



STRATEGIC PLAN AND BUDGET

*of the Auditor-General of South Africa for
2012-2015*



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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1. PURPOSE OF THIS DOCUMENT

The *Strategic plan and budget* document highlights the Auditor-General of South Africa's (AGSA) strategic foundation as well as the performance and financial plan for the period April 2012 to March 2015. It is the outcome of an annual planning process which sets targets for the first year as well as projections for the rest of the three-year period. The strategic elements shown in figure 1, such as vision, mission and values, represent the long-term direction that guides the annual planning process. These strategic elements are normally reviewed over five-year periods.



Figure 1: AGSA performance planning 'big picture'

2. CONSTITUTIONAL AND LEGISLATIVE MANDATE

Mandate and functions

Chapter 9 of the Constitution of the Republic of South Africa, 1996¹ establishes the institution of the Auditor-General as one of the state institutions supporting constitutional democracy. The Constitution recognises the importance of the organisation and guarantees our independence by stipulating that the AGSA is subject only to the Constitution and the law. Furthermore, the Constitution declares that the AGSA must be impartial and that we must exercise our powers and perform our functions without fear, favour or prejudice².

Our functions are described in section 188 of the Constitution and further regulated in the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), which mandates the AGSA to perform constitutional and other functions. Constitutional functions are those which we perform to comply with the broader mandate described in the Constitution. Section 4 of the PAA makes a further distinction between mandatory and discretionary audits.

Accountability and reporting

The AGSA is accountable to the National Assembly in terms of section 181(5) of the Constitution and section 3(d) of the PAA. We report on our activities and the performance of our functions in terms of section 10 of the PAA. Our main accountability instruments are the Strategic plan and budget and the Annual report, both of which are tabled annually in the National Assembly. The Standing Committee on the Auditor-General (SCoAG), established in terms of section 10(3) of the PAA, oversees our performance on behalf of the National Assembly.

Our products

Each year, we produce audit reports on government departments, public entities, municipalities and other public institutions. In addition to these entity-specific reports, we analyse the audit outcomes in general reports that cover both the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) cycles. We also produce reports on discretionary audits, performance audits and other special audits. Our reports are then tabled in the bodies which have a direct interest in the particular audit, namely Parliament, provincial legislatures or municipal councils. These bodies then use the reports in accordance with their own rules and procedures for oversight.

¹ Constitution of the Republic of South Africa, 1996

² Constitution of the Republic of SA, Section 181(2)



3. AUDITOR-GENERAL'S STATEMENT OF POLICY AND COMMITMENT

The distinct constitutional mandate of the AGSA presents us with the privilege and an opportunity to facilitate the realisation of clean governance and thus clean audits in our country. This, we believe, is one of the tangible cornerstones that strengthen our constitutional democracy and therefore our ability to build public confidence.

While we institutionalise our audit and business processes, we will increase our visibility to achieve greater understanding of the impact of audit outcomes among our stakeholders. We will continuously refine the simplicity of audit messages through focused root cause analysis and use this information as a basis for regularly interacting with and empowering the executive and oversight leadership to respond proactively to our audit recommendations. Our ultimate goal is to assist government leadership to effectively monitor compliance with fiscal discipline and service delivery management and reporting requirements, with a particular focus on reporting against predetermined objectives and approved budgets.

We strive to provide our audit recommendations on time, in such a manner that they provide better insight and enable corrective measures and sustainable good practices. The clarification of audit requirements upfront and quarterly key control discussions with the executive and oversight leadership will provide a platform for better understanding and strengthening of the control environment. In essence, our relevance will be sustained through providing these timely insights to the leadership, continuously and consistently, while monitoring the extent to which they adhere to the commitments made towards clean governance and clean audits.

The exemplary nature of our institutions will be defined by our transparent accountability. This will be characterised by our own clean audit report and our identity as a transforming organisation that subscribes to employment equity and the broad-based black economic empowerment (BBBEE) prescripts of our country. We will once again account to Parliament by tabling all our audit reports, annual report and budget and strategic plan on time. The audit reports will be of a high quality, subject to assessment by the Independent Regularity Board for Auditors (IRBA).

Staff professionalism, with sound ethical behaviour, remains the core of our commitment to producing objective audit outcomes. We will deepen our understanding of the public sector at all levels through training and interaction. Our trainee auditor scheme remains the cornerstone of our succession planning initiative. The ultimate goal will be a leadership and staff who have high levels of motivation and unity of purpose with a view to the mandate of our institution.

The AGSA's financial stability will be sustained by maintaining stable cash flows and optimal operating margins, while providing value-for-money audits to the public sector.

4. OVERVIEW BY THE DEPUTY AUDITOR-GENERAL

As head of administration in terms of section 32 and as an accounting officer in terms of section 43 of the Public Audit Act, I proudly present to you the AGSA's Strategic plan and budget for the 2012-15 period.

The organisation's strategy that we crafted two years ago responded to the needs and requests of our auditees and focused our efforts on encouraging clean administration in all government spheres and public entities. We remain committed to the strategy which, in brief, aims to build an institution that is well equipped, both technically and structurally, to provide indisputable assurance on the financial status of public sector organisations and entities and to promote accountability through the transparency created by making public its audit reports. Our strategy is based on five strong commitments, i.e. **simplicity of our audit messages, visibility of the AGSA's leadership, strengthening of the organisational human resources, achieving financial stability and leading by example.**

We are now firmly positioned as an important player in building public confidence and defending our young democracy. With our sharpened auditing tools and insights, a talented and progressive audit team and the weight of an institution that has grown from strength to strength over the past 100 years, we are able to provide a clear indication of the challenges experienced in managing public funds and to offer well-understood guidance.

Over the years, since the orientation of the AGSA around pursuing these five areas of strategic focus, we have recorded a number of significant achievements. These include the growth and development of tools to analyse audit outcomes, and on the basis thereof the analysis of core issues that require urgent attention from the executive and oversight in all three spheres of government.

Our leadership teams have developed a clear understanding of their role in being available to those charged with governance by engaging every quarter on progress made in addressing previously identified audit concerns. Notwithstanding varying degrees of success, the effort continues at a heightened level as the milestone set by these institutions to achieve clean audits by 2014 draws closer.

The AGSA has made significant strides in the development of its own talent. Its retention and utilisation of employees are already bearing fruit, as seen in the reduction in recruitment efforts and reduced need for regular on-boarding efforts.

We have also emerged from many years of financial deficits and are on a firm footing to operate sustainably without reverting to the fiscus or needing to increase our tariffs beyond the normal recovery of costs incurred. The approval of the revised funding model and the generation of modest surpluses are further testimony to the strengthening of our financial independence so as to continue executing our mandate as required by the Constitution and the Public Audit Act.

Lastly, the AGSA remains steadfast in its resolve to be recognised as one of the model and exemplary institutions supporting constitutional democracy in South Africa. Our global peers testified to this at the Congress of the International Organisation of Supreme Auditing Institutions (INCOSAI) held in Johannesburg in 2010.

All the above achievements entrench our perspective that our strategic goals remain relevant and this period's strategic plan focus on building forth on a firm and strong foundation.

Irrespective of its achievements, the AGSA has to continually anticipate changes in the environment and adjust its way forward. One of the generic challenges that we face is to ensure ongoing value and benefit to society, while inspiring all relevant stakeholders' confidence in the AGSA's enhancement of public accountability.



Internationally, there has been a greater demand for supreme audit institutions to impact beyond financial accountability towards providing feedback on the status of service delivery. The AGSA is facing the same issue and is endeavouring to ensure that our skills match this demand.

Current economic conditions have impacted on our auditees' financial stability, creating unfavourable conditions for fee payment for audit services received from the AGSA.

With the excellent achievements of the organisation come increased stakeholder expectations that the AGSA will lead by example. We value the confidence that our stakeholders have in us and therefore any risk of "losing" this confidence is proactively mitigated on an ongoing basis. We remain vigilant against the potential danger of fraud and unethical behaviour of our employees, which could negatively impact the AGSA's reputation, and continue to manage this danger through ongoing monitoring of compliance with our internal controls, expansion and customisation of our ethics policies and procedures and governance structures.

Against this backdrop of achievements and challenges, our areas of focus will largely remain intact, allowing us to influence a speedy response from all levels charged with creating a clean operating environment that is likely to lead to audit conclusions, reflecting transparent stewardship, financial accountability and accurate information that substantiates the utilisation of resources against planned goals.

The presentation of our detailed plans will hopefully provide insight into what the AGSA wishes to achieve as we enter the second century of service as auditors to public institutions.

Goal 1: Simplicity, clarity and relevance of audit messages

We, as team AGSA, recognise that although a lot has been achieved in delivering clear and relevant messages to our auditees, there is a need to allow the process to mature by building on our experiences and interactions. We will persist in delivering audit reports that clearly establish the status of financial and performance management in the public sector, and rightly diagnose the root causes that contribute to the audit results in order to influence improvements in managing public funds. We will place emphasis on reporting against predetermined objectives to encourage improvements in service delivery. By integrating the work of our specialised service lines with that of the regularity auditing teams, we will strive to amplify the value of our audits. The wide-spread use of information technologies in the public sector necessitates the ongoing increase in the auditing of controls in the information technology (IT) environment. Where required or appropriate, we will engage our investigation unit to provide fraud risk assessments and to identify high risk control deficiencies.

The complexity and volume of information that affects the audit process is increasing exponentially and the AGSA commits to utilising fully our research capacity, our information networks and databases in order to gain an even deeper understanding of our auditees' environment, which in turn will ensure short turn-around time between the identification of the audit risks and the communication of the messages.

We will further enable our stakeholders to understand our messages and act on them by using a variety of methods to convey the audit results such as visual presentations, more attractive layout, summaries, etc. We engage with the media as a popular form of communication and sharing of information. We have started to research social media in order to determine how this form of communication can responsibly be used to reach a wider spectrum of stakeholders. The end of this medium-term planning period could see the use of electronic media and even the social networks as a way of reaching our evolving target audience and allowing for more focused interaction on our reports.

Goal 2: Intensifying the visibility of the AGSA's leadership

The AGSA's leadership is multifaceted and includes impact on a variety of stakeholders, both internally and externally. This impact is based on the simple premise of purposeful interaction.

Our contribution to accountability and good governance in the public sector is dependent not only on the quality of our audits and reports, but also on the extent to which we succeed in sharing our insights with those in charge of public resources so that they are empowered to take the necessary corrective actions. We will ensure that our interactions with those stakeholders occur at regular and planned intervals, linked to the statutory accountability cycles, or during other key stakeholder occasions. We will continue to follow up on the impact of previous commitments, conduct door-to-door visits to municipalities and intensify our interaction with legislative oversight authorities.

At an international level, the organisation will continue to maintain its position as one of the most active supreme audit institutions (SAIs) within the international community by sharing experiences and insights and codifying this knowledge through the collective efforts of the INTOSAI working groups.

Goal 3: Unleashing the potential of our human capital

The AGSA leadership's attention is equally focused on internal stakeholder interactions. Through structured communications and contacts, our leadership ensures strategic alignment within the organisation. The purpose is to guide the teams to understand the strategic direction of the organisation and to demonstrate how they contribute, as business units and individually, to the achievement of the organisation's ultimate vision of improving the lives of our citizens.

At the AGSA, people are our main asset; they are the organisation's agenda. The leaders will continue to develop our human capital focusing on a holistic approach that integrates talent development, performance management, transformation and capacitating our employees with all the necessary skills. Environmental demands require our auditors to have unique combinations of knowledge and skills which are not necessarily part of the auditor's training programme. A new Learning and Development unit will undertake the task of closing the knowledge and skills gaps for all audit and non-audit employees. Performance management, with the emphasis on total performance management, automating the performance management process and making provision for non-financial recognition and rewards, will continue to dominate the leadership's efforts.

The constantly evolving environment requires flexibility and growth, not only from our employees but also from the leadership team. Our leaders themselves will undergo continuous development to be able to respond to needs revealed during interactions with both internal and external stakeholders. For this planning period, the focus will be on a comprehensive executive development programme, leadership pipeline development and succession planning, effective team building and extensive employee engagement.

All our efforts are expected to result in a high-performing, diverse and enthusiastic work force that is well aware of the organisation's goals and objectives and has all the tools and skills to deliver on the mandate of the institution.

Goal 4: Ensuring financial sustainability of the organisation

As promised by the Auditor-General, the AGSA's financial stability will be enhanced by concentrating on a stable cash flow and optimal margins. We are committed to running our business economically, efficiently and effectively while offering extended service to our stakeholders. We will continue to use best available processes to compile our budgets, responding to changes in the public service environment by way of better value-adding approaches such as horizontal and sectoral audits.

Debt collection remains one of our main financial challenges and we have put various measures in place to ensure that a proper discipline of providing for and paying audit fees is encouraged at our auditees. Where applicable, we will continue to influence



the determination of the audit fees of the contract firms that we use for some of the public audits to make sure that both the PFMA and MFMA audits remain affordable for the public sector.

Goal 5: Leading by example

The effectiveness of stakeholder cooperation is dependent on the AGSA being regarded as a model institution that leads by example. We will demonstrate our leading role by upholding our independence and through transparency and accountability for all our activities, adherence to a strict code of ethics, service excellence, effective communication and exemplary governance.

The measure of our transparent accountability remains our own clean audit report and our identity as a transforming organisation.

We will continue to ensure that adequate internal controls exist to govern our day-to-day activities and that the effectiveness of those controls is independently assessed via regular internal and external audits. All our reports will be delivered on time and with appropriate quality, including our audit and general reports, our corporate reports in the form of an annual report and this strategic plan and budget.

An overarching priority for us is the tireless execution of the transformation agenda, which entails continuously deepening understanding of the country’s public sector and serving that sector with passion, while maintaining our independence and reflecting the profile of the South African society at all levels at the organisation.

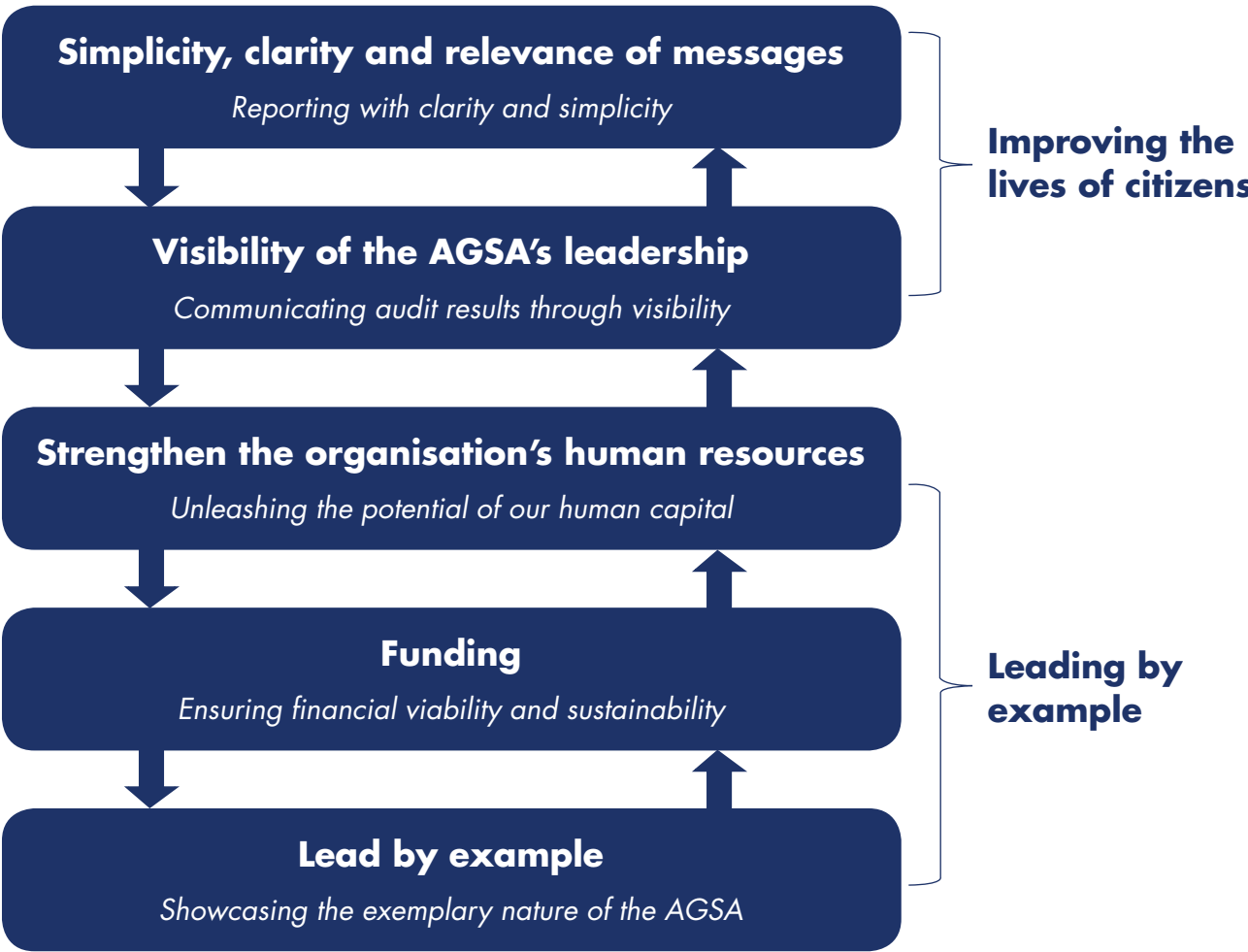
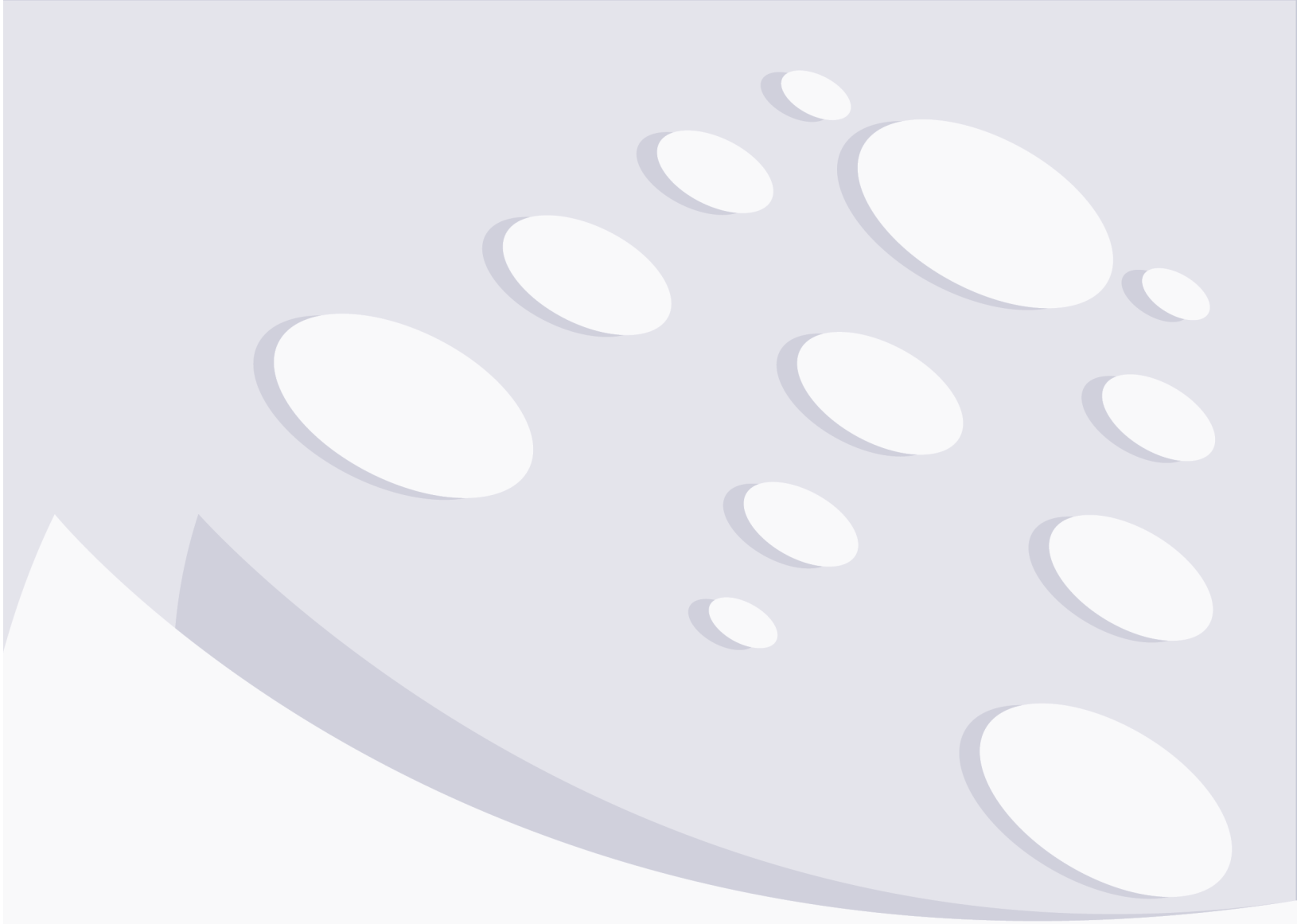


