 | 478 | 650 |
| Coloured | 22 | 32 | 0 | 0 | 2 | 1 | 24 | 33 |
| Indian | 20 | 30 | 0 | 0 | 0 | 0 | 20 | 30 |
| White | 6 | 9 | 0 | 0 | 0 | 0 | 6 | 9 |
| Foreign | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | **519** | **698** | **2** | **2** | **7** | **22** | **528** | **722** |
| | 1 217 | | 4 | | 29 | | 1250 | |

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

The trainee auditor scheme is an essential component of our business model and crucial to our sustainability. It is part of our strategy to continue professionalising the AGSA and contributing to transform the accounting and auditing profession.

**TRAINEE AUDITOR INTAKE**

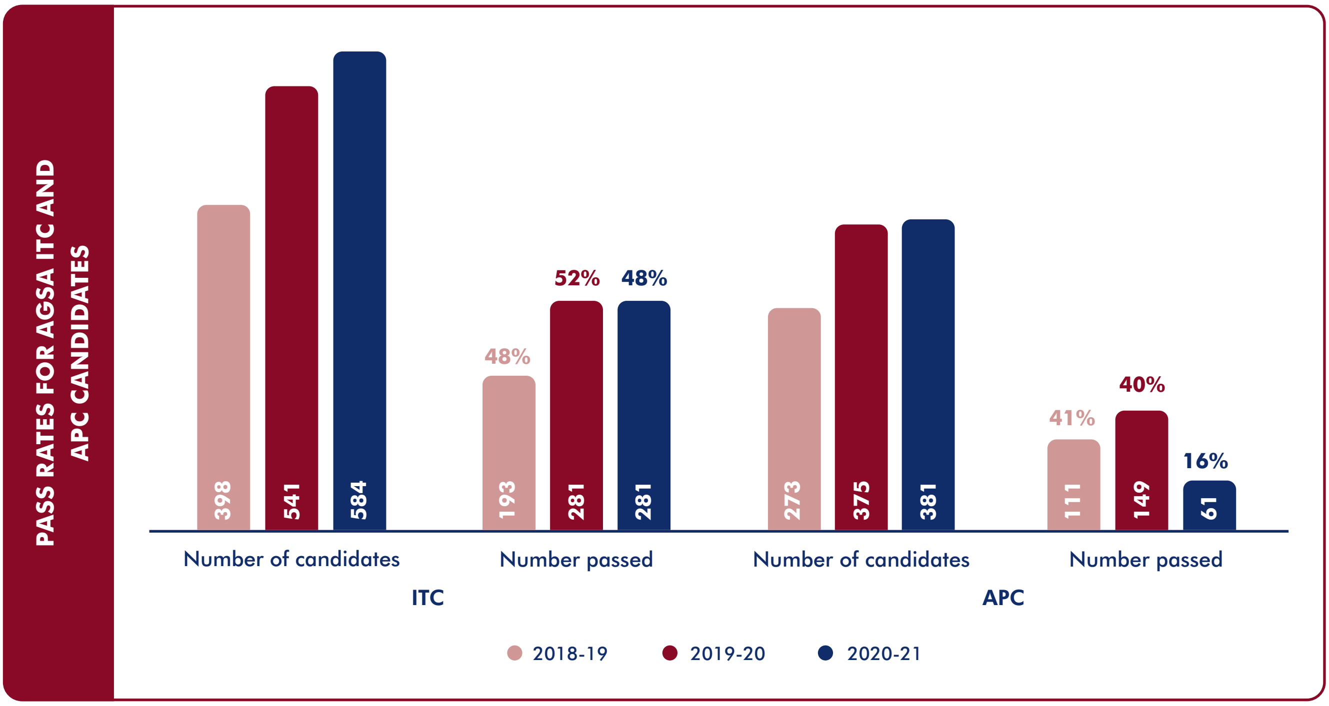
| | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| CTA | 235 (56%) | 221 (54%) | 231 (93%) |
| Non-CTA | 184 | 189 | 17 |

Our graduate recruitment target was reduced to 248 trainees because of the impact of the pandemic, which limited the graduate pool from which we could recruit. We met our recruitment target and exceeded our CTA target of 80%, recruiting 231 (93%) trainees that had already attained their CTA. The other 17 (7%) of trainees will pursue their CTA studies in 2021. Two of our trainees are persons with disabilities. All trainees began their learnerships in February and March 2021.

