

STRATEGIC GOAL 4: VISION AND VALUES DRIVEN (V4)

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

PERFORMANCE MEASURE

B-BBEE level

2020-21 TARGETS

2020-21 ACTUAL

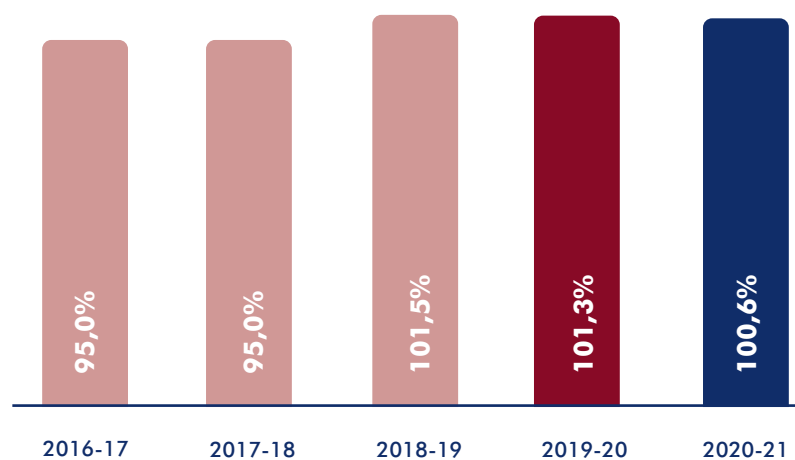
Level 1

Level 2

We remain firmly committed to transformation in South Africa and take pride in achieving a broad-based black economic empowerment (B-BBEE) level 1 contributor status for three consecutive years. However, the pandemic has also had an impact on our organisation, which made it necessary to reduce our spending to ensure our financial sustainability.

All our business units have maintained their B-BBEE performance (level 1 or 2) for the second consecutive year. The focus for the future is to go beyond numbers and define key behaviour that drives and embeds the spirit of transformation in the organisation.