Figure 2: AGSA's strategic goals



STRATEGIC GOALS



5. STRATEGIC GOALS

We have translated our commitments into operational terms which clarify performance details for each goal. As illustrated in figure 2, the goals link up in support of the delivery of clear and simple audit reports.

5.1 Simplicity, clarity and relevance of messages

Through objective information and the simplicity and clarity of our messages, the AGSA will continue to empower the public to hold government accountable and responsive. This focus will allow for convenient access to audit reports and, where appropriate and possible, interacting on the messages contained in these reports in the relevant languages. The elevation of simplicity and clarity within our overall reporting approach is in line with the requirement of the INTOSAI framework for communicating and promoting the value and benefits of SAs.

The AGSA remains committed as a SAI to communicating simple, clear and relevant audit messages that facilitate the realisation of clean administration through enabling oversight, accountability and governance in the public sector.

Our focus on enhancing the relevance of our messages will be sustained by increasing our audit focus on matters of public interest. We will also provide timely insights into the root causes of poor audit outcomes and make recommendations for improvements. We undertake to simplify our messages by expressing them clearly in our reports and providing context to such reports through regular interactions with stakeholders.

Objective: Identify root causes and make recommendations

In order to achieve the goal of simplicity and clarity of message, the AGSA will continue to recognise and report on the root causes of poor audit outcomes so that we can pinpoint the obstacles standing in the way of clean administration. We will communicate the root causes and risks identified as part of the audit process in a simple and clear manner. The recommendations will enable the auditees to take action as well as deepen our understanding of our public sector environment.

Table 1 shows the targets we will strive for in the next three financial years, together with the measures to be used to assess our progress.

Table 1: Performance targets for communicating of root causes and recommendations

Performance measure	Target		
	2012-13	2013-14	2014-15
Clear communication of relevant root causes and recommendations	3	3	3
Tool	- Qualitative top-down rating by immediate supervisor on communication with the auditee, the executive and oversight whether through reports (audit reports, management reports, dashboard report, general reports) or other form of communication (presentations, briefings, etc.). Our targets are based on a four-point rating scale (1-4). - Source of information: Reports and presentation experience		

Key activities for achievement of our simplicity goal

Root cause analyses will be performed as part of the annual audits by assessing shortcomings in the areas of leadership, financial and performance management and governance which had contributed to significant findings on the financial statements, performance against predetermined objectives and compliance with laws and regulations. The status of and progress made in addressing the shortcomings will be assessed regularly and shared with the management and executive authority of the auditee and other stakeholders charged with governance and oversight in order to secure commitments to improvements.

We will also continue to increase the **audit focus and scope** of our annual audits and performance audits on those matters which need special attention from government in order to address the underlying causes of poor financial management and service delivery. A key consideration in this regard is to **continuously improve** the audit approach and processes relating to:

- o service delivery, as reported against predetermined objectives and linked to the budget
- o compliance with laws and regulations
- o procurement and contract management (supply chain management)
- o human resource management
- o the use of consultants
- o fraud
- o Information and communication technology (ICT) controls
- o programmes linked to service delivery in the different sectors

The above challenge implies a solid basis to the audit process, starting with a process of focused **transversal risk assessment**, which can drive the focus of the work performed and can be shared with stakeholders to enable their proactive response to these risks. To ensure that we remain up to date with latest developments and changes in the public sector, we will establish the discipline of performing **comprehensive quarterly environmental scanning**. These research efforts will need to deal with the full scope of government's 12 strategic outcomes, again with the aim of influencing and directing key role players. Similarly, our collaboration with other public sector institutions that perform work of a similar nature will be aligned to ensure that efforts are optimised.

The scope and coverage of information systems auditing will continue to grow, with specific attention to the **integration** of this work into the annual audits. Our deployment of specialists, such as investigators and information system auditors in complex audit environments, will allow us to identify internal control deficiencies as well as enable fraud prevention and detection.

In bringing all these together in our audit reports, we will try to write in a simple and clear manner as defined by our **house style**, recognising the recipients of the message and the actions we expect them to take. We will constantly strive to improve the format and presentation of our management, audit and general reports in order to relay our message as clearly as possible.

As we acknowledge the importance of the popular new media of communication and imparting of information, we have started to consider how this form of communication can be used responsibly to reach a wider spectrum of our stakeholders. We will initiate research on the use of electronic **media and social networks** as an appropriate way of presenting our reports to the broader public and an opportunity for more focused interaction on those reports.

In the process we will be able to guide our stakeholders towards fully **exercising their management, monitoring and oversight roles in a sustainable manner** by providing them with information and insight. This will enable them to take ownership of the process of identifying and addressing the root causes of poor audit outcomes.



The organisation will ensure that in the cases where public sector audits are not performed by the AGSA, the **private practitioner** responsible for the audit is made aware of the AGSA's reporting requirements, which include reporting on performance against predetermined objectives, compliance with laws and regulations and root causes, ensuring a seamless flow of information to all stakeholders in the public sector arena.

The same criteria that we use to ensure the simplicity of our reports on the public sector audits will be applied to the development of our **corporate products**, i.e. our annual report and the strategic plan and budget. With our corporate reports we will strive to provide sufficient and relevant information to all our stakeholders with regard to the organisation's focus and the activities undertaken to ensure that we fulfil our mandate.

5.2 Visibility of our leadership

The AGSA's leadership is focused on proactive internal and external engagements which will provide clarity and understanding of our messages. Our leaders will continue to cooperate with all stakeholders and develop stakeholder relationships that will promote and encourage clean administration and enhance effective public governance. As leaders, we will interact with our stakeholders by using audit reporting to communicate the key controls that should be implemented to achieve clean administration and improve audit outcomes. Our external interactions follow the PFMA and MFMA audit cycles and include our communication with the auditees at leadership, governance and financial management levels. We will strive to provide our audit recommendations in time, thereby providing better insight and enabling corrective measures and sustainable good practices.

We will deepen our understanding of the public sector at all levels through training, stakeholder interactions and environmental scanning. Our improved understanding of the unique environment and challenges that stakeholders encounter will enable the AGSA to become aware of and respond to the changes in the environment, challenges of societies and the needs of stakeholders. Our robust continuous engagements with our stakeholders and a greater understanding of the public sector environment will equip and enable the government leadership to focus on monitoring service delivery as reported against predetermined objectives.

The diagram depicted in figure 3 sets out the core processes inherent to our leadership's visibility.



Figure 3: Making a difference in the lives of citizens

The effectiveness of stakeholder cooperation is dependent on the AGSA being regarded as a model institution that leads by example. Building and strengthening institutional partnerships and cooperation with stakeholders will enhance our capacity to better fulfil our audit mandate and be seen as a relevant, model institution. We know that this is only possible through effective communication.

Our contribution to accountability and good governance will therefore depend not only on the quality of our audits, but also on the extent to which we succeed in sharing our insight with those responsible for public resources so that they are empowered to take the necessary corrective action. We will continue to interact with external stakeholders at regular and planned intervals, linked to the statutory accountability cycles. The interactions will extend to include other key stakeholder occasions where our audit insight and perspective can contribute to the quality of outcomes aimed at improved oversight, accountability and governance. Our key interaction will continue to focus on legislative oversight authorities, executive authorities and others responsible for governance and media.

We will continuously enhance our internal stakeholder engagements. One of our key priorities is to guide staff to understand the strategic plan and define how their valuable activities, individually and as business units, contribute to the effective execution of the organisational plan. Ongoing leadership interactions with staff create an environment of information and knowledge sharing that impacts our high-performance culture. Our clear communication approach will continue to leverage on the performance management engagements initiated by the Deputy Auditor-General, the leadership and culture initiatives and informal staff engagements. The specific commitments and activities reflecting the leadership’s focus on staff are described in the chapter dedicated to unleashing the potential of our human capital.

Objective: Develop stakeholder relationships to encourage clean administration

The AGSA will enhance interaction with stakeholders to deepen our understanding of the messages in our reports. Such interaction will also be used to improve mutual understanding of the respective needs of each stakeholder and the AGSA. As shown in the table below, we set annual targets for improving the quality and impact of our interaction with all our internal and external stakeholders.

Table 2: Performance measure on visibility of leadership

Performance measure	Target		
	2012-13	2013-14	2014-15
High-quality, value-adding stakeholder interactions are conducted and escalated, where necessary	3	3	3
Tool	- Qualitative top-down rating by immediate supervisor. Our targets are based on a four-point rating scale (1-4). - Source of information: Quarterly stakeholder interactions, roadshow and presentation experience.		



In order to drive the achievement of our visibility of leadership goal we will:

- interact with executive authorities and others charged with governance on a quarterly basis to share the key drivers of internal controls and to follow up on the impact of previous commitments by the authorities in question
- continue to engage with our stakeholders during the annual PFMA and MFMA roadshows, which are aimed at providing deeper insights and understanding of the audit outcomes and the root causes
- continue to conduct door-to-door visits to municipalities to ensure that the root causes of the audit findings and corrective actions required are clearly understood by all role players
- intensify our interactions with legislative oversight authorities, mainly in the form of oversight committee interaction, including, where possible, linking up the oversight committees in the different spheres of government
- ensure ongoing engagement with staff through structured and regular vision achievement and organisational alignment (VA/OA) workshops and performance management reviews, leadership engagements and informal organisational culture sessions. Our leaders will facilitate these at various stages during the year and all staff members will be encouraged to participate actively in these interactions
- continue to strengthen our partnership with community media as we move to relay our messages to rural and remote communities that have barely or never interacted with our messages or do not understand our role in helping to support our country's democracy
- continue to maintain our position as one of the most active SAs within the international community through well-coordinated cooperation with INTOSAI structures and other international partners.

The key stages inherent to our leadership's visibility are visualised in figure 4.

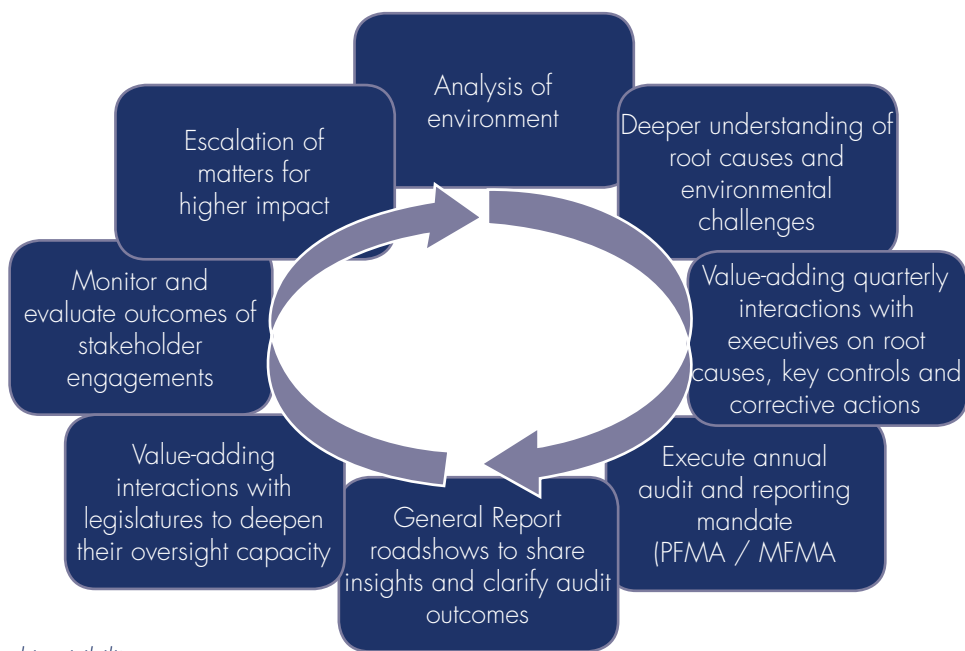


Figure 4: Leadership visibility process

5.3 Funding

The AGSA commits to optimising its service delivery in an effective, economical and operationally efficient manner.

To achieve this, the focus will be on the following areas:

- Effective management of working capital
- Improvement on our debtors collection
- Continual improvement of the quality of all our regular financial reporting
- Effective cost control measures to contain our overhead costs
- Effective application of financial budgets to improve operational efficiencies
- Strengthening our internal control environment to ensure we achieve clean audits

Objective: To execute the organisational mandate economically, efficiently and effectively

The AGSA has celebrated 100 years of existence and services to the people of South Africa. We intend to build on this legacy by ensuring our institution’s financial sustainability.

We will continue to manage and review our financial indicators, such as own hours revenue, outsourced audits to private audit firms, working capital management, overhead costs and target surplus to ensure that we achieve our desired financial performance.

Due to generating deficits in previous years, we did not sufficiently reinvest in infrastructure, technology and people. We will engage SCoAG on the use of the surplus of R232 million, as required by the Public Audit Act, with a view to addressing some of these historical funding backlogs.

Performance measures

The AGSA strives to keep audit fees affordable for our auditees. As shown in table 3(a), we are targeting a 2,07% net surplus for the year 2012-13, which will be adequate to enable us to enhance our human capital and organisational infrastructure resources.

The target surplus of 2,07% is lower than the normal target surplus of 4%, while the resultant decrease (or discount) in own hours revenue of R40,5 million is intended to demonstrate our commitment to containing the cost of audit to our auditees. However, for the years 2013-14 and 2014-15 we aim to revert to a target of 3,33% and 3,37% net surplus, respectively, which is closer to our target of 4%. This is to ensure that we generate adequate surpluses to fund our reinvestment needs for infrastructure and ICT upgrades, amongst others.

Table 3(a): Net surplus

Performance measure	Target		
	2012-13	2013-14	2014-15
% net surplus	2.07%	3.33%	3.37%
Tool	Analysis of the income statement		

We strive to lead by example by paying creditors within agreed time frames, as shown in table 3(b). We plan to retain the current payment target of 45 days for the foreseeable future. These prompt payment terms also encourage growth of small, medium and microenterprises (SMMEs).



Table 3(b): Creditors days

Performance measure	Target		
	2012-13	2013-14	2014-15
Creditors days	45 days from voucher date	45 days from voucher date	45 days from voucher date
Tool	Analysis of the creditors ageing report		

We will continue to work closely with all spheres of government to ensure that our audit fees are collectable. As shown in table 3(c), our debt collection targets are categorised according to the type of department audited and take into consideration the geographical differences in collection patterns.

Table 3(c): Debt collection

Performance measure	Target		
	2012-13	2013-14	2014-15
% debt collected within 30 days (all national departments, (Gauteng and the Western Cape)	75% - 80%	75% - 80%	75% - 80%
% debt collected within 30 days (Limpopo and KwaZulu-Natal)	65% - 70%	65% - 70%	65% - 70%
% debt collected within 30 days (North-West, Free State, Northern Cape, Eastern Cape and Mpumalanga)	55% - 60%	55% - 60%	55% - 60%
Tool	Analysis of the debtors ageing report		

The performance measure that indicates our progress towards achieving cost-effective auditing is the stabilisation of our staff occupancy. As we continue to fill our key audit positions, this enables us to allocate more work to internal staff, thereby maintaining better control over the delivery as well as cost of audits conducted. Table 3(d) reflects our occupancy target.

