INCREASED RELEVANCE

IN A CHANGING WORLD

AUDITOR-GENERAL
SOUTH AFRICA

INTEGRATED ANNUAL REPORT 2020-21

Contents page

Next page

INCREASED RELEVANCE
IN A CHANGING WORLD

2021 REPORT THEME

The global covid-19 pandemic has defined the world and its interactions, and will play a role in every facet of our lives for some time to come.

Responding to the economic disruption caused by the pandemic, the South African government released a R500 billion fund to cope with its ramifications.

At the same time the public sector was urged to focus on governance, transparency and accountability when dispensing these funds. The AGSA, with the support of the president, audited these covid-19 initiatives with proactive real-time audits to hold the public sector accountable for its spending, address weaknesses and prevent further mismanagement, fraud and accountability failures.

During these audits, we enhanced our cooperation with the Special Investigations Unit (SIU) and Office of the Public Protector to avert a duplication of efforts by sharing documentation and information on covid-19 expenditure investigations. This coordination to complement each other's mandates and functions contributed to a Fusion Centre of the different law enforcement agencies and public bodies that could collectively investigate covid-19-related expenditure.

Our informative special reports on the real-time audits enabled proactive oversight and action.

Our positive influence on the lives of citizens has increased our relevance during a difficult time for our country. Our annual report reflects this theme of our ***Increased relevance in a changing world***.

Photo credit:
SASSA photograph by Buziwe Nocuze at GroundUp
www.groundup.org.za/topic/sassa/

ABOUT THIS REPORT

In line with the constitutional value of accountability, each year the Auditor-General of South Africa provides Parliament with detailed reports on the organisation's annual activities (s. 181(5) and s. 188 of the constitution). The Public Audit Act 25 of 2004 (PAA) gives legislative effect to our constitutional mandate.

In addition, we align to the following best practice, standards and legislation:

- Global Reporting Initiative (GRI) standards – index can be found on page 161 – 163
- International Integrated Reporting <IR> framework – index can be found on page 164
- King IV principles and codes
- ISSAI P-12
- Sustainable Development Goals – index can be found on page 166

This report on our annual activities is based on the performance areas documented in our *2020-23 strategic plan and budget*. An index of our objectives and initiatives can be found on page 165.

The outcome of our annual benchmarking against best practice, standards and legislation plays a role in defining the format of the report and enhances the transparency and completeness of our reporting.

iii Preamble to the Constitution

iv Letter to the Speaker

v Performance snapshot

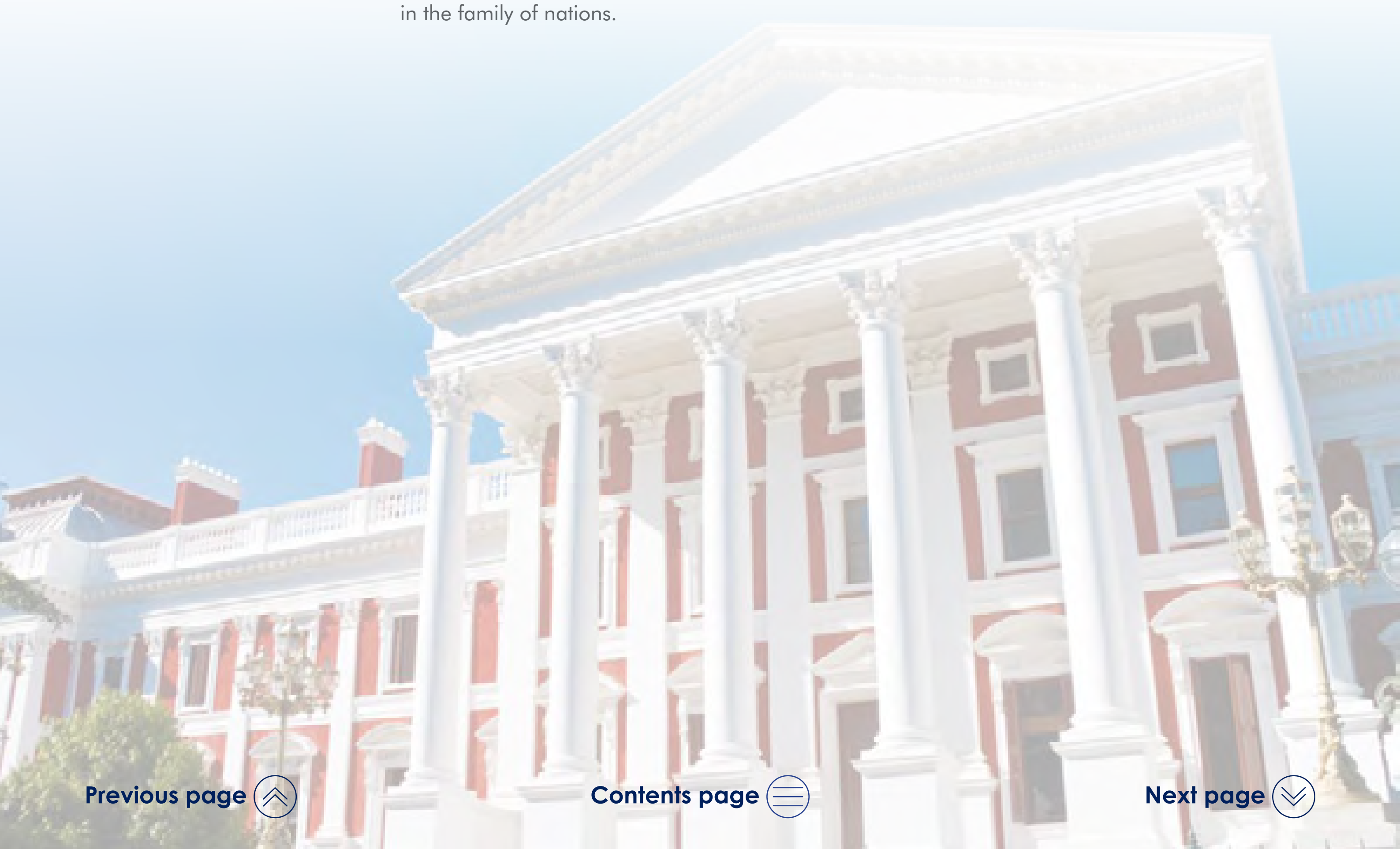
This integrated annual report is available on the AGSA website ***www.agsa.co.za***

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

September 2021

Honourable Speaker Mapisa-Nqakula

Report to the Speaker in terms of section 10(2) of the Public Audit Act 25 of 2004

It is an honour to submit my integrated annual report, which includes the audited financial statements for the financial year ended 31 March 2021, 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 Act, is satisfied with the Auditor-General of South Africa's (AGSA) audited financial statements and unmodified audit opinion.

This report presents both our audited financial results and a review of our performance against predetermined objectives.

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 Parliament by 30 September 2021.

Yours sincerely

TSAKANI MALULEKE
Auditor-General

2020-21 IAR PERFORMANCE SNAPSHOT

VALUE-ADDING AUDITING

Implemented the MI process at **146** auditees

Multidisciplinary teams supported audits with real-time insight on risks

37% of those responsible took action on the real-time audit findings

171 MIs with an estimated loss of **R8,9 billion**, including SOEs

1 065 audits successfully completed

Tabled **3 special reports** on real-time audits

81% compliance rating for quality standards

Completed **55%** of audits within legislated timelines due to the impact of the pandemic

VISIBILITY FOR IMPACT

Assisted Scopa with briefings ahead of hearings and oversight visits, with a focus on SOEs

Referred real-time audit findings to the **multiagency Fusion Centre**

Increased our social media following by **21,8%**

Rated **1 of 2** very **highly independent** SAIs by the World Bank

SIU used our findings for an **investigation** into **Ters payments**

Increased collaboration with CSOs

Played a leading role in Intosai and Afrosai-e capacity-development efforts

Issued preventative controls guidelines to assist accounting officers and oversight bodies

VIABILITY

Audit revenue – **R3 395 million**

Recorded a **R293 million** deficit at the end of the year

Outsourced audit work – **R638 million**

Debt owed to the AGSA – **R1 085 million**

Upskilled **1 026** employees in SOE training sessions

Revised organisational **values**

56,6% of our workforce are women

80% of our female workforce are black South African women

Recruited **231 CTA-qualified TAs**

Won 2021 employer of choice in the public sector

Introduced and enhanced **remote working platforms**

Established a **crisis nerve centre** (CNC) to respond to the pandemic

VISION AND VALUES DRIVEN

Maintained **B-BBEE level 1 status** for the third year in a row

21% spent on **30%** black women-owned firms

66% spent on **51%** black-owned firms

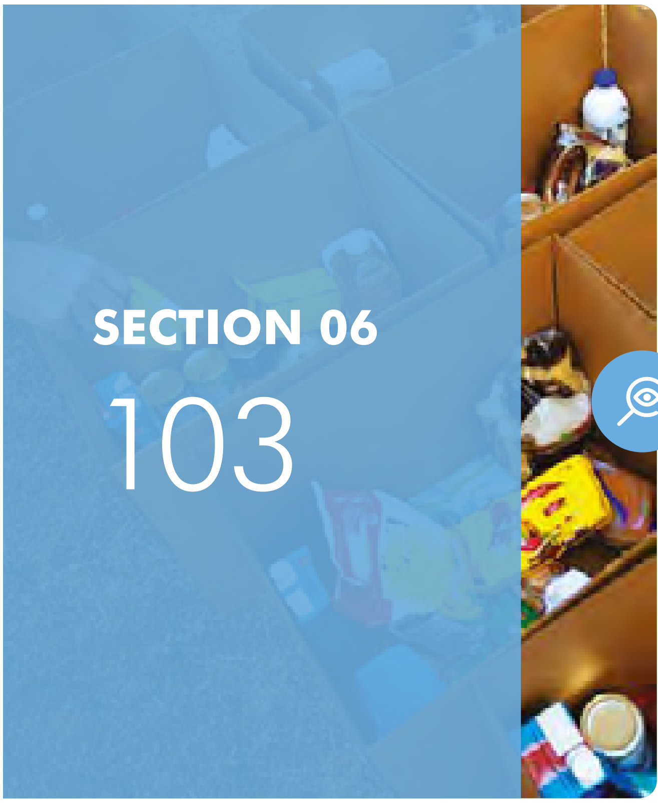
Created **98 jobs** through ESD

Achieved **88%** rate of closure of audit findings

Recognised employees as **ambassadors living the ethical principles**

Developed a **fraud prevention framework** to prevent, detect and investigate occupational fraud and corruption

CONTENTS



01 SECTION

AUDITOR-GENERAL'S MESSAGE

My tenure as the auditor-general began at an extraordinary moment in our lives as the nations of the world battled an invisible destructive force.

I recognise the immense privilege to head the national audit office, which comes coupled with the even bigger responsibility to protect my staff while ensuring that we execute our mandate in the face of unknown challenges.

My reflection on the past year is anchored in a few defining moments. On a personal level, I acknowledge the role that our former auditor-general, the late Kimi Makwetu, played in building a formidable institution rooted in professionalism, transparency, credibility and accountability. His legacy makes it easier for me to carry the baton and to navigate new and unchartered territories, while working to evolve an organisation that is the pride of all citizens.

Professionally, I needed to focus on completing the audit work on the covid-19 relief programmes. Our country's leadership have pulled together significant resources and focused on saving lives, keeping the economy going and ensuring that service delivery continues.

Our citizens have legitimate expectations of transparent and accountable use of such funds, of sound and sustainable management of the financial affairs of departments, state-owned enterprises (SOEs), municipalities and other institutions, specifically in the local sphere of government where most of the services are delivered.

Throughout the reporting period, our audit teams continued to be an independent and authoritative voice on the use and management of public resources, as well as the accountability displayed by the officials at all levels of government. The work that we do also supports the institutions that we audit to identify ways to improve their performance.

This annual report is a transparent account of the way we executed our mandate to enable Parliament and citizens to hold government accountable.

OBSERVATIONS FROM THE 2020-21 REGULARITY AUDITS

The 2020-21 annual audits were conducted in a challenging environment characterised by legislated delays in submitting annual financial statements, a lack of readiness for audit by our clients or limited access to their premises, and disruption to our normal audit procedures. Notwithstanding these challenges, we delivered consolidated whole-of-government reports on the annual audits, increased the scale of implementing our enhanced mandate and issued three special reports on the real-time audits of the covid-19 relief measures.

In summary, the audit outcomes for national, provincial and local government do not yet show the progressive and sustainable improvements required to prevent accountability failures and deal with them appropriately and consistently. Auditees' poor record in dealing with irregular expenditure continued, non-compliance with supply chain management legislation persistently increased too, and auditees' financial health deteriorated.

Albeit slow, we have started to see a good response by some accounting officers to identified material irregularities (MIs). We are determined to persevere in finding ways to encourage action that will lead to improved financial management in the public sector.

REPORTS ON THE USE OF COVID-19 RELIEF FUNDS

In September and December 2020, and June 2021, we tabled special reports on government's financial management of the pandemic relief initiatives. The novel approach of conducting real-time audits enabled oversight to play their role in a proactive manner and assisted the accounting authorities and executive to urgently deal with the matters identified and reported by our audit teams.

The diversity of programmes covered by the real-time audits required multi-disciplinary teams, and the capacity we have built in investigations, performance and information systems auditing and the integrations of these specialists into our regular audits stood us in good stead.

The Cabinet acknowledged the required corrective actions and the need for speedy consequences. The multiagency Fusion Centre, which is tasked with investigating covid-19-related fraud and corruption, benefitted from the insight we shared with them.

IMPLEMENTING OUR EXTENDED POWERS

We implemented our enhanced mandate at more auditees despite the increased audit work. Most of the material irregularities identified to date relate to non-compliance with supply chain management prescripts.

Oversight leaders asked us to fast track our enhanced mandate and highlighted the need for investigations into financial losses to be accompanied by a clear process for recovering misappropriated funds. I strongly believe that the systematic implementation of the MI process will serve our initial intent to create a preventative mechanism rather than a punitive one. Our focus has therefore been on intensifying our advocacy for strong preventative controls in the public sector. We are prepared though, in cases of persistent disregard for our recommendations, to implement all provisions of our mandate. Ultimately, we can succeed in achieving the full benefit of our enhanced powers only if all relevant role players in the overall ecosystem of accountability execute their functions accordingly.

THE AUDITS OF MAJOR STATE-OWNED ENTITIES

As part of our strategy to systematically take over audits of SOEs, we continued to pay special attention to those SOEs that are critical to the functioning of our country.

We officially took over the Transnet audit in October 2020 after a two-year transition period. Our highly skilled team benefitted from working closely with the former appointed private auditors to deepen our knowledge of the entity.

As agreed with the current Eskom auditors and management, we delivered on our commitment to support the Eskom 2019-20 audit. Our deployed resources worked on key risk areas, areas of public interest and deepened their understanding of the unbundling process timelines. We are adopting a longer-term take-over strategy to allow Eskom to conclude its unbundling processes and anticipate working closely with the new auditors during the 2021-22 audit.

COLLABORATION WITH CSOs AND SOCIAL AUDITS

During the period leading to the first two special reports in 2020, we engaged with civil society organisations (CSOs) to explore mutually beneficial opportunities for sharing information and working on initiatives that formed part of government's covid-19 relief efforts. I am grateful for the progress we have made in this area and the great response we have received. We intend to embark on a more formalised process of considering the work of CSOs when we plan our audits. Structured and systematic two-way engagement between supreme audit institutions and civil society world-wide based on sound principles, have added unique value to citizens.

REAPING THE BENEFITS OF OUR WORLD-CLASS AUDIT METHODOLOGY

Our stakeholders will recall that one of our key projects in the recent past was the major overhaul of our audit methodology to ensure that it is aligned to global standards but responsive to local risk and complex audit environments. This investment continues to pay off as our methodology served us well in the audit of the large and complex SOEs and was agile enough to guide us through the additional audit risks brought by the pandemic. We expanded it to cover reviews of interim financial statements as an additional engagement, which we undertook for the Transnet audit.

We are excited to test the power of the methodology in the following years when we intend to apply a wide range of differentiated audit approaches.

QUALITY OF AUDITS

After falling just short of our target in the two previous years, we continued to refine and implement measures to improve the technical quality of our audits. I am proud of our auditors for being able to stay on course and get over the 80% hurdle. Eighty-one per cent of our audit files that were subjected to an independent review received a compliance rating. These audit files excluded local government audits due to covid-19 delays.

STAKEHOLDER ENGAGEMENTS

Our audit business units engaged with our statutory stakeholders to influence change and improvements to their financial management systems and disciplines, and to encourage corrective action where identified. We used new opportunities presented by virtual collaboration platforms to double the volume of engagements and to reach relevant role players.

Overall, I believe that our interactions helped our stakeholders carry out their mandates. Accounting officers who heeded our advice constructed audit action plans that addressed key internal control deficiencies and helped close their internal control gaps. Interactions with legislated oversight bodies equipped them to scrutinise accounting officers' reports and publicly hold executive authorities to account for their stewardship of public funds. However, more action is required to improve audit outcomes.

In an effort to increase the pace of engagement with citizens, we made good use of social media platforms to create awareness of our proactive approach to real-time audits. We enjoyed mutually beneficial interactions with various other stakeholders, from professional bodies to advocacy groups to CSOs.

FINANCIAL PERFORMANCE

The financial year 2020-21 was a difficult and challenging one for the AGSA as for all other organisations at large. The impact can be clearly seen in our R293 million deficit.

We survived and continued to respond to stakeholder needs, increasing our relevance. Our survival is the result of good planning and due diligence by our leadership, senior management and all AGSA staff. We established an agile internal body, the crisis nerve centre (CNC), to efficiently manage and rapidly respond to the operational and financial challenges experienced by our teams in the trenches.

The leadership took a responsible decision to forego salary increases and payment of bonuses in 2020, while all staff members heeded the call to optimise costs. Without compromising quality or a few prioritised deliverables, we saved R115 million. On the other hand, our debtors book closed at an all-time high of R1,1 billion with the rise of local government debt to R722 million. Some SOEs that are subjected to business rescue or some form of liquidation further contributed R209 million to our debt book. The recovery of this debt remains doubtful.

ETHICAL BREACH

I am concerned and disappointed about the allegations brought against one of the employees, who in his personal capacity breached the law. Such behaviour goes against the ethical conduct we expect from our employees as we hold them to the highest standards of ethics and professionalism. Any form of crime is not acceptable in our organisation and we have allowed the law to take its course. We will continue strengthening our ethics drive and our controls to prevent undesirable incidents.

FUTURE OUTLOOK

We foresee another tough reporting and financial period. The threat of intermittent resurgence of covid-19 casts a lot of uncertainty about the future, and the extent to which it will influence our operations. The 'quick wins' on cost reductions have been largely accomplished, leaving tougher and more strategically far-reaching choices ahead. The hard wins are likely to include opting out of audits that do not attract public interest, significant shifts in our business model and complete automation or even elimination of certain processes.

Moving the organisation forward requires serious thought processes. We have begun crafting a new strategy for the organisation that will incorporate the thoughts and voices of our staff as well as our stakeholders. The strategy will be finalised shortly and implemented in the 2022-23 performance year. By using our independence, credibility, integrity, professionalism and technical excellence, I want the work we do as an audit office to ring true to the lived experiences of ordinary South African people.

CONCLUSION

Overall, we have realised the intention of the 4V strategy that we have implemented diligently over the past seven years. This allowed us to not only sustain our business but to enhance our relevance as an independent institution supporting democracy.

The strong foundation of integrity, professionalism, technical excellence, resilience, focus on people and good internal governance, built over many years, provides me with the best possible start to my term and I intend not only to preserve it, but to build on it.

I want to take this moment to express my appreciation for each member of team AGSA. I hold a deep appreciation of each of you for serving the people of South Africa once more. I do not take for granted your resolution to continue carrying out your duties as public sector auditors every day with our not so perfect tools. To those employees and their families who were affected by the covid-19 pandemic, I extend my deepest sympathy.

Your personal sacrifice and courage made me realise that there is no other organisation that I would rather be part of and there is no other time that I would rather live in.

Tsakani Maluleke,
Auditor-General

TRIBUTE TO **KIMI MAKWETU**

No one anticipates the passing of one of their own. Although Kimi's passing was a painful time for all of us at the AGSA, we choose to celebrate his memory and the legacy that he left behind.

Kimi joined the AGSA in 2007 as the deputy auditor-general under Terence Nombembe and immediately got to work driving the Siyanqoba organisational strategy.

The Siyanqoba strategy gave Kimi the benefit of insight and clarity when the time came for him to craft a vision and strategy for his tenure as auditor-general.

KIMI'S VISION FOR THE OFFICE

A few weeks after taking office on 1 December 2013, Kimi unveiled his Vision 2024.

He aspired to influence the behaviour of all role players to create a public sector characterised by a commitment to financial and performance controls, oversight and accountability, and ethical behaviour.

This vision was brought to life through the 4V strategy, which built:

- value-adding auditing, to provide multidisciplinary, in-depth audit insight to our stakeholders
- visibility for impact, to engage with our stakeholders and influence their actions for the benefit of the South African people
- viability, of our own people, finances, capacity and capability
- vision and values driven, to be a living example that clean administration is possible.

BRINGING THE 4V STRATEGY TO LIFE:

Under Kimi's leadership, we achieved significant milestones through the 4V strategy.

Adding value

Mindful of the need to achieve financial efficiencies for our auditees while increasing the depth of our auditing, we revised our audit methodology to institutionalise multidisciplinary teams for our audits. We also used oversight tools such as the status of records review and preventative controls guides to help empower accounting officers and oversight bodies to enhance their governance and financial management for better audit outcomes.

Our real-time audits of the funds disbursed by government during the covid-19 pandemic took this a step further, to empower oversight bodies to proactively take action to tighten controls where necessary.

Gaining visibility

Our relevance as a supreme audit institution rested on our ability to influence change in the public sector. Under Kimi's leadership, our influence gained momentum, with the Scopa encouraging parliamentary committees to use our insight and outcomes to derive more meaningful and effective oversight.

At the same time, our work with the media amplified our voice on governance and public sector accountability, and increased citizen interest in government's audit outcomes. Strengthened partnerships with professional bodies increased our relevance within the accounting and auditing profession, and public lectures intensified our voice across academia. Together, this visibility solidified our reputation and ability to influence change for the better.

Building our resources

Over the years, Kimi drove the creation of a significant industry pipeline by absorbing 63% of the chartered accountants emerging from our trainee auditor scheme while bolstering our intake of industry specialists to provide input to audits of government priorities such as infrastructure, health, education and water and sanitation.

We also enhanced and optimised our various internal processes and systems to keep pace with our changing and increasingly technological environment. These include building efficiencies into our audit and resource planning software, and advancements in our internal and external communication tools and platforms.

Driving transformation

Kimi was very passionate about transforming the organisation, the industry and South Africa.

In 2016, we initiated an enterprise supplier development (ESD) programme to develop small businesses owned by previously disadvantaged people. By 2020, 27 small black-owned and women-owned firms from across the nine provinces had graduated through the programme and 12 expanded their footprint to open 47 offices across the country. This has led to 372 jobs being created during the course of the programme.

Our trainee auditor scheme also qualified over 1 100 chartered accountants over its more than 20-year existence. Of these, 300 were African males and 400 were African females. Kimi's vision helped to uplift disadvantaged communities and transform the auditing profession.

Our international presence

Kimi realised that as a supreme audit institution, we would need to play a visible role among international supreme audit institutions. This led to the AGSA, as the South African supreme audit institution (SAI SA), being elected as chairperson of the Intosai CBC, which focused on professionalising supreme audit institutions and building their capacity. By the end of 2019, Kimi had guided the compilation of the competency journey framework with pronouncements on every sphere of professionalism, creating strategic alignment across all the levels of competency and an enabling assessment. This included creating the Framework for Global Competencies, the Regional Framework at the continental or regional level, and the Supreme Audit Institution Performance Management Framework at an individual supreme audit institution level.

SAI SA was also influential in conducting peer reviews across other SAIs, such as the SAI SA-led peer review of SAI Canada. Within the African Union as part of the African Union Board of Auditors, SAI SA-led audits included the audits of the African Union Committee (AUC) in Ethiopia and the African Union Advisory Board on Corruption based in Tanzania.

On the continent, we continued to host the African Organisation of English-speaking Supreme Audit Institutions (Afrosai-e) secretariat and supported capacity-building efforts within the region. This has given SAI SA the opportunity to use our audit expertise to contribute to the lives of Africans, while learning from our counterparts on the continent.

A legacy of enhanced powers

For many stakeholders and peers, Kimi will be remembered most for enhancing our powers through the amendments to the Public Audit Act, which came into effect on 1 April 2019. The amendments, which Kimi had vociferously advocated since the beginning of his term as auditor-general, empowered the office to effect consequence management for poor stewardship and control of public finances.

A RESOLUTE LEADER

The strength and achievements of the 4V strategy are more impressive when seen in the context of the operating environment. Kimi led the AGSA through a turbulent operating environment over the past few years, which featured good governance and financial management being eroded, public funds diverted and undue influence over organs of state in the public sector.

In some instances, the growing mismanagement was accompanied by a tide of pushbacks that sometimes escalated into threats and intimidation against our audit teams. Kimi boldly took these threats and intimidation to the highest levels of Parliament through the Standing Committee on the Auditor-General (Scoag). The threats were taken so seriously that a member of Scoag referred to them as an attack on democracy.

Kimi was described by an employee as *the right AG for this time*. Despite the challenging environment, the man whom many called a patriot was courageous, consistent, resolute and resilient and inspired his team to audit ethically without fear, favour or prejudice. Kimi dared to envision a different public sector and resolutely set the AGSA team on a course to make this happen.

Recognising that his own strength and courage was intrinsically intertwined with ours, Kimi dedicated his Abasa Presidential Lifetime Award to Takalani, the employee who survived the shooting at Emfuleni municipality: *I decided to dedicate this award to Takalani because she took a bullet for all of us. I want to recognise and honour those unsung heroes like her, even if their names are not on this plaque like mine.*

Carrying the baton

Kimi's loss mere days before the end of his term was widely felt across South Africa and in the international public audit fraternity. As we move into the future, we carry forward his vision of creating an accountable public sector, and implementing the enhanced powers he championed as the most apt way to honour his memory.