B-BBEE PERFORMANCE OVER THE PAST FIVE YEARS

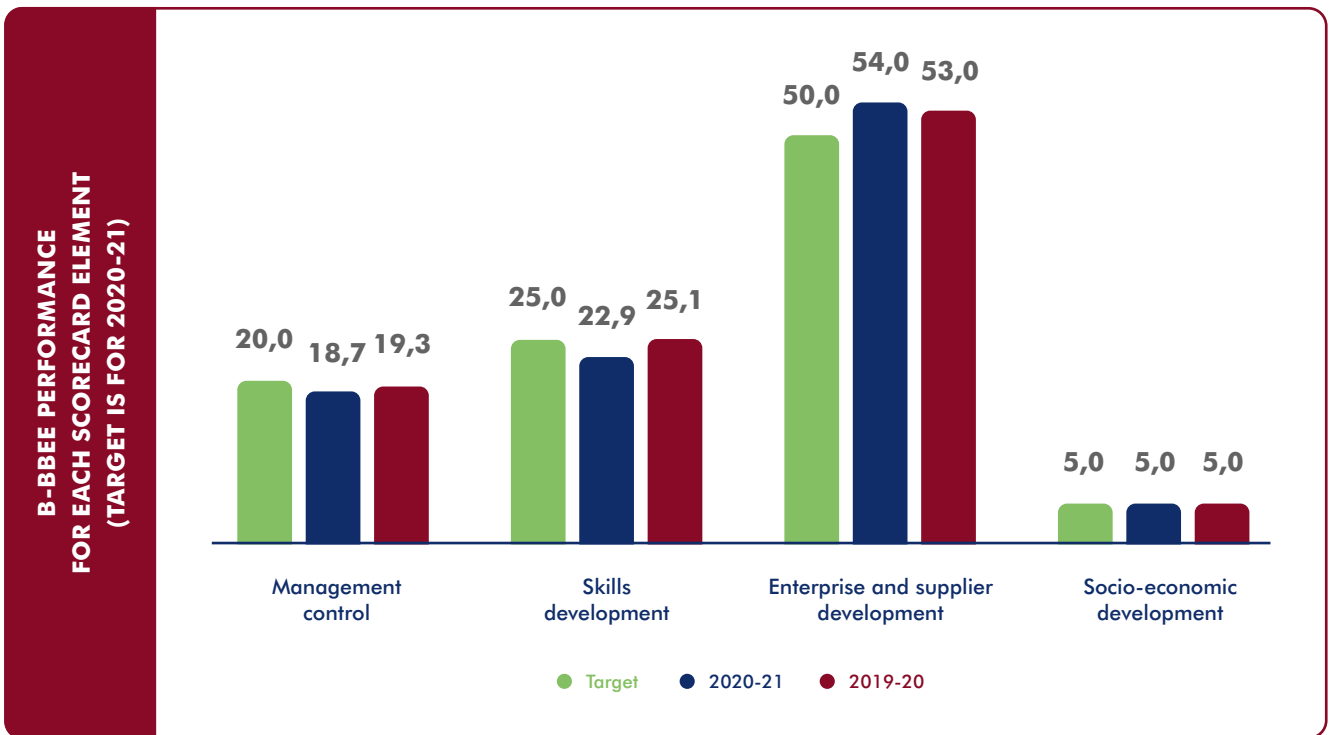


Creating awareness on transformation

Our employment equity forums guided and encouraged those responsible for transformation processes to collaborate and drive transformation advocacy. A large part of this was exploring new or alternative ways to buffer the impact of the pandemic on our transformation goals. Our supply

chain management business unit, which carries the bulk of the responsibility for transformation in procurement, formulated a framework and B-BBEE procurement principles. These guided business units on how to access B-BBEE-compliant suppliers and provided rotation guidelines and subcontracting rules that opened opportunities for small black suppliers.

B-BBEE SCORECARD PERFORMANCE PER ELEMENT



Management control

The ongoing moratorium on hiring meant that we were unable to meet the EAP targets for the coloured population. Business units that could make appointments made a deliberate effort to appoint according to the EAP and B-BBEE targets.

We continued to ring-fence positions supported by the employee wellness programme, and leadership support remains the key enabler for achieving targets and promoting an inclusive culture that accommodates persons with disabilities.

Skills development

The necessary budget cuts to our training and development programmes affected our skills development. We achieved on our intake of learnership, but need to improve our training for persons with disabilities.





Preferential procurement

In contributing to the country's economic growth, we continued to support 51% black- and 30% black women-owned exempted micro enterprises (EMEs) and qualifying small enterprises (QSEs). We improved our procurement processes and developed a B-BBEE procurement framework to safeguard our support of small black businesses to ensure their sustainability and survival in the future.

Our spending on designated groups,² particularly small businesses owned by the youth, was R154 million or 13,8% of our procurement spend. We commend our staff for their willingness to actively identify small businesses to support.

Enterprise and supplier development programme

Our graduated ESD beneficiaries now supply us with audit professional services and contribute to transforming the sector.

In 2020-21, we introduced five new beneficiaries to the programme, which now has a total of 20 beneficiaries.

Although it was a challenging year, our ESD beneficiaries, mostly in supplier development, created 98 jobs and one beneficiary graduated from enterprise to supplier development. ESD beneficiaries shared 16% of our total outsourced allocations against a target of 23%.

ALLOCATION TO CONTRACTED ESD FIRMS

	2017-18	2018-19	2019-20	2020-21
Outsourcing baseline (including audit-related ad hoc work)	R17 763 315	R66 710 918	R149 535 622	R139 972 921
Total amount allocated to outsourced audit-related work	R448 355 798	R443 783 922	R648 898 784	R870 158 481
Percentage of the outsourced audit work allocation to ESD firms	4%	15%	23%	16%

² Designated groups include small businesses owned by black youth, persons with disabilities, military veterans and peri-urban or rural enterprises.

In addition to financial support, we helped our ESD firms by prioritising payments, complemented by support in delivering quality audit work through training and implementing remedial action.

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 within the application process.

Contracted audit work

B-BBEE levels 1 and 2 audit firms were paid R558 million for the 2020-21 performance year.