Table 3(d): Occupancy level

Performance measure	Target		
	2012-13	2013-14	2014-15
% occupancy level	85%	90%	90%
Tool	Staff occupancy rate report from PeopleSoft management system		

Our financial sustainability goal is supported by a number of key activities and initiatives:

- Implementing new interventions to collect debt and improve cash flow. We will achieve this by engaging with National Treasury, CoGTA and the provincial government leadership
- Ensuring that our cash reserves are invested to achieve optimum returns reflecting our risk profile and funding needs
- Generating sufficient surplus for reinvestment in our business, for example funding performance audit in the investment phase

- Investigating the scope for limiting the increases in tariffs to ensure a balance between the organisation's needs and the ability of the auditees to afford our services
- Establishing the CWC centre in order to improve coordination of tenders and allocation of outsourced services
- Evaluating and testing the appropriateness of implementing the planning and budgeting tool in PeopleSoft ERP
- Making a fresh assessment of our long-term accommodation requirements with due consideration of the growth in our staff complement
- Revisiting the budget process, including the project planning process, with a focus on ensuring project implementation capacity
- Defining and implementing a new operating cash surplus indicator to ensure that future cash flow is stable

5.4 Strengthen human resources

The AGSA's human capital is the organisation's main asset and as such remains its main focus for development. In order to deliver on our mandate, the AGSA is dependent on a workforce that is skilled, motivated, high performing, with a good understanding of the public sector and, very importantly, is representative of the demographics of the country. Our key aim is to equip our internal stakeholders with the appropriate tools to execute the vision of our leaders.

The focus for the next few years will be on the following:

- Implementation of an integrated and holistic approach to people management
- Elevation of the intensity and quality of employee engagement
- Enhancement of skills and learning initiatives in the organisation

Objective: To have a motivated, high-performing and diverse workforce

To measure our success in building a motivated, high-performing and diverse workforce, we are using the culture, leadership and engagement indices which are as follows:

- A culture index to gauge the current organisational culture and to track our progress in moving from a role/power culture to a high-performance culture
- A leadership index to determine the current leadership style and competencies within the AGSA and then track progress towards the leadership competencies desired
- A staff engagement index to assess the level of motivation and commitment among our staff

In addition to previous focus group assessments conducted, we will be using the surveys conducted in 2011-12 as a performance baseline for the next three years. Our performance targets for the period 2012-15 are as shown in tables 4(a), 4(b) and 4(c).



Table 4(a): Culture index

Performance measure	Target		
	2012-13	2013-14	2014-15
Culture index	Industry norm (3.2)*	5% improvement on previous year	5% improvement on previous year
Tool	Survey and focus group interviews and other assessments *According to the five-point Likert scale (1-5) The benchmark is derived from a survey conducted by the Human Science Research Council across financial, manufacturing and service industries which determines the benchmark across these industries to be currently at 3.2		

Table 4(b): Leadership index

Performance measure	Target		
	2012-13	2013-14	2014-15
Leadership index	Industry norm (3.2)*	5% improvement on previous year	5% improvement on previous year
Tool	Survey and focus group interviews and other assessments *According to the five-point Likert scale (1-5)		

Table 4c: Staff engagement index

Performance measure	Target		
	2012-13	2013-14	2014-15
Staff engagement index	Industry norm (3.2)*	5% improvement on previous year	5% improvement on previous year
Tool	Survey and focus group interviews and other assessments *According to the five-point Likert scale (1-5)		

The AGSA has embarked on a journey towards a high-performance culture that is supported by a medium-term plan. McKinsey's 7S model (Waterman, Peters, and Phillips, 1980) shown in figure 5 demonstrates how the various aspects of the organisational activities will link together in achieving the desired culture. The key activities to drive the "strengthen human resources" goal are directly linked to the actions that are required to change the culture at the AGSA from a power culture to a high-performance culture. These are described as follows:

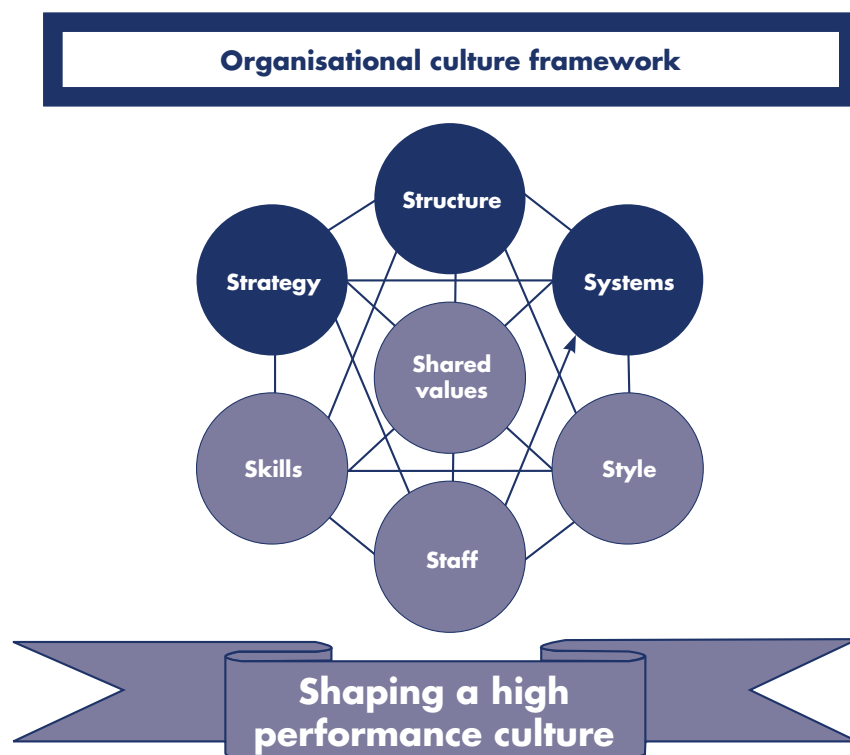


Figure 5: McKinsey's 7S model (Source: Waterman, Peters, and Phillips, 1980)

Structure

Comprehensive review of the AGSA structure, the required skills and the matching competencies – The fast pace of change and transformation at which the organisation is moving necessitates regular reviews to ensure an effective and efficient high-performance culture. A work study will be conducted to determine concerns around the team specialisation and the appropriateness (size) of centres. There is also a need to create a specialisation route within the organisation to ensure vertical growth as a retention strategy.

A **workforce planning** framework will give priority to those aspects of business strategy that relate to human resource optimisation. The focus is on formulating and implementing the necessary strategies to ensure that the AGSA has a workforce with the right mix of people, knowledge, skills and behaviours that are needed both currently and in the future.

Shared values and organisational culture

Focused strategic initiatives geared towards empowerment will be required to shape the organisation towards a high-performance culture. This will entail nurturing AGSA leaders; living the values that emanate from an organisation that values, respects and rewards its employees; and implementing systems that will enable the high-performance culture.

- **Culture/behaviour** – values in action interventions aimed at reiterating the importance and impact of the values and the internalisation thereof. Specific focus will be on team cohesiveness and shaping the desired employee behaviour at work.
- **Employment equity** – to create an environment that provides equal opportunity for all employees and promotes fair and consistent behaviour throughout the organisation. Specific focus will be on gender equality and the attraction and retention of persons with disabilities within the organisation. Awareness sessions will be held to achieve this objective.
- **Management of diversity** – the acceptance and appreciation of diversity. The focus will remain on broad diversification and on the implementation of the business units' (BU) diversity plans. The primary focus continues to be on the alignment towards diversification and organisational culture.



- **Ethics** – ethical behaviour is non-negotiable. We continuously commit to creating and maintaining an ethos of integrity-driven high performance.

Style

Executive development through appropriate development programmes and relevant secondments - The AGSA operates within a continuously changing environment that requires flexibility and adaptability with regard to leadership performance and competence. The focus on both internal and external stakeholder engagements necessitates a cadre of leaders who will adequately respond to the needs and requirements of these stakeholders.

As part of the journey to enhance leadership competence, essential leadership interventions have been initiated to prepare for a greater focus on key people management strategies and processes. The interventions, targeted at executive and senior management job levels, necessitate a change in leadership behaviour as well as streamlining processes and systems for excellent organisational performance. The key achievements emanating from these interventions will be realisable during the next few years.

Leadership actions and competence will be required to maintain a holistic and integrated approach to people management which will ensure that staff engagements are focused on addressing multiple facets and that impact is maximised.

Executive coaching and mentoring

The current focus on coaching and mentoring takes place at executive and senior management levels within the AGSA. The aim of the next phase is to institutionalise and enhance the culture of coaching and mentoring within the AGSA during the next three years. Coaching and mentoring initiatives will continue to ensure that people development and empowerment are fast-tracked and given the required attention.

Institutionalising leadership pipeline development and succession planning

South Africa operates within an environment where skills required for the work are not readily available. Executive pipeline building and succession planning initiatives have been put in action with the aim of ensuring business continuity and creating opportunities for long-term career growth.

Staff

The optimisation of talent in the organisation is a priority for the next few years and this will be achieved through the implementation of various employee engagement interventions.

Engagement and retention

Employee retention is a challenge facing the AGSA and other similar institutions due to the shortage of skills in the audit profession. To assist with employee engagement and retention, the focus will specifically include performance management, succession planning, career path development and recognition for a job well done.

Effective teams and employee engagement

The senior leadership will continue to embark on key activities and programmes to achieve high levels of employee engagement. The initiatives will empower AGSA leaders to build effective and engaged work teams and to hold continuous strategic conversations, thereby contributing to employee wellbeing and productivity. The improvement of communication channels and actions to ensure that messages are meaningful, positive and of value will be a focus area.

Reward and recognition

The AGSA will further enhance the practice of rewarding and recognising employee performance.

Systems

The AGSA will continue to focus on the enhancement and improvement of all its systems and processes. A key priority in this area will be the introduction of the concept of total performance as a mechanism to elevate the level of performance of all AGSA employees.

Enhancement of the total performance management system through:

- automation of the performance management system for senior leadership in the organisation.
- refinement of the performance management system by implementing recommendations identified during the review of the performance management system and processes followed.
- upfront inclusion of specification. not only to achieve set targets, but also to clarify what the ranges are for over- and partially achieved levels.
- entrenching our competency framework as part of the infrastructure of the total performance management concept

Communication

To enhance the performance environment, the continuous improvement of communication channels and actions will be a key focus area. This includes continuous strategic conversations which will contribute towards deepening our messages for all employees.

Policies and procedures

The AGSA's policies and procedures form the foundation of consistent and efficient work performance.

Constant improvement of the policies and procedures will continue to receive attention. We will intensify our efforts to institutionalise the policies that had been implemented in the previous financial year.

Skills

Human resources development is a key strategic focus area within our organisation. The specific interventions in this area will focus on competence enhancement within both audit and non-audit areas. Exposing our employees to a wide variety of skills development opportunities will ensure a robust learning organisation. Our bold approach is to establish a new Learning and Development unit that will focus on closing the knowledge and skills gaps for all employees. Public sector awareness interventions have been embarked upon to ensure that teams are provided with intensive exposure to the structures of the broader public service.

The AGSA will continue to grow its own talent through the trainee auditor scheme, which is the cornerstone of our succession planning and pipeline development. Through these learnership programmes, we provide trainee auditors with the experience and training they require to reach recognised professional competency levels.

5.5 Lead by example

Our reputation is defined by our transparency and accountability - this will be characterised by our own clean audit report and our identity as a transforming organisation that subscribes to employment equity and the BBBEE prescripts of our country. We will continue to account to Parliament by tabling our annual report and strategic plan and budget, and all audit reports as per statutory or agreed delivery dates. The audit reports will be of the expected standard and will be subjected to assessment by IRBA.



Objective: To adhere to standards of excellence for clean administration

Our risk management process will be continuously enhanced to proactively manage risks in all operations through risk assessments, internal control monitoring and compliance management. These efforts, together with the independent assurance obtained through audits conducted on the AGSA, will allow us to repeatedly achieve clean audits. Table 5(a) is a simple statement of this clear target.

Table 5(a): Achieving clean audit reports

Performance measure	Target		
	2012-13	2013-14	2014-15
Achieve clean audit report	Clean audit report	Clean audit report	Clean audit report
Tool	External audit report		

In addition to achieving clean financial audits, we are committed to following a code of good corporate practice and conduct as advocated by the King III report and in response to the increasing expectations for organisations to operate as responsible corporate citizens (ethically, socially and environmentally responsible for sustainability).

The AGSA will define its approach to environmental management and will assign responsibilities and allocate resources to ensure high awareness among our staff and optimal use of natural resources. We have made commitments on the ethical and social aspects of the organisation’s management throughout this document and specifically in this chapter. These range from minimising the use of paper to supporting enterprise development in the rural communities.

We will achieve this objective through:

- ensuring that our governance structures continue to play their oversight role. In addition to following the recommendations of the King III code, it is envisaged that an externally chaired Risk Committee will be established to enhance oversight on AGSA activities.
- improvements in our compliance management and monitoring processes that will enable us to address the inherent risk of non-compliance with legislative and regulatory requirements.
- automating our records and document management system as part of modernisation of our environment.
- ensuring effective and efficient business process re-engineering, IT alignment and systems integration to provide an excellent service to our stakeholders. This will include relevant, accurate and timely information to our decision-makers. We will also focus on improving the alignment of business and IT systems.
- introducing elements of integrated reporting as per King III recommendations.

Objective: To maximise the AGSA’s contribution to transformation

To contribute towards strengthening our country’s democracy, the AGSA continuously strives to create equal opportunities for all people of South Africa, specifically people from the previously disadvantaged groups. In addition, we prioritise the legislative requirements of BBBEE, and ensure that all transformational issues are resolved and become key focus areas for the organisation. To lead by example in applying BBBEE, we aim to use the codes of good practice as guidelines for setting the required targets and monitoring the progress against them.

The AGSA will support the Chartered Accountant Charter (CAC) which is aimed at promoting growth in the profession from grassroots level. We will contribute to economic growth through the integration and implementation of various codes to positively influence the growth of the profession and the development of black entrepreneurs and businesses. Our intention is to accelerate our efforts to drive enterprise development.

Table 5(b): Achieving the required BBBEE rating level

Performance measure	Target		
	2012-13	2013-14	2014-15
Achieve identified BBBEE rating level	3	3	3
Tool	Independent review conducted by external agency		

The following key activities will enable us to achieve our transformation objective:

- Continuous engagements and awareness sessions will be held with all relevant stakeholders on BBBEE and the verification rating process
- The BBBEE verification process will be conducted at both the organisational and business unit levels
- Ensuring our organisation's alignment to all procurement prescripts and promoting the growth of BBBEE-accredited suppliers
- The Corporate Social Investment (CSI) schools poverty eradication programme will be expanded to ensure sustainability by engaging the local non-governmental organisations (NGOs) and community leaders
- Accelerating efforts to drive enterprise development to ensure development of black entrepreneurs and businesses. During the performance year 2011-12, the AGSA piloted an enterprise development project that impacts the communities' economic growth. The vegetable garden project was launched in the Northern Cape Province.

The AGSA has chosen three key initiatives which will be implemented during the 2012-13 performance year to further assist with enterprise development.

- **Contributing to the economic growth of our communities** - these entities will provide training and development for the vegetable gardens. The project will bring about economic growth via the development of the gardens, with financial capabilities and tools to assist with the rural schools and the communities.
- **Young entrepreneurs programme** – assisting young potential entrepreneurs to start their own small businesses (**assisting women, people with disabilities and youth**). The entrepreneurs will undergo skills training prior to establishing their enterprises, which will empower them on how to develop their communities.
- **Contribution to growth of the profession** – the AGSA's contribution will be in the form of providing guidance and support (in some instances financial support) to new black entrants to establish themselves within the field, thereby influencing the growth of the profession.

Audit standards and methodology

In accordance with the PAA, the AGSA determines the standards and methodology to be applied in audits, taking account of international and local best auditing practice. The AGSA leads by example in this area as we were one of a small number of SAIs worldwide to fully implement the clarified International Standards on Auditing (ISA).

The International Standards of Supreme Audit Institutions (ISSAI) provide public sector-specific application guidance on performance audits and the auditing of financial statements, internal control and legislative compliance. We will further contribute to the development and enhancement of these guidelines through our participation in the working committees of INTOSAI and will incorporate the organisation's principles into the AGSA methodology.

We will continue to express an opinion on the reporting on predetermined objectives (reporting on service delivery), compliance with legislation and internal control. Such developments put us at the forefront of developments in the INTOSAI community and are geared towards fully complying with our mandate and addressing the needs of our stakeholders as expressed in our first two goals.



Objective: Continued excellence of the quality of audits performed

As a supreme audit institution, the quality of our audit work is of key significance. The AGSA will ensure that our people and processes deliver audit products of consistent high quality.

Table 5(c): Adherence to all quality standards

Performance measure		Target		
		2012-13	2013-14	2014-15
% adherence to all quality standards	Audit reports	87% (C2 and C3 rating)	87% (C2 and C3 rating)	87% (C2 and C3 rating)
Tool	Quality control assessment			
% adherence to all quality standards	Non-audit deliverables	3	3	3
Tool	- Qualitative top-down rating by immediate supervisor on all non-audit deliverables. Our targets are based on a four-point rating scale (1-4). - Source of information: Non-audit deliverables			

We will continue with the following key activities to achieve the desired quality of audits:

- Staff will be equipped with the latest auditing and accounting standards.
- Consistency reviews of all audit reports to ensure adherence to the reporting guide.
- Independent pre-issuance reviews will be performed on selected engagements to provide an objective evaluation of the significant judgements made by the engagement team and the conclusions reached in formulating the report.
- Independent post-issuance reviews will be performed on engagements (including those performed by contracted firms) to ensure adherence to the International Standards of Auditing.
- The AGSA’s system of quality control (QC) will be monitored. IRBA will perform an independent QC review on the monitoring element of the system. Formal remedial action initiatives to address previous review deficiencies will be tracked on a quarterly basis. Excellent performance by individuals during the engagement process will be appropriately recognised.
- The AGSA has subjected itself to an independent firm-level review by IRBA to assess the adequacy of audit-related policies and procedures as phase I in 2011. Phase II of the independent firm-level review by IRBA could be considered during the 2012-13 performance year to assess operational effectiveness of the system of quality control as required by the International Standard on Quality Control (ISQC 1)

Objective: Continued improvement of the timeliness of AGSA reports

The AGSA has, over the past five years, set higher targets to produce reports within the required time frames. The timeliness of our reports plays a significant role in the actions taken by those responsible for governance. Table 5(d) shows the targets and measurements for ensuring the timeliness of our reports over the next three financial years.