## Trainee auditor assessment outcomes

The number of AGSA candidates sitting for the Initial Test of Competence (ITC) and the Assessment of Professional Competence (APC) had increased considerably over the years. Candidates for the ITC increased from 541 in the previous year to 584 in 2020-21 and the APC candidates increased slightly from 375 to 381 over the same period.

Of the AGSA candidates who wrote the ITC exam in 2020-21, 48% passed (281 of 584), compared to a pass rate of 52% (281 of 541) in the previous year. We achieved an overall 16% pass rate (61 of 381 passed) in the Saica APC, which is 24% lower than the previous year's pass rate of 40% (149 of 375). The Saica national pass rate decreased from 57% in 2019 to 43% in 2020. The low pass rate, particularly for black African candidates (24% compared to 43% for the previous year) is of concern to the AGSA and for the profession.



We recognise that 2020 was an extremely difficult year for the candidates to navigate. We remain focused on identifying the root causes of the current trends and finding the appropriate solutions.

**Our trainee auditor tactical plan identified a number of factors as key drivers of the current trends in APC rates:**

1. Individual-specific issues
2. Training office matters
3. Board course issues
4. AGSA training programme deficiencies

While the issues have been grouped into these broad categories, they are all interrelated and the entire system needs to be considered and addressed.

### *Academic trainees*

As part of our strategy, we annually identify a pool of academic trainees who are seconded to universities during their first year of articles. After successfully completing their first year, they are placed in audit business units on the trainee scheme. This model assists us to build a sustainable talent pipeline while contributing to, and supporting, academic institutions.

We seconded 20 academic trainees to various universities in 2020, 90% (18) of whom were black African candidates. This is our contribution to transforming the profile of prospective academics in auditing and accounting. These academic trainees were successfully placed in audit business units in 2021.

## EXTERNAL BURSARY SCHEME

| | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Total bursaries | R21 753 085 | R28 375 030 | R28 508 550 |
| Thuthuka bursary fund | R15 996 500 | R17 596 150 | R19 355 650 |
| External bursaries | R5 756 585 | R10 778 880 | R9 152 900 |

### *External bursary*

We continued to support disadvantaged university students studying towards becoming chartered accounts. This recruitment initiative assists to create a pipeline of future employees and leaders – 19 bursary holders were appointed as trainees at the beginning of 2021.

For the financial year, we contributed R9 million towards living allowances, tuition and accommodation costs for 71 students studying at 15 different Saica-accredited institutions.

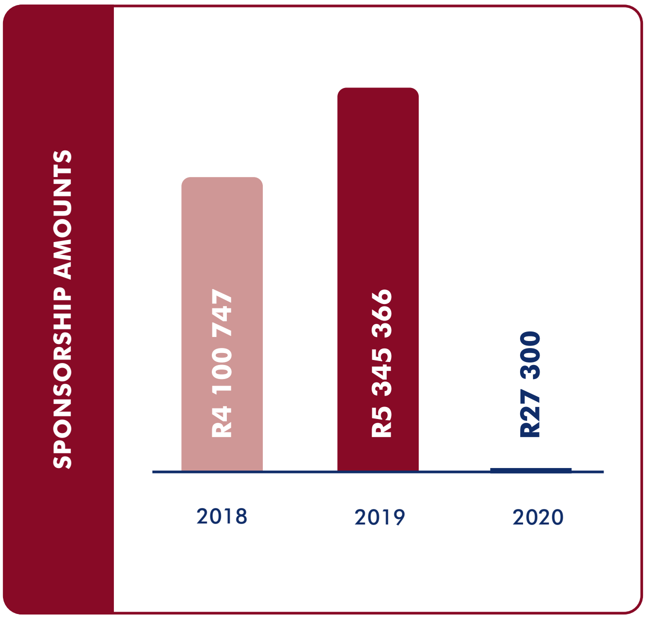
### *Thuthuka bursary fund*

We continued to support the Saica Thuthuka bursary fund for students studying towards becoming chartered accounts.