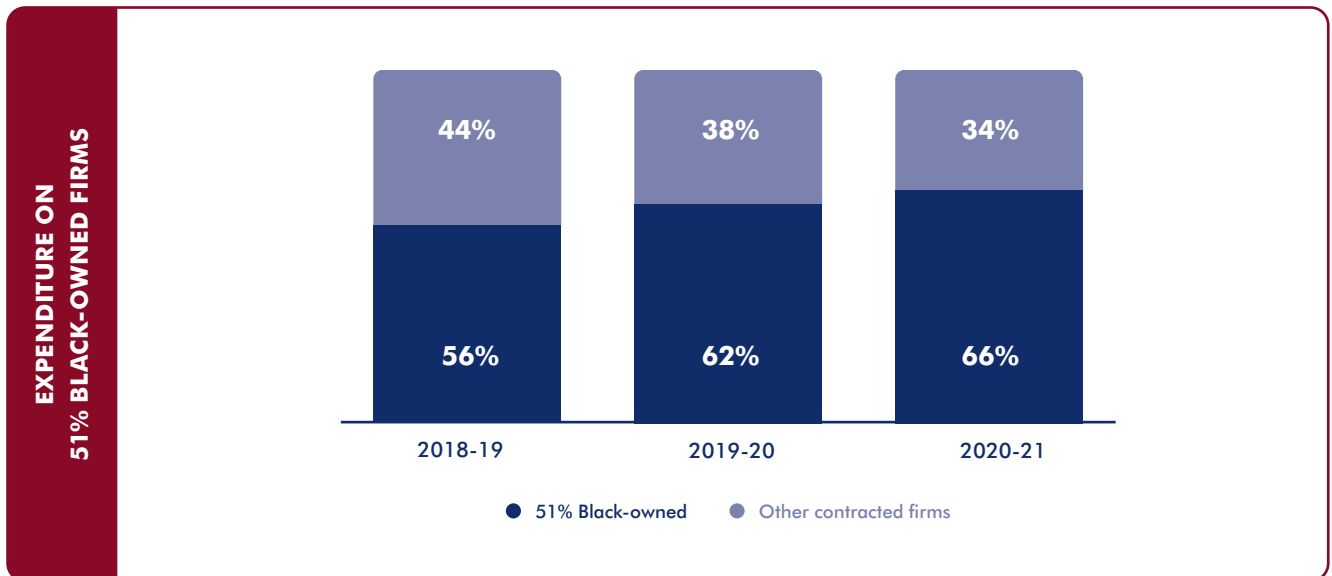
PAYMENTS TO FIRMS AT THE VARIOUS B-BBEE LEVELS

FIRM B-BBEE LEVEL	No. of firms	Actual paid	% paid
Level 1	62	R485 839 654	76
Level 2	15	R72 228 896	11
Level 3	1	R4 249 401	1
Level 4	15	R57 149 614	9
Level 5	1	R1 099 716	0
Level 6	1	R728 200	0
Level 7	1	R2 638 229	0
Level 8	4	R13 789 747	2
Total	100	R637 723 457	100

Expenditure on 51% black-owned firms

During our tender processes we continue to be open to subcontracting, and partnering with, EMEs and QSEs that

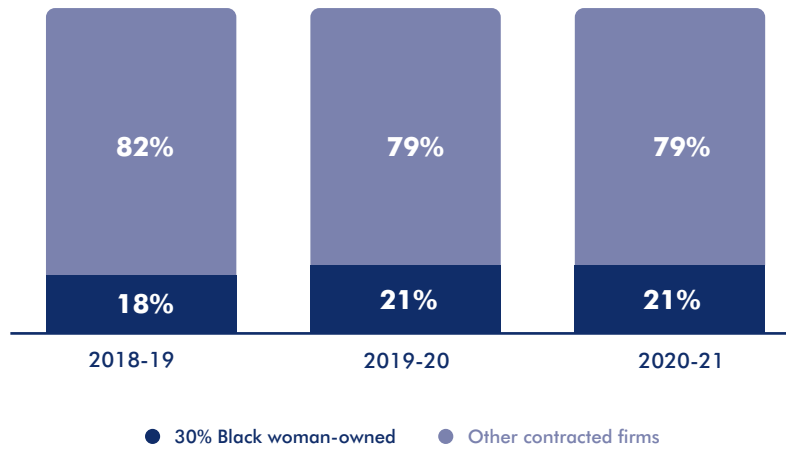
are 51% black- and 30% black women-owned. We also prioritise 51% black- and 30% black women-owned firms for any ad-hoc audit work.