We will carry the baton of auditing with rigour and defend our independence and the country's constitution. Much work remains ahead and, as we navigate our next chapter, we draw inspiration from Kimi.

Passion is critical in the roles that we fulfil in government – working with limited budgets, often in difficult circumstances, trying to better the lives of citizens through what we do, is challenging, and only a passion for creating a better future will see us through in this ambition.

– Kimi Makwetu

EXECUTIVE COMMITTEE

FROM THE TOP LEFT

Alice Muller
Acting national leader

Solomon Segooa
Corporate executive: audit

Mabatho Sedikela
Corporate executive: audit

Vanuja Maharaj
Corporate executive: audit




Jan van Schalkwyk
Acting deputy auditor-general

FROM THE TOP LEFT

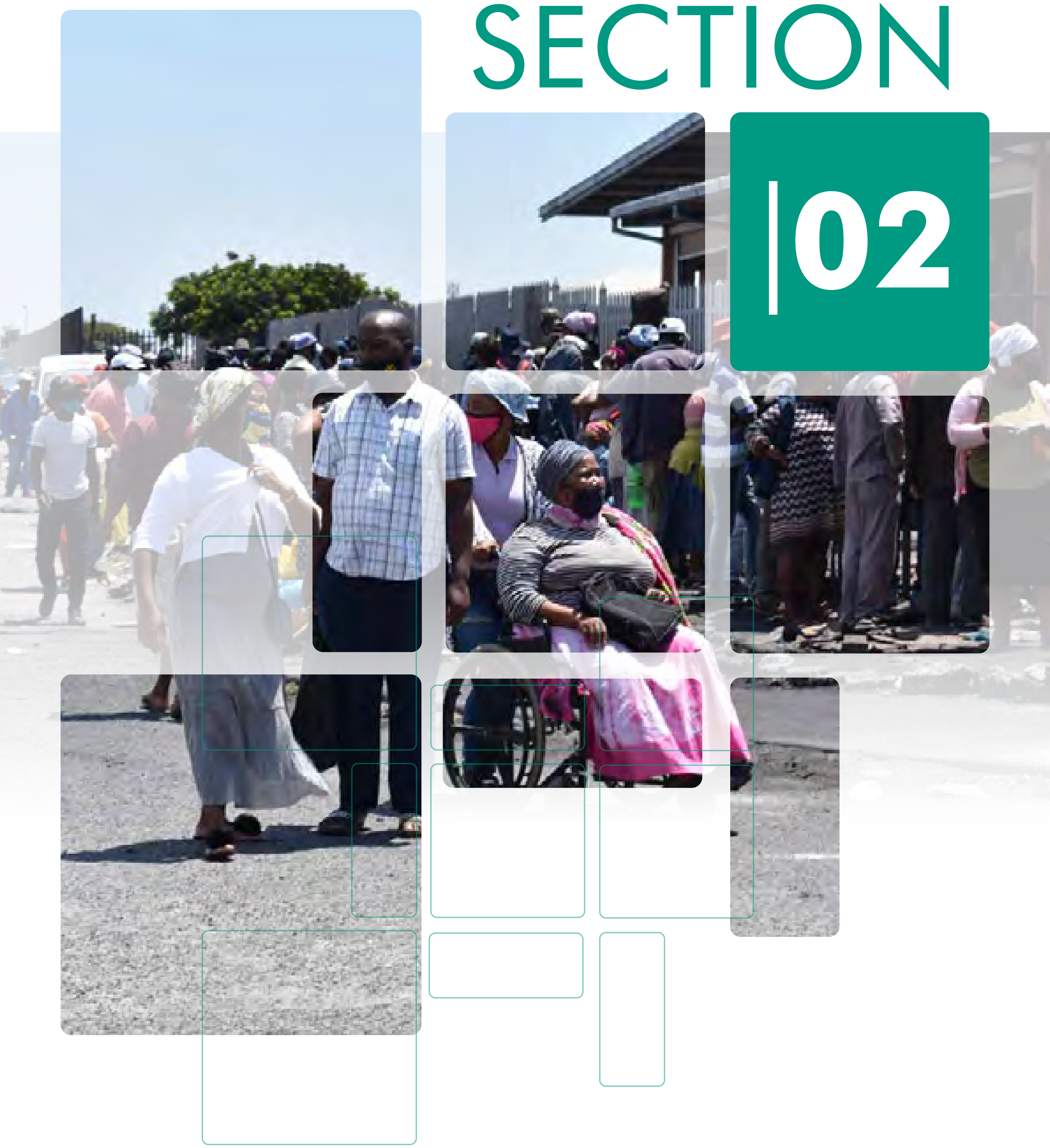
Sipho Ndaba
Corporate executive: specialised audit services

Mlungisi Mabaso
Chief people officer

Sibongile Lubambo
Corporate executive: audit

Sibongiseni Ngoma
Chief financial officer

SECTION |02



WHO WE ARE

We account to the National Assembly by tabling our annual report, financial statements and the audit report on those financial statements in Parliament. This requirement is governed by sub-section 10(1) of the PAA.

ACCOUNTABILITY AND REPORTING

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 the institutions that support constitutional democracy. The Constitution entrenches the AGSA's independence as 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.

OUR FUNCTIONS, BENEFICIARIES AND PRODUCTS

Our functions are described in section 188 of the Constitution. These functions, and the powers necessary to perform them, are also regulated by chapters 2 and 3 of the PAA. 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, with an emphasis on MIs.

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.

We can refer MIs to public bodies for investigation or include recommendations in the audit report to address the irregularity. We can also take binding remedial action for mismanaging public resources if our recommendations are not implemented. In cases where the remedial action is not implemented, the auditor-general can issue a certificate of debt so that money lost can be recovered from accounting officers or authorities.

We also conduct discretionary and special audits, such as performance audits and investigations. Our reports on these audits of the public sector enable the legislature to call the executive to account for the way they manage public funds.

SCALE OF THE ORGANISATION

At the end of March 2021, the AGSA employed

3 703 people

including trainee auditors and those on short-term contracts.

Our gross surplus was

R1 054 million

earned through audits conducted at 1 065 public institutions. Our net deficit was ***R293 million****.*

Auditees include our audit reports in their respective annual reports, which they table in their relevant legislature (Parliament and provincial legislatures). The reports are also made available to municipal councils or bodies with a direct interest in the particular audit. We may provide audit reports 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 audits at national, provincial and municipal levels, and special reports that analyse our findings from the real-time and discretionary audits. The results of our audits of water boards are summarised in a special presentation to the responsible portfolio committee in October each year. Similarly, each May we issue a special report on our audits of technical and vocational education and training (TVET) colleges.

THE WAY WE ARE ORGANISED

While we are based in South Africa and deliver services that benefit local interests, the business operations of some of our auditees require us to audit elsewhere in the world.

OUR BUSINESS UNITS

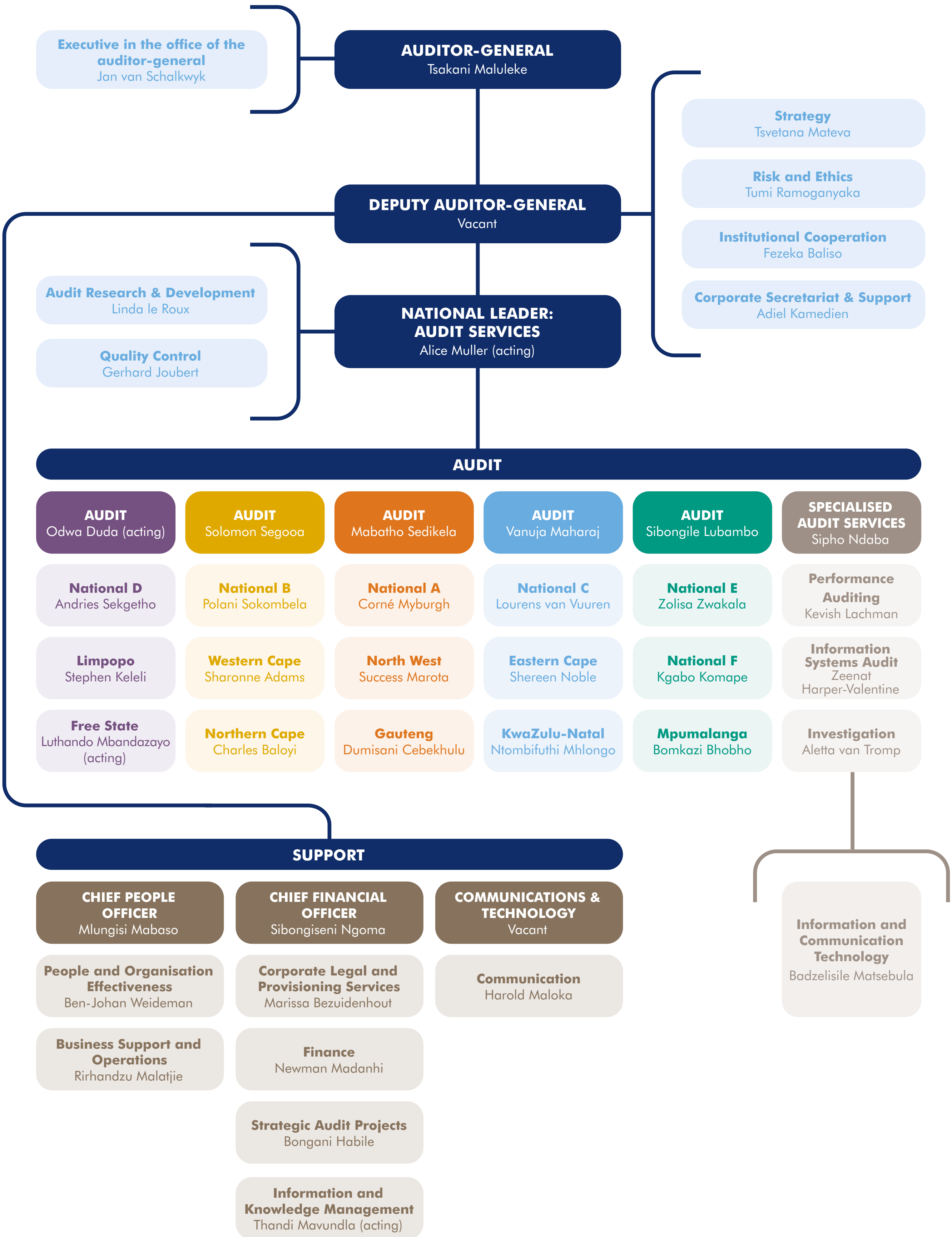
Our nine regional offices, one in each province ensures that we are accessible to our clients and deliver our services in the most cost-effective manner. These regional offices form part of our 15 regularity audit business units. The other six are national units situated at the head office, along with three specialised audit services units, and 14 support business units (see our management structure on page 19). We use a shared services model for all enterprise resources, which include financial and human capital, information and communication technology services, legal services, technical services, quality control, information and knowledge management, risk management, strategic management and communication.

Definitions

Regularity audit is an annual statutory examination and reporting on the auditee's financial statements. Within our scope of regularity audit, we also examine the auditees' compliance with relevant legislation and their reporting on performance against predetermined objectives. This is consistent with the provisions of our enabling legislation.

Specialised Audit Services portfolio is a division of the AGSA that nurtures and provides specialised skills and techniques to conduct in-depth audits based on the risk profile of the auditee. These audits can be stand-alone or integrated with the annual audits. The three specialised audit services business units are Investigations, Information Systems Audit and Performance Auditing.

MANAGEMENT STRUCTURE OF THE AGSA



2020-21 VALUE-ADDED STATEMENT

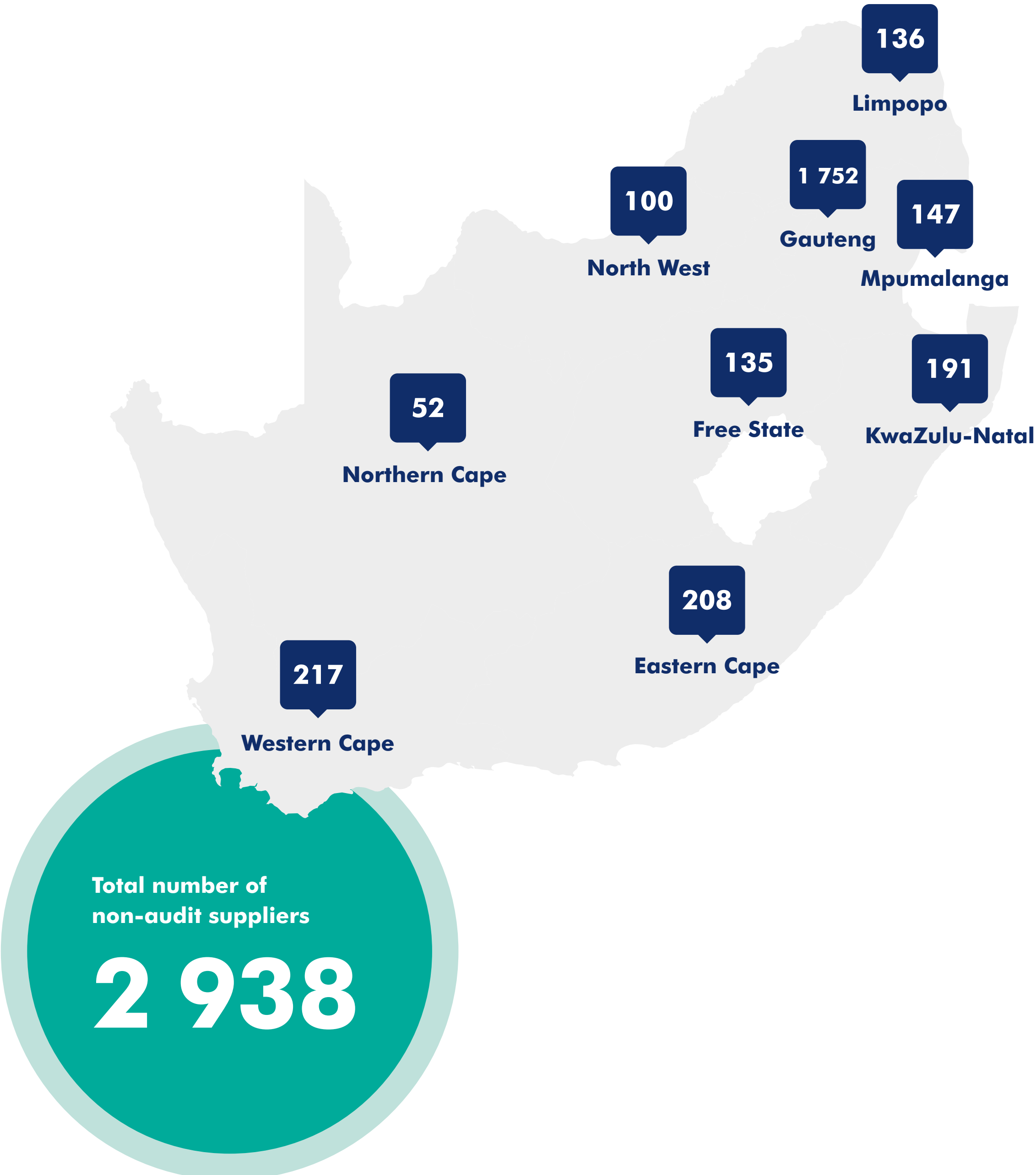
	%	R million
Revenue		**3 395**
Paid to suppliers		(1 013)
Value added by operation		2 382
Interest income		58
Total value added		2 440
Applied as follows		
Paid on external empowerment	**1,35%**	**33**
Corporate social investment	0,04%	1
External bursaries	1,31%	32
Paid on employees and internal empowerment	**100,94%**	**2 463**
Salaries, wages and benefits	100,04%	2 441
Employee wellness	0,08%	2
Study assistance	0,41%	10
Training	0,41%	10
Paid to providers of capital	**2,05%**	**50**
Finance cost	2,05%	50
Reinvested in the business	**-4,34%**	**(106)**
Depreciation	7,66%	187
Retained deficit	-12,00%	(293)
Total value added	**100,00%**	**2 440**

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

Estimated number of suppliers in the supply chain database



100
Audit firms including their regional offices
14 large, 9 medium and 77 small[1]

1 636
Audit contracts
were awarded to these firms

Outsourced work
included pre-issuance reviews, regularity audits, information systems audits and performance audits

[1] *Large firm – turnover of more than R50 million*
Medium firm – turnover between R10 million – R50 million
Small firm – turnover less than R10 million

In 2020-21, we had 2 938 suppliers in our non-audit supplier database. We continued to enable our financial viability by using cost-cutting measures and safeguards against paying a high premium for goods and services received. Contract negotiations and an unusual decrease in procurement activities due to the pandemic led to large savings for the organisation.

Audit contracts awarded

As part of our business model, we outsource some of our audit work. The firms that audit on our behalf are appointed using a transparent selection process that considers their size, location, expertise and quality of audit work. The appointment process also incorporates the principles of transformation.

During 2020-21, R638 million (2019-20: R686 million) was spent on core audit work by private firms. Of this, R421 million (2019-20: R346 million) was allocated to black-owned firms, while R134 million (2019-20: R126 million) was allocated to black women-owned firms.

For further information on our active support of transformation, see the vision and values driven chapter from pages 91 to 102.

SIGNIFICANT CHANGES DURING THE REPORTING PERIOD

During the performance period, we audited the funds released for the covid-19 pandemic response and initiatives. The president supported these real-time audits to identify weaknesses and address them in time to prevent further findings. The real-time audits had a significant impact on our operations. Our audit methodology proved to be agile enough to incorporate the changes in the environment.

We adopted a hybrid approach in response to the pandemic, which included working from home and a move to digital methods of work. To facilitate this hybrid approach, our information and communications technology (ICT) was forced to evolve rapidly.

Our head office, while still in Pretoria, has moved to a more spacious and energy efficient building. This move has resolved the challenges of a shortage of space and parking for our employees, and ensures that all our business units are accommodated in close proximity within the same building.

The building has the added advantage of being graded A+ energy efficient and using green initiatives such as harvesting rain water and energy saving air-conditioners to reduce our carbon footprint.

Our head office was chosen with the well-being of our employees firmly in mind. We now reside in a secure office precinct that meets our needs, with easy access to all parts of the building for people with disabilities.

CORPORATE GOVERNANCE FRAMEWORK

Our governance framework is defined by the Constitution, PAA and good governance best practice.

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. Scoag fulfils the following roles:

- Assist and protect the auditor-general to ensure their independence, impartiality, dignity and effectiveness, and to advise the National Assembly
- Recommend the conditions of employment of the auditor-general to the president
- Provide general oversight as required by section 55(2) (b)(ii) of the Constitution
- Confirm the five-year appointment of an independent firm of external auditors and review the appointment annually.

During its engagements with the AGSA from 1 April 2020 to 31 March 2021, Scoag considered and resolved the following matters:

- AGSA briefing on the institution's work during the covid-19 pandemic and impact of the pandemic on national and provincial audit timelines.
- AGSA briefing on the 2018-19 local government audit outcomes, and the impact of the covid-19 pandemic on the AGSA's financial sustainability and audit deadlines.
- AGSA briefing on the second special report on the financial management of the government's covid-19 initiatives.
- AGSA briefing on the *Integrated annual report 2019-20* and the *2021-24 Strategic plan and budget*.
- High-level AGSA briefing on the 2019-20 national and provincial audit outcomes.

The committee comprised the following members of parliament:

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

IFP

- MR N SINGH

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 national leader for audit services and the corporate executives. 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 10 times during the 2020-21 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.

Biography of the executive committee

MS TSAKANI MALULEKE 46
CA(SA)
Date of appointment: 2012
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.

MS SIBONGISENI NGOMA 45
CA(SA)
Date of appointment: 2012
100%

Bongi served as a senior account manager and head of internal audit before joining the AGSA in 2012. She held the role of chief financial officer.

MS ALICE MULLER 53
CA(SA)
Date of appointment: 2008
100%

Alice joined the AGSA as an audit manager and moved up the ladder to corporate executive. She acted as national leader: audit for the past two years.

MR SOLOMON SEGOOA 48
CA(SA)
Date of appointment: 2014
80%

Solomon has 22 years of experience, 18 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.

MS MABATHO SEDIKELA 44
CA(SA), Master of Commerce Taxation
Date of appointment: 2016
100%

Mabatho has over 15 years of experience in the audit profession. She joined the AGSA in 2010 and over the years climbed the corporate ladder to corporate executive, a position she has held since 2016.

MS SIBONGILE LUBAMBO 42
CA(SA)
Date of appointment: 2017
90%

Sibongile joined the AGSA as a senior manager in 2009. She has moved up the AGSA leadership ladder to her current role as corporate executive.

MR MLUNGISI MABASO 54
Honours degree – Industrial Relations, Masters diploma – Human Resources
Date of appointment: 2016
100%

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 50
MSc
Date of appointment: 2018
90%

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.

MS VANUJA MAHARAJ 45
CA(SA)
Date of appointment: 2017
100%

Vanuja joined the AGSA as a senior manager at the KwaZulu-Natal business unit in 2005. She progressed over 15 years to her current role as corporate executive.

MR ODWA DUDA 52
RGA, MBL
Date of appointment: 2019
90%

Odwa became part of the executive committee in an acting capacity from his role as a business executive. He joined the AGSA as an auditor and moved up the ladder to business executive: audit, a position he has occupied since 2012. Odwa was acting corporate executive: audit for the past two years.

Acting deputy auditor-general

MR JAN VAN SCHALKWYK 54
CA(SA)
Date of appointment: 2010
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 CBC. Jan served as acting deputy auditor-general from March 2021.

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:

- the adequacy and effectiveness of internal controls and risk management
- its evaluation of the AGSA's annual financial statements
- its opinion that the chief financial officer and the finance function of the AGSA 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 so that they adequately cover business, financial and risk management matters.

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

- the status of internal controls and risk management at the AGSA
- the integrated annual report and audited financial statements
- sustainability and performance information
- the work plan of the internal audit function
- the recommendation to Scoag on the appointment of the external auditor and their work plan
- the AGSA's chief financial officer and finance function's financial expertise to fulfil their responsibilities
- complaints management
- early adoption of new accounting standards
- annual assessment of the audit committee members
- mitigation implemented to improve quality control.

The audit committee's full report is presented on page 105.

Knowledge, skills and competencies of the audit committee members

MR JOHN BIESMAN-SIMONS 67
BCom CA(SA)
Date of appointment: 2005
Chairperson

100%

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

MS CAROL ROSKRUGE 48
BSc Hons Molecular Eng,
MSc Biochemical Science,
MBL Governance & Leadership
Date of appointment: 2016

100%

Carol is a senior executive with many years of supply and value chain experience. She is a non-executive director at private and JSE-listed companies and has served as a member of various audit committees, which complements her leadership role.

MR CEDRICK MAMPURU 45
CA(SA)
BCom Accounting
BCompt Hons/CTA
Higher Diploma in Tax Law
Date of appointment: 2018

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.

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 annually.

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 assessment ratings of those engagement managers subjected to a quality control review have been correctly evaluated by the Quality Control business unit. The QCAC also plays a critical role by reviewing and approving our policies and processes for monitoring quality control compliance.

At its meeting on 28 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 (ISQM 1)
- the policy on monitoring quality control compliance
- the quality control review process
- the report on the peer review of internal quality control reviewers
- the assessment criteria
- a consideration of review statistics and overall results
- a consideration of review reports and final decisions on proposed ratings for 2020-21
- the possible impact of findings on policies and procedures, and on quality control policies
- scheduling 2020-21 reviews

The results are reported under performance information on the system of quality control on page 60.

Knowledge, skills and competencies of the QCAC members

MS TSAKANI MALULEKE 46
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.

MS LINDA DE BEER 47
CA(SA), Chartered Director (SA)
Date of appointment: 2015
100%

Linda is a professional director serving on the boards of a number of JSE-listed companies, often chairing their audit committees. Her appointments include chairing institutions that focus on oversight, reporting, governance and auditing standards.

MR JAN VAN SCHALKWYK 54
CA(SA)
Date of appointment: 2021
Acting deputy auditor-general
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 CBC. Jan served as acting deputy auditor-general from January 2021.

MR JOHN BIESMAN-SIMONS 67
BCom CA(SA)
Date of appointment: 2013
100%

John served as an audit partner at Deloitte & Touche for 13 years. He currently serves as a non-executive director of a JSE-listed REIT, chaired its audit committee for ten years and is chairperson of other private companies. He has served on the audit committees of a number of public and private sector organisations.

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. Remco 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)
- Audit engagement plans that could affect our funding and reward structure
- Consideration of consultation process for the auditor-general's remuneration

Knowledge, skills and competencies of the remco members

DR MARK BUSSIN 58
BSc, HDPM, MM, D Com, Master Reward Specialist
Date of appointment: 2007
Chairperson
100%

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.

MR BERNARD NKOMO 61
BCom, Advanced Executive Development Programme, Senior Management Development Programme
Date of appointment: 2008
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.

MS MPUSENG TLHABANE 59
B Admin Ind Psych, MDP, MyPDA Coach Analyst, FLA Coach, NLP Practitioner, Master HR Practitioner
Date of appointment: 2008
100%

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.

MS NAZLIE SAMODIEN 51
B Soc. Science, PDM, M Dip (HR), GRP, Master Reward Specialist
Date of appointment: 2009
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.

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 Afrosai-e, the regional chapter of Intosai.

We subscribe to the following standards and principles:

- The International Standard on Quality Control (ISQC 1)
- 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*.

Value and benefits of supreme audit institutions

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

MAKING A DIFFERENCE TO THE LIVES OF CITIZENS

Our strategy is shaped around these principles of ISSAI P-12 and aims to add value to the people of South Africa.