In 2021, we recruited 43 trainees from Thuthuka, which contributed to the total number of trainees with a CTA that we employ. We continue our discussions with Thuthuka on how to improve the mutual benefits of our arrangements.

### *Sponsorships*

The pandemic limited the number of university graduate recruitment activities or events. However, where possible, we provided support to identified universities, as these sponsorships allow us access to databases of students for our trainee auditor intake pipeline. The sponsorships included the universities of Free State, Johannesburg, KwaZulu-Natal and Pretoria.




## Investment in training

As a strategic objective is to remain viable while adding value to the public sector and our country, our initiatives maintain an effective and well-skilled workforce.
While 2020-21 was an anomaly, our virtual platforms proved effective in delivering training to our employees. Nevertheless, our planned training hours did decrease from 105 hours in 2019-20 to 39 hours in this period.

We also enhanced our PAA training material and shifted our approach from fundamental theoretical training to practical targeted training based on the implementation experience. A total of 750 staff and 534 staff from contracted audit firms were trained remotely in the 2020-21 reporting period.

We upskilled 1 026 employees in SOE training sessions and practical on-the-job experience. The next phase will incorporate in-house training provided by these trained employees.

**Audit principles assessment**

As part of our effort to improve audit quality, we conducted an online audit principles assessment for our audit staff. The insight derived from this assessment informed our subsequent training initiatives as well as specific enhancements to our audit methodology.

## Growing the number of qualified professionals

Professionalising our organisation remains an ongoing imperative. Our recruitment and talent management strategies allowed us to grow our qualified audit staff by 3,2% to 1 369 professionals (2019-20: 1 327).

Our staff complement also consists of 796 non-audit employees with tertiary education (21%)

### OUR AUDIT PROFESSIONALS PER AUDIT QUALIFICATION

| ETHNIC GROUP | CA(SA) | | RGA | | ACCA | | CISA | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| **African** | 239 | 269 | 142 | 179 | 13 | 10 | 27 | 49 | 421 | 507 |
| **Coloured** | 36 | 25 | 16 | 9 | 1 | 1 | 1 | 2 | 54 | 37 |
| **Indian** | 37 | 28 | 21 | 11 | 2 | 4 | 5 | 1 | 65 | 44 |
| **White** | 49 | 56 | 66 | 30 | 2 | 6 | 11 | 5 | 128 | 97 |
| **Foreign** | 4 | 3 | | 1 | 4 | 3 | 1 | | 9 | 7 |
| **Sub-Total** | **365** | **381** | **245** | **230** | **22** | **24** | **45** | **57** | **677** | **692** |
| **Grand Total** | 746 | | 475 | | 46 | | 102 | | 1 369 | |

## Viability objective 2: Attract, develop and retain great talent

**PERFORMANCE MEASURE**
Saica risk rating for our training offices

| 2020-21 TARGETS | 2020-21 ACTUAL |
|---|---|
| Low-risk: 8 – 10, Medium-risk: 5 – 7,<br>High or very high-risk: 0 | **L:** 10<br>**M:** 4<br>**H:** 1 |

### *Saica risk ratings for our training offices*

The AGSA has 15 decentralised Saica-accredited training offices. This accreditation is our licence to accomplish our mandate and strategy to professionalise the organisation and transform the accounting and auditing profession.

Our additional initiatives and internal training office reviews assist in amplifying the quality of the assessment process and preparing for official Saica accreditation reviews.

This highlights areas that we need to improve before the official Saica accreditation review. These initiatives yielded a positive outcome as four training offices reviewed by Saica received an official Saica low-risk rating.

In 2021-22, Saica will visit the training office that received a high-risk rating for 2020-21. We will continue to assist these training offices prepare for the Saica review using their review action plans, and are confident of improved ratings and feedback.