Table 5(d): Compliance with statutory and legislative deadlines

Performance measure		Target		
		2012-13	2013-14	2014-15
% compliance with statutory and legislative deadlines	- Strategic plan and budget, annual report, general reports - Deadlines for these reports are in our events calendar	100%	100%	100%
	- Performance audits – deadlines as agreed by the Deputy-Auditor General (DAG) and the Auditor General - Investigations - deadlines as set out in the engagement letter to the auditee	95%	95%	95%
	- Audit reports (PFMA, MFMA) - Measure pertains to all annual financial statements (AFS) received and required to be completed within the financial year - Targets for PFMA - 90% (within two months of receipt of AFS) - MFMA target is 90% (within three months where AFS are received per the legislated deadlines) - MFMA target remains 90% (within four months where AFS are not received on time)	90%	90%	90%
Tool	Project tracking tool			

In order to achieve the timeliness objective, the AGSA will continuously enhance the level of resource planning. Part of the resource planning enhancement will be to ensure an integrated work approach between audit and non-audit operations.

Performance audits

- We will identify audit themes in time and clarify the funding of performance audits well in advance.
- Sufficient capacity will be established to perform research on theme areas and to conduct performance audits.
- Performance audit initiatives, observations, processes and outcomes will be integrated into regularity audits.
- Existing staff will be re-skilled to the desired level of expertise in all government performance outcomes.

Investigations

- The methodology to assist audit business units (ABUs) with ISA 240 assessment at national, provincial and local authority levels will be implemented during 2012-13. Training will be provided to both the investigation team and the ABUs. All ABUs will receive expert information and skills training..
- Requests for investigations will only be responded to in exceptional cases.
- We plan to perform at least one sector analysis for cases of fraud and irregularities.



6. AGSA BALANCED SCORECARD 2012-2015

Table 6: AGSA balanced scorecard

Strategic goal	Weight	Objective	Performance measure	Target		
				2012-13	2013-14	2014-15
Simplicity	20%	Identify root causes and make recommendations	Clear communication of relevant root causes and recommendations	3	3	3
Visibility	25%	Develop stakeholder relationships so as to encourage clean administration	High quality, value-adding stakeholder interactions are conducted and escalated, where necessary (qualitative top-down rating by supervisor)	3	3	3
Strengthen human resources	25%	Have a motivated, high-performing and diverse workforce	Culture index	Industry norm (3.2)	5% improvement on previous year	5% improvement on previous year
			Leadership index	Industry norm (3.2)	5% improvement on previous year	5% improvement on previous year
			Staff engagement index	Industry norm (3.2)	5% improvement on previous year	5% improvement on previous year

Strategic goal	Weight	Objective	Performance measure	Target		
				2012-13	2013-14	2014-15
Funding	15%	Execute the AGSA's mandate economically, efficiently & effectively	% net surplus	2,07%	3,33%	3,37%
			Creditor's days	45 days from voucher date	45 days from voucher date	45 days from voucher date
			% debt collected within 30 days (All nationals, GP, WC)	75% - 80%	75% - 80%	75% - 80%
			% debt collected within 30 days (LUMP, KZN)	65% - 70%	65% - 70%	65% - 70%
			% debt collected within 30 days (NW, FS, NC, EC, MP)	55% - 60%	55% - 60%	55% - 60%
Lead by Example	15%	Adhere to standards of excellence for clean administration	Occupancy level	85%	90%	90%
			Achieve clean audit report	Clean audit report	Clean audit report	Clean audit report
		Maximise the AGSA's contribution to transformation	Achieve identified BBBEE rating level	3	3	3
			Audit reports	87% (C2 and C3 rating)	87% (C2 and C3 rating)	87% (C2 and C3 rating)
		Continual improvement of the quality of AGSA reports	% adherence to all quality standards	3	3	3
			Non-audit deliverables: (qualitative top-down rating by supervisor)	3	3	3
		Timeliness of all our reports	Strategic plan & budget; annual report; and general reports	100%	100%	100%
			Performance audits and investigations	95%	95%	95%
			Regularity audits	90%	90%	90%



7. MANAGEMENT STRUCTURE

Our management structure is presented in figure 6 and contains the following main levels:

- Deputy Auditor-General
- Seven portfolio heads or corporate executives (CEs) and a chief operations officer (COO)

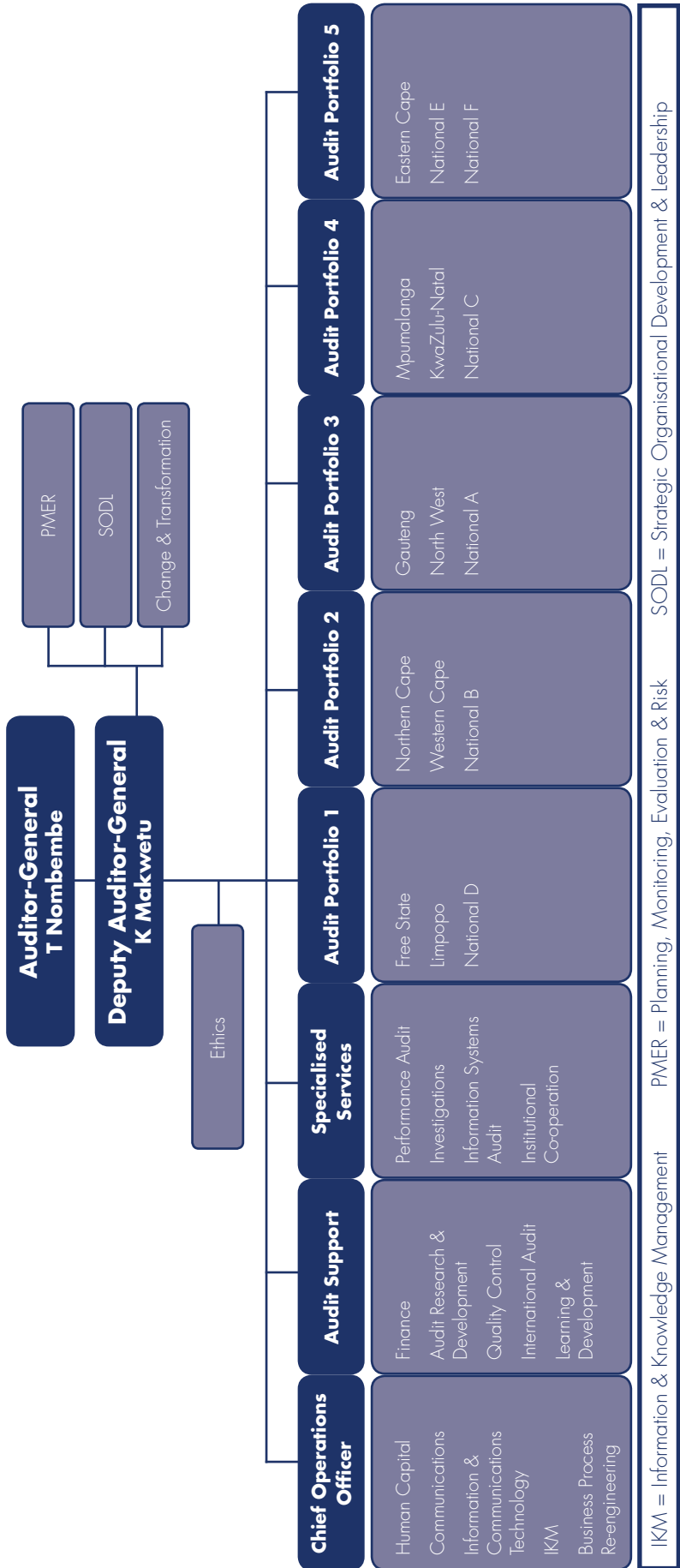
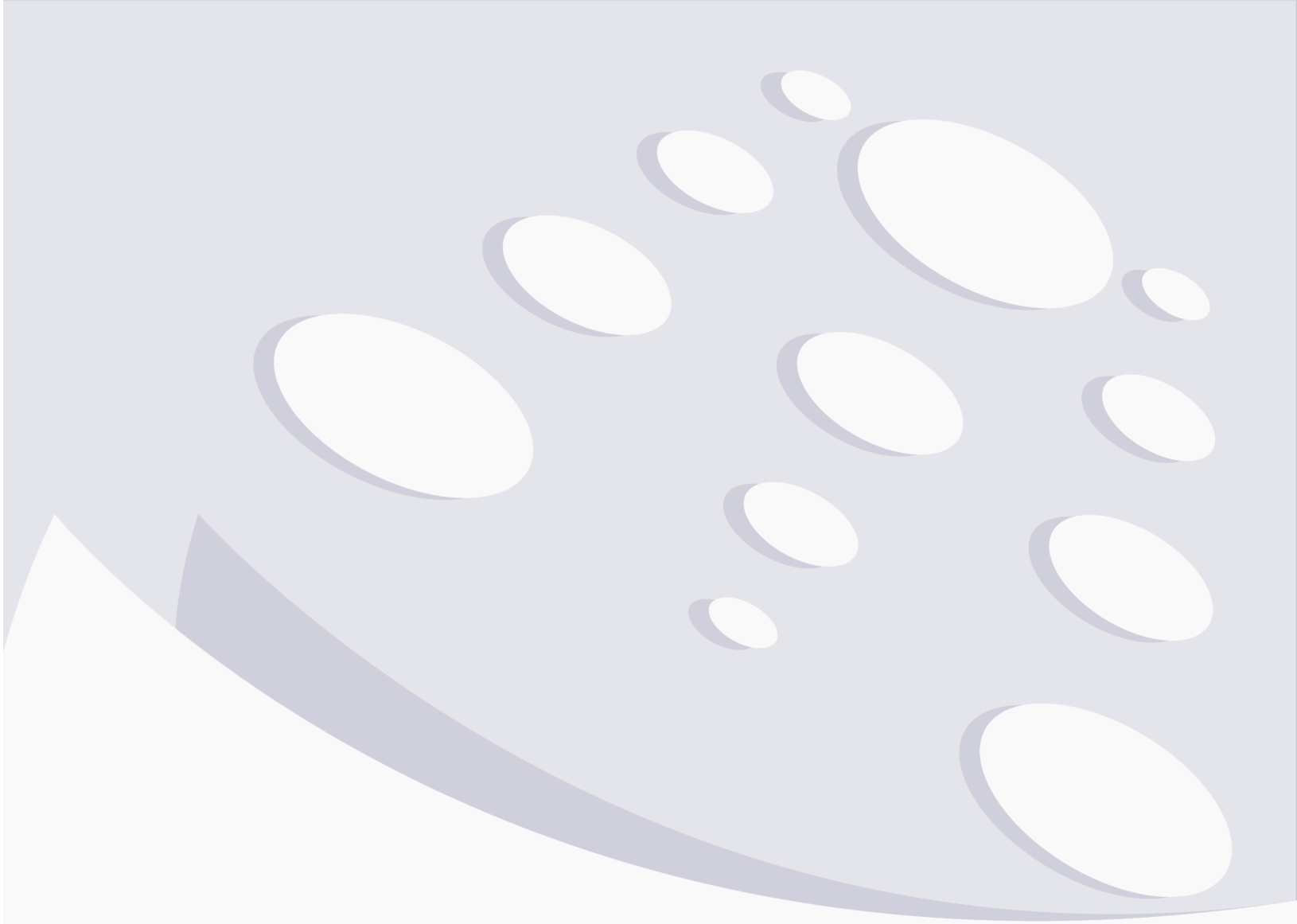


Figure 6: Management structure of the AGSA



BUDGET 2012-2015

8. PROJECTED STATEMENT OF COMPREHENSIVE INCOME

Actual 31 March 2011	Forecast 31 March 2012	Budget 31 March 2013	Forecast 31 March 2014	Forecast 31 March 2015
Rm	Rm	Rm	Rm	Rm
AUDIT INCOME				
DIRECT AUDIT EXPENDITURE				
	2 041,5	2 226,0	2 508,6	2 750,8
	1 298,2	1 546,0	1 741,8	1 909,0
Contract work % of audit income excl. subsistence and travel	27,36%	25,66%	27,01%	27,01%
Gross profit	609,0	680,0	766,8	841,8
Own hours gross profit	648,1	722,5	813,1	891,1
Gross margin % of audit income	29,83%	30,55%	30,57%	30,60%
Other income	71,5	73,6	86,8	98,4
Contribution to overheads	680,5	753,6	853,6	940,2
Overhead expenses	597,6	667,5	728,9	805,2
Overhead as % of audit income	29,27%	29,99%	29,05%	29,27%
Depreciation	30,1	40,1	41,2	42,2
Net surplus before special events	52,8	46,0	83,5	92,8
Net surplus as a % of audit income	2,59%	2,07%	3,33%	3,37%
Special events	-	-	-	-
Net surplus after special events	52,8	46,0	83,5	92,8



9. PROJECTED STATEMENT OF FINANCIAL POSITION

	Actual 31 March 2011	Forecast 31 March 2012	Budget 31 March 2013	Forecast 31 March 2014	Forecast 31 March 2015
	Rm	Rm	Rm	Rm	Rm
Equity and liabilities					
Equity	341,2	394,0	440,0	523,5	616,3
General reserve	103,9	103,9	103,9	103,9	103,9
Special audit services fund	5,0	5,0	5,0	5,0	5,0
Retained earnings	99,2	232,3	285,1	331,1	414,6
Net surplus for the year	133,1	52,8	46,0	83,5	92,8
Non-current liabilities	82,2	78,6	77,7	85,3	88,9
Interest-bearing borrowings	18,4	9,7	4,0	6,4	4,3
Retirement benefit obligation - medical aid liability	63,8	68,9	73,7	78,9	84,6
Current liabilities	370,0	389,2	425,0	448,2	480,7
Trade and other payables	310,5	321,7	353,4	367,4	388,8
Leave liability	43,3	52,0	61,0	70,8	81,5
Current portion of long-term loan	16,2	15,5	10,6	10,0	10,4
	793,4	861,8	942,7	1 057,0	1 185,9
Employment of capital					
Non-current assets	76,4	122,6	148,0	172,2	195,4
Property, plant and equipment	76,4	122,6	148,0	172,2	195,4
Investments	102,3	107,9	113,8	120,5	127,8
Current assets	614,7	631,3	680,9	764,3	862,7
Trade and other debtors	365,0	342,0	372,9	430,8	477,1
Bank and cash	249,7	289,3	308,0	333,5	385,6
	793,4	861,8	942,7	1 057,0	1 185,9

Working capital assumptions

1. Trade and other payables are calculated based on a 45 day payment period from voucher date.
2. Trade debtors are calculated based on the following days outstanding: 2012 to 2015: 75% - 80% recovery within 30 days for the national departments and 55% - 80% recovery within 30 days for provincial departments.

10. PROJECTED CASH FLOW STATEMENT



	Forecast 31 March 2012	Budget 31 March 2013	Forecast 31 March 2014	Forecast 31 March 2015
	Rm	Rm	Rm	Rm
Opening bank balance	249,7	289,3	307,9	333,4
Cash inflow	2 071,4	2 214,5	2 493,2	2 737,3
Audit income	2 038,9	2 183,4	2 452,7	2 688,2
Other income	32,5	31,1	40,5	49,1
Cash outflow	2 031,8	2 195,9	2 467,7	2 685,1
Operating expenditure	1 953,1	2 129,1	2 400,9	2 618,4
Capital expenditure	78,7	66,8	66,8	66,8
Closing bank balance	289,3	307,9	333,4	385,6

Note

The cash flow reflected above excludes investment balances which are ringfenced for specific commitments.

ANNEXURES



ANNEXURE 1: DETAILED BUDGET FOR 2012-13

Description	Notes	2011-12		2011-12		Variance		Variance %		2012-13		2013-14		2014-15	
		budget		forecast		(B-A)		(B-A)/A		budget		forecast		forecast	
		R	(A)	R	(B)	R	(C)	(D)	(E)	R	(E)	R	(E)	R	(E)
AUDIT INCOME	2	2 087 635 032	2 041 533 497	(46 101 535)	-2%	2 226 031 305	2 508 625 864	2 750 842 052							
Own hours	2.1	1 457 697 331	1 446 014 911	(11 682 420)	-1%	1 605 213 624	1 780 509 229	1 951 438 115							
Contract work	2.2	513 001 764	544 576 929	31 575 165	6%	554 097 204	658 788 415	722 032 103							
Subsistence and travel	2.3	104 820 055	80 848 471	(23 971 584)	-23%	104 217 432	115 598 383	126 695 828							
International subsistence and travel	2.3	12 115 881	9 054 401	(3 061 481)	-25%	4 985 269	-	-							
Present value of revenue adjustments		-	(38 961 215)	(38 961 215)	100%	(42 482 225)	(46 270 163)	(49 323 993)							
DIRECT AUDIT COST		1 399 690 009	1 432 486 502	32 796 493	2%	1 545 968 863	1 741 791 975	1 909 004 005							
Staff remuneration: audit business units	3.3	769 752 308	797 916 526	28 164 218	4%	882 668 957	967 405 177	1 060 276 074							
Contract work – recoverable	2.2	513 001 764	544 576 929	31 575 165	6%	554 097 204	658 788 415	722 032 103							
Subsistence and travel – recoverable	2.3	104 820 055	80 918 831	(23 901 224)	-23%	104 217 432	115 598 383	126 695 828							
International subsistence and travel	2.3	12 115 881	9 074 216	(3 041 665)	-25%	4 985 269	-	-							
GROSS PROFIT		687 945 023	609 046 995	(78 898 028)	-11%	680 062 442	766 833 889	841 838 047							
GROSS PROFIT PERCENTAGE		32,95%	29,83%			30,55%	30,57%	30,60%							
OTHER INCOME	2.4	43 024 006	71 450 389	28 426 383	66%	73 546 075	86 770 683	98 377 119							
Interest received		6 100 000	5 600 861	(499 139)	-8%	5 941 262	6 695 505	7 341 978							
Interest received SCMB		6 000 000	11 691 447	5 691 447	95%	11 113 492	12 624 349	14 383 617							
Sundry income		30 924 006	54 158 081	23 234 075	75%	56 491 321	67 450 829	76 651 524							
SURPLUS BEFORE OPERATING COST		730 969 029	680 497 384	(50 471 645)	-7%	753 608 517	853 604 572	940 215 166							
OPERATING COST		611 446 182	597 530 857	(13 915 324)	-2%	667 556 861	728 914 314	805 167 145							
Staff remuneration:															
Support business units	3.3.2	198 824 673	180 011 428	(18 813 245)	-9%	213 247 373	232 439 636	253 359 204							
Africa projects		4 240 265	2 729 659	(1 510 606)	-36%	4 520 558	4 927 408	5 370 875							