The audit work that we provided to 51% black-owned firms increased over the past three years from 56% in 2018-19 to

66% in 2020-21. We spent R421 million on these firms for 2020-21.

EXPENDITURE ON 30% BLACK WOMEN-OWNED FIRMS

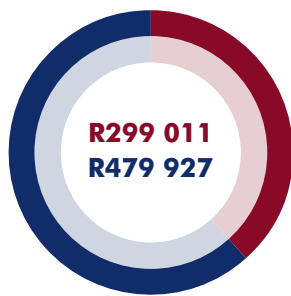


The audit work that we provided to 30% black women-owned firms was unchanged at 21% from 2019-20 to 2020-21.

Socio-economic development

The need for socio-economic relief for vulnerable communities has never been greater. Informed by our sustainability model and transformation agenda, and through our socio-economic development programme, we spent R778 938 on relief efforts.

SOCIO-ECONOMIC DEVELOPMENT



● Mandela Day ● Adopted schools

Adopted schools initiative

The national lockdowns made it difficult for our employees to physically interact with their adopted schools. However, we still implemented our planned initiatives using technology platforms to achieve the same objectives.

To ensure that we continue to make an impact, we supported 20 rural, semi-urban and special needs schools with R479 927 from our adopted schools initiatives. This included providing the following necessities:

- Stationery and learner support materials
- Educator support equipment such as projection devices and writing boards
- An installed water tank and related accessories
- An installed intercom and security system
- Cleaning equipment and hygiene essentials
- School-branded masks to learners and educators.

We continued to support the Phillip Kushlick school for cerebral palsied pupils at Baragwanath Hospital in Soweto, where nine wheelchairs were donated to needy learners.

Mandela day initiative

The pandemic hampered activities to commemorate Nelson Mandela Day; nevertheless, we spent R299 011 to support several non-governmental organisations at the forefront of relief efforts across various spheres:

- Service centre for the homeless
- Home for persons with mental disabilities
- Orphanages
- Palliative care centre
- Humanitarian aid organisations
- Old age homes.

Historically disadvantaged universities initiative

We annually interact with a number of university accounting students through their affiliated bodies, Awca and Abasa, to support and encourage them to overcome the odds

they may be facing. The objective is to grow the number of black professionals in auditing, accounting and other financial disciplines by funding the students’ inductions and mentorship programmes. As universities did not host induction and mentorship programmes for the year because of the pandemic, we redirected the budget of R42 000 to the adopted schools and Mandela day initiatives for additional donations.

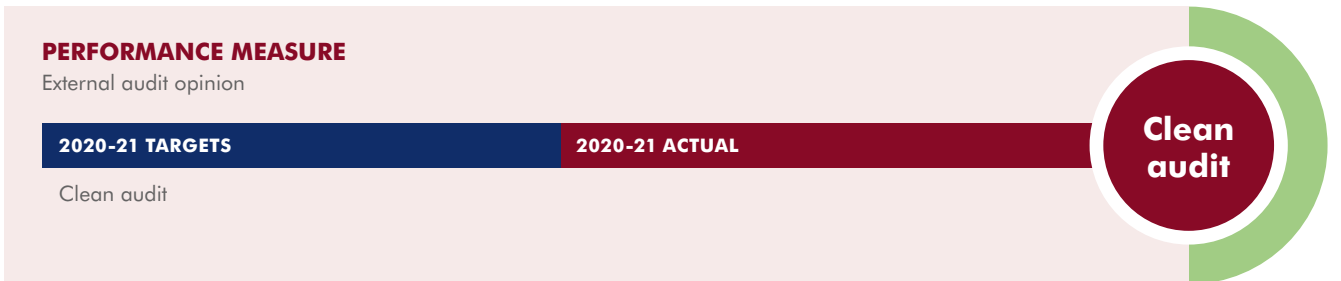
Employee donation for covid-19 relief

In answer to the president’s call to raise funds to address food security challenges, we raised R295 131 for the Nelson Mandela Foundation under the #Each1Feed1 initiative.

Beneficiaries included the early childhood development workforce, asylum seekers, farming and mining communities, the elderly, people with disabilities, child-headed households and children feeding schemes.