### *Talent management*

During 2020-21, our leadership development journey continued with a number of programmes tailored specifically to enhance our leadership's capability to respond to ever-changing business challenges. These were in conjunction with strategic processes that take a long-term view of our talent needs. We continue to align our programmes to create a stable and effective AGSA leadership pipeline.

Our multi-stage development framework to categorise the projected knowledge, skills, and capabilities needed across the organisation focused on the technical competency framework and behavioural competencies. We also reviewed audit role profiles to redefine and align them with the significant changes in our environment and the skill sets needed.

### *Performance management*

Performance management is a critical business process that aligns individual efforts to support organisational priorities. The unprecedented events of the past year saw the landscape of performance management change. We took an approach that replaced the normal performance reviews with a more dynamic and engaging process of ongoing feedback and coaching. This was a first step towards performance management based on flexibility, simplicity, on-going feedback and empowering conversations.

We saw a positive response from business to refined qualitative performance processes aimed at providing employees with a comprehensive outlook on their contributions to the business unit and organisational scorecard.

### *Talent and reward*

Reward and recognition form part of our integrated talent management tools that enhance our employee value proposition. When we transitioned to the cost-of-living adjustment (Cola) reward philosophy, the salary increase date remained unchanged even though salary adjustments were no longer dependent on individual performance. However, with the philosophy fully embedded, the organisation has aligned the salary increase date to the start of the financial year from 2021-22.

The challenges posed by covid-19 tested the balance between our financial sustainability and reducing employee anxiety. Our sustainability and preservation of jobs was key in considering salary increases in August 2020. As a result, no salary increases and no performance bonuses were paid in August 2020. The salary progression for trainee auditors continued where conditions and criteria were met.

> *Despite all of our efforts, no one knows when the pandemic will be brought under control, and we have had to make some tough decisions to secure our sustainability. The executive leadership and I understand and appreciate that our employees continue to work hard to execute on our mandate. However, the need to balance current and anticipated covid-19 factors means that we must sadly confirm that no salary increases or performance bonuses will be awarded or paid to any of our employees for the 2019-20 financial year.*
>
> *– Tsakani Maluleke*

Recognising that our future survival depends on our ability to attract and retain talent, our employee value proposition will focus on:

- flexibility in our benefits to our diverse employees
- re-modelling the short-term incentive scheme to acknowledge and reward high performers
- recognising exceptional behaviour and competencies
- reviewing our remuneration approach in light of other offerings that will drive employee value proposition.

## ORGANISATIONAL DEVELOPMENT

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

**PERFORMANCE MEASURE**

% implementation of staff engagement planned actions

| 2020-21 TARGETS | 2020-21 ACTUAL |
|---|---|
| 80% – 90% implementation of culture plan actions for the 2020-21 financial year | 86% implementation of culture plan deliverables for the financial year |

**86%**

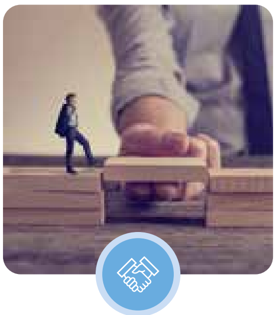
Our culture journey gained significant momentum during 2020-21. Our integrated culture project was launched in June 2020 to:

- develop a behavioural competency framework to support the values
- prepare and adjust the people processes for the new values and behavioural competencies.

We reviewed policies, procedures and systems that could be affected by our integrated culture project. Our staggered approach will ensure that key human capital processes are ready and the new values and behavioural competencies will be embedded in the first quarter of 2021-22.

**OUR REVISED VALUES ARE:**

We **care** for each other



We build **trust**

We do the **right** thing

We **excel** in all we do

- We officially unveiled and launched the values campaign on 12 March 2021 to create awareness and encourage employees to embrace these values in their behaviour. The values campaign will continue into 2021-22.
- We trained culture change champions and human capital business partners to prepare them for their role in the programme. The next phase of capacity building will target leaders at different levels, providing them with a values toolkit.
- We are developing a flagship culture programme to be implemented in 2021-22. This aims to build trust across the organisation, give impetus to the rest of the values and bring the culture alive.