Description	Notes	2011-12		2011-12		Variance		Variance %		2012-13		2013-14		2014-15	
		budget		forecast		(B-A)		(B-A)/A		budget		forecast		forecast	
		R	(A)	R	(B)	R	(C)		(D)	R	(E)	R		R	
Other personnel expenditure	3	69 097 683		89 105 047		20 007 364		29%		99 610 828		108 651 907		118 514 294	
Leave pay provision	3.1	6 520 032		8 697 332		2 177 300		33%		9 034 914		9 848 056		10 734 381	
Medical aid provision	3.2	4 800 000		5 075 200		275 200		6%		4 771 920		5 201 393		5 669 518	
Group life scheme	3.4	7 085 611		7 085 611		-		0%		7 610 436		8 371 480		9 208 628	
Long service awards & other	3.4	-		45 000		45 000		100%		4 230 000		4 610 700		5 025 663	
Performance bonus	3.6	45 862 096		63 372 414		17 510 318		38%		68 442 204		74 602 002		81 316 183	
UIF: employer contribution	3.5	3 619 697		3 672 365		52 668		1%		3 996 409		4 356 086		4 748 133	
Workmen's compensation premiums	3.5	600 000		600 000		-		0%		600 000		654 000		712 860	
BU recognition scheme	3.4	610 247		557 125		(53 122)		-9%		924 945		1 008 190		1 098 928	
Consultants fees	4	28 097 393		23 623 462		(4 473 931)		-16%		26 929 231		30 430 031		34 385 935	
Subsistence and travel - irrecoverable	5	18 969 693		17 097 291		(1 872 402)		-10%		17 295 257		18 851 830		20 548 495	
Accommodation	6	61 706 773		72 824 154		11 117 381		18%		80 585 652		87 838 361		95 743 813	
Rental	6.1	40 811 404		51 000 314		10 188 910		25%		51 758 082		56 416 310		61 493 778	
Accommodation cost recovered		-		(5 940)		(5 940)		100%		-		-		-	
Operating costs	6.2	20 895 369		21 829 780		934 411		4%		28 827 570		31 422 051		34 250 036	
Liaison	7	34 218 916		35 078 536		859 621		3%		36 124 987		39 376 236		44 495 147	
Liaison	7.1.1	11 725 908		10 812 359		(913 549)		-8%		3 800 000		4 142 000		4 680 460	
Internal stakeholder liaison	7.1.2	6 623 264		7 661 295		1 038 031		16%		9 411 892		10 258 963		11 592 628	
External stakeholder liaison	7.1.3	3 736 014		3 520 778		(215 236)		-6%		4 579 447		4 991 598		5 640 505	
Culture expenses	7.1.4	261 004		255 707		(5 297)		-2%		3 675 114		4 005 874		4 526 638	
Constitutional liaison		596 944		592 944		(4 000)		-1%		760 454		828 895		936 651	
Non constitutional liaison		570 000		558 368		(11 632)		-2%		540 000		588 600		665 118	
Regional congresses	7.2	7 922 763		8 950 403		1 027 640		13%		7 557 565		8 237 746		9 308 653	
Foreign visitors	7.3	477 750		254 892		(222 858)		-47%		77 200		84 148		95 087	
Overseas travel	7.4	2 305 269		2 471 790		166 521		7%		5 723 314		6 238 412		7 049 406	
Control bodies	8	986 452		1 414 212		427 760		43%		1 443 600		1 573 524		1 715 141	



Description	Notes	2011-12	2011-12	Variance	Variance %	2012-13	2013-14	2014-15
		budget	forecast	(B-A)	(B-A)/A	budget	forecast	forecast
		R	R	R		R	R	R
		(A)	(B)	(C)	(D)	(E)		
Audit expenses	9	6 128 744	4 982 229	(1 146 515)	-19%	4 958 676	5 404 957	6 107 601
External audit fees	9.1	3 128 744	2 332 389	(796 355)	-25%	2 308 836	2 516 631	2 843 793
Internal audit costs	9.2	3 000 000	2 649 840	(350 160)	-12%	2 649 840	2 888 326	3 263 808
Bank charges		505 600	312 847	(192 753)	-38%	355 040	386 994	437 303
Finance charges	10	8 298 000	2 223 656	(6 074 344)	-73%	1 686 234	1 769 458	1 584 710
Recruitment expenses	11	9 206 993	5 738 980	(3 468 013)	-38%	8 877 799	9 676 801	10 934 785
Advertising		1 325 796	1 325 789	(7)	-0%	1 200 000	1 308 000	1 478 040
Personnel agency fees		3 023 575	3 006 773	(16 802)	-1%	3 000 000	3 270 000	3 695 100
Interviews		357 622	406 418	48 796	14%	177 799	193 801	218 995
Transfer & relocation expenses		4 500 000	1 000 000	(3 500 000)	-78%	4 500 000	4 905 000	5 542 650
Professional assistance	12	85 898 083	83 248 698	(2 649 385)	-3%	82 668 362	90 108 514	101 822 621
Membership fees	12.1	10 478 503	10 000 618	(477 885)	-5%	10 055 072	10 960 028	12 384 832
Internal training	12.2.1	16 680 267	18 104 361	1 424 094	9%	15 069 270	16 425 505	18 560 820
External training	12.2.2	2 848 941	3 836 042	987 101	35%	5 776 291	6 296 158	7 114 658
Subsistence and travel – training		12 493 000	10 455 865	(2 037 136)	-16%	15 320 149	16 698 962	18 869 827
Study assistance: employees	12.2.3	14 482 503	13 899 143	(583 359)	-4%	14 633 783	15 950 823	18 024 430
I&L development projects		7 041 244	6 041 260	(999 984)	-14%	863 080	940 757	1 063 056
Bursaries	12.2.4	15 529 823	15 491 823	(38 000)	-0%	15 291 630	16 667 877	18 834 701
Skills development levy		9 343 803	9 460 788	116 985	1%	10 659 086	11 618 404	13 128 797
Skills development levy: recovered		(3 000 000)	(4 041 201)	(1 041 201)	35%	(5 000 000)	(5 450 000)	(6 158 500)

Description	Notes	2011-12	2011-12	Variance		Variance %	2012-13	2013-14	2014-15
		budget	forecast	(B-A)		(B-A)/A	budget	forecast	forecast
		R	R	R	R		R	R	R
		(A)	(B)	(C)	(D)	(E)			
Employee wellness programmes (EWP fees to independent service provider)	13	8 701 587	7 475 569	(1 226 018)	-14%		10 231 648	11 152 496	12 602 321
Employee wellness programmes		3 366 187	3 364 186	(2 001)	-0%		3 444 000	3 753 960	4 241 975
Employee social responsibility		120 000	120 000	-	0%		650 000	708 500	800 605
AGSA social responsibility (general)		2 076 440	2 402 014	325 576	16%		2 444 011	2 663 972	3 010 289
Corporate social investment		3 138 960	1 589 369	(1 549 591)	-49%		3 693 637	4 026 064	4 549 452
Technological services	14	38 683 955	34 418 574	(4 265 381)	-11%		39 057 724	42 572 920	48 107 399
Computer services	14.1	32 939 717	28 879 905	(4 059 812)	-12%		32 627 943	35 564 458	40 187 837
Hiring of equipment: rental	14.2	4 089 570	3 890 180	(199 390)	-5%		4 561 030	4 971 522	5 617 820
Hiring of equipment: copy charges		1 654 667	1 648 489	(6 178)	-0%		1 868 752	2 036 939	2 301 741
Insurance and legal fees	15	2 980 000	2 261 769	(718 231)	-24%		2 572 848	2 997 004	3 592 697
Insurance		1 300 000	761 769	(538 231)	-41%		1 072 848	1 169 404	1 321 427
Legal costs		1 680 000	1 500 000	(180 000)	-11%		1 500 000	1 827 600	2 271 270
Auxiliary services	16	21 257 750	20 988 079	(269 670)	-1%		22 114 223	24 104 503	27 238 089
Cleaning: contracts/services		2 360 068	2 263 385	(96 683)	-4%		2 475 474	2 698 266	3 049 041
Cleaning: materials		444 520	452 125	7 605	2%		349 041	380 454	429 913
Office improvements		1 045 971	1 046 165	194	0%		1 377 131	1 501 073	1 696 212
Refreshments		1 749 526	1 751 726	2 200	0%		1 842 667	2 008 507	2 269 613
Publications		1 786 695	2 389 518	602 823	34%		2 337 120	2 547 460	2 878 630
Repairs & maintenance: computer equipment		740 079	639 753	(100 326)	-14%		1 298 376	1 415 230	1 599 210
Repairs & maintenance: furniture & equipment		364 109	508 632	144 522	40%		324 111	353 281	399 208
Repairs & maintenance: site & buildings		1 190 829	792 216	(398 613)	-33%		1 288 566	1 404 537	1 587 127
Repairs & maintenance: office vehicles		420 783	360 260	(60 523)	-14%		448 676	489 056	552 634
Printing of audit reports		2 397 089	2 513 562	116 473	5%		1 831 285	1 996 101	2 255 594
Stationery and printing		8 274 419	7 919 325	(355 094)	-4%		8 059 867	8 785 255	9 927 338
Artwork & design		150 000	150 000	-	0%		25 000	27 250	30 793
Medical examinations		200 000	100 000	(100 000)	-50%		200 000	218 000	246 340
Freight and removal		133 661	101 413	(32 248)	-24%		256 911	280 033	316 437



Description	Notes	2011-12	2011-12	Variance		Variance %	2012-13	2013-14	2014-15
		budget	forecast	(B-A)		(B-A)/A	budget	forecast	forecast
		R	R	R	R		R	R	R
		(A)	(B)	(C)	(D)	(E)			
Communication	17	9 443 622	8 869 034	(574 588)	-6%	10 149 224	11 062 654	12 291 055	
Cell phone charges	17.2	2 734 982	2 739 060	4 078	0%	3 711 100	4 045 099	4 570 962	
Postage & courier services		1 617 918	1 495 483	(122 434)	-8%	1 627 487	1 773 961	2 004 576	
Telephone charges	17.1	5 090 723	4 634 491	(456 232)	-9%	4 810 637	5 243 594	5 715 517	
Other expenses		4 200 000	5 127 635	927 635	22%	5 127 596	5 589 080	6 315 660	
Bad debts provision		4 200 000	5 127 635	927 635	22%	5 127 596	5 589 080	6 315 660	
SURPLUS BEFORE DEPRECIATION		119 522 848	82 966 527	(36 556 321)	-31%	86 051 655	124 690 258	135 048 021	
Depreciation	18	41 048 844	30 137 446	(10 911 398)	-27%	40 052 029	41 222 527	42 253 938	
Depreciation: motor vehicles		472 844	538 137	65 293	14%	1 397 684	1 412 683	1 425 233	
Depreciation: furniture & equipment		4 632 636	4 222 548	(410 088)	-9%	5 198 486	5 383 836	5 529 693	
Depreciation: computer equipment		30 058 764	19 366 663	(10 692 101)	-36%	25 733 317	26 476 212	27 134 057	
Depreciation: computer software		3 837 362	4 470 531	633 169	17%	5 073 098	5 255 965	5 432 748	
Depreciation: leasehold improvements		2 047 238	1 539 567	(507 671)	-25%	2 649 444	2 693 831	2 732 207	
NET SURPLUS		78 474 004	52 829 081	(25 644 923)	-33%	45 999 627	83 467 731	92 794 084	
Net surplus ratio		3,76%	2,59%			2,07%	3,33%	3,37%	
CAPITAL BUDGET	19	74 368 892	76 321 711	1 952 819	3%	65 451 353	65 451 353	65 451 353	
Motor vehicles	19.1	1 279 000	896 467	(382 533)	-30%	5 841 169	5 841 169	5 841 169	
Furniture & equipment	19.2	12 016 546	12 924 988	908 442	8%	14 582 120	14 582 120	14 582 120	
Computer equipment	19.4	45 533 882	42 585 182	(2 948 700)	-6%	27 990 564	27 990 564	27 990 564	
Computer software	19.5	4 402 464	4 297 715	(104 749)	-2%	7 003 000	7 003 000	7 003 000	
Leasehold improvement	19.3	11 137 000	15 617 359	4 480 359	40%	10 034 500	10 034 500	10 034 500	
CAPEX AS A % OF TOTAL INCOME		3,56%	3,74%			2,94%	2,61%	2,38%	

ANNEXURE 2: NOTES ON THE BUDGET

2. INCOME

Budget item	Ref.	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change	
		R'000	R'000	R'000	%	R'000	R'000	%
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Own hours	2.1	1 457 697	1 446 015	(11 682)	-0,8%	1 605 214	147 516	10,1%
Contract work	2.2	513 002	544 577	31 575	6,2%	554 097	41 095	8,0%
Subsistence and travelling	2.3	104 820	80 848	(23 972)	-22,9%	104 217	(603)	-0,6%
International subsistence and travelling		12 116	9 054	(3 061)	-25,3%	4 985	(7 131)	-58,9%
Present value of revenue adjustments		–	(38 961)	(38 961)	-100,0%	(42 482)	(42 482)	-100,0%
Total audit income		2 087 635	2 041 533	(46 102)	-2,2%	2 226 031	138 396	6,6%

EFFECT OF THE ESTIMATES OF THE OFFICE FOR 2012-13 ON TOTAL STATE EXPENDITURE

The total estimated audit cost of R2,23 billion for 2012-13 (2011-12: R2,09 billion) comprises only 0,23% (2011-12: 0,23%) of estimated state expenditure of approximately R968 billion for 2012-13. The estimate of the office represents a 6,6% increase over 2011-12 budget and has no material effect on the total state expenditure. No provision was made in the 2011-12 budget for present value of revenue adjustment.

2.1 Calculation of own hours income

The calculation of own hours income takes into account three variables, namely number of staff (including vacancies that are planned to be filled), recoverable hours and tariffs. The 2012-13 revenue budget has been compiled utilising the same tariff formula applied in the 2011-12 budget.

2.1.1 Number of staff

Staff numbers constitute a critical variable and thus a logical starting point in the computation of audit revenue (revenue is computed by billable hours X charge-out rate) for the office.

Audit staff	2011-12 budget Staff numbers (1)	2012-13 budget Staff numbers (2)	Change		Comments
			Staff numbers	%	
			(2)-(1)	(2)-(1)	
Business executives	19	18	-1	-5%	The Strategic Audit Work Coordination business unit will be discontinued effective on 30 September 2011.
Deputy business executives	16	17	1	3%	Increase is due to the planned appointment of a second deputy business executive in the Free State.
Senior managers	153	158	5	3%	Increase is due to additional centres (Limpopo, Information
Audit managers	411	441	30	7%	Systems Audit, National C, and Gauteng) and planned
Auditors	604	646	42	7%	growth, mainly as a result of new state departments that
Trainee auditors	1 120	1 180	60	5%	were created after the 2011-12 budget was approved.
Total recoverable audit staff	2 323	2 460	137	6%	Some of the audit work for these departments was
Admin: Non recoverable audit staff	200	204	4	2%	outsourced to private audit firms.
Total audit staff	2 523	2 664	141	6%	

2.1.1A Own hours – recoverable hours and ratios

The next variable in the computation of audit income is recoverable hours. This variable is influenced by the recovery rate determined for each staff band within the audit business units. The level of these recovery rates is arrived at after providing for sufficient time for essential non-recoverable activities such as annual leave, study leave, sick leave, training, management and supervision. For the 2012-13 budget the targeted recovery ratios for senior managers, deputy business executives and business executives were revised slightly downwards (refer to the table below) to allow more time for administration and supervision duties to cater for increased administration functions and stakeholder relations. The average recovery rate for the 2012-13 budget is 62,93% (2011-12 budget: 63,09%), a decrease of 0,16%.

The calculation of recoverable hours is based on the total available hours, which is equal to 2 009 hours per person per year (2011-12: 2 034 hours), multiplied by (X), the recovery rate per band, multiplied by (Y), number of recoverable staff per band as indicated in table 2.1.1 above. The decrease of 25 hours per person in available hours is due to the following:

- Budget 2011-12: the Easter holidays (two days) were not taken into consideration in calculating the available hours.
- Budget 2012-13: the AGSA will close for Christmas holidays on 22 instead of 23 December (budget 2011-12).

The detailed analysis of recovery ratio and recoverable hours per band is reflected below:

Budget item	2011-12 Expected recovery ratio per band	2012-13 Expected recovery ratio per band	2011-12 budget		2012-13 budget		Change		Comments
			Hours		Hours		Hours	%	
			(1)		(2)		(2)-(1)	(2)-(1)	
			Audit staff						
Business executives	34%	32%	12 558		10 127		(2 431)	-19,4%	The net increase in recoverable hours of 128,836 is due to the following: * Increase of 137 in recovering staff (refer to 2.1.1 above). * Decrease of 0,16% in average recovery rate (refer to 2.1.1A above). * Available hours decreased by 25 hours per person year on year (2011-12: 2 034; 2012-13: 2 009).
Deputy business executives	44%	41%	13 199		13 400		202	1,5%	
Senior managers	59%	54%	167 053		152 877		(14 175)	-8,5%	
Audit managers	65%	66%	527 166		547 124		19 957	3,8%	
Auditors	65%	66%	797 237		857 593		60 356	7,6%	
Trainee auditors	65%	65%	1 463 520		1 528 448		64 928	4,4%	
Total			2 980 732		3 109 569		128 836	4,3%	

Refer to 2.1.3 for the calculation of total own hours income.

2.1.1B Standard non-recoverable ratios

Budget item	2012-13 ratios						2012-13 budget		2011-12 budget	
	Annual leave	Sick leave	Study & other	Training	Management & supervision	Total %	Total non-recoverable hours	Non recoverable hours per employee	Total non-recoverable hours	Non-recoverable hours per employee
Business executives	11%	4%	0%	6%	48%	68%	24 764	1 376	25 607	1 348
Deputy business executives	11%	4%	0%	6%	38%	59%	19 402	1 176	18 296	1 144
Senior managers	11%	4%	0%	6%	25%	46%	144 719	917	128 095	837
Audit managers	11%	4%	2%	6%	11%	34%	297 766	675	293 742	715
Auditors	11%	4%	4%	6%	9%	34%	436 810	676	431 679	715
Trainee Auditors	11%	4%	8%	9%	3%	35%	832 681	706	800 464	715

Note 1

The non-recoverable ratios for all levels were revised downwards to take into consideration the revised annual leave and study leave policies. The main area of change in the calculation of non-recoverable hours is as follows:

- Annual leave has increased to 213 hours (2011-12: 180 hours)
- Full study leave of 20 days per year for trainee auditors with no study leave allowed for the senior managers, deputy business executives and business executives.
- More time has been allowed for administration and supervision duties for senior managers, deputy business executives and business executives to cater for increased administration functions and stakeholder relations.