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

STRENGTHENING ACCOUNTABILITY

- Independence of SAI
- Enabling those charged with governance
- Carrying out audits
- Reporting on audit results

2 Demonstrating ongoing relevance to citizens and other stakeholders

RELEVANCE TO STAKEHOLDERS

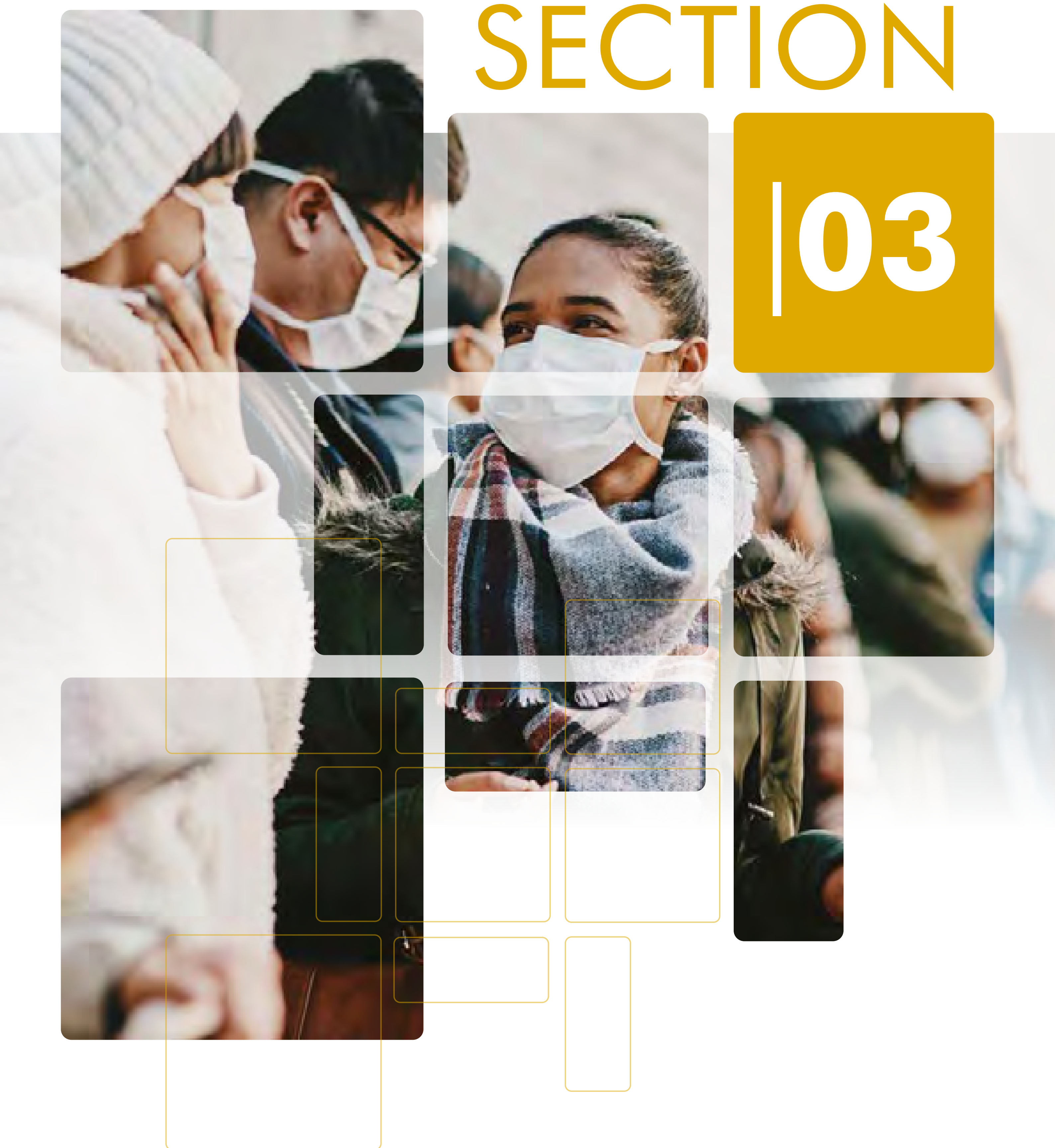
- Responsive to changes & risks
- Credible source of insight & guidance
- Effective communication
- Capacity building through learning

3 Being a model organisation through leading by example

BEING A MODEL ORGANISATION

- Own transparency & accountability
- Striving for service excellence & quality
- Complying with own code of ethics
- Own good governance

SECTION |03



INTEGRATED ANNUAL REPORT PROFILE

Our reporting period is from 1 April to 31 March. The last annual report was tabled in Parliament on 30 September 2020.

REPORTING CYCLE AND APPROACH

Every year we produce an integrated annual report to account to Parliament for our performance during the previous financial year.

This integrated annual report provides a concise and balanced account of our performance from 1 April 2020 to 31 March 2021 against the commitments outlined in the *2020-23 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 sustainability 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 International Financial Reporting Standards (IFRS) and the PAA.

Our focus for the content of this report

Matters of significance are those that have a large impact on our ability to create value and affect our sustainability. 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.

These material topics are defined by exco in the strategic commitments made to Parliament, which are based on our long-term strategy and outlined in detail in the AGSA's *2020-23 Strategic plan and budget*. They are confirmed at the end of the reporting period in consultations with those corporate executives responsible for leading the various strategic goals.

The material aspects are applicable to all AGSA business units, while the material aspects of our value-adding auditing and visibility for impact strategic goals are applicable to all our 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.

Following our year-end consultations, we identified new material topics: the way in which our organisation executes its audits while prioritising the health and safety of our employees, preventative controls and the need for real-time auditing.

The impact of the pandemic introduced changes that caused us to reprioritise our initiatives or limit the scope and boundary of the material aspects of our environment we had identified. These areas are outlined in the body of the report.

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

We adhere to the principles of the King IV code that are relevant to us as a chapter 9 institution rather than a private sector company. 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 reports are on pages 112 and 116 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 contribution to seeking assurance on the organisation's integrated annual 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, cost-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. Certified service providers annually train the members of this committee on their responsibilities to the assurance of the integrated report.

APPROVAL OF THE REPORT

This report is reviewed by the audit committee, deputy auditor-general and auditor-general and approved by the auditor-general before it is published for external use.

Auditor-general's approval

The auditor-general has applied herself to ensure the integrity of the *2020-21 Integrated annual report*. She has 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 auditor-general is satisfied that the *2020-21 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.

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 2021, has been approved by the auditor-general.

Signed:
Auditor-General

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:

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 value, respect and recognise all people
- Our accountability is clear and personal
- We are performance driven
- We work effectively in teams
- We value and own our reputation
- We are proud to be South African.

Our four strategic goals

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

VALUE-ADDING AUDITING — **V1**

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.

Reporting on this goal is on pages 53 – 62.

VISIBILITY FOR IMPACT — **V2**

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

Reporting on this goal is on pages 63 – 72.

VIABILITY — **V3**

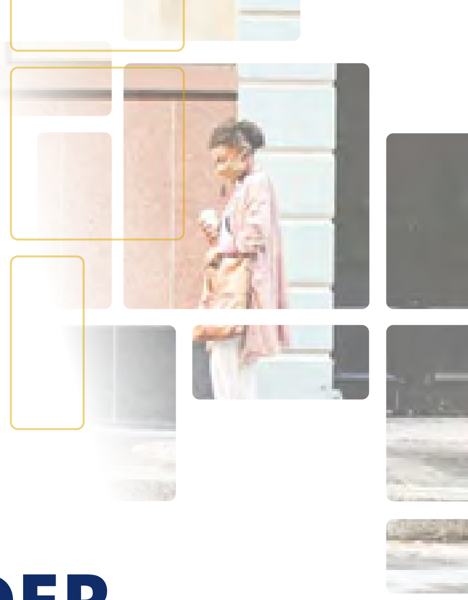
Focuses internally to ensure that we have the necessary resources: an enabling legal framework, independent financial resources, and the required skills, competencies and culture to execute our mandate economically, efficiently and effectively.

Reporting on this goal is on pages 73 – 90.

VISION AND VALUES DRIVEN — **V4**

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 91 – 102.



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.

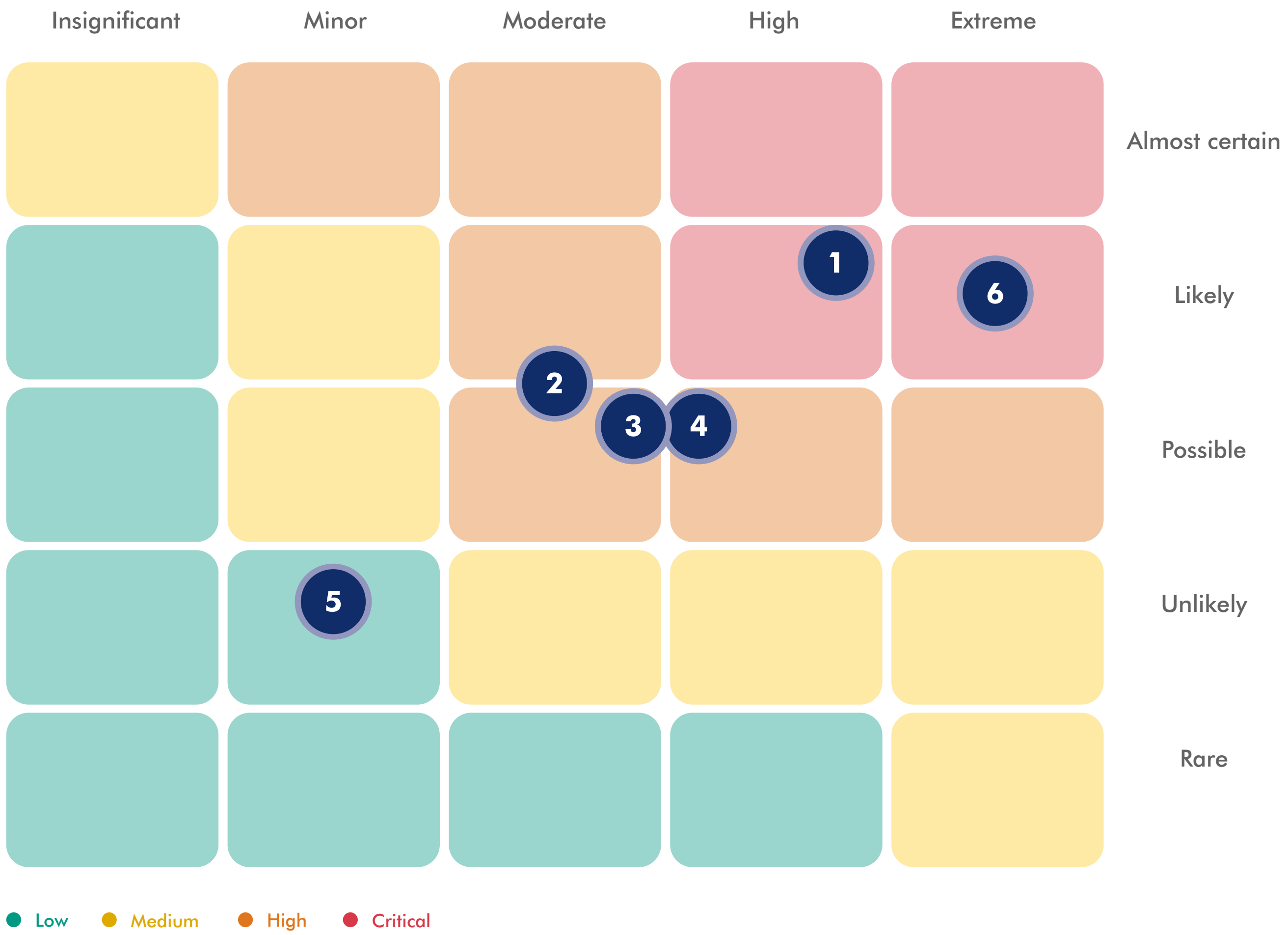
It should be noted that although the risk descriptions on the profile remained relatively unchanged, most factors/ root causes driving the risks changed in line with the changes in the environment.

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

BUSINESS MODEL

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 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 professional auditors

Secondary processes

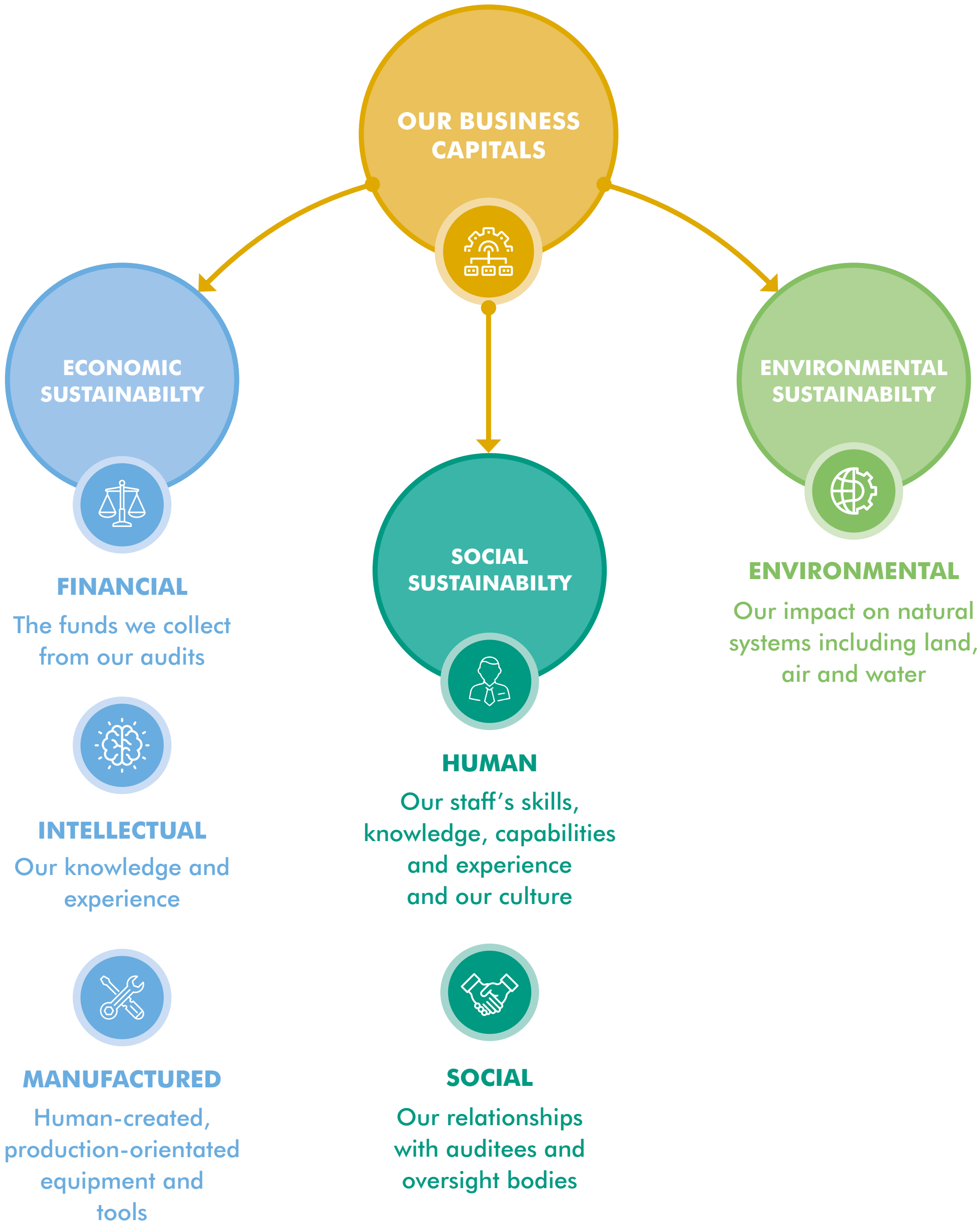
- Communication with stakeholders
- Stakeholder relations management
- Human resource management
- Legal
- Information technology management
- Information and records management

Management control

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

OUR BUSINESS CAPITALS

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.



2020-21 AGSA BUSINESS MODEL

BUSINESS INPUTS/RESOURCES

the capital at the beginning of the year

Financial capital

- Surplus R190 million
- R107 million income from pooling resources
- Reserves to the value of R1 121 million
- Debt owed to the AGSA of R931 million
- Cost optimisation initiatives

Intellectual capital

- Audit process that includes identifying MIs
- 1 070 audit reports issued
- Two general reports issued
- Audit technical guidance including on the MI process
- Audit technical guidance material
- Government's covid-19 funding audit plan
- Technical expertise
- Status of records review included in the audit process

Manufactured capital

- All our offices have remained unchanged
- Property, plant and equipment of R100 million
- Optimised TeamMate R12.0
- Implemented various ERP enhancements in line with the organisation's priorities

Human capital

- Reviewed the organisation's values to align them with our desired culture
- Diverse, skilled, capacitated and motivated workforce of 3 667
- A pipeline of 1 241 trainee auditors
- 144 students passed APC exams
- Increased number of registered audit professionals: CA(SA) – 682, RGA – 506, Cisa – 92, Acca – 47
- Accountable and ethical leaders (introduced the leadership development programmes such as LDP and EDP)
- Suppliers: 104 contract work firms and 2 671 general suppliers
- 59 academic trainee auditors and 280 Thuthuka bursary holders
- Recruited 221 trainees with CTA

Social capital

- Ranked 5th among the most attractive employers in the Universum employer of choice survey of students studying accountancy qualifications, and 12th in its survey of business and commerce professionals currently working in accountancy
- Improved and evolved relationships with stakeholders
- Maintained level 1 B-BBEE contributor status

Environmental capital

- Total carbon emissions to 13 372,5 CO_2e

OUR BUSINESS PROCESSES

BUSINESS OUTPUTS

the output at the end of the year

- Deficit R293 million
- Received R70 million from the National Revenue fund (NRF) in payment for 1% auditees
- Received R44 million from 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
- Overhead expenses were R115 million below the budget

- 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
- Audit methodology agile when under pressure
- Issued preventative control guides

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

- Integrated culture improvement plan inclusive of new organisational values and culture statement
- Diverse, skilled, capacitated and motivated workforce of 3 703
- An accumulative 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

- 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

- New head office building boasts AAA green rating
- Virtual meetings and engagements
- Carbon footprint reduced further to 1 580,13 CO_2e

BUSINESS OUTCOMES

The impact on our environment

- 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 findings from real-time audits assisted the Fusion Centre's investigations
- Ability to respond to rapidly changing environments
- Increased relevance to our stakeholders

- 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 |04

ACCOUNTABILITY REPORT

IMPLEMENTING THE ENHANCED MANDATE

Value adding auditing objective 1: Demonstrate value-adding auditing

PERFORMANCE MEASURE
% completed actions as per the PAA project plan

2020-21 TARGET	2020-21 ACTUAL
80% – 100% completed actions for the 2020-21 financial year as per the PAA implementation plan	81%

Amendments to the PAA enhanced our powers and mandate to promote decisive action from those charged with the responsibility of safeguarding public resources, and enabling them to prevent or recover losses of public resources. In the 2020-21 financial year, we advanced our enhanced mandate while completing our annual audits under challenging conditions and conducting real-time audits of the covid-19 initiatives.

THE PAA IMPLEMENTATION APPROACH

We implemented the MI process at 146 auditees in the 2019-20 audit cycle compared to 25 in the previous year. Our focus was on auditees that represent a significant portion of the government's expenditure budget and irregular expenditure at national, provincial and local government (including SOEs), and on key contributors to government priorities. We 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.

An MI is reported on every year until it is resolved

When is an MI fully resolved

- The loss, misuse or harm was prevented
- Any losses have been recovered or all possible steps have been taken to recover the losses
- Any further loss, misuse or harm is prevented
- Appropriate steps have been taken against the person or party responsible for the loss, misuse, or harm

THE SECOND YEAR OF IMPLEMENTATION

We continued to consult with technical and legal specialists on difficult, contentious or complex matters to ensure that our decisions were legally sound and informed by evidence. We also mitigated potential risks to our audit quality by subjecting selected audits to at least two levels of independent reviews, including pre-issuance, peer and quality control proactive reviews.

Using lessons learnt from our first phase of implementation, we enhanced our training material and shifted our training approach from fundamental theoretical training to practical targeted training based on the implementation experience. Mindful of the current economic climate, we recruited conservatively for critical roles including legal and technical specialists. All other resourcing was from contracted firms or secondments across the organisation.

MATERIAL IRREGULARITY COMMITTEE

The MI committee (MIC) is an internal governance committee that ensures consistency in applying the MI process. During 2020-21, the committee considered submissions of identified MIs and recommended action for the following auditees:

- Free State Department of Human Settlements (5 MIs)
- Free State Department of Education (1 MI)
- Department of Defence (1 MI)
- Ngaka Modiri Municipality (2 MIs).

The MIC also recommended referring one matter at the Mathjabeng Municipality to the Directorate for Priority Crime Investigation (Hawks) for investigation.

We closely monitored the recommendations in the previous audit cycle to the Gauteng Department of Health and the Passenger Rail Agency of South Africa (Prasa), and a referral to the National Treasury. The results at the time of writing this report were:

- the recommendations to the Gauteng Department of Health were implemented, which resolved the MI and resulted in the accounting officer investigating the R8 million financial loss and taking the appropriate action to address the internal control weaknesses
- the recommendations to Prasa to conclude the investigation and determine the employees responsible for the R2,2 billion financial loss was still being implemented.
- the Northern Cape Department of Health matter that was referred to the National Treasury for investigation was still under way.

ADVISORY COMMITTEE ON MATERIAL IRREGULARITIES

The independent advisory committee on material irregularities (ACMI) is important to implementing our enhanced powers. The committee held its first meeting in August 2020 and a two-day workshop in February 2021, which introduced members to our general functions and, more specifically, the MI process.

The members also spent significant time defining the ACMI's terms of reference and method of work to ensure that the independence of the committee remains intact.

Since the MI implementation has not reached the stage where the auditor-general has considered issuing certificates of debt, the ACMI has not heard any oral representations by accounting officers or members of accounting authorities.

Summary of the MIs identified during the 2019-20 national, provincial and local government audit cycles

STATUS OF MIs REPORTED IN AUDIT REPORTS

DESCRIPTION	National and provincial government	Local government
Accounting officer/authority is taking appropriate actions	33	6
Recommendations in the audit report for the accounting officer/authority's action	8	3
Referred to a public body for investigation	1	1
Accounting officer/authority resolved the MI	3	–
Total	**45**	**10**

2019-20 LOCAL GOVERNMENT AUDIT CYCLE

NATURE OF IDENTIFIED MATERIAL IRREGULARITIES (MIs)

96 MIs identified to date with an estimated financial loss of R2 billion

DISCLAIMERS – 21 MIs

Full and proper records not kept causing repeat disclaimers of opinion and resulting in substantial harm to municipalities (lack of service delivery and/or vulnerable financial position)

PROCUREMENT AND PAYMENTS

Non-compliance in procurement processes resulting in overpriced goods and services procured
1 MI **R2,5 million estimated loss**

Payment for goods and services that were not received or making invalid salary payments
18 MIs **R285,9 million estimated loss**

INTEREST AND PENALTIES

Eskom, water boards, loans and suppliers not paid on time resulting in interest
23 MIs **R979,3 million estimated loss**

Payout and value-added tax return not paid on time or incorrectly calculated resulting in South African Revenue Services interest and penalties
11 MIs **R54,7 million estimated loss**

REVENUE MANAGEMENT

Revenue not billed
8 MIs **R182,3 million estimated loss**

Debt not recovered
2 MIs **R149,4 million estimated loss**

INVESTMENTS AND ASSETS

Loss of investments
3 MIs **R264,9 million estimated loss**

Assets not safeguarded resulting in loss
9 MIs **R116,6 million estimated loss**

2019-20 NATIONAL AND PROVINCIAL GOVERNMENT AUDIT CYCLE

NATURE OF IDENTIFIED MATERIAL IRREGULARITIES (MIs)

75 MIs identified to date with an estimated financial loss of R6,9 billion

PROCUREMENT

Non-compliance in procurement processes resulting in overpriced good and services procured
27 MIs (14%) R983 million estimated loss

Non-compliance in procurement processes resulting in the appointed supplier not delivering
2 MIs (32%) R2 221 million estimated loss

EXPENDITURE MANAGEMENT

Payment for goods or services that were not received or were of poor quality
24 MIs (21%) R1 447 million estimated loss

Invoices or claims not paid on time resulting in interest or penalties
11 MIs (2%) R151 million estimated loss

REVENUE MANAGEMENT

Revenue not billed
2 MIs (10%) R666 million estimated loss

Debt not recovered
2 MIs (16%) R1 096 million estimated loss

RESOURCE MANAGEMENT

Inefficiencies – no benefit derived from cost
6 MIs (4%) R285 million estimated loss

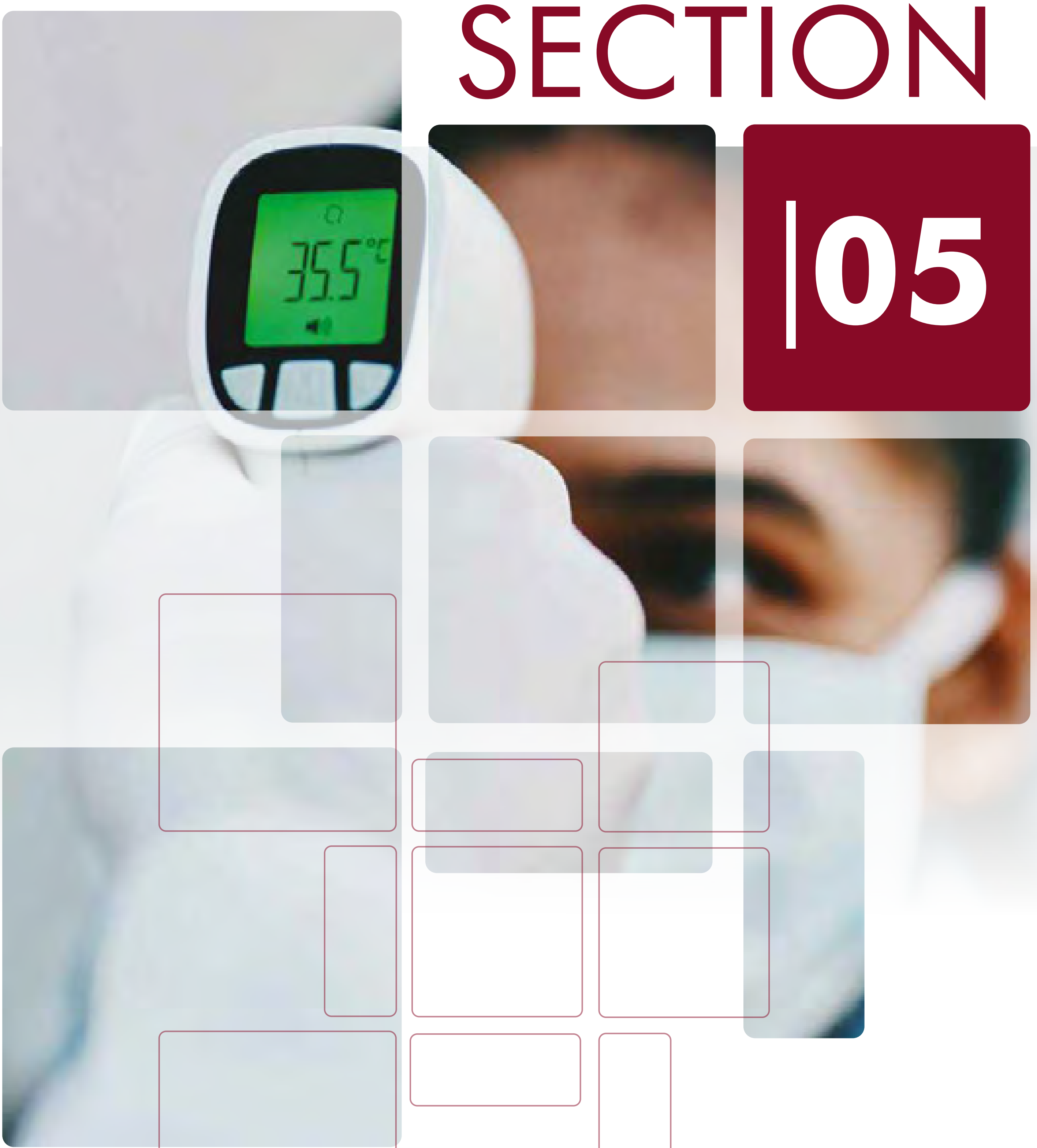
Assets not safeguarded resulting in loss
1 MI (<1%) R1,5 million estimated loss

CONCLUSION

We reprioritised some of our initiatives in an effort to balance the competing priorities in the current reporting period. This, coupled with the intention of implementing the MI process at all our auditees over the next two to three years will inform much of the work planned for the 2021-22 financial year.