DEMONSTRATE CLEAN ADMINISTRATION

Vision and values driven objective 2: Demonstrate clean administration



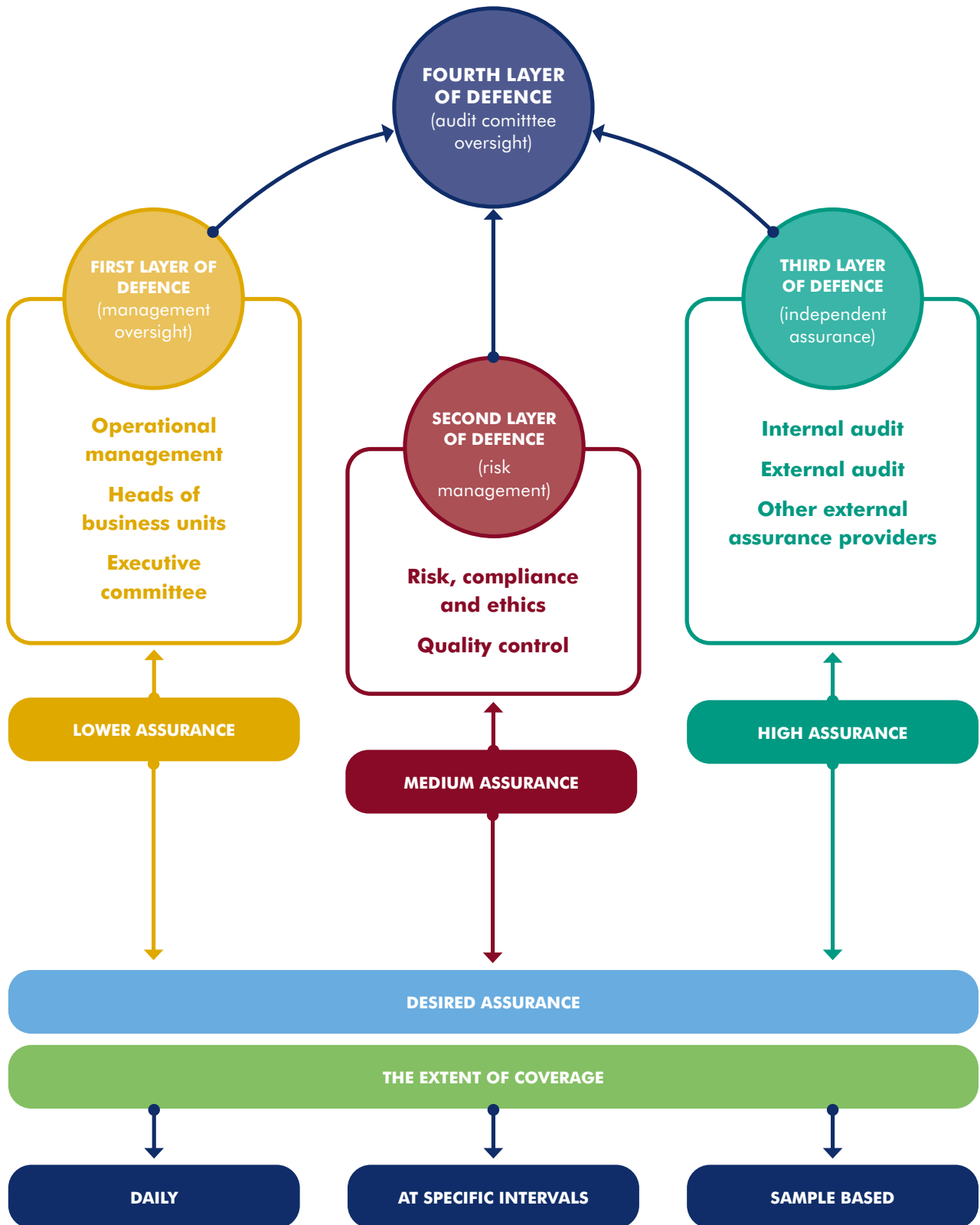
In all we do as an organisation, we ensure that we exhibit high levels of accountability, governance and responsibility. We are confident that we have developed processes that nurture a healthy environment, with many processes of assurance. This combined assurance model is made up of:

- management
 - semi-independent functions like risk and ethics and quality control
 - independent assurance providers such as outsourced internal auditors, the independent external auditors and actuarial specialists as a third line of defence
 - audit committee as an independent oversight structure.
- Refer to the model on page 97

Consequently, we are confident that significant or material risks affecting us, our immediate environment and our stakeholders are known and adequately mitigated for optimal efficiency, and facilitates effective decision-making across the organisation.