In line with this envisioned culture, we responded to the past year by focusing on employee wellbeing in a series of three employee wellness surveys. The baseline and two pulse surveys were distributed throughout the organisation, and had a participation rate above 90%. Although data from the pulse 2 survey has not yet been analysed, results from the baseline and pulse 1 survey indicated a trend of positive employee well-being, with an impressive employee wellness score of over 75%.

## Develop leadership capability

We explored different ways of organising and delivering learning, development and training over the past year. Our focus was on converting content specifically designed for in-person delivery to equally effective remote learning, to achieve a balance between virtual learning and in-person content delivery.

**Executive development programme (EDP)** – The programme faced serious disruption when the partner institution – Graduate School of Business UCT – closed its campus in response to the pandemic. The crisis gave us little time to develop contingency measures to ensure the continuity of these components.

The EDP continues to be disrupted as we allow executives to focus on pressing work and business demands exacerbated by the pandemic. We aim to resume the programme in the first quarter of 2021-22, focusing on:

- concluding the programme for the 19 learning executives of EDP cohort 1 that have completed their studies
- resuming the programme with the 29 learning executives enrolled in cohort 2 and the executive masterclass
- creating opportunities for newly hired executives to join the current cohorts.

**Leadership development programme (LDP)** – We specifically focused on transitioning all three LDP modules to virtual or digital delivery, with particular emphasis on monitoring effective delivery and assessing delegate experience. The LDP is delivered as follows:

- 70% of content through online self-study
- 20% through live virtual classes
- 10% through facilitated (in-contact) masterclass
- Summative assessment.

Implementing phase 3 is well under way, with 80 delegates enrolled. Delegates must obtain a pass mark to receive the certificate.

**External executive coaching programme (EECP)** – While it became impossible to maintain business as usual, we are happy to report that the development journey continued and we have seen renewed interest in the coaching programme for our senior leadership. By the end of the reporting period, 51% of executive leaders were enrolled in the programme.

While enrolment increased, we are not yet satisfied with the impact and are exploring ways to maximise the programme and the benefits we want to see from it.

## Occupational health and safety

### *AGSA's internal response to the covid-19 pandemic*

We acted swiftly to establish the CNC to execute our constitutional mandate while keeping our people safe. The committee's objectives were to:

- ensure a return to regular operations, considering the increase in scale, complexity, urgency and importance of key audit deliverables over and above the 2020-21 year-end audits
- ensure staff safety and create capacity at both the head office and provincial level to deal with the changes in our environment
- create space and capacity for deliberating our new normal operation, and defining the change needed.

Our focus included staff safety and wellness, communication, legal matters and operations. We streamlined our access control process and added a covid-19 symptoms screening app for all employees on all electronic devices and at our access points. Our employees were informed on time about organisational decisions and we relayed messages on statistics, safety protocols, general guidance and lessons learned.

The CNC kept a close watch on the status of audits and the audit teams, and communicated with the audit business units via the BE forum channels. At all times, the committee tracked our cash balance, revenue generation and debt collection. All information was used to continually fine-tune our financial projections.

The focus going forward will be on the future of work and how we prepare the organisation from both an audit and a support perspective.

### *Health and safety during the covid-19 lockdown*

On 29 April 2020, the minister of employment and labour published directives to provide for occupational health and safety (OHS) measures to reduce the escalation of covid-19 infections in workplaces. The information provided specific protocols for returning to work to minimise the risk of transmission and contamination.

Our response was to assess the risks, amend the OHS policy and develop a workplace action and response plan for our return to work.

Our OHS and CNC teams identified appropriate coordination mechanisms to address health, safety, facilities and security operations. This helped us to provide support and guidance for suspected and confirmed cases of covid-19, assist with screening, and contact tracing, disinfect the workplace and ensure adequate and sufficient supplies, resources and capacity to implement our health and security protocols.