We will also finalise agreements with identified public bodies to formalise the practical implications of the referral process.

SECTION |05



REPORT ON PERFORMANCE

We communicate audit outcomes and the root causes of audit findings, and provide recommendations to address them in our general reports.

STRATEGIC GOAL 1: VALUE-ADDING AUDITING (V1)

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.

This year, the covid-19 pandemic had an impact not only on our staff wellbeing but also on our ability to conduct and complete audits. We had to adapt to working remotely, using technology to provide new ways of working with our auditees.

The pandemic restricted access to our auditees' premises and documents, and affected their readiness for audit. Their poor ICT systems and facility closures meant that we had to find new ways of performing our data analytics procedures. One of these initiatives was to receive data downloads from the auditees' IT teams, giving us direct access to their databases. This real-time access also gave us the ability to report our findings more frequently.

Most importantly, we increased our relevance as a supreme audit institution by conducting special audits (real-time audits) in support of the government's relief programmes.

Real-time audits require multi-disciplinary teams of various specialists. While our capacity and the initiatives to integrate these specialists into our annual audits stood us in good stead, these additional real-time audits strained our capacity as they were done in parallel with our annual audits. Our audit teams had already been affected by the legislated delays in submitting the annual financial statements and the constraints of working in a covid-19 environment. To complete all our audits, we had to revise the scope of the 2019-20 national, provincial and local government audit cycles.

Despite all the challenges, we delivered consolidated general reports on the annual audits and issued three special audit reports on the real-time audits of covid-19 initiatives.

Government priorities and relevant public spending guide the audit focus of our annual audits. These audits therefore focused on the infrastructure, education, health, water and sanitation, and roads infrastructure sectors to bring to light deficiencies in specific service delivery programmes in our audit reports.

Over the past two years, we strengthened our message that government should invest in controls that prevent mistakes, transgressions, fraud, abuse and financial losses. We also launched a set of guides on preventative controls in September 2020 to make the concept more accessible to the various oversight bodies.

We have had some success and we appreciate those auditees that have responded to our recommendations, status of record review initiatives and the insight we shared during our engagements. It is sobering to note that these improvements are not widespread yet and we remain concerned that the improvements at some auditees are not sustainable. We acknowledge that more needs to be done to entrench and enhance these improvements.

OUR AUDIT OF GOVERNMENT'S PANDEMIC RELIEF SPENDING

Value adding auditing objective 1: Demonstrate value-adding auditing

PERFORMANCE MEASURE

Tabling a special report on real-time audits conducted during the state of disaster in 2020-21

2020-21 TARGET	2020-21 ACTUAL
The special report is tabled on the date specified by the auditor-general	Tabled as at June 2021

3 reports

The South African government's approach to the pandemic and national lockdown included a multipronged fiscal package, which expanded during the year to mitigate the lockdown extension and its effects on the country's citizens and economy.

Our status as a supreme audit institution perfectly positioned us to play an independent role in assessing the risks to the programmes launched and in proactively detecting and exposing practices that could ultimately result in wasting public money.

In September and December 2020, and June 2021, we tabled three special reports on government's financial management of the pandemic relief initiatives. These reports covered initiatives in these broad categories:

- paying benefits and grants to relieve economic and social distress
- procuring personal protective equipment
- frontline initiatives to protect against and manage the impact of covid-19
- following up on accounting officers and authorities' commitments to take action
- focusing on the covid-19 funds to local government and how accounting officers take action to improve their controls of the special funds.

The reports highlighted risk areas such as irregularities, poor controls and systems, and indicators of potential fraud. They enabled oversight bodies to play a more proactive role. Of the accounting officers and executive authorities, 37% took action by implementing our recommendations and, in some cases, even took disciplinary steps. The remainder had partially implemented their commitments.

All three reports were well received by government, oversight bodies, the public and the media. This increased our relevance during a difficult time in our country.

The audit and reporting differed significantly from the annual audits in the following ways:

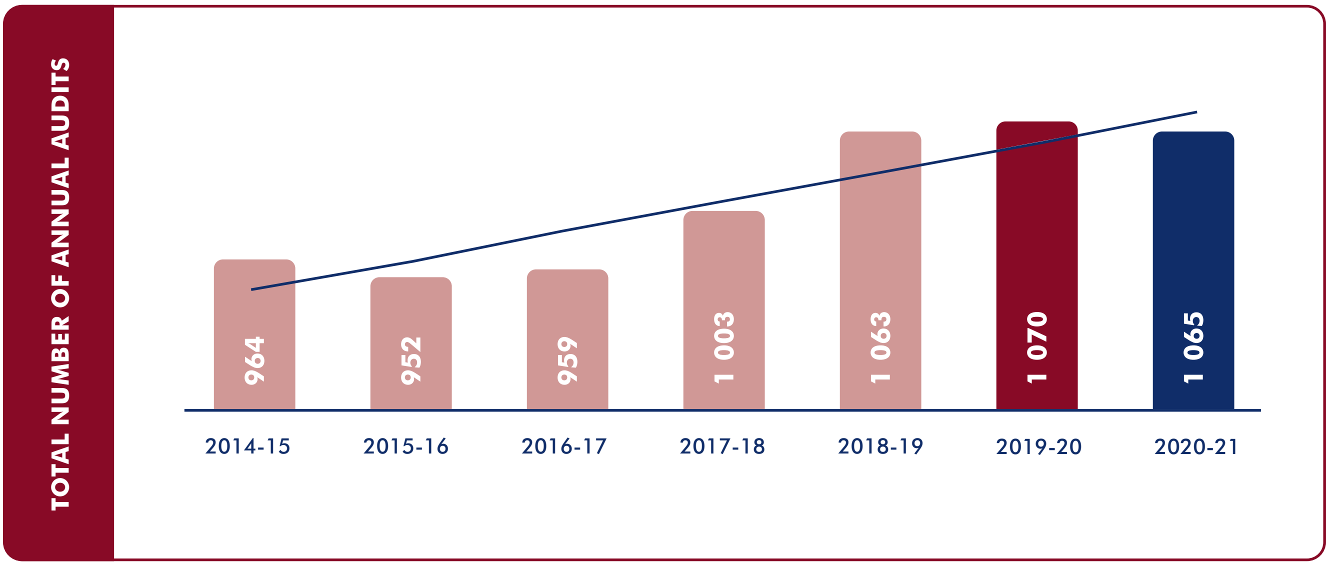
- These real-time audits looked at transactions, payments or procurement processes almost directly after they took place.
- The focus was on prevention and can be seen as a deterrent to prevent abuse.
- Data analytics were used extensively to identify risks and transactions that were not valid or accurate, or were incorrectly rejected.
- Multidisciplinary teams helped us identify fraud risks and incorrectly configured systems controls, and provided deeper insight on the quality, pricing and delivery of goods and services purchased.

- We reported to oversight bodies through special reports at intervals during the audit and as matters unfolded, enabling immediate oversight.
- We shared our analyses, red flags and findings directly with investigative agencies through the multiagency Fusion Centre, enabling swift action.

We will consider making real-time auditing and reporting an integral part of our audits, especially for key government programmes where it can prevent abuse and programme failure.

Significantly, our normal auditing work did not come to a halt during this time. In parallel with the pandemic-related audit, we continued to work on the annual audit of national, provincial and local governments.

AUDIT OUTCOMES OF THE 2020-21 AUDIT



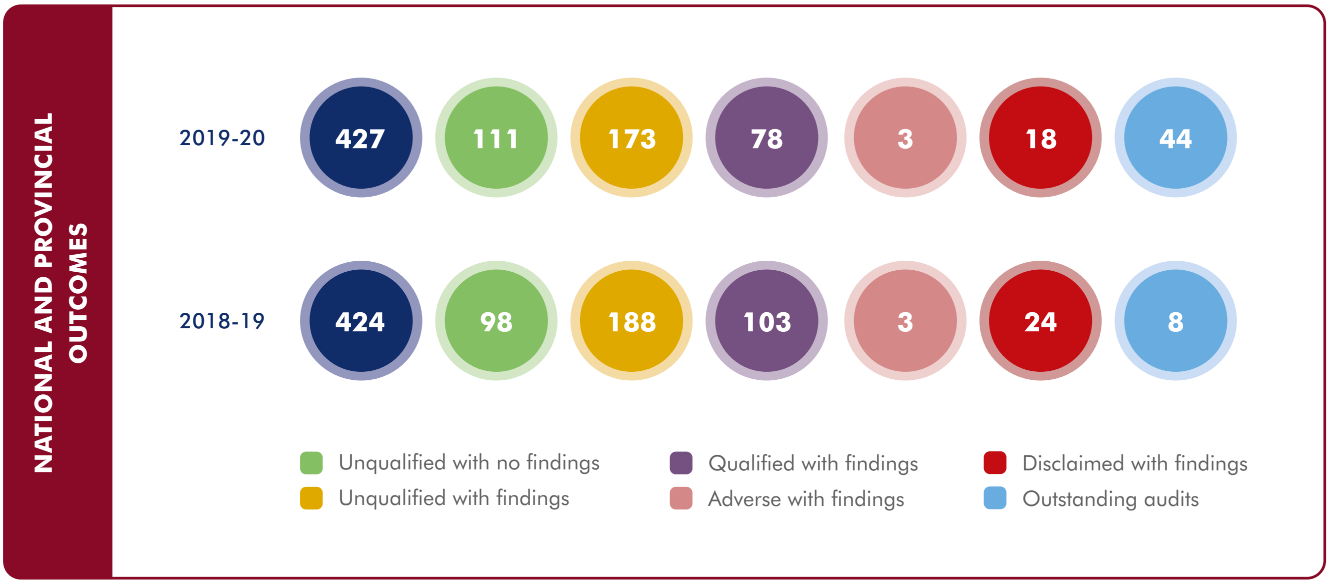
Despite the additional audit work related to the real-time audits, we maintained the same level of annual audits. We achieved this by optimising our audit portfolios, and with the incredible dedication of our staff.

National and provincial audit outcomes

In the 2019-20 national and provincial general report, we highlighted that:

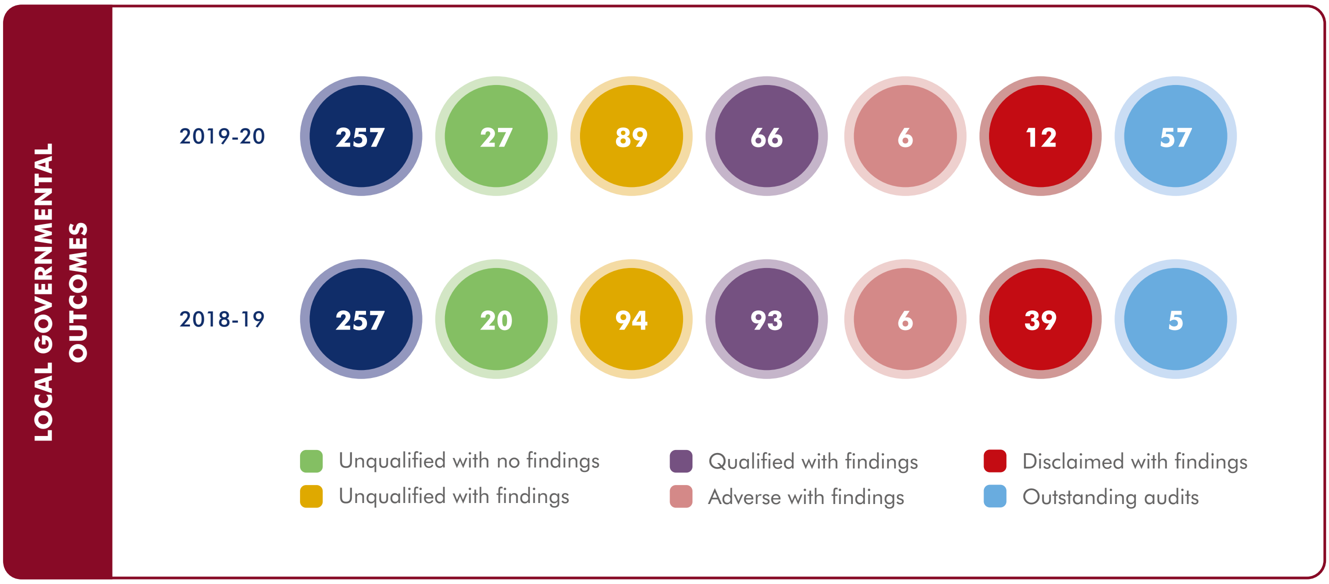
- sustainable solutions are required to prevent accountability failures
- in some areas a "quick fix" will not turn the situation around. Some problems will require deeper attention to prevent failures
- there must be consequences for accountability failures
- improving auditees' financial management should be a priority
- there are opportunities for progressive and sustainable change.

Overall, audit outcomes improved, with 66 (16%) auditees receiving better results and 35 (8%) regressing. Across national and provincial government, we cannot yet see the progressive and sustainable improvements required to prevent accountability failures and deal with them appropriately and consistently. We also do not see the fundamentals strengthened to enable strong financial management disciplines across all auditees. Our theme for this general report was, appropriately, a continued call to act on accountability.



Local government audit outcomes

The 2019-20 local government audit outcomes show a net decline among our auditees. Forty-one auditees (16%) improved their audit outcomes while 51 auditees (20%) regressed. The number of auditees that received clean audit outcomes increased slightly.

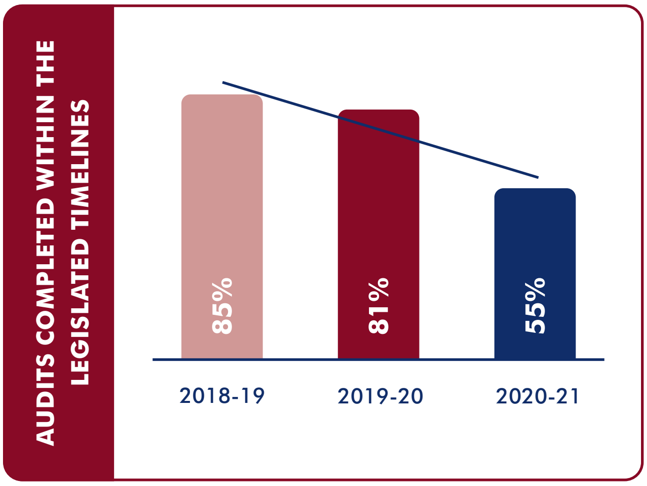


Audits completed within the legislated timelines

In response to the national lockdown and the impact on the auditees' financial management functions governed by the Public Finance Management Act 1 of 1999, the minister of finance issued an exemption from complying with deadlines contained in the Act. The deadline for submission of annual financial statements from national and provincial auditees was extended from 31 May 2020 to 31 July 2020.

The minister of finance also exempted municipalities and municipal entities from complying with the deadlines of the Municipal Finance Management Act 56 of 2003. The deadline was moved from 31 August 2020 to 31 October 2020.

These extended timelines had an impact on the date that auditees submitted their financial statements to the AGSA. Our initiatives to improve our audit report timelines, such as the audit milestones and project management training, had to be adjusted to respond to these extended timelines. We appreciate the support of our auditees and their leadership, and applaud them for keeping on course in these difficult times.



On average, we completed a combined 55% of audits within legislated timelines. At 68% completion, national and provincial audits performed better, with local government audits at 28% completion. The delays in national and provincial audits placed the local government audit cycle under further stress and compounded the problem of delayed audit sign-off.

The pandemic played a large role in audits not being completed on time, as the audit teams often had to respond to their own and auditee infections, isolation periods and restraints. While we were able to audit remotely, the audit portfolio continued to suffer the effect of the pandemic long after lockdown restrictions eased.

The ripple effect of the legislated delays continued into the 2020-21 national and provincial audit cycle undertaken in 2021, as teams worked on local government audits at the same time as the national and provincial audits commenced.

The upcoming local government elections are subtly starting to cause more pushbacks on negative audit outcomes from auditees.

The continued pressure in the audit environment, especially in light of the third wave of the pandemic, is likely to have an impact on the next two audit cycles.

Delivering audits through multidisciplinary teams

Multidisciplinary teams harmonise a diversity of skills and expertise from regularity, information systems, investigations and performance auditors. This created well-rounded teams that showed an understanding of our auditees' businesses, enabling them to navigate the complexities of an environment associated with high expenditure and greater audit risk.

Multidisciplinary teams include professionals that specialise in:

- information technology governance
- risks and controls systems
- data analytics
- information security
- financial fraud and investigations
- key government sectors, and includes health professionals, economists, education specialists and engineers.

The Specialised Audit Services (SAS) portfolio consists of the Information Systems Auditing business unit (ISABU), the Investigation business unit (IBU) and the Performance Audit business unit (PABU). SAS's contribution to audit risk assessment, fraud data analytics and specialised auditee knowledge added deeper audit insight and improved efficiencies. Their support included areas such as:

- data analytics on general controls and evaluating large volumes of data on high-risk transactions (ISABU)
- supply chain management contract reviews, forensic data analytics and fraud risk engagements (IBU)

- focus areas for our real-time audits, specialised insight on the focus areas, and economy, effectiveness and efficiency during procurement (PABU).

Their knowledge on the subject matter resulted in effective and efficient audits.

Challenges during multidisciplinary audits

In isolated cases, we could not use SAS's full expertise because of their limited resources. We are actively recruiting to fill these vacant positions while running training and development programmes to enhance our capabilities. In the interim, we have implemented a pre-audit risk-rating model that rates auditees to prioritise assistance for medium to high-risk auditees, which will use our constrained resources more effectively.

We have also piloted our data analytics project at five sites to increase our capabilities and our audit coverage to drive real-time auditing.

Stand-alone audits

Stand-alone audits are focused audits that drill down to unearth the root causes of mismanagement, irregularities or deficiencies in government initiatives. These audits do not span a performance year, but could cover the lifetime of a project or the period of the alleged irregularity or mismanagement.

Investigations

The requests for investigation increased by 56% this year to 126 (2019-20: 81 requests). A substantial number of the requests received either do not fall within our mandate or can be addressed during the annual audit process. Going forward, we will raise awareness of the types of matters that our mandate covers and strengthen our relationships with public bodies that are better equipped to deal with these matters.

Performance Auditing

The PABU is conducting a follow-up performance audit on the rehabilitation of abandoned mines at the Department of Mineral Resources. The objective of the audit is to evaluate the effectiveness of management's corrective actions, implemented since the first performance audit on this topic in 2009. We will conclude this report during 2021.

ENHANCING OUR AUDIT PORTFOLIO

Developing capacity in the banking and financial services sector

To support business units that audit the banking and financial services sector, we implemented a programme to gain a deeper understanding of these auditees using a formalised skills transfer that included numerous sessions with our strategic partners in the auditing field. Our teams have also taken on more complex audits in the banking sector and executed them successfully. The capacity building has led to a specialised risk-based audit approach to banking and financial services audits, and allowed us to standardise our audit programmes to align with best practice.

Taking over section 4(3) audits

As part of our strategy to systematically take over audits of SOEs, we continued to pay special attention to those SOEs that are critical to our country.

We officially took over the Transnet audit in October 2020 after a two-year transition. Our highly skilled team benefited from working closely with the former appointed auditors to deepen our knowledge of the entity in the build-up to taking over the audit. This effectively allowed us to follow a risk-based approach to auditing Transnet.

SUMMARY OF AUDITS TAKEN OVER

15 of 21 schedule 2 entities audited by us

Strict oversight of governance in section 4(3) audits

We have enhanced strict oversight of SOE audits by implementing the PAA regulations and continue to assess each institution classified as section 4(3) to ensure that we concur with the conditions of appointing private auditors to enforce governance and oversight.

The concurrence process requires us to reach consensus with the auditee and section 4(3) auditors on the concurrence conditions. In collaboration with the South African Institute of Chartered Accountants (Saica), we held a section 4(3) lecture to inform private auditors about the amended regulations and highlight their expected cooperation on the concurrence process.

We identified threats of familiarity at some institutions that have been audited by the same private auditors for between five to 20 years. This was especially rife at universities. We therefore imposed conditions on these section 4(3) auditees to appoint new auditors for the 2021-22 audits. While we received pushback from some of our auditees and private audit firms, we will continue to strictly implement our regulations without fear or favour, especially given the concerns about audit quality and auditor independence.

Agility of our audit methodology

Our audit methodology has proven its agility in responding to the additional risks emerging from the pandemic and the lockdown. We adjusted our audit processes to cope with the legislated delays in audits, limits on our ability to visit auditees, the covid 19 initiatives' real-time audits and implementing the MI process. We are satisfied that our audit methodology has achieved its purpose and is agile enough to meet future challenges and opportunities.

Our differentiated approach

Our methodology currently provides for different audit approaches to small and dormant auditees, and auditees with repeated disclaimers of opinion.

We expanded the categories of our auditee portfolio this year. This will enable us to develop additional differentiated audit approaches and ensure that we audit what matters in the most efficient and effective manner. We will implement the categorisation and the differentiated audit approaches in 2021-22.

Innovative ways to conduct audits using technology

In this performance year, we introduced the innovation think tank, recognising the importance of innovation in the current environment. This created a platform where auditors can share ideas with a specific focus on enhancing audit efficiencies.

We focused on three central themes:

1. ensuring that we only touch information once
2. using technology to increase our efficiency
3. increasing audit assurance without doing additional work

We developed concepts that required greater automation in our audit approach. This approach was used to audit the appropriation statement during its pilot at three audit business units, and achieved an 80% decrease in audit time and 60% decrease in costs. The result was a testament to the potential of automation in the broader audit process.

This approach will be institutionalised and rolled out in all our annual audits in 2021-22. As we explore further innovation, we will focus on expanding our use of novel technologies to achieve further efficiencies in our auditing.

CONTINUOUSLY AND SUSTAINABLY IMPROVE THE QUALITY OF OUR AUDITS

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

PERFORMANCE MEASURE

% adherence to quality standards: audit engagements

2020-21 TARGETS	2020-21 ACTUAL
80% – 90% (C1, C1#, C2 and C3 rating)	81%

Given our disappointing quality control results over the two previous performance years, we committed to an audit quality improvement action plan that we continued to implement during the performance year. Although these activities were hampered by our need to reprioritise our internal initiatives to respond to the national and global environment, we were able to turn the tide on non-compliance with audit standards. This year, we subjected 58 audit files to a post-issuance quality review and obtained an 81% compliance rate with quality standards against a target range of 80% to 90%. We are pleased with the improvement from last year, which is a result of:

- proactively reviewing selected audits that phased in the MI process
- enhancing targeted communications on audit quality
- enhancing our technical analysis
- conducting transversal root cause analysis with specific corrective actions.

We also supported new and acting engagement managers, and managers that had previously received a non-comply rating. The support plan included compulsory pre-issuance reviews, audit report consistency reviews, business executive support, coaching or peer reviews and a coaching support programme that included compulsory sessions offered by an accredited coach.

We tightened pre-issuance review processes and enforced standards of finalising and archiving audit files, and will continue to monitor the corrective actions.

Implementing the International Standards on Quality Management

The International Auditing and Assurance Standards Board modernised the International Standards on Quality Management (ISQM). Our exco approved the move to replace the ISQC1 with the ISQM 1 and 2. These new standards on managing audit quality are tailored to an evolving and increasingly complex environment that includes the impact of technology and using external service providers.

Our fundamental redesign processes to adapt to the new requirements had been slowed down due to our audit priorities. We continued to raise organisation-wide awareness, engage directly with key business process owners and explore the impact of the new standards.

We are confident that implementing the new quality management standards will contribute positively to improvements in our audit quality results.

Audit quality indicators

To improve the quality of our audit engagements, for the past few years we have worked on our audit quality indicators (AQIs). AQIs provide an early warning of potential threats to audit quality, and are subdivided into two main categories: in-flight AQIs and post-flight AQIs. In-flight AQIs are indicators based on real-time data of specific audits and audit support activities and shared during an audit cycle. Post-flight AQIs are indicators based on historical data and shared after the audit cycle to provide insight on emerging audit quality risks.

We approved our current set of AQIs in July 2020 and issued four in-flight AQI reports designed to promote and deepen our internal culture, which recognises that our audit quality is our licence to operate. Going forward, we intend to use these reports for corrective action.

Contracted audit firms accountability model

We have strengthened controls on the quality of audit work that we expect from contracted audit firms. This is in response to the poor quality of audits produced by some of these firms, which had an impact on our audit product.