Combined assurance model



Continuously enhance business process ownership and accountability

In response to covid-19, we assessed and applied appropriate mitigations to all associated risks, including regulatory compliance risks, primarily to safeguard the health, lives and livelihood of employees, and our sustainability and continued operations.

Our response to risks during the year demonstrated maturing risk management processes. The functions and structures seamlessly applied proactive risk management principles and disciplines that ensured processes and controls were responsive to the environment we operate in.

As we report for this performance period, we have internally assured that we comply with our up-to-date and relevant regulatory universe and that risk management processes, remain robust and are responsive. This does not imply that we do not face risks; however, our material risks are known and we respond with the impetus they deserve to continue to demonstrate that clean administration is attainable.

Our many process owners strengthened the internal control environment, which is seen in the reduced number of findings reported by internal and external assurance providers. In total we recorded 17 audit findings compared to 23 in the previous year, showing a 26% improvement. Of these audit findings, one has not yet been resolved, which translates into a closure rate of 88%.

Our determination to ensure clean administration, which is anchored on key principles of accountability, responsibility and transparency, includes acknowledging the further work needed to improve our information technology control environment. We have expended a lot of effort on this important function, which will continue in the future. We are confident that the redesign of the information technology function will yield positive results in the near future.

We strengthened the governance around information technology by reconstructing the information technology steering committee. The committee consists of an independent non-executive member and experts in information technology from within the organisation. The information technology governance framework and other policies and procedures reinforced information technology processes and aimed to manage information technology vulnerabilities.

During the year, the executive committee and the audit committee received independent assurance on the adequacy of our performance and effectiveness of our internal control processes. We are pleased that the audits confirmed that we continue to demonstrate clean administration and our processes are sufficiently resilient to withstand the impact of the pandemic and other environmental factors such as the challenges of implementing our enhanced powers.