2.1.2 Recommended tariffs

Tariffs are based on average staff costs per band and interval, markup factor and recoverable hours (staff cost x markup factor ÷ recoverable hours). In order to contain our surplus to 2,07% of revenue and give a discount of R40,5 million to our auditees, our mark-up factor was reduced accordingly.

Budget item	2011-12 budget	2012-13 budget	Change		Comments
	Rand / hour (1)	Rand / hour (2)	Rand / hour (2)-(1)	% (2)-(1)	
Audit staff					The increase in the average charge out rate is due to an effective salary increase of 8,56% (8,5%/12 x 4 months + 8,6%/12 x 8 months). This compares to 8,12% for 2011-12 budget. However the actual change is 5,6% because of the adjustment as explained above.
Business executives	2 289	2 404	115	5,0%	
Deputy business executives	1 463	1 718	255	17,4%	
Senior managers	1 290	1 468	178	13,8%	
Audit managers	1 018	1 040	22	2,1%	
Auditors	501	534	34	6,7%	
Trainee auditors	177	200	23	13,0%	
Average	489	516	27	5,6%	

Refer to 2.1.3 for the calculation of total own hours income. Also refer to annexure 3 for the detailed tariff schedule for 2012-13.

2.1.3 Calculation of own hours income

Own hours income is based on the recoverable hours of 3 109 569 calculated in 2.1.1A above, multiplied by R516 per hour (the average charge out tariff in 2.1.2 above).

Budget item	2011-12 budget	2012-13 budget	Change	
			Hours	%
	(1)	(2)	(2)-(1)	(2)-(1)
Recoverable hours	2 980 732	3 109 569	128 836	4,3%
Average tariff	489	516	27	5,6%
Own hours income (R'000)	1 457 697	1 605 214	147 516	10,1%

Note 2

Note 2

The increase in own hours is due to additional recoverable hours (refer to 2.1.1A above) and the increase of R27 per hour in average charge rate.

2.2 Contract work

Given the importance of private audit firms in contributing strategic resources towards the audit process, it is the AGSA's practice to allocate a certain amount of audit work to the private firms, while also contributing to the profession's transformation by partially allocating work based on the private audit firms' BBEE score. In keeping with the previous year's practice, specific provision has been made for additional contract work to accommodate employee vacancies, especially during peak audit periods (PFMA & MFMA).



Budget item	2011-12 budget	2012-13 budget	Comments
	R'000	R'000	
Contract work	387 700	390 819	This is in line with the AGSA's practice of outsourcing work to private audit firms.
Pre-issuance	36 417	39 989	Review of audit files before finalisation of audit reports for presentation to auditees.
Vacancies	87 977	123 290	Provision for additional contract work to accommodate vacancies.
International	908	–	The decrease is due to the non-secondment of staff for the international assignment as the United Nations Board of Auditors contract ends in June 2012.
Total	513 002	554 097	

2.3 Subsistence and travel – recoverable

Budget item	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change	
	R'000	R'000	R'000	%	R'000	R'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Subsistence and travel – recoverable	104 820	80 848	(23 972)	-22,9%	104 217	(603)	-0,6%
International subsistence and travel	12 116	9 054	(3 061)	-25,3%	4 985	(7 131)	-58,9%
Total	116 936	89 903	(27 033)	-23,1%	109 203	(7 734)	-6,6%

Ref. 2.3.1

2.3.1 Budget 2011-12 to 2012-13 budget change

From 2009-10 subsistence and travel was calculated as a percentage of recoverable hours based on historical trends. For the 2012-13 budget, the subsistence and travel calculation is based on subsistence and travel policy rates and the planned trips to carry out the audits. The decrease of R7 million in the International subsistence and travel is due to our contract with the United Nations Board of Auditors coming to an end in June 2012.

2.4 Other income

Budget item	Ref.	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change	
		R'000	R'000	R'000	%	R'000	R'000	%
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Interest received : PIC	2.4.1	6 100	5 601	(499)	-8,2%	5 941	(159)	-2,6%
Interest received : Current account	2.4.1	6 000	11 691	5 691	94,9%	11 113	5 113	85,2%
Sundry Income	2.4.2	30 924	54 158	23 234	75,1%	56 491	25 567	82,7%
Total		43 024	71 450	28 426	66,1%	73 546	30 522	70,9%

2.4.1 Interest received

The increase between the 2011-12 and 2012-13 budgets in interest received in the current account is due to cash withheld and not returned to the Revenue Fund, reflecting in much higher cash balances. The 2012-13 budget projected interest rates are 5,5% and 4% for PIC and the current account, respectively.

2.4.2 Sundry income

Included in sundry income for 2012-13 is the Circular 9 of 2006 and IAS 18 adjustment of R42,5 million.



3. PERSONNEL EXPENDITURE

Budget item	Ref.	2011-12	2011-12	Variance		2012-13	Change	
		budget	forecast	R'000	%	budget	R'000	%
		R'000	R'000	(1)	(2)	(3)	(3)-(1)	(3)-(1)
Leave pay provision	3.1	6 520	8 697			9 035	2 515	38,6%
Medical aid provision	3.2	4 800	5 075			4 772	(28)	-0,6%
Normal salary and benefits	3.3	972 817	980 658			1 100 437	127 620	13,1%
Other incentives	3.4	7 696	7 688			12 765	5 070	65,9%
UIF & WCA	3.5	4 220	4 272			4 596	377	8,9%
Total		996 053	1 006 390			1 131 606	135 553	13,6%
% of total income		47,7%	49,3%			50,8%		

A more detailed analysis is shown in tables 3.1 to 3.5 below.

3.1 Leave pay provision

Leave pay provision is influenced by the accumulation of leave days allowed in terms of the policy and salary increases. The 2012-13 budget leave pay provision is due to the expected increase in leave days at a higher salary rate.

3.2 Post-retirement medical aid provision (PRMA)

The PRMA estimates were based on actuarial projections for the 2011-12 forecast. The 2012-13 budget follows the trend of 2011-12.

3.3 Normal salary

3.3.1 Audit staff

Employee group	Total		Average salary per band R'000	Positioning against bench-mark - range R'000	Comments
	No. of employees	R'000			
Business executives	18	24 730	1 374	1 150 - 1 493	The benchmark is based on PE Corporate Services SA (Pty) Ltd (April 2011).
Deputy business executives	17	17 007	1 031	815 - 1 222	
Senior managers	158	141 408	896	698 - 1 049	
Managers	441	293 611	665	515 - 771	
Auditors	646	232 345	359	324 - 486	
Trainee auditors	1 180	125 612	106	68 - 181	
Admin staff	204	47 956	235	181 - 270	
Total	2 664	882 669	331		

Note: The total audit staff cost includes overtime and staff contracted in (staff employed on a fixed-term contract for a period of one year or less).



3.3.2 Support staff

Employee group	Total		Average salary per band R'000	Positioning against bench- mark - range R'000	Comments
	No. of employees	R'000			
Corporate executive group	10	20 669	2 067		Includes salaries of the AG and DAG.
Business executives	13	17 500	1 346	1 150 - 1 493	
Senior managers	48	45 011	938	610 - 915	The benchmark is based on PE
Managers	164	89 829	548	523 - 786	Corporate Services SA (Pty) Ltd (April
Specialists	156	40 491	260	244 - 366	2011).
Admin staff	28	4 268	152	181 - 270	
Total support staff	419	217 768			

3.3.3 Total staff

Business focus areas	2011-12 total		2012-13 total		Comments
	No. of employees	R'000	No.	R'000	
Audit staff	2 523	769 752	2 664	882 669	The increase is influenced by the projected average salary increase rate of 8,6% per annum (effective rate of 8,56%) and an increase of 171 in the staff complement (recoverable staff: 137; Nonrecoverable staff: 34).
Support staff	389	203 064	419	217 768	
Total	2 912	972 817	3 083	1 100 437	

From the above analysis it is clear that the average salary levels are in line with the industry norm hence the effective salary increase of 8,56%.

3.4 Other incentives

Budget item	2011-12 budget R'000 (1)	2010-11 forecast R'000 (2)	Variance		2012-13 budget R'000 (3)	Change		Comments
			R'000 (2-1)	% (2-1)	R'000 (3)	R'000 (3)-(1)	% (3)-(1)	
Group life scheme	7 086	7 086	–	0,0%	7 610	525	7,4%	The increase is in line with salary increases and the growth in the number of staff.
Long service awards	–	45	45	100,0%	4 230	4 230	100,0%	Included in the long service award for the 2012-13 budget is a provision of R4,23 million for early retirement of staff over 55 years of age.
Business unit recognition scheme	610	557	(53)	-8,7%	925	315	51,6%	This is used for team excellence recognition initiatives and is driven by the number of staff.
Total	7 696	7 688	(8)	-0,1%	12 765	5 070	65,9%	

3.5 UIF and WCA

Budget item	2011-12 budget R'000 (1)	2012-13 budget R'000 (2)	Change		2012-13 budget R'000 (2)-(1)		Comments
			R'000 (2)-(1)	% (2)-(1)	R'000 (2)-(1)	% (2)-(1)	
UIF employer's contribution	3 620	3 996	377	10,4%	377	10,4%	The increase is due to an increase in the number of staff as well as the salary increase.
Workmen's compensation premiums	600	600	–	0,0%	–	0,0%	The budget is based on the last assessment, which was the same as in the previous year.
Total	4 220	4 596	377	8,9%	377	8,9%	

These levies are based on the full staff complement of 3 083 and have been calculated for the full year. The rate used is in terms of the relevant legislation.

3.6 PERFORMANCE BONUS

The performance bonus budget is R68 million for 2012-13 budget (2011-12: R46 million). The R68 million for the 2012-13 budget is based on the actual for 2010-11. The AGSA has a performance management system and process that commit the organisation to recognise and reward employees when they have achieved the agreed work performance targets.



4. CONSULTANTS FEES

Budget item	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change	
	R'000	R'000	R'000	%	R'000	R'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Consultants fees	28 097	23 623	(4 474)	-15,9%	26 929	(1 168)	-4,2%
Ongoing	17 906	15 055	(2 851)	-15,9%	23 078	5 172	28,9%
Once-off ad hoc projects	10 191	8 568	(1 623)	-15,9%	3 851	(6 340)	-62,2%
Total	28 097	23 623	(4 474)	-15,9%	26 929	(1 168)	-4,2%
% of total income	1,3%	1,2%			1,2%		

The analysis below reflects details of the nature of the consultant expenditure. The activities are by nature not repetitive and therefore the comparatives and commentary for the previous year are not provided.

Budget item	2012-13 budget			Comments
	Ongoing	Once-off	Total	
	R'000	R'000	R'000	
Quality Control	613	1 121	1 734	External firm-level review and annual quality control reviews by IRBA. Experts for mandatory quality control, e.g. ISA audit. Experts for firm-level reviews performed by the internal QC component. Assistance with risk assessment for Occupational Health and IT-related risks.
Finance	–	1 762	1 762	Architect fees for space planning and layout design for Pretoria, Bloemfontein, Cape Town and Johannesburg office accommodation.
Corporate Secretariat	225	–	225	Consultants to evaluate governance committees (audit committee, remuneration committee, etc.) per King III requirements.
Reputation and Stakeholder Management				
Reporting	1 388	–	1 388	Consultants for media monitoring technical writer for the Annual report and audit of content to ensure that our messages are simple, clear and relevant.
Information Communication & Technology				
ICT Technical Support	3 756	–	3 756	External support for the ERP, audit software, infrastructure and other projects.
Performance Monitoring Evaluation and Reporting	–	12	12	Speaker on performance, monitoring and evaluation.
Information Systems Audit	275	–	275	Research information acquisition.
Research and Development	994	716	1 710	Consultants' fees in respect of AoPI specialist, MIS programmer continuity and legal costs.
Performance Audit	850	–	850	Research conducted on performance auditing themes by Human Science Research Council.
Investigations	300	–	300	Roll-out of advocacy and support to regular audit BUs to identify key risk areas.



Budget item	2012-13 budget			Comments
	Ongoing	Once-off	Total	
	R'000	R'000	R'000	
Human Capital projects				
Assessments	1 600	–	1 600	Psychometric assessment costs for existing and new employees.
AGSA survey	800	–	800	Climate survey by Deloitte to check on mindset of AGSA employees.
E-Performance	800	–	800	Consultants for electronic performance management system (for IPC and balanced scorecard).
Employee relations training	2 039	–	2 039	Service providers for employee relations training.
Knowledge Management	187	–	187	SharePoint project-document management.
Learning and Development				
Soft skill training	1 019	–	1 019	Consultants' fees for soft skills training.
Management development	3 476	–	3 476	Service providers for training and training material development.
Chief operating officer	–	40	40	Provision for legal opinions when required.
Auditor-General	33	–	33	French interpreter (the AG as the chairman of INTOSA) will require an interpreter when he visits/hosts French-speaking delegates).
Strategic Organisational Development & Leadership	4 723	–	4 723	Succession planning, remuneration, organisational diagnosis, executive coaching and thought development leadership.
Ethics	–	200	200	360-degree ethics assessment by external service providers to verify ethics compliance after the roll-out of the ethics guidelines.
Total	23 078	3 851	26 929	

Once-off initiatives are defined by those projects necessary to establish capabilities that have not previously existed and/or to upgrade current capabilities and technologies.

5. SUBSISTENCE AND TRAVEL – IRRECOVERABLE

Budget item	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change	
	R'000	R'000	R'000	%	R'000	R'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Subsistence and travel – irrecoverable	18 970	17 097	(1 872)	-9,9%	17 295	(1 674)	-8,8%
Total	18 970	17 097	(1 872)	-9,9%	17 295	(1 674)	-8,8%
% of total income	0,9%	0,8%			0,8%		

The 8,8% decrease is due to more efficient planning of interactions with both external and internal stakeholders. The 2012-13 subsistence and travel budget was calculated based on planned trips and the revised subsistence and travel policy that was approved in February 2011.



6. ACCOMMODATION

6.1 Rentals

The 27% increase in rentals from R40,8 million in the 2011-12 budget to R51,8 million is due to annual escalation on leased properties and a provision of R6 million on straightlining of leases. If the straightlining of leases is excluded, the year-on-year increase in rentals is 12%, which is due to the normal annual escalation and additional space in Mpumalanga.

Location	2011-12 budget		2012-13 budget			Monthly cost per square meter: 2011-12		Monthly cost per square meter: 2012-13		Comments
	Square meters occupied	Monthly cost per square meter R	Square meters occupied	Total staff establishment	Basic rental cost R	R	R	R		
Western Cape	1 839	64	1 839	229	1 531 110	64	69	The year-on-year increase in rental costs is due to annual escalation per the lease agreements.		
Eastern Cape	4 539	90	4 504	291	5 418 912	90	100			
Mpumalanga	1 010	93	1 210	131	1 460 857	93	101			
KwaZulu-Natal	2 245	88	2 245	227	2 551 644	88	95			
North West	1 340	88	1 352	100	1 567 249	88	97			
Limpopo	2 130	145	2 130	154	4 020 588	145	157			
Free State Note 1	2 000	85	2 000	167	2 160 000	85	90			
Johannesburg	2 671	89	2 671	211	3 066 901	89	96			
Northern Cape	1 022	64	1 022	129	846 216	64	69			
Pretoria	14 832	114	14 805	1 444	29 134 605	114	164	The calculated monthly cost per square metre of R164 includes R6 million for straight-lining of leases. Excluding the straight-lining of leases, the cost per square metre is R130, which represents a 14% escalation year on year.		
Total	33 628	102	33 778	3 083	51 758 082	102	127,7			
% of total income 2012-13 budget						2,3%				
2011-12 budget						2,0%				

Note 1

Takes into consideration planned relocation to new larger premises in 2011-12 budget.

6.2 Operating costs

The operating costs for the 2012-13 budget are based on service agreements which are linked to the rental agreements and much higher cost of utilities.

7. LIAISON

Budget item	Ref.	2011-12 budget		2011-12 forecast		Variance		2012-13 budget		Change	
		R'000		R'000		R'000		R'000		R'000	
		(1)	(2)	(2)	(2)	(2)-(1)	(2)-(1)	(3)	(3)	(3)-(1)	(3)-(1)
Liaison	7.1.1	11 726	10 812	10 812	(914)	-7,8%	-7,8%	3 800	(7 926)	-67,6%	-67,6%
Internal stakeholder	7.1.2	6 623	7 661	7 661	1 038	15,7%	15,7%	9 412	2 789	42,1%	42,1%
External stakeholder	7.1.3	3 736	3 521	3 521	(215)	-5,8%	-5,8%	4 579	843	22,6%	22,6%
Total		22 085	21 994	21 994	(91)	-0,4%	-0,4%	17 791	(4 294)	-19,4%	-19,4%
% of total income		1,1%	1,1%	1,1%				0,8%			

7.1 STAKEHOLDER RELATIONSHIP

7.1.1 Liaison

Contained in liaison are costs for employee communication, media management, events management and branding. The decrease is due to the once-off provision of R7 million for the AGSA centenary celebration budget in the 2011-12 financial year. Restating the liaison budget for 2011-12, the amount would have been R4,7 million (budget 2012-13: R3,8 million). The decrease of 23% is due to the alignment of the 2012-13 budget to the 2010-11 actual.



7.1.2 Internal stakeholder liaison

Budget item	2011-12 budget			2012-13 budget			Variance		Comments
	Number of employees (1)	Amount (2)	Total R'000 (1)×(2)	Number of employees (3)	Amount (4)	Total R'000 (3)×(4)	Rate	Volume	
BU team interventions/ CE-led strategic alignment interventions	2 912	2 274	6 623	3 083	3 053	9 412	2 267	522	These are activities that occur every year and are integrated into the CEs' strategic alignment in order to achieve maximum impact and cost effectiveness. R3 000 per employee was applied to compute the budget amount. The increase of R779 in cost per head is to align the budget with the previous year actual.
Total	2 912	2 274	6 623	3 083	3 053	9 412	2 267	522	

7.1.3 External stakeholder liaison

Budget item	2011-12 budget			2012-13 budget			Variance
	Number of employees (1)	Allowance R'000	Total R'000	Number of employees (4)	Allowance R'000	Total R'000	
		(2)	(3)		(5)	(6)	
BE - National	22	24	528	22	24	528	–
BE - Provincial	9	24	216	9	24	216	–
DBE	–	–	–	17	18	306	306
SM	191	6	1 146	192	12	2 304	1 158
Exco	10	185	1 846	11	111	1 225	(621)
Total	232		3 736	251		4 579	843

The cost relates to the improvement in our relationship and communication with internal and external stakeholders. The objective with regards to interaction with external stakeholders is to improve the consistency of our messages and to provide insight into the purpose and outcome of audits. Internal stakeholder interaction with staff is aimed at enabling them to understand their unique contribution to the AGSAs vision and mission. The 2011-12 budget included interventions by the AG, such as interactions with chapter 9 institutions and professional bodies which are not in the 2012-13 budget.