The contracted audit firm accountability model was introduced in May 2019. It requires any firm we contract to ensure that its audits meet the minimum quality standards and undergo quality control reviews before submission to the AGSA. This process and continuous monitoring led to an improved audit product.

We have also worked on a system of consequences for contracted audit firms that have adverse quality outcomes.

Pre-issuance reviewers

We rely on pre-issuance reviewers to improve audit quality. We engage with these reviewers on their, and the engagement manager's responsibilities, as well as escalation processes during the review process.

As part of strengthening the pre-issuance review process, we investigated the role of pre-issuance reviewers on files that had obtained non-comply quality control assessment ratings in 2019-20.

Pre-issuance reviewers who did not adequately discharge their responsibilities were either removed from the database or received warning letters.

We launched a pre-issuance review online reporting platform to gather data and feedback from pre-issuance reviewers. This platform allows us to identify the root causes of poor quality reviews and improve areas of weakness in the process. Reviewers raised the following challenges:

- the allocation process was not consistent and reviewers feared raising findings because of a perception of victimisation
- skills and experience were lost because reviewers were changed annually during each audit cycle
- the allocation process was lengthy and resulted in lost time.

To address these challenges, we introduced a new allocation process that assigns reviewers to the same audit for the duration of the tender cycle.

During June and July 2020, we trained pre-issuance reviewers on their responsibilities and the audit software to ensure that they were adequately skilled to support our audit quality.

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

Our special reports on our real-time audits raised awareness and encouraged action from government and oversight bodies before the relief initiatives saw any further abuses, losses or mistakes. These audits enabled 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. This increased our relevance during a difficult time in our country.

We reduced our audit scope during our annual audits to allow us to balance the parallel real-time audits and our annual audit cycles. However, we are confident that our response did not have a negative impact on the value that we added to auditees and oversight bodies.

Our innovation think tank worked as a platform for auditors to share ideas focused on enhancing audit efficiencies and greater automation in our audit approach.

Our audit methodology's agility assisted us to respond appropriately to the risks generated by the pandemic, to perform real-time audits and to audit large and complex SOEs.

As part of our strategy to systematically take over SOE audits, we continued to pay special attention to those SOEs that are critical for our country to function. Our capacity-building journey and multidisciplinary teams enabled us to take over the Transnet audit seamlessly and continue to support the Eskom audit as planned. We continue to play a pivotal role in overseeing those SOEs that we have opted not to audit directly.

The number of staff who gained a deeper understanding of the banking and financial services sector increased, which led to a specialised risk-based audit approach to this sector and allowed us to standardise the audit programme.

CONCLUSION ON THE PERFORMANCE OF THE VALUE-ADDING AUDITING STRATEGIC GOAL (CONTINUED)

We reinforced our message for government to invest in controls that prevent transgressions, fraud, abuse and financial losses, and launched a set of guides on preventative controls to make the concept more accessible to oversight bodies.

The positive responses from some auditees to the outcomes of our work have not yet manifested in their environment. We remain concerned that the improvements at some auditees are not sustainable and the fundamentals of strong financial management disciplines are not being strengthened across all auditees. We are aware that more needs to be done to entrench and enhance these improvements.

A number of initiatives such as proactive reviews, enhanced targeted communications, root-cause analysis and corrective actions were undertaken to improve audit quality. We also developed a support plan for new and acting senior managers and managers that had previously received a non-comply quality rating, and implemented the AQIs. These initiatives allowed us to turn the tide of non-compliance with audit standards, confirmed by our 81% compliance with quality standards against a target range of 80% to 90%.

We continued to raise awareness on the ISQM 1 & 2 standards to prepare the audit environment. Implementing the new quality management standards will contribute positively to improvements in our audit quality results.

Key challenges

The pandemic continued to affect our operations significantly. Substantial legislated and audit process delays put our audit teams under tremendous pressure, although they did everything in their power to complete their audits.

Auditee closures due to lockdowns and their poor IT systems restricted our access for data analytics procedures. We resolved this by getting direct real-time access to their databases, which saved a lot of time and effort, and enabled us to report our findings more frequently.

The real-time audits also stretched our capacity to deliver beyond the normal audit cycles, especially among the SAS units. Our SAS units had to increase their capacity in a short time frame to meet the demands of the audits.

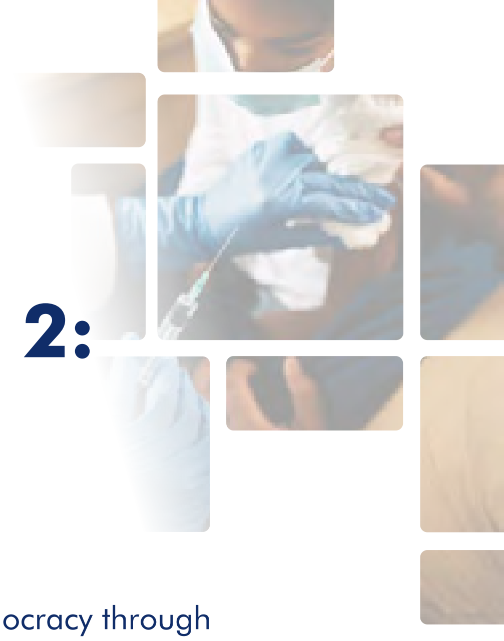
Future outlook

We will continue to capacitate our SAS units to effectively respond to the risks in our audit environment. Real-time auditing and reporting, which uses such teams extensively, is being considered as an audit approach for the future, especially for key government programmes where it can be used to strengthen prevention measures against abuse and programme failure. 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 expanded 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 implement these categories and differentiated audit approaches in the next performance year.

The substantial increase in requests for investigation that do not fall within our mandate indicates that we need to raise awareness of the types of matters that our mandate covers. We also need to strengthen our relationships with public bodies that are better equipped to deal with matters that fall outside of our scope.

Our audit methodology is the foundation from which we continue to explore opportunities that add greater value to our auditees. The methodology is agile enough to meet future challenges and we will continue to seek innovation to further the success of our innovation pilot project. We will focus on expanding our use of novel technologies to achieve greater audit efficiencies, while introducing and institutionalising initiatives to sustain and improve our compliance with audit standards.



STRATEGIC GOAL 2: VISIBILITY FOR IMPACT (V2)

Our mission is to strengthen South Africa's democracy through auditing that enables oversight, accountability and governance 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 support our stakeholders by engaging them on our products and presenting them with audit insight. Broadly, we categorise our stakeholders as either constitutional or non-constitutional.

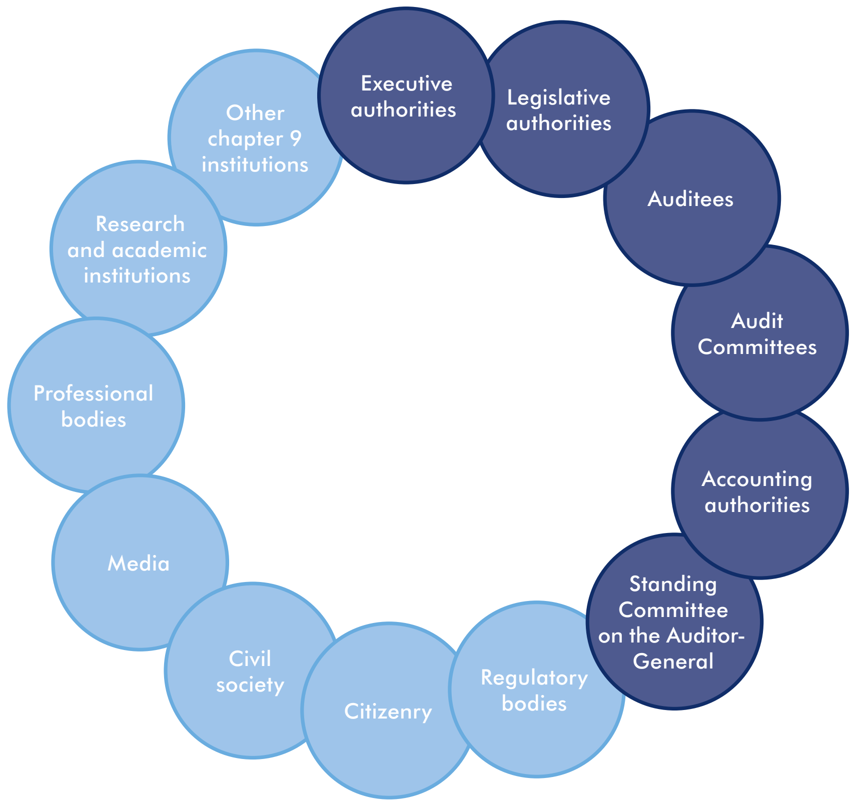
Our constitutional stakeholders – those identified through the Constitution – include our auditees, the executive and legislative stakeholders. Non-constitutional stakeholders – identified over the years as integral to achieving our mandate and improving public sector accountability – include the citizens of South Africa, public and CSOs, the media, standard-setters, professional institutions, other state institutions that support constitutional democracy, Intosai and Afrosai-e.

OUR APPROACH TO STAKEHOLDER MANAGEMENT

We use a simple three-step approach:

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

AGSA'S KEY STAKEHOLDER GROUPS



CONSTITUTIONAL STAKEHOLDERS

Visibility for impact objective 1: Achieve impact through visibility programmes

PERFORMANCE MEASURE

% implementation of our visibility programmes (constitutional stakeholders)

2020-21 TARGETS	2020-21 ACTUAL
80% – 100% of the planned engagements for 2020-21	195%

Impact of our visibility programmes

At the start of each annual cycle we customise our visibility programmes to ensure that our engagements achieve their desired impact and return on investment by convincing stakeholders to act. In these interactions, we emphasised the lack of preventative controls in the government's financial system, the lapse in financial management and the implications of our enhanced mandate. We also focused on selected auditees that disbursed covid-19 funding and acknowledged the improvements made.

We prioritised 292 constitutional stakeholders for 524 interactions to help influence change, improve or maintain strong financial management systems, and implement corrective action where necessary. However, we exceeded our planned interactions by holding 1 023 interactions with these stakeholders for the year. This was in some part driven by engagements during our real-time audits.

Our visibility programmes provided ministers and portfolio committees with a platform to ask clear accountability questions related to our audit findings and covid-19 expenditure. We shared the audit outcomes of national and provincial, local government and real-time audits, and insight on transversal audit issues. The objective was to empower ministers to replicate good practices and establish corrective measures where required.

The covid-19 pandemic created an opportunity for innovation in stakeholder management, and the ability to engage virtually aided our quarterly engagements. Our proactive guidance and insight on preventative controls for government's covid-19-related expenditure provided added opportunities for collaboration. The Unemployment Insurance Fund was typical of an entity that benefitted from our interactions by recouping funds disbursed inappropriately.

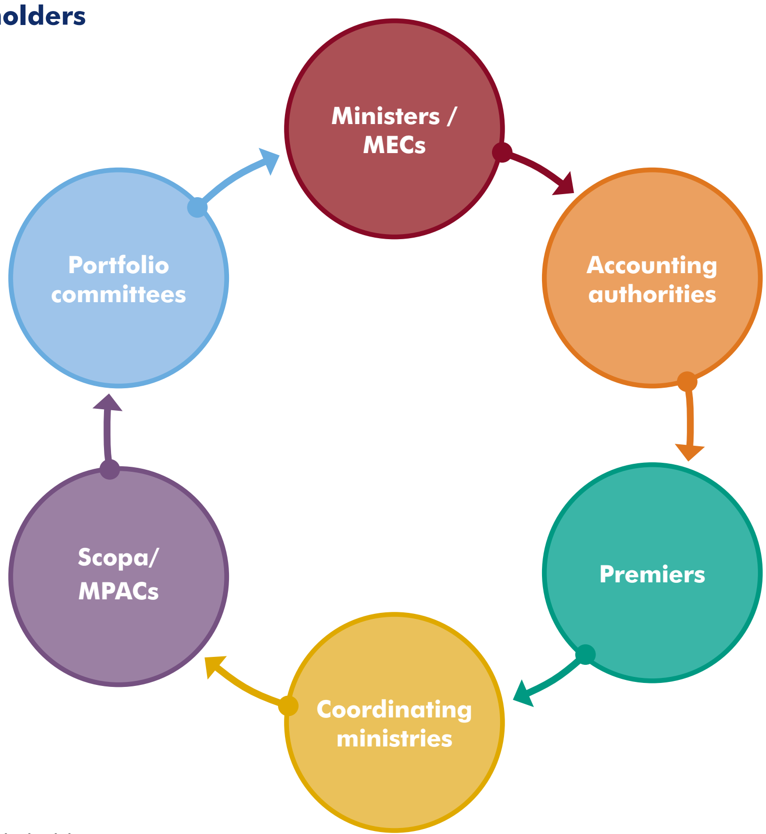
Overall, we believe that our interactions helped stakeholders carry out their mandates. Our constitutional stakeholders gained a better understanding of our audit messages and accounting officers who heeded our advice constructed audit action plans that addressed key internal control deficiencies and helped close their internal control gaps.

Interactions with legislated oversight bodies included sharing audit insight to equip them to scrutinise accounting officers' reports and publicly hold executive authorities to account for their stewardship of public funds. These institutionalised interactions with ministries, and portfolio and public account committees have matured. However, more action is required to improve audit outcomes.

Oversight leaders asked us to fast track our enhanced mandate and highlighted the need for all investigations into financial losses to be accompanied by a clear process for recovering funds. This expectation was largely in response to the slow pace of consequence management in departments. We responded by providing an update on the process of identifying and dealing with MIs, and emphasised the partnerships with all role players.

We will continue to enhance our visibility programmes to ensure that our messages remain relevant to all our stakeholders.

Constitutional stakeholders



Prioritised constitutional stakeholders

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 cooperative governance development, local government, public financial management, performance, monitoring and evaluation and public administration.

Executive

The executive authorities are stewards of the apportioned public funds. They have executive powers to determine the direction of resources for service delivery to benefit citizens.

We engaged with them quarterly, either individually, collectively on platforms like in Cabinet or on roadshows, and through written communication.

The National Assembly and National Council of Provinces

We usually interact with the collective of the National Assembly and National Council of Provinces (NCoP) leadership after each audit cycle. For 2020-21, we first met with the house chairpersons individually and, later, with the committee of chairpersons where all the oversight committees' chairpersons are represented.

Using our general reports, oversight leaders immediately scheduled interactions with specific departments to address the findings. They responded to our special covid-19 report by driving the executive authority to call for speedy consequences, as the minister of employment and labour did in relation to the UIF.

Portfolio committees

The oversight committees remain critical to spreading our messages; they occupy a unique position to deal with sector-specific audit outcomes. The diversity of oversight committees also allows us to brief committees on a wide array of findings.

We interacted with all portfolio committees during the annual budget review and recommendations reports (BRRR) interactions. These interactions are meant to assess the state of financial management in each government department. Given the delayed submission of financial statements for auditing, the BRRR process took place a month later, which affected the uniformity of preparation and execution during this critical oversight process.

Using our audit findings, committees were able to formulate relevant and impactful resolutions in their respective BRRR reports.

Standing Committee on Public Accounts

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

We assisted Scopa with briefings ahead of hearings and oversight visits in which they closely scrutinised the SOEs, with a particular focus on the fiduciary duties of their boards.

In an effort to maximise its oversight impact, Scopa also sought strategic engagements with the AGSA and the SIU, especially during its oversight of the covid-19 disbursements.

Association of Public Accounts Committees

The Association of Public Accounts Committees (APAC) serves as the coordinating structure for national and all provincial Scopa chairpersons. It provides a cost-effective platform for engaging oversight on transversal issues. We engaged the APAC on the audit outcomes of both cycles and jurisdictions. The APAC has demonstrated an understanding of the root causes of audit outcomes in public hearings where accounting officers and executive authorities appeared for scrutiny. We look forward to the APAC playing an active role in equipping its members and support staff for heightened oversight.

Preventative controls guidance to constitutional stakeholders

In reprioritising our activities in response to the imperatives of our real-time audits, we refined our status of records reviews in 2020-21 to enhance our proactive approach and focus on preventative controls. While the status of records review provides an early warning to accounting officers, preventative controls are measures that enable accounting officers to maintain a solid set of controls that are applied daily to business processes.

Going forward, the preventative controls will form part of the status of records review.

The engagement on preventative controls extended to parliamentary oversight committee chairpersons and the APACs. This empowered them to oversee the executive authority and accounting officers during public hearings.

The importance of the preventative control guides in these interactions bodes well for incorporating them into our audit engagements.

NON-CONSTITUTIONAL STAKEHOLDERS

Collaboration with law-enforcement and other agencies

Since we commenced the real-time audits, we have enhanced our engagements and cooperation with the SIU and the Office of the Public Protector on allegations and investigations related to covid-19 expenditure. This cooperation prevented duplication of efforts when auditing and investigating this expenditure as the three offices' mandates and functions complement each other.

Government established the multiagency Fusion Centre in July 2020 to respond to risks identified in covid-19 expenditure. It comprises various law enforcement agencies to detect, investigate, prosecute and recover lost assets. Although we are not a law enforcement agency, we provided much-needed information on irregularities identified during the real-time audits. This significant information was used to follow up and refer cases to the relevant law enforcement agencies.

The impact was that the SIU used our findings on irregularities in the temporary employee/employer relief scheme (Ters) payments to motivate for an investigation into the Ters programme in its entirety. These investigations led to prosecutions and the recovery of some of the misappropriated funds.

Our virtual engagements increased our interaction, with various memorandums of understanding (MoUs) being agreed.

Standard-setters and regulators

Our strategy also requires non-constitutional stakeholder engagements with like-minded institutions that are responsible for regulations and setting accounting and auditing standards. We continued to strengthen our partnerships and cooperation with the institutions responsible for reporting frameworks and supporting legislation to improve the quality of these reports. Our main objective is to collaborate with and influence these stakeholders to ensure that our technical audit insight is used to execute their mandate. At the same time, we gather relevant insight from them for our own use.

National Treasury

We engaged with the National Treasury as one of the key standard setters for financial reporting frameworks and as a custodian of the national and provincial government and local government financial management legislation. Within the National Treasury we regularly interact with the Office of the Accountant-General and the Office of the Chief Procurement Officer.

Our objective in engaging with these offices is to resolve contentious technical matters, arising from our audits. These deliberations help to improve the consistency of responses and the way auditors and auditees apply these resolutions. We also provide inputs and comments on standards, templates, procurement prescripts, guidelines and other technical documents.

Accounting Standards Board

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

Formal trilateral meeting

The formal trilateral meeting is between the AGSA, the director-general at National Treasury and the chief executive officer of the ASB. 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 2020-21cycle, we held two meetings that focused on identifying areas of collaboration between the three institutions.

Performance information task team

The Performance Information Task Team (PITT) is a discussion forum with a collaborative advisory role. Its purpose is to evaluate existing performance management and reporting standards, frameworks and technical guidelines, and to provide input.

The PITT members are delegated by accounting officers from the National Treasury, Department of Planning, Monitoring and Evaluation, Department of Cooperative Governance and Traditional Affairs, Department of Public Service and Administration and the AGSA. The task team met four times during 2020-21.

The PITT provided deeper insight for consideration, which enabled us to align our current and future audit planning to performance management and reporting developments.

Professional bodies: Independent Regulatory Board for Auditors

We engage 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 the audit and is aimed at improving the quality of public sector audits performed by private audit firms.

These guides will enhance the contracted audit firms' understanding of public sector audits and improve audit quality. The IRBA also plays a role in the quality control assessment process.

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 and we are 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 needs. We aligned the audit directive that ensures a standardised audit methodology when work is performed through private audit firms.

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

Engage actively with citizens

PERFORMANCE MEASURE

% implementation of actions as per our citizen engagement programmes stakeholder engagement plans)

2020-21 TARGETS	2020-21 ACTUAL
80% – 100% of the actions for 2020-21	81%

Enhanced citizen engagement continues to be viewed as essential internationally among supreme audit institutions. The outbreak of the pandemic and subsequent national lockdowns initially disrupted how organisations disseminated messages through conferences and other face-to-face engagements.

Our investment in building and developing social media platforms as official channels to engage citizens had an impact on the presence of our audit messages in the public discourse. These well-established social media platforms allowed us to keep the public informed on issues of public accountability, transparency and good governance.

We also used social media platforms to create awareness of our proactive approach to real-time audits and profiled the auditor-general and the AGSA as thought leaders by highlighting the auditor-general's participation at the Intosai CBC webinars, online media interviews and virtual panel discussions.

When the special reports were released, social media platforms were used to drive messages using #AGSAcovidReport. These reports were issued in an environment where many citizens were anxious and asking questions about the R500 billion in relief funds. The reports and our coverage provided accurate information about the funding, directed the conversation towards preventative controls, offered updates on the issues and, most importantly, provided the public with messages of assurance that the AGSA is examining the public purse.

Enhancing community reach

Informed media coverage and engaging citizens on province-specific issues

We coordinated provincial media workshops and general report briefings that resulted in regional journalists reporting on the PAA enhancements and general report messages from an informed position. This conveyed our key messages to their communities in a balanced manner.

Engagement with professional associations and industry organisations

With social distancing restrictions introduced by the pandemic, we used virtual engagements as an alternative to face-to-face sessions with professional bodies. During these sessions, we shared audit outcomes, provided insight on our role and mandate, and engaged as thought leaders on various topics that have an impact on the profession. Topics included promoting ethical behaviour, sharing insight on public accountability and proactively auditing covid-19 expenditure, fraud and corruption.

These platforms allowed us to strengthen our relations with professional bodies, ensure that our voice is heard, increase our impact, receive stakeholder feedback and enhance our brand presence. Our leadership was invited to share their messages at webinars, conferences, seminars, symposiums and other professional forums hosted by:

- Black Management Forum (BMF)
- Chartered Institute of Government Finance, Audit & Risk Officers (Cigfaro)
- CFO SA
- Association of Certified Fraud Examiners (ACFE)
- Association for the Advancement of Black Accountants of Southern Africa (Abasa)
- Saica

Tsakani Maluleke was appointed the non-executive chair of the Board of Directors of Saica last year, while she was deputy auditor-general. In the same period, the African Women Chartered Accountants (Awca) honoured her with the public sector leader of the year award at their women's month conference. The award recognised her as an exceptional business leader who demonstrated the tenacity to succeed in her career while continuing to inspire others.

Our engagement with civil society organisations

We engaged with CSOs to explore mutually beneficial opportunities for sharing information and engaging on initiatives that formed part of government's covid-19 relief efforts. The key focus was to use this information for our risk assessment process by narrowing our attention onto hotspots and challenges.

We continued to share input on fraud, corruption in infrastructure and personal protective equipment procurement processes, with reflections on the current progress of procurement reform in relation to national development agendas.

We also presented an overview of audit outcomes, provided an update on the PAA, and deliberated on how ailing municipalities can be restored to functioning, efficient local government institutions.

The CSOs appreciated our engagements and efforts to strengthen good governance in the public sector. Long-term relationships with CSOs will assist to deepen our risk assessments and clarify our messages.

Interactions with the media

Strategic media interactions during this period largely aimed to improve balanced media coverage of our audit messages as a demonstration of the value of our investment in our media sessions. Briefings included interviews with the major mainstream media agencies such as the SABC, Newzroom Afrika and eNCA and print media publications to ensure that the general report messages were widely reported.

As part of planned, strategic communication initiatives with journalists, we also discussed the progress in implementing the enhanced PAA and clarified new concepts such as MIs, and their comparison to already known audit concepts such as irregular expenditure.

Media coverage trends

Independent media analysis of the AGSA's coverage shows that the media largely focused on messages conveyed in the three special reports and the 2019-20 national and provincial government general reports. While the media continued to report on public sector expenditure patterns, they increased their reporting on the meaning of the enhanced PAA, especially the MI implementation and findings.

Social media

In our push for continuous improvements and focus on building a sustainable digital communication environment, we developed a citizen-specific information portal to access simplified articles about our role, mandate and related topics. This portal can be found at https://onlineagsa.co.za/.

Using social media, we raised awareness of, and directed traffic to, articles and videos on our portal (through #RaiseTheBar/This affects you too campaign). We increased the reach and impact of our messages by sharing digital versions of our reports, guides, newsletters and magazines.

Our social media community grew by 21,8 % from 63 029 to 82 934 subscribers, and generated over 7 million organic impressions from our messages and just under 350 000 engagements. This improvement in the number of people following and liking our social media channels including Facebook, YouTube, LinkedIn and Twitter suggests that our investment in these channels is certainly paying off.

Appropriate social media campaigns were also used to share national, provincial and local government audit outcomes for both audit cycles using #AGSAreport, and highlight our socio-economic development efforts.

International thought leadership

We continued to play a key leadership role within the global community of 195 supreme audit institutions as the chair of the CBC, which is one of Intosai's four strategic goals. The CBC supports SAIs to maximise their value and benefits to society by developing their professional capacities. The interruption caused by the covid-19 global pandemic was used as an opportunity to respond with agility and successfully advance the CBC's key objectives through alternative means.

Through our participation in Intosai, Afrosai-e and the African Union Committee (AUC), we contribute towards the building of "the Africa we want", an aspiration of Africa's Agenda 2063, as well as a stronger global community of SAIs.

INTERNATIONAL THOUGHT LEADERSHIP

INTOSAI

- developed guidance materials in support of SAI capacity and professionalism
- staged global webinars, especially in support of SAIs in complex and challenging contexts
- played a thought leadership role by participating in global strategic dialogues
- placed a spotlight on real-time audits and auditing donor funds
- intensified stakeholder engagements, in particular with citizens and CSOs
- led the Intosai task force on auditor professionalisation

AFROSAI-E

- provided strategic advice
- supported with core financing and infrastructure
- seconded leadership, subject matter experts, and project-specific expertise
- provided bilateral support to specific African supreme audit institutions on request
- continued to share best practice

AUC

- permanent member of the board of external auditors (BoEA)
- allocated the 2019 audit of the AUC head office in Addis Ababa
- allocated a full audit of the AUC Advisory Board on Corruption (ABC) in Tanzania
- due to covid-19, the 2019 AUC financial year audit was delayed to February 2021.

In its *Supreme audit institutions independence index: 2021 global synthesis report*, the World Bank rated SAI SA as one of two very highly independent supreme audit institutions, an accolade of which we can be proud.

A strong and independent supreme audit institution is critical for strengthening governance, oversight and accountability in the public sector so that the country's public resources can be used to benefit its citizens.