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

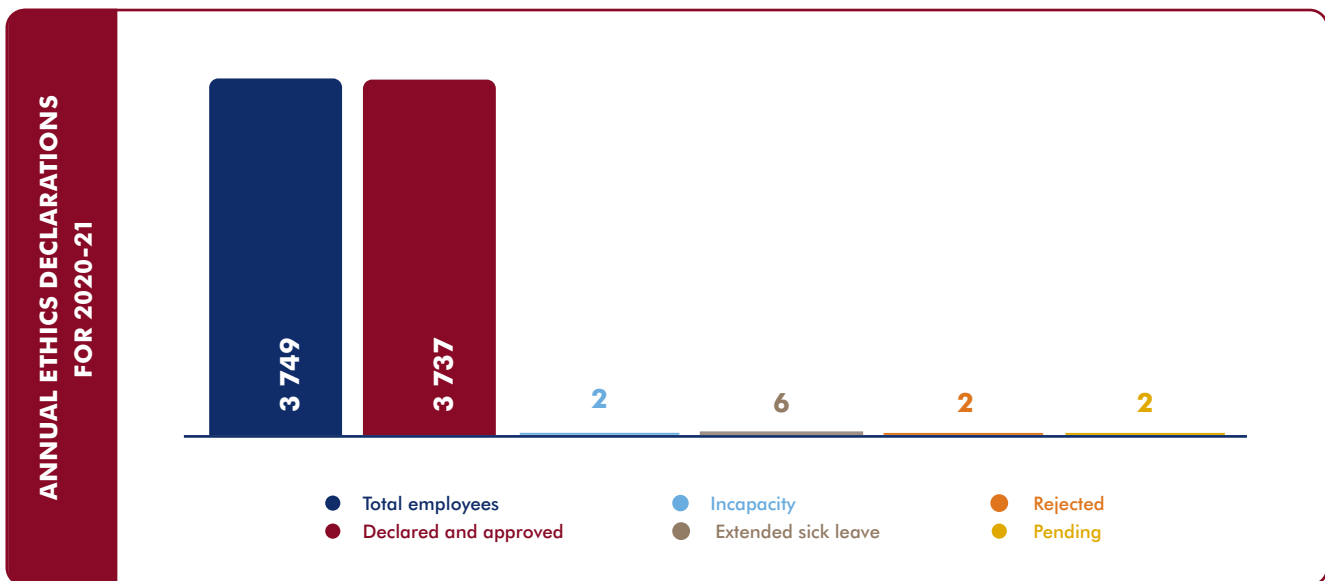


Our ethical principles, standards and norms

The ethical principles outlined in our ethics policy are aligned to the IESBA code and ISSAI 30 of the Intosai code in setting the tone for our ethical conduct. Our ethics policy therefore needs to be assessed and reviewed continuously, and revised where necessary, to satisfy its intended purpose.

Our employees are committed to the principles outlined in the ethics policy, as demonstrated by the annual declaration process. This process has consistently shown maturity and confirms that our employees accept, and adhere to, our ethical standards.

We achieved a compliance rate of 99,7% for 2020-21. The majority of outstanding declarations represent employees who were on extended sick and incapacity leave.



Strengthen leaders driving ethical behaviour

In 2019-20 we undertook an independent ethics maturity assessment. Its outcomes included recommendations on strengthening core ethical conduct and addressing what makes employees feel valued. All these aspects continue to be addressed in various interventions. The maturity assessment re-affirms the importance of leadership as a core driver of ethical conduct. We therefore maintained leadership as a focal area to building an ethical culture in the ethics management programme (EMP)³ for 2020-21.

As a result, the awareness programme on ethics principles focused on capacitating leadership with the behavioural competencies to discharge this responsibility, and enhancing the declarations' quality assessments. The leadership responded by undertaking numerous cascading sessions on the content to ensure that the messages were consistent across the organisation.

Promoting awareness of our ethical principles

We appreciate that in building an ethical culture, equal attention should be given to celebrating ethical individuals as well as correcting unethical behaviour. We began an ethics hero campaign that recognised employees across the organisation as ambassadors of "living the principles". This campaign was designed as a build up to Global Ethics Day, commemorated on 21 October. One of the greatest benefits of this campaign was the sense of ownership and accountability created within all employees of the role they play in maintaining an ethical culture.

³ The EMP builds an ethical environment; provides direction to move the organisation to a stronger more sustainable ethical status, and shapes our behaviour to impact organisational practices with the overall purpose of building and maintaining an ethical culture.

Manage matters reported through the whistle-blowing mechanisms promptly

During 2020-21, we received 42 complaints that were within our scope of work in line with our complaints policy, two less than last year. However, we received 94 complaints in total for 2020-21, including complaints that were out of

scope, representing an increase of 49% from the previous financial year. While this increase may be attributed to the introduction of a new channel to report complaints through our website, most complaints received through this channel were out of scope of our complaints process. Where they were considered as audit tip-offs, they were shared with the respective audit teams for consideration in the audit process.

SUMMARY OF THE COMPLAINTS RECEIVED PER CATEGORY

CATEGORY	DESCRIPTION	2018-19		2019-20		2020-21	
		LODGED	IN PROGRESS	LODGED	IN PROGRESS	LODGED	IN PROGRESS
1	Complaints not in the policy	19	0	19	0	52	0
2	Audit-related complaints	3	0	3	0	7	3
2 + 3	Audit and conduct complaints	4	1	4	1	2	2
3	Conduct and administration complaints	11	1	37	11	33	19
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
TOTAL		37	2	63	12	94	24

Of the 42 complaints received (within our scope of work), we were able to finalise 18 by 30 June 2021; the rest are still

at various stages of processing as some complaints carried over from the previous period were still being processed.

Whistleblowing

Of all the complaints received in 2020-21, 24 (26%) were received via the internal whistleblowing channel. Most of these complaints were reported anonymously and tended to relate to the conduct of our employees and administration. This could be attributed to employees having a greater understanding and appreciation of our ethical posture from various ethics initiatives.