### *Accident/incident reports*

Three staff were injured in two separate accidents – one in a Limpopo motor vehicle incident involving two of our staff, and one in Nelspruit that involved a fall down stairs. They received support and assistance to complete the compensation for occupational injury and diseases forms. In another incident, the Lefika House fire alarm was triggered by water leaking from a pipe on to a smoke detector. Our staff responded quickly to evacuation measures.

### *Accessibility of our facilities for people with disabilities*

We regularly make reasonable changes to our office space to make it easier for people with disabilities to access and move around within these spaces. All of the buildings we lease are accessible to people with disabilities, and our facilities team makes any extra workplace changes that newly appointed staff may need. The new AGSA headquarters accommodation also includes provisions for accessibility.

## SYSTEMS AND TOOLS

The covid-19 outbreak meant that we had to develop a response plan to ensure continuity of operations. Our ICT response was to enable staff to work from home and access auditees' systems and data remotely. This also meant reprioritising our ICT initiatives and expenditure.

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

**PERFORMANCE MEASURE**

% implementation of ICT strategy

| 2020-21 TARGETS | 2020-21 ACTUAL |
|---|---|
| 80% – 100% implementation of 2020-21 projects | 77% achieved on the IT initiatives for 2020-21 |

**77%**

### Reprioritising strategic initiatives and associated budget

Given the need to reprioritise to make our new working environment secure, efficient and effective, we worked on reducing the costs of ongoing projects. These included our 3G data contracts where we renegotiated our packages to achieve savings. This helped to release some of the budget, which allowed us to enhance platforms and security for remote working.

We introduced and enhanced remote working platforms including MS Teams for daily business communication and Yammer for staff and internal communication. We automated processes to ensure efficiency in payments, procurement and internal personnel management. To support our audit teams in tracking progress within their audits, we consolidated the audit milestones dashboard with other audit data sources such as TeamMate and the audit software management information system.

Security has become an important factor given our increased use of remote technology and this was enhanced by adding a virtual private network (VPN) platform, enhanced firewall protection and increased security for information stored on our cloud platforms. These enhancements helped auditors to access auditees' ICT systems remotely via the VPN, transfer large files electronically via OneDrive and use uninterrupted IT services during peak periods via 3G.

We also improved our security governance processes to align with the best standards ISO 27001 and Cobit 2019, which will enforce security disciplines. We have also added monitoring tools to assist our security control environment, and raised awareness among our employees about innovative ICT platforms and security and how to respond to any matters that arise.

We gathered insight and business requirements on a fit for purpose enterprise resource planning (ERP) solution. A significant component of the ERP relates to people resulting in extensive collaboration between the people portfolio and the ICT business units.

In February 2021, we successfully relocated our ICT infrastructure to our new head office in Lynnwood.

We have experienced some challenges during the year. These include: delays to finalising the IT strategy, retention of ICT employees that resulted in a high turnover of employees in IT infrastructure, and support for older versions for TeamMate that disrupted the production environment and had to be rolled back.

#### *Information management solutions and knowledge sharing*

Our promotion of access to information (PAIA) manual and privacy policy were revised in January 2021. The PAIA manual has been translated into Afrikaans, isiZulu, and Sesotho, and published on the AGSA website to increase its reach and raise awareness among citizens.

Eight *Insights*, published for internal consumption, provided thought leadership on our role in international audits, South Africa's auditing landscape, ethical behaviour and other auditing matters.

We developed a concept document to implement a knowledge of audits and relaunched an enhanced online information and library portal for improved functionality and productivity. For our international auditors, we initiated a community of practice as a platform to share experiences, knowledge and lessons learned.

## CONCLUSION ON THE PERFORMANCE OF THE VIABILITY STRATEGIC GOAL

The disruptions of the past twelve months continue to have a significant impact in all areas of business and people. We have not been immune to the direct effects of the pandemic, with some employees contracting the virus and, sadly, six deaths.

We focused on reducing and optimising costs and achieved savings without compromising on quality. We also made sacrifices to reduce the deficit, which included foregoing performance bonuses and salary increases in August 2020. This decision helped keep our year-end closing cash balance at R576 million, allowing us a cash cover of 1,8 months.