The World Bank assessed 118 of its clients on 10 indicators that included: financial and operational autonomy, a constitutional and legal framework, audit mandate and transparency in the process for appointing the head of the SAI.

This is an endorsement of the work done by those who came before us and conducted themselves and the organisation with the highest level of integrity, which protected the reputation of the organisation.

– Tsakani Maluleke

CONCLUSION ON THE PERFORMANCE OF THE VISIBILITY FOR IMPACT STRATEGIC GOAL

The visibility for impact goal continues to make excellent progress. Our visibility programmes continued to influence change and obtain the return on investment in the form of timely and effective corrective actions by some auditees. Engaging stakeholders to enable and encourage them to act are essential elements in achieving our mandate.

Considering the change in our environment, we responded with an agile approach to using virtual platforms to communicate audit matters to our stakeholders. We have executed a combined 1 023 interactions with constitutional stakeholders against a planned target of 524.

We continue to engage and collaborate with a range of stakeholders that we seek to influence.

As the country turned its eyes to the funds allocated to fight the pandemic, we directed the conversation to preventative controls, using guides to assist oversight and accounting officers to proactively prevent public funds being used inappropriately. We are happy to announce that these preventative controls were well received by all our stakeholders.

We worked with identified CSOs and gained insight on hotspots and challenges in communities. We aim to continue our engagement with CSOs to strengthen the value of the work that we do.

We remain focused on implementing our citizen engagement initiatives aimed at increasing 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 has continued to grow, which increases the direct exposure of citizens to our messages on accountability, governance and oversight.

Our interactions continue to spread credible and relevant messaging to the public, especially as we discussed our approach to real-time audits.

We play a key leadership role in the global community as the chair of the CBC by developing guidance materials in support of supreme audit institutions' capacity and professionalism, and by contributing expertise to numerous Intosai working bodies. Our executive leadership participated in many international virtual events highlighting the organisation's position as a thought leader in the international community.

We also continued to support Afrosai-e with its strategic and resource requirements.

We continue to nurture a mutually beneficial relationship with Afrosai-e and assist them with our many subject matter experts to enhance their content and experience.

We are proud to have been rated one of two very highly independent supreme audit institutions by the World Bank. We take our independence very seriously as it is critical to effective public sector financial management and accountability.

Challenges:

We experienced a lot of disruption to our plans for 2020-21. A number of approaches had to be adapted to achieve our objectives for the year, including taking most of our engagements online.

Future outlook:

We look forward to strengthening our partnerships with government bodies to deal with systemic deficiencies that compromise financial management and good governance in the public sector.

We will proactively seek new methods of engaging with our stakeholders on audit outcomes, MIs, preventive controls and the real-time audits' special reports, using all viable platforms.

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.

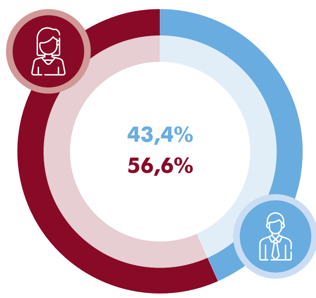
PEOPLE VIABILITY

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						
	AFRICAN	FOREIGN	COLOURED	INDIAN	WHITE	TOTAL	AGSA %
<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.

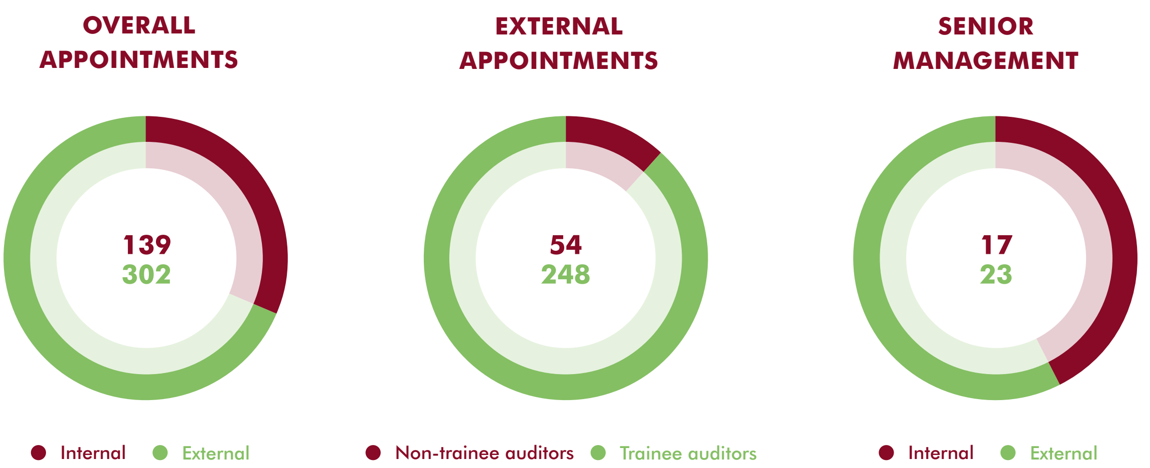
WORKFORCE DISTRIBUTION BY GENDER AND CONTRACT TYPE

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



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

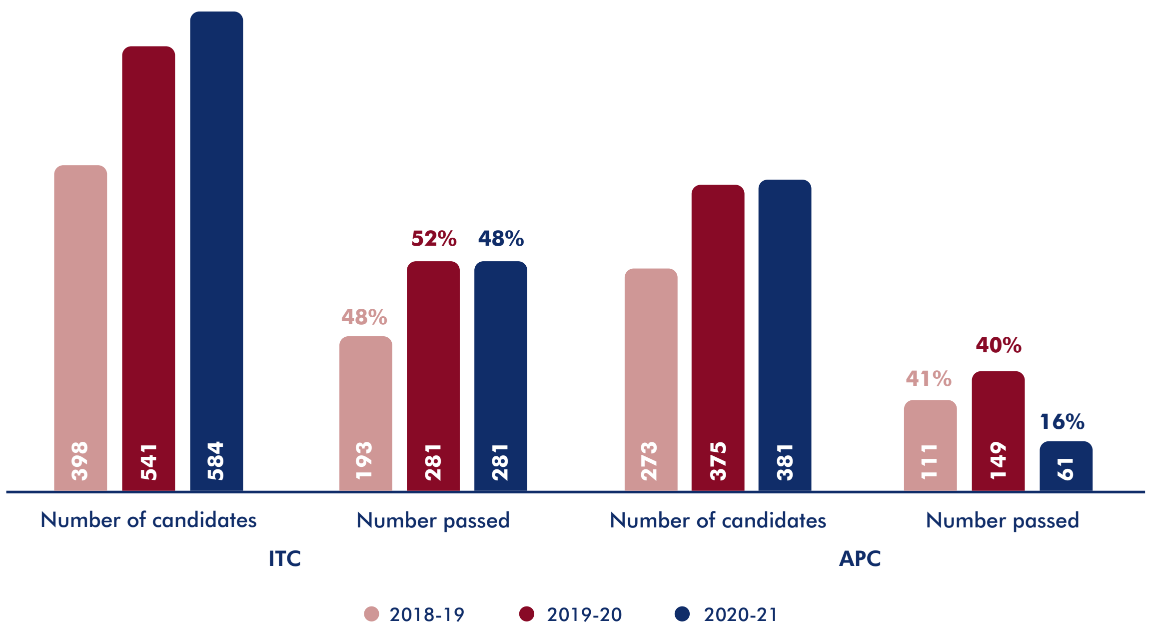
Our graduate recruitment target was reduced to 248 trainees because of the impact of the pandemic, which limited the graduate pool from which we could recruit. We met our recruitment target and exceeded our CTA target of 80%, recruiting 231 (93%) trainees that had already attained their CTA. The other 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.

PASS RATES FOR AGSA ITC AND APC CANDIDATES



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.

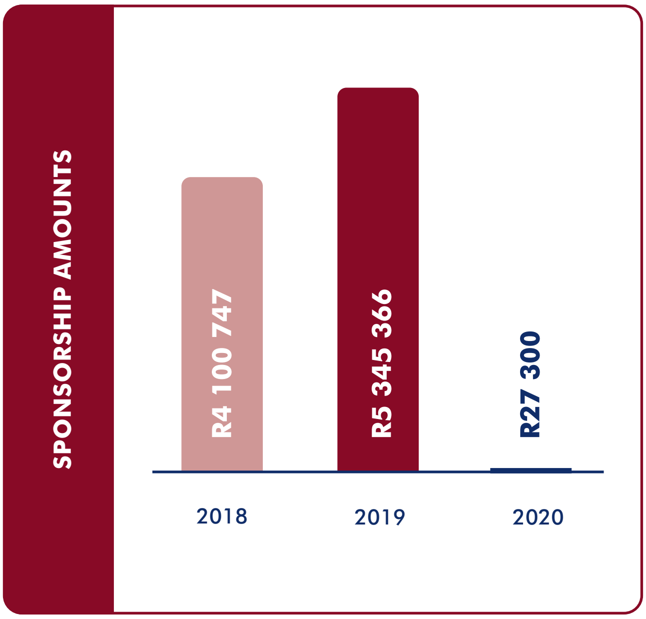
Thuthuka bursary fund

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, High or very high-risk: 0	**L:** 10 **M:** 4 **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.

STRATEGIC GOAL 4: VISION AND VALUES DRIVEN (V4)

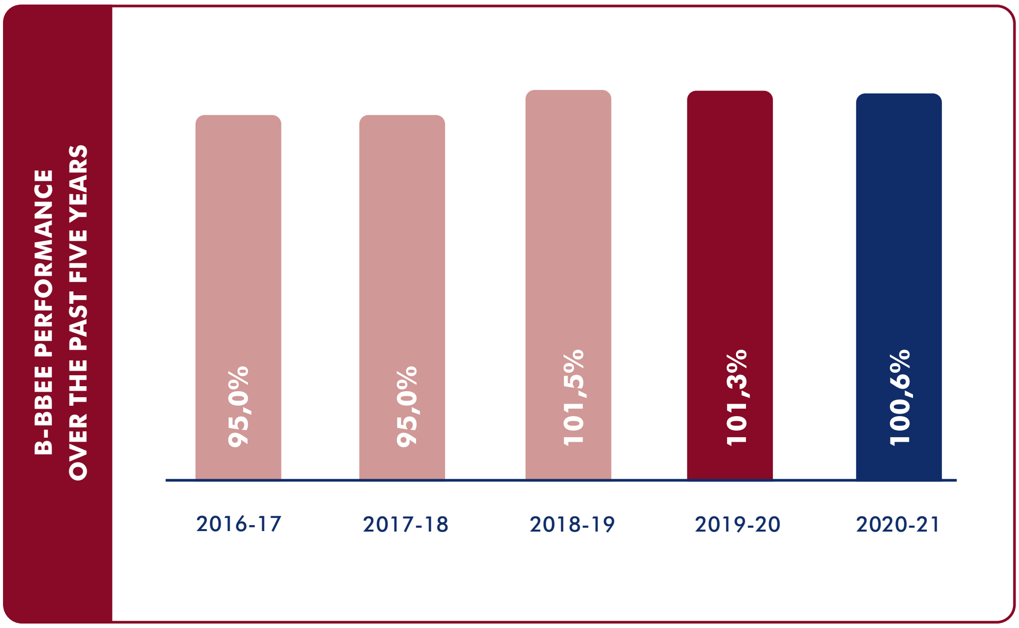
Vision and values driven objective 1: Drive the AGSA's transformation programme

PERFORMANCE MEASURE
B-BBEE level

2020-21 TARGETS	2020-21 ACTUAL
Level 2	Level 1

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.

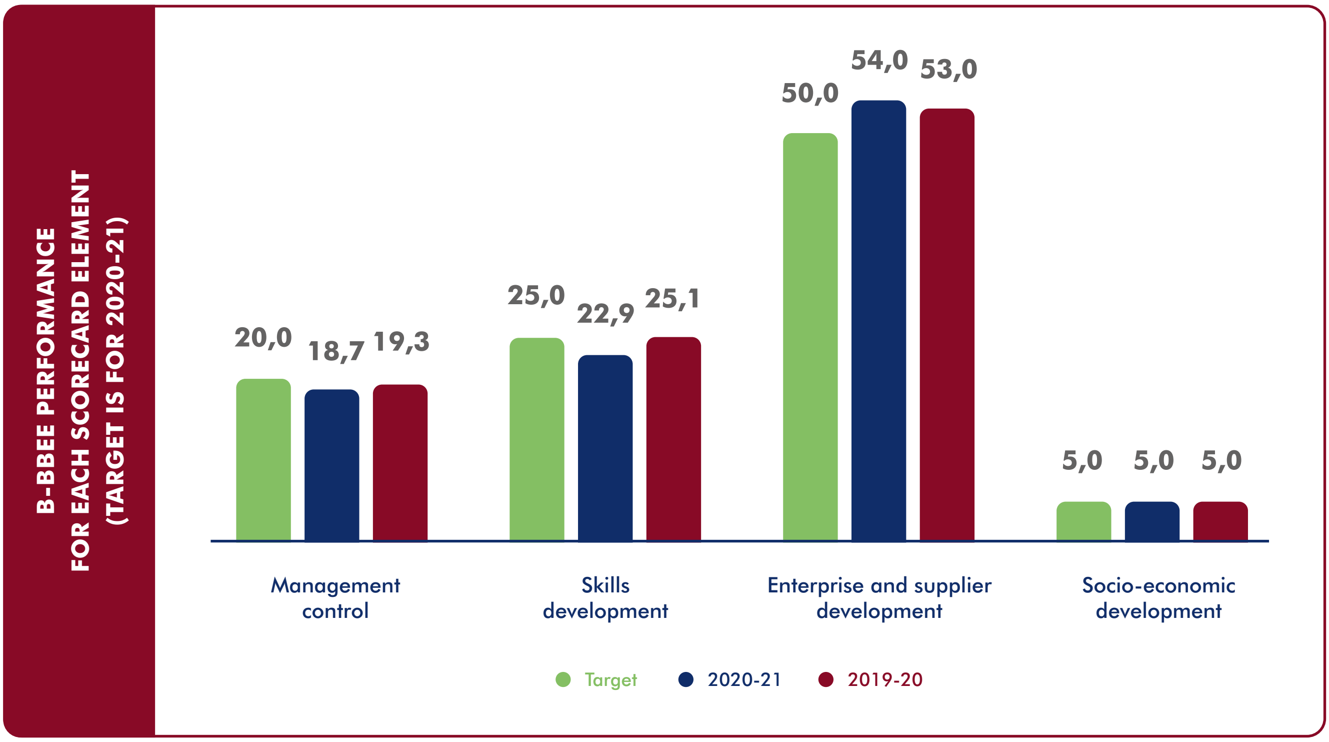
All our business units have maintained their B-BBEE performance (level 1 or 2) for the second consecutive year. The focus for the future is to go beyond numbers and define key behaviour that drives and embeds the spirit of transformation in the organisation.



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.

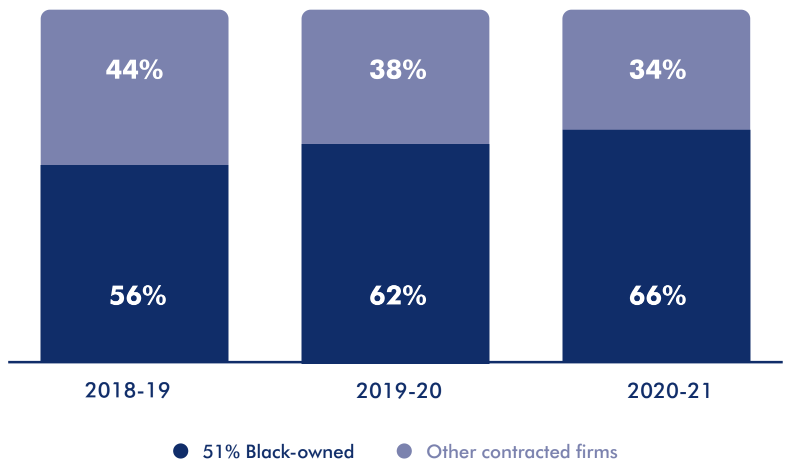
PAYMENTS TO FIRMS AT THE VARIOUS B-BBEE LEVELS

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

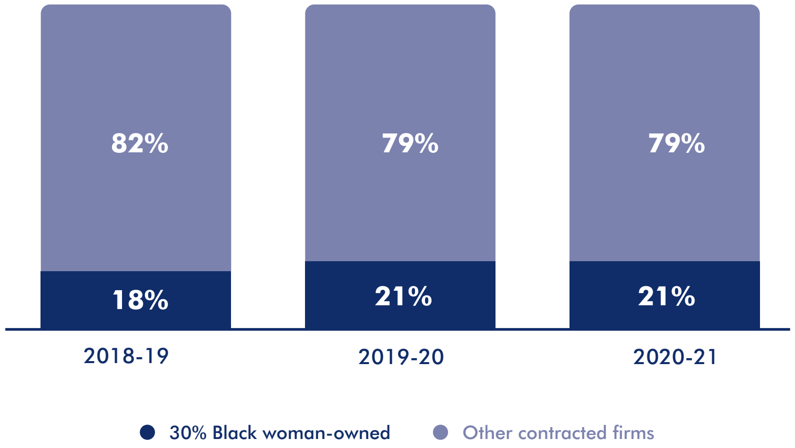
During our tender processes we continue to be open to subcontracting, and partnering with, EMEs and QSEs that are 51% black- and 30% black women-owned. We also prioritise 51% black- and 30% black women-owned firms for any ad-hoc audit work.

EXPENDITURE ON 51% BLACK-OWNED FIRMS



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

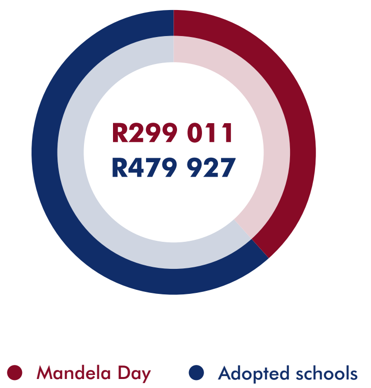


The audit work that we provided to 30% black women-owned firms was unchanged at 21% from 2019-20 to 2020-21.

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



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

PERFORMANCE MEASURE

External audit opinion

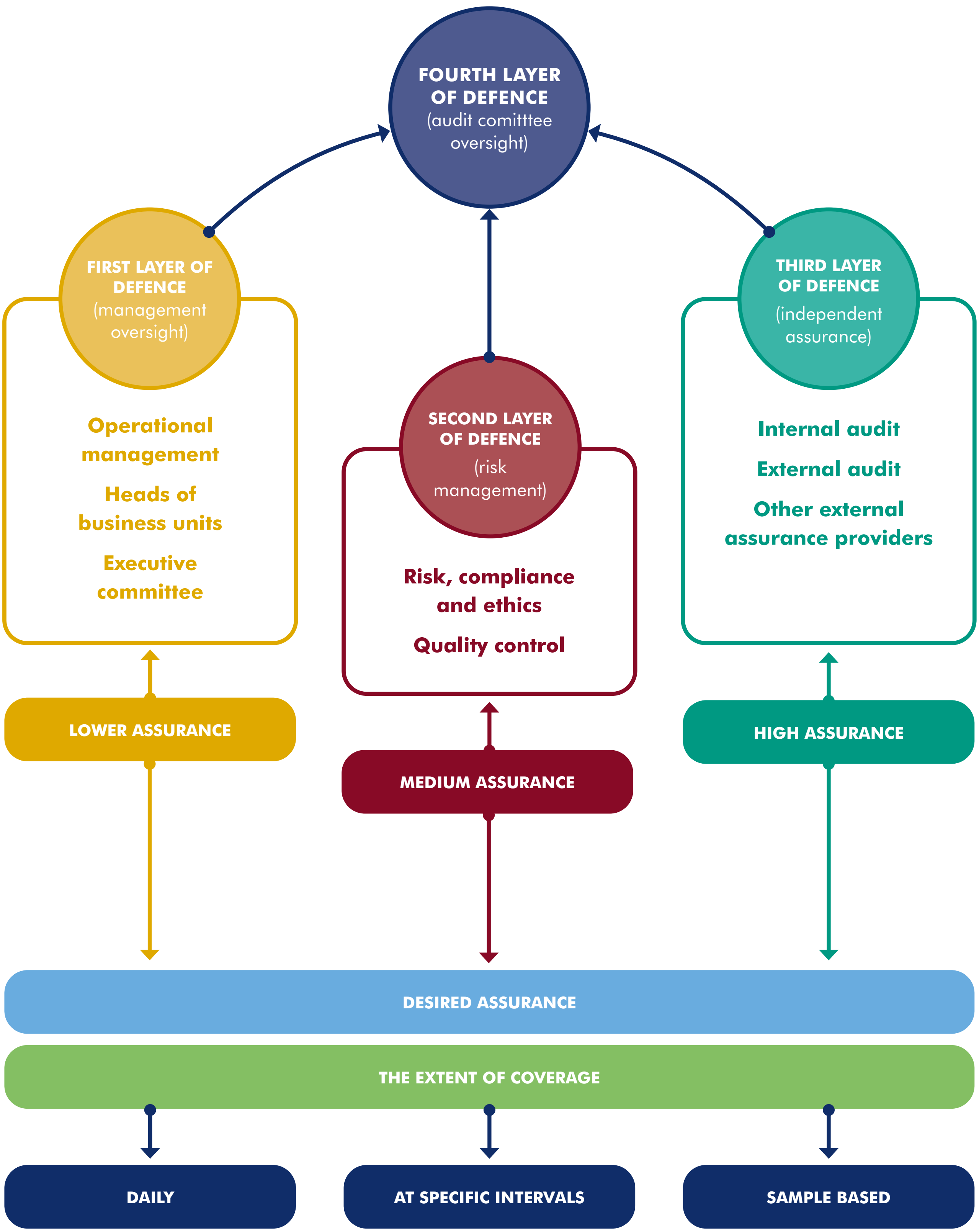
2020-21 TARGETS	2020-21 ACTUAL
Clean audit	Clean audit

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

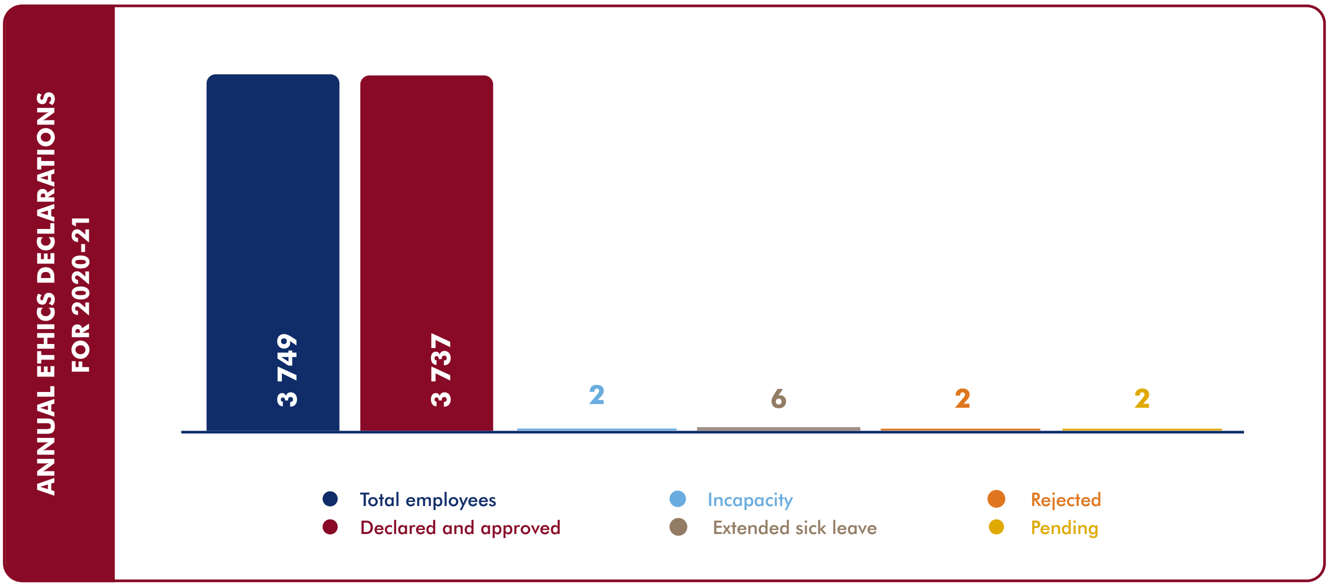
2020-21 TARGETS	2020-21 ACTUAL
100%	100%

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.

SECTION 06

The reports and statements that follow comprise the financial statements

AUDIT COMMITTEE'S REPORT

INTRODUCTION

The audit committee (the committee) presents its report for the 2020-21 performance year. This was a period denoted by immense changes during which the organisation, and the country, lived through the unprecedented impact of the covid-19 pandemic, which necessitated the organisation adjusting its operations to ensure its sustainability. We have accordingly overseen the organisation's preparedness to respond to and mitigate associated risks while maintaining the continuity of its operations.

This is a period where the organisation lost a sitting auditor-general, the late Mr Kimi Makwetu. We were saddened by the loss and remember him for his resolve, vision and contribution to the legacy of the supreme audit institution; may his soul continue to rest in peace.

Equally, Ms Tsakani Maluleke was appointed as the first female auditor-general in the history of South Africa – a milestone that deserves celebration. We wish auditor-general Maluleke much success in her role and commit ourselves to supporting her through the journey.

As the new deputy auditor-general, Mr Vonani Chauke, assumes his responsibilities, we wish him well and look forward to forging a good working relationship with him as the accounting officer of the AGSA.

The audit committee takes pleasure in presenting its report in respect of the 2020-21 financial year to the Standing Committee on the Auditor-General (Scoag) and all other stakeholders of the Auditor-General of South Africa (AGSA).

COMMITTEE GOVERNANCE

The committee is a statutory oversight structure, constituted in terms of section 40 of the Public Audit Act 25 of 2004 as amended (PAA). The committee is accountable to the auditor-general and Scoag.

The composition and meetings of the audit committee are outlined in section 2 of this report.

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, at each meeting the members affirmed their independence and that they are free of any conflict of interest in discharging their statutory duties throughout the reporting period.