Persistent anonymous reporting on matters, including those that could be resolved through open and transparent engagements, may indicate culture issues requiring attention. The feedback on these complaints will be factored into our current culture journey. In some instances, we believe escalation to the appropriate process owners would have been more efficient in addressing the reported complaint. We will therefore continue to monitor the internal complaints closely and, where appropriate, engage the process owner to determine the interventions that can be employed to address the associated exposure.

Audit-related complaints

Audit-related complaints accounted for 21% of the complaints within our scope. We recently introduced the audit escalation process for disagreements between our auditors and auditees, to encourage resolving these disagreements before finalising the audit process and signing the auditor's report. This process has been published on our website and been discussed internally with the audit portfolio leadership to encourage proactively managing audit disputes where appropriate.

Develop a fraud prevention framework

We successfully developed a fraud prevention framework with processes to prevent, detect and investigate instances of occupational fraud when they occur, which includes incidences of corruption.

Among other areas of focus, the framework outlines our reporting obligations in line with the Prevention and Combating of Corrupt Activities Act (PRECCA), which requires us to report incidences of suspected corruption involving R100 000 or more to the relevant law enforcement agencies. We set up a central mechanism to address these cases in line with the complaints policy and aligned this with our litigation policy, which provides for us to report these incidences externally to the relevant law enforcement agencies.

At the time of reporting, the framework had been approved by the executive committee and is effective with immediate effect.

Organisational alignment for integration

We have worked hard over the years to consider stakeholder's expectations and to integrate the effort of our business units so that we achieve better outcomes, which, in turn can translate into impact for our stakeholders.

This integration is driven by defined processes to help make decisions and align performance objectives. In our strategic approach, we consider the input of our oversight parliamentary body, while major internal decisions are made by our executive committee. This process examines all aspects of a particular matter and contemplates all possible consequences. We comprehensively cascade this process to align the relevant business units and ensure that strategic priorities are consistently interpreted and implemented.

The most pronounced example of the integration approach was the significant increase in the number and quality of strategic engagements with consultative and governance structures such as the operations committee, the BE forum, subject matter experts and corporate executives.

We use quarterly reporting to monitor and evaluate our integrated thinking and work to help improve our leadership's strategic choices.

CONCLUSION ON THE PERFORMANCE FOR THE VISION AND VALUES DRIVEN STRATEGIC GOAL

The 2020-21 financial year has been extremely challenging and has definitely assisted in pushing us forward to realise our potential. We continue to strive to preserve our integrity and continuously set the bar for clean administration.

In the midst of this storm, we continued to champion transformation in the country and in the organisation. During the pandemic, we were able to maintain a level 1 contributor status for the third consecutive year. Our most satisfying achievement was the significant spend of R154 million on designated groups, particularly small businesses owned by the youth, which is 13,8% of our procurement spend.

Continued support from our employees, effective expert collaboration, efficient processes and monitoring plans and strong leadership all contributed to our sustained transformation journey. We continue to maximise our support for transformation by enhancing our current organisational policies, processes and procedures, focusing on supply chain management.

Our risk management processes continue to mature by incorporating best practice and demonstrating integration with other activities targeted at managing organisational risks. Our internal control environment remains strong, with management periodically assessing its effectiveness and showing an ongoing commitment to addressing control gaps as they arise.

We responded to all the pandemic-associated risks by assessing our compliance risks and implementing appropriate mitigations.

These mitigations were primarily aimed at safeguarding the health, lives and livelihood of employees, as well as the organisation's sustainability, continued operations and clean administration.

Our executive committee approved the fraud prevention framework, which is effective immediately. We received 42 new complaints within the scope of work in our complaints policy: to date, we have resolved 18. Ethics management remains a focal point as we continue to build an ethical environment.

Key challenges

As the pandemic struck, the organisation immediately prioritised cost-saving methods to preserve its sustainability, which translated into a continued decline in spending on procurement, skills training and recruitment that had an impact on our transformation drive.

The low rate of closure of audit findings for ICT remains an area of development.

Future outlook

The future focus for transformation is to go beyond numbers and define key behaviours that would drive and embed the spirit of transformation in the organisation.

We are focused on closing all audit findings to proactively manage and decrease our risk exposure.

We will continue implementing the independent ethics maturity assessment insights through our ethics management programme with the aim of strengthening our ethical culture.