7.1.4 Culture expenses

Budget item	2011-12 budget			2012-13 budget			Comments
	Number of employees (1)	Allowance R'000	Total R'000	Number of employees (4)	Allowance R'000	Total R'000	
		(2)	(3)		(5)	(6)	
Culture building activities	2 912	90	261	3 083	1 192	3 675	The cost per person for culture activities increased by R500 (2011-12 budget: R500; 2012-13 budget: R1 000). In previous years part of these costs was budgeted under liaison-related expenses. These cultural activities are intended to align our employees to a high-performance culture.
Total	2 912	90	261	3 083	1 192	3 675	3 413



7.2 Regional congresses (strategic alignment workshops (vision alignment/organisation alignment))

Budget item	2011-12 budget			2012-13 budget			Variance	Comments
	Number of employees	Amount	Total	Number of employees	Amount	Total		
		R	R'000		R	R'000		
		(2)	(3)		(4)	(5)	(6)	
	(1)						(6) - (3)	
BU / CE workshop	2 912	1 500	4 368	3 083	1 453	4 478	110	The increase in cost is due to growth in the number of staff and the increase in the cost per person.
Senior management workshop	232	15 322	3 555	251	12 271	3 080	(475)	The decrease is due to the alignment of the 2012-13 budget to 2010-11 actual.
Total	3 144	16 822	7 923	3 334	13 724	7 558	(365)	

7.3 Foreign visitors

Budget item	2011-12 budget		2011-12 forecast		2012-13 budget		Change	
	R'000	(1)	R'000	(2)	R'000	(3)	R'000	%
Foreign visitors		478		255	(223)	77	(3)-(1)	(3)-(1)
Total		478		255	(223)	77	-46,6%	-83,8%

These expenses relate to foreign visitors from supreme audit institutions and are based on the expected number of visitors for the following year. The decrease is due fewer visitors expected in the 2012-13 financial year.

7.4 Overseas travel

Budget item	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change		Comments
	R'000	R'000	R'000	%	R'000	R'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Auditor - General & Deputy Auditor - General	913	936	23	2,5%	1 643	730	80,0%	Planned trips for the AG and DAG's participation in INTOSAI and other supreme audit institution activities. The increase is mainly due to more participation by the DAG in overseas-based activities.
Institutional Cooperation and others	1 392	1 536	144	10,3%	4 080	2 688	193,1%	The increase is due to INTOSAI commitments in terms of AG's role as chair of INTOSAI. Provision has also been made for one staff member (CE BE or SM) to attend working group/ committee meetings. Provision was made for three trips by the CE to support the AG as chair of the Governing Board meetings.
Total	2 305	2 472	167	7,2%	5 723	3 418	148,3%	



8. CONTROL BODIES

Budget item	2011-12 budget		2011-12 forecast		Variance		2012-13 budget		Change		Comments
	R'000	(1)	R'000	(2)	R'000	%	R'000	(3)	R'000	%	
					(2)-(1)	(2)-(1)			(3)-(1)	(3)-(1)	
Parliamentary oversight mechanism	386		–		(386)	0,00%	–		(386)	-100,00%	
Corporate governance boards (AG Advisory Board, audit committee and quality control assessment committee)	601		1 414		814	135,5%	1 444		843	140,4%	This is a provision for expenses relating to various advisory committees of the AGSA. These costs are mainly driven by the number of meetings held per annum. The number of meetings to be held is anticipated to increase from 13 to 24 based on the actual meetings that were held in the 2010-11 financial year. The costs of travel to Cape Town to attend some meetings include the entire committee whereas in the 2010-11 financial year the cost of travel was for the chairperson only.
Total	986		1 414		428	43,4%	1 444		457	46,3%	
% of total income	0,05%		0,07%				0,06%				

9. AUDIT FEES

9.1 External audit fees

Budget item	2011-12 budget R'000 (1)	2011-12 forecast R'000 (2)	Variance		2012-13 budget R'000 (3)	Change		Comments
			R'000 (2)-(1)	% (2)-(1)		R'000 (3)-(1)	% (3)-(1)	
Financial audit	1 855	1 383	(472)	-25,5%	1 369	(486)	-26,2%	The audit costs are based on the estimates provided by our external auditors and cover planning, interim audit, final audit, BU visits and internal control reviews.
Performance information audit (balanced scorecard)	803	599	(204)	-25,5%	593	570	71,0%	The costs are based on the estimated time required to conduct the balanced score-card audit.
Salary review and other	470	350	(120)	-25,5%	347	175	37,2%	The increase is due to the estimated time required to conduct the salary audit. The salary audit is performed to ensure that the salary increases are effected as per Exco approval.
Total	3 129	2 332	(796)	-25,5%	2 309	259	8,3%	
% of total income	0,1%	0,1%			0,1%			



9.2 Internal audit fees

Budget item	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change	
	R'000	R'000	R'000	%	R'000	R'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Routine financial audits	624	619	(5)	-0,8%	619	(5)	-0,8%
Routine human capital-related audits	213	550	337	158,3%	550	337	158,3%
Routine internal controls audits	605	337	(268)	-44,3%	337	(268)	-44,3%
Business unit visits	363	383	20	5,5%	383	20	5,5%
Ad hoc assignments and system queries (CAATs application)	300	278	(22)	-7,3%	278	(22)	-7,3%
Project management and attendance of audit committee meetings	570	241	(329)	-57,7%	241	(329)	-57,7%
Risk management meetings and strategic risk assessment	252	120	(132)	-52,3%	120	(132)	-52,3%
Disbursements	74	122	48	65,9%	122	48	65,9%
Total	3 000	2 650	(350)	-11,7%	2 650	(350)	-11,7%
% of total income	0,1%	0,1%			0,1%		

The 2011-12 forecast and 2012-13 budget are a reflection of the internal audit costs based on the audit coverage plan. The budgeted figure is based on the amount approved by the audit committee in January 2011 of R2,4 million, plus an 8,6% increase.

10. FINANCE CHARGES

Budget item	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change	
	R'000	R'000	R'000	%	R'000	R'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Finance charges	8 298	2 224	(6 074)	-73,2%	1 686	(6 612)	-79,7%
Total	8 298	2 224	(6 074)	-73,2%	1 686	(6 612)	-79,7%
% of total income	0,4%	0,1%			0,1%		

Included in finance charges for the 2011-12 budget was R6,3 million which is the present value of expenses and trade payables deemed as interest portion as per Circular 9 of 2006. Therefore the pure finance charge for the 2011-12 budget is R2 million. The finance charges of R1,7 million for the 2012-13 budget is lower than the budget for 2011-12 due to a lower number of notebooks planned to be purchased on finance.

11. RECRUITMENT EXPENSES

Budget item	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change		Comments
	R'000	R'000	R'000	%	R'000	R'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Advertisements	1 326	1 326	–	0,0%	1 200	(126)	-9,5%	The decrease is based on the reduction in the number of vacancies to be filled.
Personnel agency fees	3 024	3 007	(17)	-0,6%	3 000	(24)	-0,8%	The decrease is due to the use of recruitment, resulting in less use being made of agencies.
Interviews	358	406	49	13,6%	178	(180)	-50,3%	
Transfer and relocation expenses	4 500	1 000	(3 500)	-77,8%	4 500	–	0,0%	
Total	9 207	5 739	(3 468)	-37,7%	8 878	(329)	-3,6%	
% of total income	0,4%	0,3%			0,4%			



12. PROFESSIONAL ASSISTANCE

This relates to the investment the office is making towards continuous learning and development for staff the details of which are as follows:

Budget item	Ref.	2011-12 budget		2011-12 forecast		Variance		2012-13 budget		Change	
		R'000		R'000		R'000		R'000		R'000	
		(1)	(2)	(2)	(2)-(1)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	%
Membership fees	12.1	10 479	10 001	10 001	(478)		-4,6%	10 055	(423)		-4,0%
Training	12.2	32 022	32 396	32 396	374		1,2%	36 166	4 144		12,9%
Internal training	12.2	16 680	18 104	18 104	1 424		8,5%	15 069	(1 611)		-9,7%
External training	12.2	2 849	3 836	3 836	987		34,6%	5 776	2 927		102,8%
Subsistence and travel: training		12 493	10 456	10 456	(2 037)		-16,3%	15 320	2 827		22,6%
Study assistance: employees	12.3	14 483	13 899	13 899	(583)		-4,0%	14 634	151		1,0%
HC development projects		7 041	6 041	6 041	(1 000)		-14,2%	863	(6 178)		-87,7%
Bursaries	12.4	15 530	15 492	15 492	(38)		-0,2%	15 292	(238)		-1,5%
Skills development levy		9 344	9 461	9 461	117		1,3%	10 659	1 315		14,1%
Skills development levy - recovered		(3 000)	(4 041)	(4 041)	(1 041)		34,7%	(5 000)	(2 000)		66,7%
Total		85 898	83 249	83 249	(2 649)		-3,1%	82 668	(3 230)		-3,8%
% of total income		4,1%	4,1%	4,1%				3,7%			

12.1 Membership fees

The 2012-13 budget for membership fees is based on current staff numbers, anticipated staff intake and the annual increase in membership fees.

12.2 Training

Type of expense	2011-12 budget		2011-12 forecast		Variance		2012-13 budget		Change	
	R'000	(1)	R'000	(2)	R'000	(2)-(1)	R'000	(3)	R'000	(3)-(1)
						%				%
Internal	16 680		18 104		1 424	8,5%	15 069		(1 611)	-9,7%
External	2 849		3 836		987	34,6%	5 776		2 927	102,8%
Subsistence and travel – training	12 493		10 456		(2 037)	-16,3%	15 320		2 827	22,6%
Total	32 022		32 396		374	1,2%	36 166		4 144	12,9%

12.2.1 Internal training

The schedule below details the main drivers of internal training expenditure.

Type of expense	2011-12 budget		2012-13 budget		Change		Comments
	% breakdown	R'000	% breakdown	R'000	R'000	%	
Meals	58%	9 675	58%	8 745	(930)	-9,6%	The decrease is mainly due to the discontinuation of optional technical training.
Internal presenters – subsistence and travel cost to region	7%	1 168	7%	1 054	(114)	-9,7%	
Venue costs	32%	5 338	32%	4 822	(516)	-9,7%	
Other	3%	500	3%	448	(52)	-10,5%	
Total internal training	100%	16 680	100,0%	15 069	(1 611)	-9,7%	



12.2.2 External training

Type of expense	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change		Comments
	R'000	R'000	R'000	%	R'000	R'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Non-audit related	2 431	3 273	842	34,6%	4 018	1 587	65,3%	The increase is due to the growth in number of staff attending external courses and conferences such as PeopleSoft and other management development programmes, e.g. self awareness, public sector awareness (PALAMMA) and coaching skills.
Audit related	418	563	145	34,6%	1 758	1 340	320,7%	The increase is due to specialised training required by investigation auditing, information system auditing and performance auditing.
Total	2 849	3 836	987	34,6%	5 776	2 927	102,8%	

12.2.3 Study assistance: employees

The movement in this figure is influenced by the study support policy which offers bursaries only to employees who meet the academic progress requirements.

Course of study	2011-12 budget	2012-13 budget	Comments
	R'000	R'000	
Diploma	204	601	In line with the AGSA's preference to focus on graduate students, the bulk of the amount budgeted relates to 1 180 trainee auditors (2011-12 budget: 1 120).
Degree	3 236	2 065	
CTA / Honours	5 450	7 277	
FQE support courses	4 216	2 807	
Non accounting degrees and diplomas	537	195	
MBA	129	681	
Post-graduate	710	1 008	
Total	14 483	14 634	

12.2.4 External student bursaries

The programme of awarding bursaries is intended to create a future employee pool for the industry.

Description	2011-12 budget	2010-11 forecast	2012-13 budget
	R'000	R'000	R'000
Fort Hare	3 766	3 757	3 954
Thuthuka	1 400	1 397	1 600
External bursaries	10 364	10 339	8 949
Study support	–	–	541
Sponsorship, functions and other	–	–	248
Total	15 530	15 492	15 292

Fort Hare

The AGSA's support to the University of Fort Hare is for the subvention of lecturers' salaries and other study material costs.

Thuthuka

This amount is per the signed agreement. It relates to approximately 25 students whom the AGSA sponsors on the Thuthuka programme.

External bursaries

This refers to the cost of our 110 external bursary holders commitment (2011-12 budget: 120) as shown in the table below:



Name of university		No. of students
Johannesburg		16
Wits		7
Pretoria		10
UNISA		9
Free State		6
KwaZulu-Natal		8
Cape Town		6
Stellenbosch		3
Nelson Mandela Metro		8
North West		9
Fort Hare		24
Rhodes		2
Western Cape		2
Total		110

13. EMPLOYEE WELLNESS PROGRAMMES

Budget item	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change		Comments
	R'000	R'000	R'000	%	R'000	R'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Employee wellness programmes	3 366	3 364	(2)	-0,1%	3 444	78	2,3%	This relates to fees paid to the external service providers for various services, which include employee assistance, executive wellness, lifestyle management and HIV/Aids programmes.
Employee social responsibility	120	120	–	–	650	530	441,7%	
AG social responsibility	1 542	1 542	–	–	1 273	(269)	-17,4%	
Corporate social responsibility	3 673	2 449	(1 224)	-33,3%	4 865	1 191	32,4%	Corporate social responsibility relates to the AGSA's contribution in respect of enterprise development and social responsibility for community involvement. The amount includes 4% of net surplus to be utilised for enterprise development and corporate social investment. The cost includes programmes such as poverty eradication, bring-a-girl-child-to-work day and Metro FM's bring-a-boy-child-to-work day.
Total	8 702	7 476	(1 226)	-14,1%	10 232	1 530	17,6%	



14. TECHNOLOGICAL SERVICES

Budget item	Ref.	2011-12 budget		2011-12 forecast		Variance		2012-13 budget		Change	
		R'000	(1)	R'000	(2)	R'000	(2)-(1)	R'000	(3)	R'000	(3)-(1)
							%				%
Computer services	14.1		32 940		28 880		(4 060)		32 628		(312)
Hiring of equipment - rental	14.2		4 090		3 890		(199)		4 561		471
Hiring of equipment - copy charges			1 655		1 648		(6)		1 869		214
Total			38 684		34 419		(4 265)		39 058		374
% of total income			1,9%		1,7%				1,8%		

14.1 Computer services

Budget item	2011-12 budget		2011-12 forecast		Variance		2012-13 budget		Change		Comments
	R'000	(1)	R'000	(2)	R'000	(2)-(1)	R'000	(3)	R'000	(3)-(1)	
						%				%	
IT maintenance and support	19 370		16 982		(2 387)	-12,3%	15 114		(4 256)	-22,0%	Investment in IT maintenance and support. The decrease is due to alignment of the 2012-13 budget to 2010-11 actual.
Networks	9 720		8 522		(1 198)	-12,3%	12 370		2 650	27,3%	Due to the increase in the number of users, the capacity of the network needs to be increased. There are also a number of applications planned for implementation in the 2012-13 financial year (e.g. management information system and new audit software solutions).
Security	2 310		2 025		(285)	-12,3%	3 872		1 562	67,6%	Due to the increase in the number of users, there will be an increase in antivirus software and encryption software licences.
Telecommunications	1 540		1 350		(190)	-12,3%	1 272		(268)	-17,4%	Investment in telecommunications. The decrease is due to alignment of the 2012-13 budget to 2010-11 actual.
Total	32 940		28 880		(4 060)	-12,3%	32 628		(312)	-0,9%	

14.2 Hiring of equipment – rental

The increase of 11% is due to an increase in the number of multi-functional devices.

15. INSURANCE AND LEGAL FEES

Budget item	2011-12 budget R'000 (1)	2011-12 forecast R'000 (2)	Variance		2012-13 budget R'000 (3)	Change		Comments
			R'000 (2)-(1)	% (2)-(1)		R'000 (3)-(1)	% (3)-(1)	
Insurance premiums	1 300	762	(538)	-41,4%	1 073	(227)	-17,5%	The decrease is due to the exclusion of insurance premium on all leased properties, which is the responsibility of the landlord.
Legal fees and contingency	1 680	1 500	(180)	-10,7%	1 500	(180)	-10,7%	The budget for 2012-13 is based on the actual costs incurred in 2010-11.
Total	2 980	2 262	(718)	-24,1%	2 573	(407)	-13,7%	

16. AUXILIARY SERVICES

Budget item	2011-12 budget R'000 (1)	2011-12 forecast R'000 (2)	Variance		2012-13 budget R'000 (3)	Change	
			R'000 (2)-(1)	% (2)-(1)		R'000 (3)-(1)	% (3)-(1)
Auxiliary services	21 258	20 988	(270)	-1,3%	22 114	856	4,0%
Total	21 258	20 988	(270)	-1,3%	22 114	856	4,0%
% of total income	1,0%	1,0%			1,0%		

Included in auxiliary services are costs for cleaning (R2,8 million), office improvements, refreshments and publications (R5,6 million), repairs and maintenance (R3,4 million) and stationery and printing (R9,9 million). The increase of 4% in auxiliary services is mainly due to the establishment of seven new centres and the new Learning and Development business unit.

17. COMMUNICATION



Budget item	Ref.	2011-12 budget		2011-12 forecast		Variance		2012-13 budget		Change	
		R'000		R'000		R'000		R'000		R'000	
		(1)	(2)	(2)	(2)	(2)-(1)	(2)-(1)	(3)	(3)	(3)-(1)	(3)-(1)
Telephone charges	17.1	5 091	4 634	4 634	(456)	-9,0%	-9,0%	4 811	(280)	(280)	-5,5%
Cell phone charges	17.2	2 735	2 739	2 739	4	0,1%	0,1%	3 711	976	976	35,7%
Postage and courier services		1 618	1 495	1 495	(122)	-7,6%	-7,6%	1 627	10	10	0,6%
Total		9 444	8 869	8 869	(575)	-6,1%	-6,1%	10 149	706	706	7,5%
% of total income		0,5%	0,4%	0,4%				0,5%			

17.1 Telephone charges

The costs are mainly influenced by the staff complement of 3 083 (2011-12 budget: 2 912). The budget for telephone charges is 5,5% lower than in the 2011-12 budget due to the ongoing implementation of a voice-over internet protocol (voice calls from the regions are routed over the office data networks structure, which reduces the cost of telephone calls).