Employee wellness remained a top priority as employees continued to navigate the unchartered territory of remote work, coupled with significant changes in business operations such as our real-time audits, leadership changes and virtual auditing.

Insight derived from the employee wellness pulse survey provided a solid foundation for our efforts and investment in employee wellbeing. These initiatives included heightened awareness on wellbeing and mental health that incorporated support for family members, targeted financial management and virtual workshops. We continue to monitor the outcomes of the pulse survey to ensure that our initiatives address current and emerging needs.

While there has been slight growth in the staff establishment, this was driven by the current need for mission-critical capacity. We monitor these increases to contain overhead costs while delivering on our mandate. The turbulent economic environment has also contributed to a significant decline in staff turnover as employees are generally hesitant to leave the security and stability of permanent employment and venture into new career paths or organisations.

The new ways of working undoubtedly significantly changed the way we do business. Technological solutions are central to our agility, especially our ERP and consolidated auditing platforms. We also quickly adjusted to working remotely, prioritising a rapid rollout of MS Teams as a collaboration tool, enabling auditors to access auditees' systems and data remotely, and improving remote connectivity to all our applications. This was in addition to successfully moving our data centre and network infrastructure from the old office to our new location. These were all done within a short time with minimum disruption to business.

We recognise performance management as a critical business process that aligns individual efforts to support organisational priorities. The past year saw a significant shift as a result of the pandemic and the challenges it presented. Our normal performance reviews were replaced with a more dynamic and engaging process of ongoing feedback and coaching. This was a first step into moving to new approaches of performance management based on flexibility, simplicity, on-going feedback and empowering conversations. We saw a positive response from business, with employees gaining a comprehensive outlook on their contributions to our balanced scorecard.

Our journey to develop the multi-stage development framework aims to categorise the required or projected knowledge, skills, and capabilities across all levels in the organisation. Our efforts focused on completing technical and behavioural competency frameworks.

Reward and recognition form part of our integrated talent management tools that enhance our employee value proposition. The challenges of the past year tested our balance between financial sustainability and reducing our employees' anxiety. To prioritise and sustain our talent, we focused on preserving jobs and cash flow. This put us in a position where we could not consider salary increases for 2020-21 or performance bonuses for the previous year. The trainee auditors' salary progression continued where conditions and criteria are met.

## CONCLUSION ON THE PERFORMANCE OF THE VIABILITY STRATEGIC GOAL (CONTINUED)

### Key challenges

Given the fundamental business and operational changes in response to the pandemic, the budget had to be revised and our revised forecast had to consider the current realities. We reduced our deficit to R293 million with additional income from our investment, and the National Treasury allocation of R44 million to assist with funding our enhanced mandate.

Some projects and initiatives could not progress as planned, primarily due to the lack of skills and capacity, and reprioritising our initiatives.

### Future outlook

Financial vigilance must be continued to keep the business viable in these uncertain times as the economic recovery is likely to be protracted.

Our employees' wellbeing, safety and health are a priority. We have done fairly well; however, we need to explore innovative ways of doing business to manage the emerging risk.

The future survival of the organisation largely depends on attracting and retaining talent. It is paramount that we also diversify our workforce to bring in new thinking and energy. This insight drives areas such as talent management, workforce planning, employee value proposition, succession planning, talent mobility and organisational culture, along with the new ways of work. We have proactively investigated options to respond to these imperatives. Some considerations going forward are:

- a flexible workforce
- working from alternative locations
- rewards expectations for a younger workforce
- embedding the organisational culture in the context of remote work.

Other areas of focus, will be:

- flexibility of benefits to our diverse employees
- re-modelling our short-term incentive scheme to acknowledge and reward high-performers
- a recognition scheme to recognise exceptional behaviour and competencies
- a review of our remuneration approach in light of other offerings that will drive our employee value proposition.

We are implementing initiatives to fill the skills gap, especially in ICT positions. To do this, ICT will improve their forward planning, monitoring and reporting capability to respond to red flags quickly.