The committee processes and responsibilities are outlined in the committee's formal terms of reference complemented by a work plan that drives the activities of the committee. The terms of reference are reviewed and updated annually as necessary in line with best practice.

The committee accordingly conducted its affairs and discharged its responsibilities to enable it to conclude whether, based on its activities:

- the system of internal control over financial reporting was adequate and operated effectively
- risk management processes were adequate and effective
- the organisation has the necessary resources and financial expertise to perform its duties.

Activities of the committee

External audit and evaluation of the annual financial statements

The committee assesses the external auditor's independence as required by section 39(2) of the PAA and makes recommendation on their reappointment to Scoag, who appoints the external auditors annually. The committee is satisfied that Crowe JHB (Crowe) is independent and not conflicted in any way, and has conducted the external audit for the 2020-21 financial year under the direction of the engagement partner, Mr Raakesh Khandoo.

The committee:

- considered the audit approach and audit risks in approving the external audit plan
- reviewed the financial statements and agreed with management 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 Crowe, which did not record any unadjusted differences
- reviewed the audit report on the annual financial statements and the audit report on performance against predetermined objectives
- ensured that non-audit services are not material so as to 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 the integrity of information in the integrated annual report (IAR) and that it presents the economic, social and environmental performance of the AGSA.

After having reviewed the management representation letters addressed to Crowe, provided input on the annual financial statements and the IAR, the committee recommended that the deputy auditor-general sign the annual financial statements and the auditor-general sign off the IAR and its individual components.

Internal audit

Ngubane are the internal auditors of the AGSA and completed the second year of their contract period. The internal audit plan operates on a three-year rolling basis; all key finance functions of the organisation 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 annual internal audit plan and the internal audit charter
- considered reports from Ngubane on the internal audit work performed throughout the year, and their annual written assessment, which concluded that the internal controls in the areas tested, are satisfactory, which means they are adequate and effective. They did, however, highlight that while manual processes are both adequate and effective, the controls around IT processes need improvement and that while they may be adequate, they can only be assessed as partially effective. The AGSA has responded to this by re-looking its IT strategic plans and structure in the IT environment. This was presented to the committee at a special meeting held on 15 June 2021. Given the specialist skills required and current resource constraints, the target completion date to address all aspects of the plan is March 2023, while tactical plans continue to be applied to mitigate the identified risk exposures
- 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 is assured that, considering the work done in the current year by Ngubane, the overall governance, risk management and control environment in place at the AGSA is adequate and is operating effectively, while recognising that there is room for improvement in controls around information technology, as referred to above.

Risk management

The Risk and Ethics business unit (R&E) is responsible for coordinating the risk management function at the AGSA. In accordance with its terms of reference, the committee was kept abreast of organisational strategic and business risks, as well as those posed by the impact of covid-19 and the PAA implementation.

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 approved the strategic risk profile for the 2020-21 financial period
- the assurance received from the internal auditors on the risk management function
- the risk appetite statement, reviewing and approving it for the reporting period, monitored the organisation's performance in relation to the appetite measures defined and approved the organisation's risk appetite statement for the 2021-22 performance period
- the combined assurance matrix, reviewing and approving it for the 2020-21 performance year to ensure that assurance is obtained for all material risk areas, and that assurance received by the different assurance providers is adequate. Furthermore, the committee approved the combined assurance model and matrix for application in the 2021-22 performance period.

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 considered the composition, experience and skills set of the finance function as well as the performance and expertise of the chief financial officer and is satisfied that those were appropriate to fulfil their responsibilities. The committee has also noted that the chief financial officer has recently moved to a new role within the institution. The committee thanks her for her commitment to her role and responsibilities and wish her all the best as the head of audit: national.

Key focus area

Due to the observations of various assurance providers and the related reports presented to the committee, the committee resolved to identify the information technology environment as a key focus area considering the significant influence and impact the function has on the overall internal control environment.

After receiving representations from management and allocating a special meeting to focus on its strategic direction and operations of the function, the committee is satisfied that comprehensive and executable plans exist within the organisation to enable improvements within this key focus area. For that reason, the committee will continue to pay attention to this area to ensure that it positively and constructively contributes to an improvement in the system of internal control of the organisation, while being responsive to the ever-changing environment in which the organisation operates.

CONCLUSION

Consequently, notwithstanding the key focus area as noted above, the committee concludes that the system of internal control over financial reporting, as well as the risk management processes, are adequate and operating effectively.

The committee will continue to exercise oversight of the commitments made by management in response to the organisational risks and improvements in the control environment.

Finally, the committee is satisfied that it has adequately discharged its responsibilities as outlined in various statutory and other governance documents during the current financial year.

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.

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 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 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 2022 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 119 to 156, prepared on the going concern basis, were approved and signed by me on 31 July 2021 on behalf of the AGSA.

VONANI CHAUKE
Deputy Auditor-General

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 119 to 156, which comprise the statement of financial position as at 31 March 2021, 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 2021, 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 auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the AGSA 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.

We have determined that there are no key audit matters to communicate in our report.

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

The objectives of our audit 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 four 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 2021, as set out on pages 53 to 102 of the integrated annual report 2020-2021.

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 *2018-2021 Strategic plan and budget* and the 2020-2021 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 *2018-2021 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.

Crowe JHB

RAAKESH KHANDOO
Partner
Registered Auditor
Sandton
31 July 2021

INDEPENDENT ASSURANCE PRACTITIONER'S LIMITED ASSURANCE REPORT TO PARLIAMENT

ON SELECTED KEY PERFORMANCE INDICATORS

REPORT ON SELECTED KEY PERFORMANCE INDICATORS

We have undertaken a limited assurance engagement on selected key sustainability indicators, as described below, and presented in the 2020-21 Integrated annual report of the Auditor-General South Africa (AGSA) for the year ended 31 March 2021 (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: • Trainee auditors scheme • Preferential procurement • Corporate social investment	Republic of South Africa
Social	Amounts and initiatives in respect of: • Bursaries and scholarships • Rural schools programme • Social responsibility programmes • Enterprise and supplier development	Republic of South Africa
Cultural	Disclosures in respect of: • Employee profile • Diversity • Staff turnover • Ethics training initiatives • Employee wellness programmes • Employee relations	Auditor-General of South Africa
Stakeholder engagements	Disclosures in respect of: • Employees • Auditees • Constitutional stakeholders • Contract firms • Media • Professional bodies • Regulatory bodies • Citizenry • International stakeholders	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.

AUDITOR'S 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 2021 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.

Crowe JHB

RAAKESH KHANDOO
Partner
Registered Auditor
Sandton
31 July 2021

STATEMENT OF FINANCIAL POSITION

	Notes	2021 R'000	2020 R'000
ASSETS			
Non-current assets		607 470	420 556
Property, plant and equipment	2	109 916	99 889
Intangible assets	3	15 457	27 753
Right-of-use assets	4	482 097	292 914
Current assets		1 506 760	1 481 927
Trade and other receivables	5	930 508	807 490
Cash and cash equivalents	6	576 252	674 437
Total assets		**2 114 230**	**1 902 483**
RESERVES AND LIABILITIES			
Reserves		828 330	1 121 330
General reserve	7	1 116 366	926 412
Special audit services reserve	8	4 964	4 964
Accumulated (deficit)/surplus	9	(293 000)	189 954
Liabilities			
Non-current liabilities		568 008	294 072
Lease liabilities	10	494 954	251 214
Retirement benefit obligations	11	51 076	42 858
Provisions	12	21 978	–
Current liabilities		717 892	487 081
Lease liabilities	10	60 586	64 305
Retirement benefit obligations	11	2 886	2 837
Provisions	12	25 126	–
Trade and other payables	13	629 294	419 939
Total reserves and liabilities		**2 114 230**	**1 902 483**

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

	Notes	2021 R'000	2020 R'000
Revenue			
Local services rendered	14	3 394 575	3 784 043
Direct audit cost		(2 340 577)	(2 425 630)
Recoverable staff cost	15	(1 601 775)	(1 557 219)
Contract work	16	(637 723)	(685 745)
Subsistence and travel	17	(101 079)	(182 666)
Gross surplus		**1 053 998**	**1 358 413**
Government grant	18	43 478	–
Other income		822	1 168
Contribution to overheads		**1 098 298**	**1 359 581**
Non-recoverable staff cost	15	(891 633)	(773 437)
Depreciation expense – property, plant and equipment	2	(54 659)	(47 032)
Depreciation expense – right-of-use assets	4	(119 377)	(85 281)
Amortisation expense	3	(12 468)	(6 844)
Other operational expenditure	19	(315 329)	(306 834)
Retirement benefit obligations – service costs	11	(5 418)	(547)
Operating (deficit)/surplus before finance charges		**(300 586)**	**139 606**
Interest income	20	57 571	79 173
Interest expense	20	(51 067)	(40 994)
(Deficit)/surplus for the year		**(294 082)**	**177 785**
Other comprehensive income			
Items that will not be reclassified to surplus or deficit			
Retirement benefit obligations – actuarial gains	11	1 082	12 169
Total comprehensive (deficit)/surplus for the year		**(293 000)**	**189 954**

STATEMENT OF CHANGES IN EQUITY

	General reserve R'000	Special audit services reserve R'000	Accumulated surplus R'000	Total R'000
Balance at 31 March 2019 as published	**831 318**	**4 964**	**71 453**	**907 735**
Decrease in straight-lining of lease liabilities due to application of IFRS 16			23 641	23 641
Restated balance at 31 March 2019	**831 318**	**4 964**	**95 094**	**931 376**
Transfer of accumulated surplus to reserves	95 094		(95 094)	–
Total comprehensive surplus			189 954	189 954
Surplus for the year			177 785	177 785
Other comprehensive income				
– Actuarial gains			12 169	12 169
Balance at 31 March 2020	**926 412**	**4 964**	**189 954**	**1 121 330**
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
Balance at 31 March 2021	**1 116 366**	**4 964**	**(293 000)**	**828 330**
Notes	7	8	9	

STATEMENT OF CASH FLOWS

	Notes	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash receipts from auditees	21.1	3 254 597	3 603 532
Total direct audit cost payments	21.2	(2 291 889)	(2 382 039)
Operational expenditure payments	21.3	(936 369)	(1 204 488)
Interest received	20	36 892	60 401
Interest paid	20	(44 428)	(35 336)
Net cash inflow from operating activities		**18 803**	**42 070**
Cash flows from investing activities			
Additions to property, plant and equipment	2	(59 556)	(30 545)
Additions to intangible assets	3	(172)	(11)
Proceeds from sale of property, plant and equipment	2	1 223	2 146
Net cash outflow from investing activities		**(58 505)**	**(28 410)**
Cash flow from financing activities			
Payment of lease liabilities	10	(58 483)	(62 677)
Net cash outflow from financing activities		**(58 483)**	**(62 677)**
Net decrease in cash and cash equivalents		**(98 185)**	**(49 017)**
Cash and cash equivalents at the beginning of the year		674 437	723 454
Cash and cash equivalents at the end of the year	6	**576 252**	**674 437**

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 International Accounting Standards Board (IASB), 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.

Standards, amendments and interpretations relevant to the AGSA's operations 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
IFRS 16 – Leases	1 Apr 2021	Covid-19-related rent concessions: Amendment providing lessees with an exemption from assessing whether a covid-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2022) is a lease modification.	No impact on the AGSA financial statements

1.1 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. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgements include:

Revenue recognition

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.

Post-employment medical care benefits

The costs and liabilities of the post-employment 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 1.7).

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 1.5).

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.

1.1 SIGNIFICANT JUDGEMENTS AND ACCOUNTING ESTIMATES (CONTINUED)

Allowance for impairment of receivables (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%

AGSA expected credit loss rates 2019-20:

	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%	0%	1%	4%	8%	11%	13%	100%
Local								
Local municipality	10%	17%	23%	26%	32%	38%	49%	100%
District	1%	2%	4%	7%	13%	19%	25%	100%
Metro	0%	0%	0%	0%	0%	0%	0%	100%
Statutory	1%	2%	5%	7%	9%	10%	12%	100%
Other debtors	4%	9%	20%	27%	32%	40%	48%	100%
Non-audit debtors	29%	44%	61%	67%	72%	73%	73%	100%

Fair value of ring-fenced debtors

The fair value 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.

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 1.2 and 1.3).

Renewal options of leases

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.

Government grant

Grants are recognised in the sstatement of surplus or deficit and other 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 receivable 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.

1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and adjustment for any impairments. Costs include costs incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service 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. 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 (current and comparative period)
Computer equipment	8 years
Notebooks	3 years
Motor vehicles	7 to 10 years
Furniture and fittings	6 to 19 years
Office equipment	5 years
Leasehold improvements	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.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 INTANGIBLE ASSETS

Computer software

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 (current and comparative period)
Enterprise resource management system – PeopleSoft	14 years
Other software	8 years

The amortisation charge for each period is recognised in surplus or deficit.

1.3 INTANGIBLE ASSETS (CONTINUED)

Computer software (continued)

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.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are assessed at the end of each reporting period for any indication that they may be impaired. If indications exist, the recoverable amount of the asset is estimated. An impairment loss is recognised, in surplus or deficit, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The AGSA assesses, at each reporting date, whether there is an indication that an impairment loss recognised in previous periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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 classifies 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 AGSA has not classified any of its financial assets as fair value through profit and loss. The accounting policy for each category is as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments 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 include cash on hand and deposits held at call. They 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.

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

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.

Financial liabilities

Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derecognition

Gains or losses arising from changes in financial assets or financial liabilities carried at amortised cost are recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.6 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.

The AGSA elected the practical expedient that permits an entity not to reassess whether a contract is, or contains, a lease at the date of initial application.

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.

1.6 LEASES (CONTINUED)

Lease liability

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. The incremental borrowing rate 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. 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 payments specified in the lease contracts.

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.

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.

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.

Right-of-use assets

The right-of-use assets are presented as a separate line in the statement of financial position. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The AGSA has elected to exclude initial direct costs from measuring of the right-of-use asset at the date of initial application.

The right-of-use asset is subsequently 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.

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.

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.

1.7 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 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.

1.7 EMPLOYEE BENEFITS (CONTINUED)

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-employment medical care benefits – defined benefit plan

The AGSA provides post-retirement medical care benefits to certain employees and their legally recognised spouse (and/or dependants) at time of death. The entitlement to post-retirement medical 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.

1.8 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.

1.9 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.

1.9 REVENUE (CONTINUED)

The AGSA generates revenue by rendering 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 all the revenue streams 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.

1.10 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.

1.11 GOVERNMENT GRANTS

Government grants are accounted for through the statement of financial position and statement of surplus or deficit and other comprehensive income. The grants received in relation to compensation for expenses or losses already incurred are recognised through the statement of surplus or deficit and other comprehensive income in the period in which they become 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.

1.12 LOSSES THROUGH CRIMINAL CONDUCT

Losses through criminal conduct, and any amounts recovered, are disclosed separately.

1.13 RELATED PARTIES

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the AGSA. All individuals from the executive management are regarded as key management according to the IFRS definition.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by, key management individuals in their dealings with the AGSA.

As discussed in note 1.9, the AGSA generates revenue by rendering audit services to the public sector. These revenue streams are not considered to be related party transactions.

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

	2021		
	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Computer equipment	161 125	(126 869)	34 256
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
	308 718	**(198 802)**	**109 916**

The carrying amounts are reconciled as follows:

	Opening carrying amount R'000	Additions [1] R'000	Disposals R'000	Depreciation charge R'000	Closing carrying amount R'000
Computer equipment	67 261	5 749	(747)	(38 007)	34 256
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
	99 889	**66 089**	**(1 403)**	**(54 659)**	**109 916**

	2021 R'000
Proceeds on disposal of property, plant and equipment	**1 223**

	2020		
	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Computer equipment	163 441	(96 180)	67 261
Motor vehicles	6 975	(4 509)	2 466
Office equipment	3 353	(2 945)	408
Furniture and fittings	64 225	(44 800)	19 425
Leasehold improvements	44 654	(34 325)	10 329
	282 648	**(182 759)**	**99 889**

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying amounts are reconciled as follows:

	2020				
	Opening carrying amount R'000	Additions [1] R'000	Disposals R'000	Depreciation charge R'000	Closing carrying amount R'000
Computer equipment	62 325	45 028	(2 824)	(37 268)	67 261
Motor vehicles	2 615	40	–	(189)	2 466
Office equipment	939	224	(264)	(491)	408
Furniture and fittings	22 075	1 060	(133)	(3 577)	19 425
Leasehold improvements	14 891	947	(2)	(5 507)	10 329
	102 845	**47 299**	**(3 223)**	**(47 032)**	**99 889**

[1] Included in additions is R4 183 000 (2020: R16 754 000) accrued at year end but not yet paid.

	2020 R'000
Proceeds on disposal of property, plant and equipment	**2 146**

3. INTANGIBLE ASSETS

	2021		
Computer software – purchased	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Enterprise resource management system – PeopleSoft	17 288	(6 822)	10 466
Other software	54 231	(49 240)	4 991
	71 519	**(56 062)**	**15 457**

The carrying amounts are reconciled as follows:

Computer software – purchased	Opening carrying amount R'000	Additions R'000	Disposals R'000	Amortisation charge R'000	Closing carrying amount R'000
Enterprise resource management system – PeopleSoft	11 561	–	–	(1 095)	10 466
Other software	16 192	172	–	(11 373)	4 991
	27 753	**172**	**–**	**(12 468)**	**15 457**

3. INTANGIBLE ASSETS (CONTINUED)

	2020		
Computer software – purchased	**Cost R'000**	**Accumulated amortisation R'000**	**Carrying amount R'000**
Enterprise resource management system – PeopleSoft	17 288	(5 727)	11 561
Other software	54 059	(37 867)	16 192
	71 347	**(43 594)**	**27 753**

The carrying amounts are reconciled as follows:

Computer software – purchased	Opening carrying amount R'000	Additions R'000	Disposals R'000	Amortisation charge R'000	Closing carrying amount R'000
Enterprise resource management system – PeopleSoft	12 655	–	–	(1 094)	11 561
Other software	21 931	11	–	(5 750)	16 192
	34 586	**11**	**–**	**(6 844)**	**27 753**

4. RIGHT-OF-USE ASSETS

	2021 R'000	2020 R'000
Carrying amount at the beginning of the year	292 914	–
Additions	282 840	378 195
Adjustments for lease modifications	25 720	–
Depreciation for the year	(119 377)	(85 281)
Carrying amount at the end of the year	**482 097**	**292 914**

The AGSA leases all the premises occupied by its head office and regionally-based staff in the major centres of the country.

The AGSA leases multifunctional devices that are deemed to be 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).

5. TRADE AND OTHER RECEIVABLES

	2021 R'000	2020 R'000
Trade receivables (refer to note 26.2)	1 084 836	931 023
Allowance for impairment of receivables [2]	(198 079)	(160 180)
Net trade receivables	886 757	770 843
Staff debtors	11 547	12 362
Prepayments	31 986	24 072
Other debtors	218	213
Balance at the end of the year (refer to note 26.3)	**930 508**	**807 490**
[2] Allowance for impairment of receivables		
Balance at the beginning of the year	(160 180)	(137 959)
Used during the year	6 844	12 583
Adjustment of allowance for impairment of receivables (refer to notes 19 and 21.3)	(44 743)	(34 804)
Balance at the end of the year (refer to note 25.2)	**(198 079)**	**(160 180)**

In determining the recoverability of trade receivables, the AGSA considered any change in quality of the trade receivables from the date that the credit was initially granted to the reporting date.

6. CASH AND CASH EQUIVALENTS

	2020 R'000	2019 R'000
Investment reserved for specific liabilities [3]	203 902	181 813
Overnight call account	95 493	6 234
Notice deposits	120 847	250 734
Current bank account	156 010	235 656
Balance at the end of the year (refer to note 26.4)	**576 252**	**674 437**

6. CASH AND CASH EQUIVALENTS (CONTINUED)

	2021 R'000	2020 R'000
[3] Investment reserved for specific liabilities		
The liabilities covered by this investment include the following:		
Post-retirement benefits: medical care contributions (refer to note 11) [4]	53 962	45 695
13th cheque accrual (refer to note 13) [5]	8 758	9 501
Leave pay accrual (refer to note 13) [6]	192 283	154 916
Repayment to former TBVC states employees – deductions of salary over-payments	195	195
	255 198	**210 307**

[4] The future service liability for post-retirement benefit: medical care contributions totalling R4 003 000 (2020: R2 626 355) 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 to structure 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 2021.

[6] Only R139 521 597 (2020: R105 721 469) of the leave pay accrual is ring-fenced through the investment reserved for specific liabilities. The balance of R52 761 751 (2020: R49 194 389) is covered through the current account as this can be encashed within the current year.

7. GENERAL RESERVE

	2021 R'000	2020 R'000
Balance at the beginning of the year	926 412	831 318
Transfer of accumulated surplus to general reserve (refer to note 9)	189 954	95 094
Balance at the end of the year	**1 116 366**	**926 412**

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.

8. SPECIAL AUDIT SERVICES RESERVE

	2021 R'000	2020 R'000
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 (DEFICIT)/SURPLUS

	2021 R'000	2020 R'000
Balance at the beginning of the year	189 954	71 453
Adjustment of opening balance due to IFRS 16	–	23 641
Restated balance at the beginning of the year	189 954	95 094
Transfer of accumulated surplus to general reserve (refer to note 7)	(189 954)	(95 094)
Total comprehensive (deficit)/surplus for the year	(293 000)	189 954
Balance at the end of the year	**(293 000)**	**189 954**

10. LEASE LIABILITIES

Maturity analysis of future lease payments (undiscounted)	2021 R'000	2020 R'000
Due within one year	116 535	96 069
Between one and five years	505 763	189 868
More than five years	163 909	203 978
Total future lease payments	**786 207**	**489 915**
Total future finance costs	(230 667)	(174 396)
Lease liabilities	**555 540**	**315 519**
Non-current portion	494 954	251 214
Current portion	60 586	64 305

Expenses related to leases	2021 R'000	2020 R'000
Low-value lease expense – recognition exemption	**146**	**3 741**

The AGSA elected the recognition exemption on low-value leases of office equipment (refer to note 4).

Total cash outflows relating to leases	2021 R'000	2020 R'000
Presented under financing activities		
Cash payments for capital portion of lease liabilities	58 483	62 677
Presented under operating activities		
Cash payments for interest portion of lease liabilities	44 412	35 336
Cash payments for low-value leases	146	3 741
Total cash outflow relating to leases	**103 041**	**101 754**

The AGSA elected to use the practical expedient of applying a single discount rate to a portfolio of leases with reasonably similar characteristics. 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 rate for new leases and lease modifications entered into in the 2020-21 financial year is between 6,95% and 10,16%.

11. RETIREMENT BENEFIT OBLIGATIONS

	2021 R'000	2020 R'000
Post-retirement benefits: medical care contribution	**53 962**	**45 695**
The liability is reconciled as follows:		
Balance at the beginning of the year	45 695	54 429
Current year provision	10 975	(5 964)
Past service cost	4 839	–
Current service costs	579	547
Actuarial gain	(1 082)	(12 169)
Remeasurements due to experience adjustments	(5 743)	(2 995)
Remeasurements due to financial assumptions	4 661	(9 174)
Interest expense adjustment on retirement benefit obligations (refer to note 20)	6 639	5 658
Less: Payments made	(2 708)	(2 770)
Balance at the end of the year (refer to note 6)	**53 962**	**45 695**
Non-current portion	51 076	42 858
Current portion	2 886	2 837
	53 962	**45 695**

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 2021 by Independent Actuaries & Consultants (Pty) Ltd using the projected unit credit method.

In the current year, 46 additional members that qualify for the benefit but are currently on the spousal medical aid, are now included in the liability. This is to show the full impact of the liability. Had these members been included in the previous year, the liability would have increased by R4 839 000 to R50 534 000.

	2021	2020
The valuation is based on the following principal actuarial assumptions:		
The discount rate reflects the timing of benefit payments and is based on market bond yields	12,7%	13,5%
Subsidy increase rate (based on the inflation rate)	8,0%	8,0%
Expected retirement age	63/65	63/65
Number of continuation members	224	222
Average age of continuation members	71,4	70,7
Percentage continuation members married	74%	75%
Number of in-service members	157	121
Average age of in-service members	54,9	54,5
Average years of past service of in-service members	30,0	29,7

11. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Sensitivity analysis

The value of the liability could be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.

Below is the recalculated liability showing the effect of:

- A one percentage point decrease or increase in the discount rate
- A one percentage point decrease or increase in the subsidy increase rate
- A one-year decrease or increase in the expected retirement age

2021			
Discount rate	**Assumption 12,66%**	**-1%**	**+1%**
Accrued liability 31 March 2021 (R'000)	53 962	60 623	48 431
% change		12,3%	-10,2%
Subsidy increase 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%

2020			
Discount rate	**Assumption 13,50%**	**-1%**	**+1%**
Accrued liability 31 March 2020 (R'000)	45 695	50 848	41 373
% change		11,3%	-9,5%
Subsidy increase rate		**Assumption 8,00%**	**0%**
Accrued liability 31 March 2020 (R'000)		45 695	22 710
% change			-50,3%
Expected retirement age	**Assumption 63/65 years**	**1 year younger**	**1 year older**
Accrued liability 31 March 2020 (R'000)	45 695	46 684	44 685
% change		2,2%	-2,2%

12. PROVISIONS

	2021 R'000	2020 R'000
Reinstatement cost [7]		
Provision raised	29 160	–
Leasehold improvements [8]		
Provision raised	17 944	–
Closing balance	**47 104**	**–**
Non-current portion	21 978	–
Current portion	25 126	–
	47 104	**–**

[7] Provision for reinstatement costs relating to the AGSA's leased premises (refer to note 30).

[8] Provision for leasehold improvements finalised by year-end, but final invoices not yet received.