17.2 Cell phone charges

The increase is due to the growth in the number of users as well as the monthly allowance of R1 000 per person (2011-12: R700 per person).

18. DEPRECIATION

Budget item	2011-12 budget	2011-12 forecast	Variance		2012-13 budget	Change	
	R'000	R'000	R'000	%	R'000	R'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Motor vehicles	473	538	65	13,8%	1 398	925	195,6%
Furniture and equipment	4 633	4 223	(410)	-8,9%	5 198	566	12,2%
Computer equipment	30 059	19 367	(10 692)	-35,6%	25 733	(4 325)	-14,4%
Computer software	3 837	4 471	633	16,5%	5 073	1 236	32,2%
Leasehold improvements	2 047	1 540	(508)	-24,8%	2 649	602	29,4%
Total	41 049	30 137	(10 911)	-26,6%	40 052	(997)	-2,4%
% of total income	2,0%	1,5%			1,8%		

The depreciation expense budget is based on existing assets and the expected capital expenditure using the current depreciation policy. The depreciation charge of R7 million is in respect of CAPEX of R65 million for the 2012-13 budget.



19. CAPITAL EXPENDITURE BUDGET

19.1 Motor vehicles

Description	2011-12 forecast		Acquisitions	Depreciation	2012-13 budget
	NCV				
	R'000				
Motor vehicles	1 958		5 841	1 398	6 401
Total	1 958		5 841	1 398	6 401

Location	2011-12 budget		2011-12 forecast	2012-13 budget
	R'000			
Replacement of pool cars that are older than five years for head office, North West, Limpopo, Gauteng, Free State and Mpumalanga.	1 279		896	5 841
Total	1 279		896	5 841

19.2 Furniture and equipment

Description	2011-12 forecast	Acquisitions	Depreciation	2012-13 budget
	NCV			NCV
	R'000	R'000	R'000	R'000
Furniture and equipment	28 130	14 582	5 198	37 513
Total	28 130	14 582	5 198	37 513

Location	2011-12 budget	2011-12 forecast	2012-13 budget	Comments
	R'000	R'000	R'000	
Pretoria and other regional offices	12 017	12 925	14 582	New furniture acquisition is budgeted for centrally at head office for all the offices. The increase is due to new leases and furniture replacement in line with branding requirements and to create more seating space for staff (Free State, Parliament offices, Western Cape, head office, KwaZulu-Natal, Northern Cape, Gauteng, Eastern Cape and Mpumalanga). The 2012-13 budget also includes a contingency of R2 million to make provision for <i>ad hoc</i> projects.
Total	12 017	12 925	14 582	



19.3 Leasehold improvements

Description		2011-12 forecast		Acquisitions	Depreciation	2012-13 budget	
		NCV				NCV	
		R'000				R'000	
		R'000		R'000			
Leasehold improvements		23 924		10 034	2 649	31 309	
Total		23 924		10 034	2 649	31 309	

Location	2011-12 budget	2011-12 forecast	2012-13 budget	Comments
	R'000	R'000	R'000	
Pretoria and other regional offices	11 137	15 617	10 034	New leasehold improvements are budgeted for centrally at head office for all the offices. The increase is due to new leases, upgrades for the Free State, Western Cape, head office, Gauteng and Mpumalanga as well as a contingency of R2 million to make provision for ad hoc projects.
Total	11 137	15 617	10 034	

19.4 Computer equipment

Description	2011-12 forecast	Acquisitions	Depreciation	2012-13 budget
	NCV			NCV
	R'000	R'000	R'000	R'000
	Computer hardware	59 666	27 991	25 733
Total	59 666	27 991	25 733	61 924

Budget item	Ref.	2011-12 budget		2011-12 forecast		Variance		2012-13 budget		Change	
		R'000	(1)	R'000	(2)	R'000	(2)-(1)	R'000	(3)	R'000	(3)-(1)
							%				%
Regional equipment	19.4.1	13 602		12 721		(881)	-6,0%	7 886		(5 716)	-42,0%
Networks	19.4.2	3 413		3 192		(221)	-6,0%	1 983		(1 430)	-41,9%
Security		2 535		2 371		(164)	-6,0%	1 473		(1 062)	-41,9%
Notebooks		25 984		24 301		(1 683)	-6,0%	16 649		(9 335)	-35,9%
Total		45 535		42 585		(2 950)	-6,5%	27 991		(17 544)	-38,5%

19.4.1 Regional equipment

These are critical requirements to replace out-of-date regional servers, printers and other equipment which are beyond their three-year life cycle.

19.4.2 Networks

Upgrade of security relating to audit and the storage of information.



19.5 Computer software

Description		2011-12 forecast		Acquisitions	Depreciation	2012-13 budget	
		NCV				NCV	
		R'000				R'000	
		R'000				R'000	
Computer software		9 117		7 003	5 073	11 047	
Total		9 117		7 003	5 073	11 047	

Budget item	2011-12 budget		2011-12 forecast		Variance		2012-13 budget		Change	
	R'000		R'000		R'000		R'000		R'000	
	(1)		(2)		(2)-(1)		(3)		(3)-(1)	
	(1)		(2)		(2)-(1)		(3)		(3)-(1)	
Regional systems	2 011		2 149		138		3 200		1 188	
Systems	2 391		2 149		(242)		3 803		1 412	
Total	4 402		4 298		(105)		7 003		2 601	
									59,1%	

ANNEXURE 3: PROPOSED INTERNAL RATES FOR 2012-13

Categories	Salary interval		Tariff
	Lower	Upper	2012-13 budget
	R	R	R
Business executives	1 227 124	1 595 261	2 324
Deputy business executive	1 221 000	1 242 400	2 119
	1 199 600	1 221 000	2 082
	1 178 200	1 199 600	2 045
	1 156 800	1 178 200	2 009
	1 135 400	1 156 800	1 972
	1 114 000	1 135 400	1 935
	1 092 600	1 114 000	1 898
	1 071 200	1 092 600	1 861
	1 049 800	1 071 200	1 825
	1 028 400	1 049 800	1 788
	1 007 000	1 028 400	1 751
	985 600	1 007 000	1 714
	964 200	985 600	1 677
	942 800	964 200	1 640
	921 400	942 800	1 604
	900 000	921 400	1 567
Senior managers	1 140 600	1 162 000	2 169
	1 119 200	1 140 600	2 129
	1 097 800	1 119 200	2 089
	1 076 400	1 097 800	2 048
	1 055 000	1 076 400	2 008
	1 033 600	1 055 000	1 968
	1 012 200	1 033 600	1 927
	990 800	1 012 200	1 887
	969 400	990 800	1 847
	948 000	969 400	1 806
	926 600	948 000	1 766
	905 200	926 600	1 726
	883 800	905 200	1 685



Categories	Salary interval		Tariff
	Lower	Upper	2012-13 budget
	R	R	R
	862 400	883 800	1 645
	841 000	862 400	1 605
	819 600	841 000	1 564
	798 200	819 600	1 524
	776 800	798 200	1 484
	755 400	776 800	1 443
	734 000	755 400	1 403
	712 600	734 000	1 363
	691 200	712 600	1 323
	669 800	691 200	1 282
	648 400	669 800	1 242
	627 000	648 400	1 202
	605 600	627 000	1 161
	584 200	605 600	1 121
	562 800	584 200	1 081
	541 400	562 800	1 040
	520 000	541 400	1 000
Audit managers	963 600	985 000	1 670
	942 200	963 600	1 633
	920 800	942 200	1 596
	899 400	920 800	1 560
	878 000	899 400	1 523
	856 600	878 000	1 486
	835 200	856 600	1 450
	813 800	835 200	1 413
	792 400	813 800	1 376
	771 000	792 400	1 340
	749 600	771 000	1 303
	728 200	749 600	1 266
	706 800	728 200	1 230
	685 400	706 800	1 193
	664 000	685 400	1 156
	642 600	664 000	1 120

Categories	Salary interval		Tariff
	Lower	Upper	2012-13 budget
	R	R	R
	621 200	642 600	1 083
	599 800	621 200	1 046
	578 400	599 800	1 010
	557 000	578 400	973
	535 600	557 000	936
	514 200	535 600	900
	492 800	514 200	863
	471 400	492 800	826
	450 000	471 400	790
Auditors	346 800	357 500	556
	336 100	346 800	539
	325 400	336 100	522
	314 700	325 400	505
	304 000	314 700	488
	293 300	304 000	472
	282 600	293 300	455
	271 900	282 600	438
	261 200	271 900	421
	250 500	261 200	404
	239 800	250 500	387
	229 100	239 800	370
	218 400	229 100	353
	207 700	218 400	336
	197 000	207 700	320
	186 300	197 000	303
	175 600	186 300	286
	164 900	175 600	269
	154 200	164 900	252
	143 500	154 200	235
	132 800	143 500	218
	122 100	132 800	201
	111 400	122 100	184
	90 000	111 400	159



Categories	Salary interval		Tariff
	Lower	Upper	2012-13 budget
	R	R	R
Trainee auditors	413 100	423 800	785
	402 400	413 100	765
	391 700	402 400	745
	381 000	391 700	725
	370 300	381 000	704
	359 600	370 300	684
	348 900	359 600	664
	338 200	348 900	644
	327 500	338 200	624
	316 800	327 500	604
	306 100	316 800	584
	295 400	306 100	564
	284 700	295 400	544
	274 000	284 700	524
	263 300	274 000	504
	252 600	263 300	484
	241 900	252 600	464
	231 200	241 900	444
	220 500	231 200	424
	209 800	220 500	403
	199 100	209 800	383
	188 400	199 100	363
	177 700	188 400	343
	167 000	177 700	323
	156 300	167 000	303
	145 600	156 300	283
	134 900	145 600	263
	124 200	134 900	243
	113 500	124 200	223
	102 800	113 500	203
	92 100	102 800	183
	81 400	92 100	163
	70 700	81 400	143
	60 000	70 700	123

ANNEXURE 4: SAICA RATES

Rates for audits done on behalf of the Auditor General South Africa

Period: 1 April 2012 to 31 March 2013

Rates (excluding Value Added Tax)

Partners R2 309

Specialists (maximum) R2 309

Staff	
Monthly earnings	Rate per hour
R	R
2 500 and more	71
2 700 and more	76
2 900 and more	82
3 100 and more	87
3 300 and more	93
3 500 and more	99
3 800 and more	108
4 100 and more	116
4 400 and more	124
4 700 and more	132
5 000 and more	140
5 300 and more	148
5 600 and more	156
5 900 and more	165
6 200 and more	174
6 600 and more	185
7 000 and more	196
7 400 and more	207
7 800 and more	218
8 200 and more	229
8 600 and more	240
9 000 and more	250
9 400 and more	261
9 800 and more	278
10 600 and more	299
11 400 and more	321
12 200 and more	343



Staff	
Monthly earnings	Rate per hour
R	R
13 000 and more	348
13 800 and more	369
14 600 and more	390
15 400 and more	411
16 200 and more	432
17 000 and more	452
17 800 and more	473
18 600 and more	494
19 400 and more	515
20 200 and more	536
21 000 and more	556
21 800 and more	577
22 600 and more	598
23 400 and more	619
24 200 and more	644
25 000 and more	664
25 800 and more	685
26 600 and more	706
27 400 and more	727
28 200 and more	761
30 000 and more	817
32 500 and more	883
35 000 and more	948
37 500 and more	1 014
40 000 and more	1 079
42 500 and more	1 144
45 000 and more	1 210
47 500 and more	1 275
50 000 and more	1 434
52 500 and more	1 504
55 000 and more	1 574
57 500 and more	1 644
60 000 and more	1 714
62 500 and more	1 784

Staff	
Monthly earnings	Rate per hour
R	R
65 000 and more	1 854
67 500 and more	1 924
70 000 and more	1 994
72 500 and more	2 044
75 000 and more	2 094
77 500 and more	2 199



ANNEXURE 5: PERFORMANCE AUDITING INITIATIVES FOR 2012-13

The Performance Auditing business unit will research, develop and execute high-impact and relevant audits on the following themes approved by the Performance Audit Advisory Committee:

- Infrastructure delivery process
- Use of consultants by government entities
- Basic education *(Early Childhood Development and Kari Ghudi)*
- Higher education *(Adult Basic Education and Training)*
- Oversight of state-owned entities
- Readiness by government to report on its performance
- Basic education *(Nutrition; No fee schools; Further Education and Training colleges)*
- Infrastructure delivery *(Transport sector)*
- Consultants *(Local government)*
- Water and sanitation

ANNEXURE 6: BBBEE PLAN FOR THE AGSA 2012 - 2015

BBBEE components	Strategic objective	Key performance indicators	Performance targets		
			2012	2013	2014
Ownership	Not applicable to the AGSA				
Management control	Encourage proper representation of Black people on company boards in an executive and non-executive capacity	Black senior top management using the adjusted recognition for gender	50%	55%	60%
Employment equity	Strive towards an equitable workforce	Setting of numerical goals that are aligned with the EAP			
		Black disabled employees as a percentage of all employees using the adjusted recognition for gender	2%	2%	3%
		Black employees in senior management as a percentage of all such employees using the adjusted recognition for gender – (Band C and above)	50%	55%	60%
		Black employees in middle management as a percentage of all such employees using the adjusted recognition for gender – (Band D)	65%	70%	75%
		Black employees in junior management as a percentage of all such employees using the adjusted recognition for gender – (Band E)	75%	80%	85%



BBEE components	Strategic objective	Key performance indicators	Performance targets		
			2012	2013	2014
Skills development	Promote a diverse and skilled workforce which is representative of national demographics Skills development expenditure on learning programmes	Skills development expenditure on any programme specified in the Learning Programme Matrix for Black employees as a percentage of leviable amount using the adjusted recognition for gender	3%	3%	3%
		Skills development expenditure on any programme specified in the Learning Programme Matrix for black people with disabilities as a percentage of leviable amount using the adjusted recognition for gender	0,3%	0,3%	0,3%
	Bursary expenditure	Specific bursary expenditure on potential Black Employees which includes amounts spent on the Thuthuka Bursary Fund as a percentage of NPAT or turnover	4% of NPAT or 0,5% of turnover	4% of NPAT or 0,5% of turnover	4% of NPAT or 0,5% of turnover
	Learning programmes	Number of Black employees participating in learning or category B, C and D programmes as a percentage of total employees using the adjusted recognition for gender	50%	55%	60%
Preferential procurement	Promote use of preferential (including targeted) procurement schemes to achieve BBBEE within the overall procurement spend	BBBEE procurement spend from any of the following suppliers as a percentage of all suppliers based on the BBBEE Procurement Recognition Levels as a percentage of total measured procurement spend (includes total	60%	65%	70%

BBEE components	Strategic objective	Key performance indicators	Performance targets		
			2012	2013	2014
Enterprise development	Support the development of black entrepreneurs and business (Refer to attached annexure for complete initiatives)	Average annual value of all enterprise development contributions made and sector-specific programmes offered by the AGSA as a percentage of NPAT or turnover	3% of NPAT or 0,375% of turnover	3% of NPAT or 0,375% of turnover	3% of NPAT or 0,375% of turnover
Socio-economic development Corporate Social Investment	The objective is to ensure that beneficiaries have sustainable access to the economy – Add value via schools poverty eradication programme.	Average annual value of all socio-economic development contributions made by the AGSA as a percentage of NPAT or turnover	1% of NPAT or 0,125% of turnover	1% of NPAT or 0,125% of turnover	1% of NPAT or 0,125% of turnover

Notes:

Adjusted recognition for gender: Indicators are adjusted to take into account the participation of black women. In each case a formula is used to calculate the adjusted recognition for gender.

BEE procurement recognition level means the percentage BEE procurement recognition levels as determined – (a) for enterprises that are neither qualifying small enterprises nor exempted micro-enterprises; (b) for qualifying small enterprises; and (c) for exempted micro-enterprises, a deemed BEE procurement recognition of 100% and BEE status of level 4 contributor.

Leviable amount is the amount the organisation pays toward the skills levy as per the Skills Development Levy Act.

Learning programmed matrix means the learning programme matrix annexed as in code 400 of the charter.

Net profit after tax (NPAT) means the operating profit of a measured entity after tax. It incorporates both the equity / loss figures and abnormal items, but excludes extraordinary items as determined by Generally Accepted Accounting Practices (GAAP).

Occupational levels mean the occupational levels specified in Form EEA9 gazetted as a regulation under the Employment Equity Act,

QSE means a qualifying small entity that qualifies for measurement under the qualifying small enterprise scorecard with a turnover of between R5 and R35 million.

Skills development expenditure comprises the money that the AGSA spends on skills development. It excludes the skills development levy payable by the AGSA in accordance with the Skills Development Levies Act.

Turnover means the revenue of the entity which refers only to income that arises in the course of the ordinary activities of the AGSA and includes fees derived from rendering services and royalties.



GLOSSARY OF TERMS

AG	The Auditor-General (the person)
AGSA	Auditor-General of South Africa (the institution)
AFS	Annual Financial Statements
BEE	Black economic empowerment
BBBEE	Broad-based black economic empowerment
BU	Business unit
CA	Chartered accountant
CAC	Chartered Accountant Charter
CSI	Corporate Social Investment
CTA	Certificate in the Theory of Accounting
CW	Contract work
DAG	Deputy Auditor-General
EE	Employment equity
ERP	Enterprise resource planning
FTE	Fulltime equivalent
GAAP	Generally Accepted Accounting Practices
GP	Gross profit margin
ICT	Information and Communications Technology
IFAC	International Federation of Accountants
INCOSAI	International Congress of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
ISQC 1	International Standard on Quality Control
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
MFMA	Municipal Finance Management Act
NGO	Non-Government Organisation
NT	National Treasury
OM	Oversight mechanism
PAA	Public Audit Act
PFMA	Public Finance Management Act
RPL	Recognition of prior learning
SAI	Supreme Audit Institution
SCoAG	Standing Committee on the Auditor-General
SMME	Small Medium and Micro Enterprises
UN	United Nations

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Notes:

This image shows a full page of blank handwriting practice paper. It features approximately 20 evenly spaced, horizontal blue lines across the entire page. The lines are thin and consistent in color, providing a guide for letter height and placement. There are no margins, text, or other markings present.



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Strategic Plan and Budget of the Auditor-General of South Africa for 2012-2015



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