13. TRADE AND OTHER PAYABLES

	2021 R'000	2020 R'000
Trade payables	112 969	102 506
Accruals	85 229	59 277
13th cheque accrual (refer to note 6)	8 758	9 501
Leave pay accrual (refer to note 6)	192 283	154 916
Performance bonus accrual	132 963	–
Staff creditors	6 909	7 726
VAT and PAYE	90 183	86 013
Balance at the end of the year (refer to note 26.3)	**629 294**	**419 939**

Ageing of trade payables:

	2021					
	Total R'000	Current R'000	30-60 R'000	60-90 R'000	90-120 R'000	120+ R'000
Trade payables	**112 969**	**59 441**	**32 868**	**8 987**	**2 191**	**9 482**

	2020					
	Total R'000	Current R'000	30-60 R'000	60-90 R'000	90-120 R'000	120+ R'000
Trade payables	**102 506**	**36 796**	**37 421**	**12 651**	**1 926**	**13 712**

14. REVENUE [9]

	2021 R'000	2020 R'000
Local services rendered		
Own hours	2 669 219	2 932 266
Contract work recoverable (refer to note 16)	624 401	669 781
Subsistence and travel recoverable (refer to note 17)	100 955	181 996
	3 394 575	**3 784 043**

[9] The amount of revenue invoiced but not recognised for the current period is R36 717 000 (2020: R40 855 000), and R2 559 000 (2020: R20 018 000) income previously not recognised was recovered and included in the revenue in the current period.

15. STAFF COST

	2021 R'000	2020 R'000
Management salaries (refer to note 25.1)	43 442	40 930
Other non-recoverable staff salaries	523 796	497 820
Other staff expenditure	174 142	42 511
Performance bonus	129 583	(2 090)
Group life scheme	36 025	34 290
Other employer contributions	8 534	10 311
Course fees and study assistance	84 214	108 734
Adjustment of leave pay accrual	66 039	83 442
Total non-recoverable staff cost	**891 633**	**773 437**
Recoverable staff cost (part of direct audit cost)	1 601 775	1 557 219
Total staff cost	**2 493 408**	**2 330 656**
Average number of staff	**3 685**	**3 612**

16. CONTRACT WORK

	2021 R'000	2020 R'000
Contract work recoverable (refer to note 14)	624 401	669 781
Contract work non-recoverable	13 322	15 964
	637 723	**685 745**

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

	2021 R'000	2020 R'000
Subsistence and travelling recoverable (refer to note 14)	100 955	181 996
Subsistence and travelling non-recoverable	124	670
	101 079	**182 666**

This represents subsistence and travel cost of AGSA staff while performing their duties. No mark-up is applied to subsistence and travel.

18. GOVERNMENT GRANT

	2021 R'000	2020 R'000
Government grant received	**43 478**	–

Non-refundable grant received from National Treasury to assist with the implementation cost of the revised PAA.

19. OTHER OPERATIONAL EXPENDITURE

	2021 R'000	2020 R'000
Auditors' remuneration – statutory audit services	4 847	4 896
Adjustment of allowance for impairment of receivables (refer to notes 5 and 21.3)	44 743	34 804
Governance costs	887	1 323
ICT services	91 440	68 626
Internal audit fees	3 652	2 067
Legal costs	13 834	7 004
Loss on disposal of property, plant and equipment (refer to note 21.3)	179	836
Service costs – land and buildings	37 152	36 025
Operating leases – equipment	1 063	4 865
Other operational expenses (excluding staff cost)	18 544	21 473
Publications	2 717	2 411
Refreshments	1 419	3 965
Repairs and maintenance	11 167	10 474
Other	3 241	4 623
Outsourced services	45 097	19 512
Recruitment costs	12 034	22 393
Stakeholder relations	15 504	26 684
Stationery and printing	3 428	6 952
Subsistence and travelling non-audit	10 308	37 373
Telephone and postage	12 617	12 001
	315 329	**306 834**

20. INTEREST

	2021 R'000	2020 R'000
Interest income		
Interest income on bank and investments	25 398	49 468
Interest on overdue debtors accounts – received	11 494	10 933
	36 892	60 401
Interest on overdue debtors accounts – accrued	20 679	18 772
	57 571	**79 173**
Interest expense		
Interest on lease liabilities	(44 412)	(35 336)
Interest on staff debt	(16)	–
Interest expense adjustment on retirement benefit obligations (refer to note 11)	(6 639)	(5 658)
	(51 067)	**(40 994)**

21. NOTES TO THE CASH FLOW STATEMENT

	2021 R'000	2020 R'000
21.1 Cash receipts from auditees		
Revenue	3 394 575	3 784 043
Net increase in trade receivables	(139 978)	(180 511)
	3 254 597	**3 603 532**
21.2 Total direct audit cost payments		
Direct audit cost	(2 340 577)	(2 425 630)
Net increase in trade payables	48 688	43 591
	(2 291 889)	**(2 382 039)**

21.3 Operational expenditure payments

	2021 R'000	2020 R'000
Operational expenditure	(1 346 998)	(1 168 459)
Adjusted for:		
Interest income	(57 571)	(79 173)
Interest expense	51 067	40 994
Depreciation – property, plant and equipment	54 659	47 032
Depreciation – right-of-use assets	119 377	85 281
Amortisation	12 468	6 844
Increase in allowance for impairment of receivables (refer to notes 5 and 19)	44 743	34 804
(Decrease)/increase in 13th cheque accrual	(743)	709
Increase in leave pay accrual	37 367	39 063
Increase/(decrease) in performance bonus accrual	132 963	(192 918)
Increase/(decrease) in liability for post-retirement medical aid benefits	1 628	(14 392)
Increase/(decrease) in accruals	189	(12 157)
Loss on the disposal of property, plant and equipment (refer to note 19)	179	836
Increase in provisions	17 944	–
	(932 728)	(1 211 536)
Other working capital changes	(3 641)	7 048
Increase in other receivables	(7 104)	(30)
Increase in other payables	3 463	7 078
	(936 369)	**(1 204 488)**

22. NOTEBOOK LOSSES

	2021 R'000	2020 R'000
37 (2020: 141) notebook computers stolen and written off at the carrying amount	**230**	**943**

The AGSA policy is to self-insure notebook computers as this has proven to be more economically effective.

23. COMMITMENTS

	2021 R'000	2020 R'000
23.1 Operating lease commitments		
The future minimum commitments are as follows:		
Due within one year		
Office equipment	**–**	**2 609**

The current lease contract came to an end in March 2021 and the new contract is still being finalised. In 2020, certain items of office equipment were leased for a period of one year. The average lease payments were R217 400 per month. The lease agreement was not renewable at the end of the lease term and the AGSA did not have the option to acquire the office equipment.

23. COMMITMENTS (CONTINUED)

23.2 Other commitments

Thuthuka

The AGSA has committed to fund 120 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 is R11 108 400 (120 students x R92 570 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 R6 052 000 for approximately 58 students for the 2021-22 financial year.

	2021 R'000	2020 R'000
23.3 Capital commitments		
Approved and contracted [10]	77 146	76 282
Approved but not yet contracted	30 110	53 005
Total approved	**107 256**	**129 287**
Source of funding		
Internal financing	107 256	129 287
	107 256	**129 287**

[10] Property, plant and equipment approved and contracted for in the 2020-21 but for 2021-22 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. 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, when judgement was reserved.

The AGSA engaged in several attempts to settle the matter, with a final offer based on the net present value of the post-retirement benefit plus 20% as an incentive. The intention was to extend this offer to all retired and in-service beneficiaries if the offer was accepted. Unfortunately, the plaintiffs did not accept the offer prior to conclusion of the trial and, as a result, the intended offer to other retired and in-service beneficiaries lapsed. At the time of concluding the financial statements, the AGSA still awaits the judgement.

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.

				2021			
				Short-term benefits		Long-term benefits	
Position	Name	Appointment date	Termination date	Gross remuneration R'000	Performance bonus R'000	Deferred compensation R'000	Total remuneration R'000
Auditor-General [11]	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		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**

25.1 Key management personnel compensation (continued)

				2020			
				Short-term benefits		Long-term benefits	
Position	Name	Appointment date	Termination date	Gross remuneration R'000	Performance bonus R'000	Deferred compensation R'000	Total remuneration R'000
Auditor-General [11]	T Makwetu	1 Dec 2013		5 233	–	1 570	6 803
Deputy Auditor-General	T Maluleke	1 Apr 2014		4 259	–	–	4 259
National Leader	AH Muller (acting)	1 Feb 2019		3 363	–	–	3 363
Corporate Executive	OH Duda (acting)	1 Feb 2019		2 445	–	–	2 445
Corporate Executive	JH v Schalkwyk	1 Nov 2010		3 094	–	–	3 094
Chief Financial Officer	SS Ngoma	1 Nov 2012		3 095	–	–	3 095
Corporate Executive	MS Segooa	1 Aug 2014		3 094	–	–	3 094
Corporate Executive	MM Sedikela	1 Jan 2016		3 094	–	–	3 094
Chief People Officer	MM Mabaso	1 Aug 2016		2 848	–	–	2 848
Corporate Executive	SL Lubambo	1 Aug 2017		2 814	–	–	2 814
Corporate Executive	V Maharaj	1 Aug 2017		2 810	–	–	2 810
Corporate Executive	SL Ndaba	1 Jul 2018		3 211	–	–	3 211
Total management compensation (refer to note 15)				**39 360**	**–**	**1 570**	**40 930**

[11] The remuneration and conditions of employment provide that the auditor-general is not entitled to an annual performance bonus, but shall receive a termination bonus/deferred compensation on successful completion of his term. During the 2019 financial year, the auditor-general received an interest free loan of R860 000. This loan was granted with the understanding that the auditor-general had already served five of the seven-year term, representing around 70% of the envisaged deferred compensation the auditor-general will be entitled to at the end of the term. The auditor-general's final year of his seven-year term was in 2020 and the loan was recovered from the deferred compensation payment.

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

26.1.1 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

	2021		
Current and investment accounts interest rates	Current balance	+1%	-1%
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%

	2020		
Current and investment accounts interest rates	Current balance	+1%	-1%
Net surplus (R'000)	189 954	197 392	182,514
% change		3,9%	-3,9%
Current bank and investment accounts balances (R'000)	674 437	681 288	667 581
% change		1,0%	-1,0%

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 (in the previous year the short-term bank deposit credit ratings were used for some institutions):

	2021 (2020)		
Financial institution	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+)

26.2 Credit risk (continued)

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.

An analysis of the ageing of trade receivables that are 30 days and over is as follows:

	2021				
Debtor type	**Total R'000**	**Current R'000**	**30 – 120 R'000**	**120 – 180 R'000**	**180+ R'000**
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
Statutory	56 642	19 931	12 187	240	24 284
Other [12]	209 378	72 545	23 861	6 167	106 805
Total trade receivables (refer to note 5)	**1 084 836**	**647 642**	**146 441**	**19 107**	**271 646**

	2020				
Debtor type	**Total R'000**	**Current R'000**	**30 – 120 R'000**	**120 –180 R'000**	**180+ R'000**
National	74 558	74 558	–	–	–
Provincial	163 473	156 043	3 354	1 817	2 259
Local	425 174	77 567	181 679	63 654	102 274
Statutory	71 158	48 387	3 691	3 635	15 445
Other [12]	196 660	127 922	9 082	18 748	40 908
Total trade receivables (refer to note 5)	**931 023**	**484 477**	**197 806**	**87 854**	**160 886**

R437 194 000 (2020: R446 546 000) of receivables, comprising 40,3% (2020: 48,0%) of total receivables, are in arrears. Local government debtors' arrears is R255 189 000 (2020: R347 607 000), which is 58,4% (2020: 77,8%) of total arrears and 23,5% (2020: 37,3%) of total receivables.

26.2 Credit risk (continued)

Financial assets subject to credit risk

Debtor type	Trade receivables R'000	Allowance for impairment of receivables R'000	Net trade receivables R'000
2021			
National	61 849	(13)	61 836
Provincial	35 085	(2 361)	32 724
Local	721 882	(129 810)	592 072
Statutory	56 642	(19 274)	37 368
Other [12]	209 378	(46 621)	162 757
	1 084 836	**(198 079)**	**886 757**

Debtor type	Trade receivables R'000	Allowance for impairment of receivables R'000	Net trade receivables R'000
2020			
National	74 558	(49)	74 509
Provincial	163 473	(2 578)	160 895
Local	425 174	(91 398)	333 776
Statutory	71 158	(15 159)	55 999
Other [12]	196 660	(50 996)	145 664
	931 023	**(160 180)**	**770 843**

[12] 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. Nevertheless, budgets and cash flow forecasts are prepared annually to ensure liquidity risks are monitored and controlled.

26.3 Liquidity risk (continued)

Maturity profile of financial instruments	2021 R'000 1 year or less	2020 R'000 1 year or less
Assets		
Trade and other receivables (refer to note 26.4)	898 522	783 418
Total trade and other receivables (refer to note 5)	930 508	807 490
Prepayments	(31 986)	(24 072)
Cash	576 252	674 437
Current account	156 010	235 656
Overnight call account	95 493	6 234
Notice deposits	324 749	432 547
Total financial assets	**1 474 774**	**1 457 855**
Liabilities		
Trade and other payables (refer to note 26.4)	346 828	179 010
Total trade and other payables (refer to note 13)	629 294	419 939
Leave pay accrual	(192 283)	(154 916)
VAT and PAYE	(90 183)	(86 013)
Total financial liabilities	**346 828**	**179 010**
Net financial assets	**1 127 946**	**1 278 845**

All financial assets and liabilities mature in less than one year.

26.4 Classification of financial instruments

Line items presented in the statement of financial position summarised per category of financial instrument

	2021		
Financial assets	**Loans and receivables R'000**	**Non-financial assets R'000**	**Total R'000**
Financial assets measured at amortised cost			
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
	1 474 774	**31 986**	**1 506 760**

Financial liabilities	**Financial liabilities R'000**	**Non-financial liabilities R'000**	**Total R'000**
Financial liabilities measured at amortised cost			
Trade and other payables (refer to note 26.3)	346 828	282 466	629 294
	346 828	**282 466**	**629 294**

	2020		
Financial assets	**Loans and receivables R'000**	**Non-financial assets R'000**	**Total R'000**
Financial assets measured at amortised cost			
Trade and other receivables (refer to note 26.3)	783 418	24 072	807 490
Cash and cash equivalents (refer to note 6)	674 437	–	674 437
	1 457 855	**24 072**	**1 481 927**

Financial liabilities	**Financial liabilities R'000**	**Non-financial liabilities R'000**	**Total R'000**
Financial liabilities measured at amortised cost			
Trade and other payables (refer to note 26.3)	179 010	240 929	419 939
	179 010	**240 929**	**419 939**

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. PROFESSIONAL INDEMNITY INSURANCE

It is not the policy of the AGSA to take professional indemnity insurance cover.

29. EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances arose after the end of the financial year that will materially affect these financial statements.

30. CHANGE IN ACCOUNTING ESTIMATES

Under the new IFRS 16 (leases) implemented from 1 April 2019, reinstatement costs must be included in the cost of the right-of-use assets if an obligation exists. On 1 March 2021, the AGSA head office relocated to a new premises and, subsequently, incurred reinstatement costs for the old head office of R5,7 million. Management is of the opinion that a constructive obligation now exists for all the leases and, therefore, decided to provide for reinstatement costs for the AGSA leased premises.

The quantitative impact of the changes are set out below.

Impact on financial statements

The following tables summarise the impacts of providing for reinstatement costs on the AGSA's financial statements for the year ending 31 March 2020.

Statement of financial position	As reported 31 March 2020 R'000	Adjustments R'000	Restated R'000
ASSETS			
Non-current assets	420 556	10 774	431 330
Property, plant and equipment	99 889	–	99 889
Intangible assets	27 753	–	27 753
Right-of-use assets	292 914	10 774	303 688
Current assets	1 481 927	–	1 481 927
Trade and other receivables	807 490	–	807 490
Cash and cash equivalents	674 437	–	674 437
Total assets	**1 902 483**	**10 774**	**1 913 257**
RESERVES AND LIABILITIES			
Reserves	1 121 330	(5 645)	1 115 685
General reserve	926 412	–	926 412
Special audit services reserve	4 964	–	4 964
Accumulated surplus	189 954	(5 645)	184 309
Liabilities			
Non-current liabilities	294 072	16 419	310 491
Lease liabilities	251 214	–	251 214
Retirement benefit obligations	42 858	–	42 858
Provisions	–	16 419	16 419
Current liabilities	487 081	–	487 081
Lease liabilities	64 305	–	64 305
Retirement benefit obligations	2 837	–	2 837
Trade and other payables	419 939	–	419 939
Total reserves and liabilities	**1 902 483**	**10 774**	**1 913 257**

30. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Statement of surplus or deficit and other comprehensive income	As reported 31 March 2020 R'000	Adjustments R'000	Restated R'000
Revenue			
Local services rendered	3 784 043	–	3 784 043
Direct audit cost	(2 425 630)	–	(2 425 630)
Recoverable staff cost	(1 557 219)	–	(1 557 219)
Contract work	(685 745)	–	(685 745)
Subsistence and travel	(182 666)	–	(182 666)
Gross surplus	**1 358 413**	**–**	**1 358 413**
Other income	1 168	–	1 168
Contribution to overheads	**1 359 581**	**–**	**1 359 581**
Non-recoverable staff cost	(773 437)	–	(773 437)
Depreciation expense	(47 032)	–	(47 032)
Depreciation expense – right-of-use assets	(85 281)	(5 645)	(90 926)
Amortisation expense	(6 844)	–	(6 844)
Other operational expenditure	(306 834)	–	(306 834)
Retirement benefit obligations – current service costs	(547)	–	(547)
Operating surplus before finance charges	**139 606**	**(5 645)**	**133 961**
Interest income	79 173	–	79 173
Interest expense	(40 994)	–	(40 994)
Surplus for the year	**177 785**	**(5 645)**	**172 140**
Other comprehensive income			
Items that will not be reclassified to surplus or deficit			
Retirement benefit obligations – actuarial gains	12 169	–	12 169
Total comprehensive surplus for the year	**189 954**	**(5 645)**	**184 309**

31. IMPACT OF COVID-19

As reported in the previous financial year, the crisis nerve centre (CNC) was established to coordinate compliance with all covid-19 laws, regulations and directives, and to ensure the AGSA's sustainability and viability during and after the covid-19 pandemic.

The CNC has worked hard to preserve the organisation's productivity level and sustainability, which includes a positive cash position. It also established and implemented measures to ensure the safety and wellbeing of our staff, contractors and visitors to our premises. These plans include monitoring the status of our employees and infection rates to ensure that we are able to assess the availability of our staff and manage potential risks.

One of the lessons learnt from the pandemic was to find positives within the unsettling and challenging circumstances. While the lockdown regulations brought about the need to practice social distancing, the organisation had to continue to operate with most of the employees working away from the office, in alternative locations. It is against this, that the AGSA developed a proposed alternative work location policy (AWL). This policy provides the organisation with interesting options, considering the reduced numbers of staff in the office and the alignment of these with the size of buildings. In all probability, this will yield a reduction in rental costs in future.

We have no indicators of a prolonged negative financial impact as debtors have not requested extended payment terms or discounts as a result of covid-19 in this financial year. However, we notice that the local government debt and other debtors over 180 days have slightly deteriorated from the previous year. This has been taken into account when calculating the revised credit risk ratings for the impairment provision (refer to note 1.1).

07 SECTION

REFERENCES

ABBREVIATIONS AND ACRONYMS

Acronym	Defined
Abasa	Association for the Advancement of Black Accountants of South Africa
Acca	Association of Chartered Certified Accountants
ACMI	advisory committee on material irregularities
Afrosai-e	African Organisation of English-speaking SAIs
AGSA	Auditor-General South Africa
APAC	Association of Public Accounts Committees
APC	Assessment of Professional Competence
AQI	audit quality indicators
ASB	Accounting Standards Board
AUC	African Union Commission
Awca	African Women Chartered Accountants
B-BBEE	broad-based black economic empowerment
BRRR	budget review and recommendations reports
CA(SA)	Chartered accountant (South Africa)
CBC	capacity building committee
CNC	crisis nerve centre
CSOs	civil society organisations
CTA	Certificate in the Theory of Accounting
DAG	deputy auditor-general
EAP	economically active population
EDP	executive development programme
EME	exempted micro enterprises
ERP	enterprise resource planning
ESD	enterprise and supplier development
exco	executive committee
GRI	Global Reporting Initiative
IBU	Investigation business unit
ICT	information and communications technology

Acronym	Defined
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
Intosai	International Organisation of Supreme Audit Institutions
IRBA	Independent Regulatory Board for Auditors
ISABU	Information Systems Audit business unit
ISAE 3000	International Standard on Assurance Engagements 3000
ISQC 1	International Standard on Quality Control
ISQM	International Standards on Quality Management
ISSAI	International Standards of Supreme Audit Institutions
ITC	Initial Test of Competence
LDP	leadership development programme
MIC	MI committee
MI	material irregularity
NRF	National Revenue Fund
OHS	occupational health and safety
PAA	Public Audit Act 25 of 2004
PABU	Performance Audit business unit
PITT	Performance Information Task Team
Prasa	Passenger Rail Agency of South Africa
QCAC	quality control assessment committee
QSE	qualifying small enterprises
remco	remuneration committee
SAI	supreme audit institution
SAS	Specialised Audit Services
Scoag	Standing Committee on the Auditor-General
Scopa	Standing Committee on Public Accounts
SIU	Special Investigations Unit
SOE	state-owned enterprises
VPN	virtual private network

GRI 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 #
	GRI 102: General standard disclosures – strategy and analysis	
102-14	Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation.	5 – 8
	GRI 102: General standard disclosures – organisational profile	
102-1	Name of the organisation	iv
102-2	Activities, brand, products and services of the AGSA	17
102-3	Location of head office	22
102-4	National footprint of the AGSA	18
102-5	Nature of ownership and legal form	17
102-6	Geographic breakdown, types of customers and beneficiaries	17
102-7	Scale of the organisation including • Number of employees • Number of operations • Net revenue • Quantity of services/products offered	18
102-8	Workforce profile • Total number of employees (permanent) • Total number of employees (contract) • Workforce by employment contract and gender • State whether a substantial portion of the organisation's work is performed by contractors	76 – 77
102-9	Description of AGSA's supply chain	21
102-10	Report any significant changes during the reporting period regarding the organisation's size, structure or supply chain	22

GRI	Description	Page #
	GRI 102: General standard disclosures – organisational profile (continued)	
102-11	Report on whether and how the precautionary approach or principle is addressed by the organisation	33
102-12	External charters, principles and initiatives that we subscribe to or endorse	33
	GRI 102: General standard disclosures – identified material aspects and boundaries	
102-46	Process for defining the report content and the aspect boundaries	33
102-47	List of material aspects identified	37 – 38
	GRI 102: General standard disclosures – stakeholder engagement	
102-40	List of stakeholder groups identified by the organisation	64
102-42	Basis for identification and selection of stakeholders	63
102-43	Organisation's approach to stakeholder management	63
102-44	Key topics raised through stakeholder engagement	65; 67
	GRI 102: General standard disclosures – report profile	
102-50	Reporting period	33
102-51	Date of the most recent report	33
102-52	Reporting cycle	33
102-53	Contact point for questions regarding the report	ii
102-54	Claims of reporting in accordance with GRI standards	33
102-55	GRI content index	161 – 163
102-56	Organisation's policy and practice on seeking external assurance	34
	GRI 102: General standard disclosures – governance	
102-18	Governance structures within the AGSA	19
102-22	Composition of the highest governance body and its committees	24 – 29
	GRI 102: General standard disclosures – ethics and integrity	
102-16	• The organisation's ethical principle, standards and norms of behaviour such as code of ethics and code of conduct • Ethical and independence requirements	30; 99
	GRI 103: General standard disclosures – disclosures on management approach	
103-2	Labour practices and grievance mechanisms	79

GRI	Description	Page #
	GRI 401: Specific standard disclosures – labour practices and decent work – employment	
401-1	• New employee hires • Staff turnover	78 – 79
	GRI 403: Specific standard disclosures – labour practices and decent work – occupational health and safety	
403-2	Occupational health – types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	87
	GRI 404: Specific standard disclosures – Labour Practices and Decent Work – Training and Education	
404-1	Average hours of training, per employee and by employee category	83
405-1	Diversity and equal opportunity • Workforce by grade, race and gender • Workforce by employment contract and gender • Workforce profile by race and age • Executive committee by race group	77; 25 – 26
	GRI 405: Specific standard disclosures – labour practices and decent work – diversity and equal opportunity	
413-1	Local communities • Socio-economic development initiatives	95 – 96

INTEGRATED REPORTING INDEX

IIRC content elements	Major report sections addressing the elements
Organisational overview and external environment	• The auditor-general's message • The deputy auditor-general's overview of performance • Who we are • Value creation process • Strategic risks • Conditions under which we operate
Governance	• Corporate Governance Framework • External Charters, principles and initiatives that we subscribe to or endorse
Business model	• Business model • Our value creation model • Value & benefits of supreme audit institutions
Risks and opportunities	• Strategic risks • Our value creation model
Strategy and resource allocation	• The auditor-general's message • The deputy auditor-general's overview of performance • Who we are • Value creation process
Performance	• Organisation's performance against predetermined objectives – Value-adding auditing – Visibility for impact – Viability – Vision and values driven
Outlook	• The deputy auditor-general's overview of performance • In the conclusion of each of the strategic goals: – Value-adding auditing – Visibility for impact – Viability – Vision and values driven
Basis of preparation and presentation	• Reporting profile

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.

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.

Zero hunger
Refer to page 96

Good health and well-being
Refer to pages 54; 80; 87

Quality education
Refer to pages 80 – 83; 86 – 87; 92

Gender equality
Refer to page pages 76; 80; 93 – 95

Decent work and economic growth
Refer to pages 77; 80; 82 – 83; 85; 91

Industry, innovation and infrastructure
Refer to pages 22; 88

Reduced inequalities
Refer to pages 92 – 95

Responsible consumption and production
Refer to pages 43 – 44

Peace, justice and strong institutions
Refer to pages 47 – 49; 53 – 54; 67 – 69; 71; 85; 96; 99

Partnerships for the goals
Refer to page pages 67; 70 – 71

NOTES

AUDITING TO
BUILD PUBLIC CONFIDENCE

Auditor-General of South Africa

@AuditorGen_SA

Auditor-General of South Africa

Physical Address	4 Daventry Street, Lynnwood Bridge Office Park Lynnwood Manor Pretoria, SA
Postal Address	PO Box 446, Pretoria, 0001
Telephone	012 426 8000
Fax to Email	012 426 8257
Email	agsa@agsa.co.za

RP290/2021
ISBN: 978-0-621-49763-2

www.agsa.co.za