



Auditing to build public confidence

AGSA Strategic plan and budget 2015-2018 Discussion with SCOAG AG: Kimi Makwetu

Reputation promise of the Auditor General of South Africa

"The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence."





AGSA BUSINESS MODEL What we do



Annually, the AGSA conducts mandatory audits on:

- Government departments
- Certain public entities
- Municipalities and municipal entities

The set of auditees required to be audited is agreed to with the National Treasury

Discretionary audits: Performance audits, special audits and investigations.



AGSA BUSINESS MODEL How we report



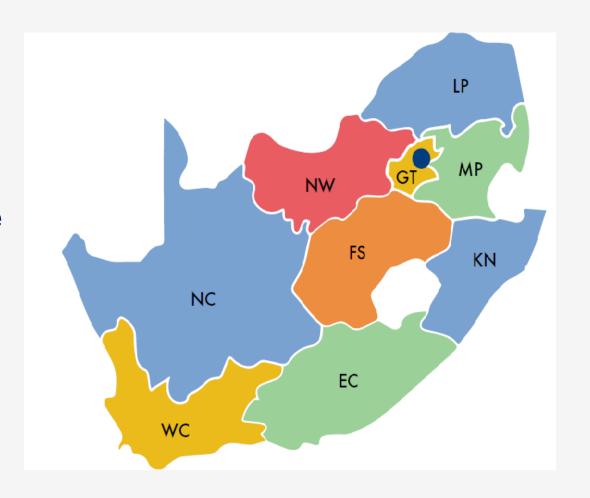
For each audit a report is prepared and tabled in the relevant legislature.

In addition, the AGSA publishes two General reports in which the outcomes of the audits at national and provincial level, and at a municipal level are analysed.



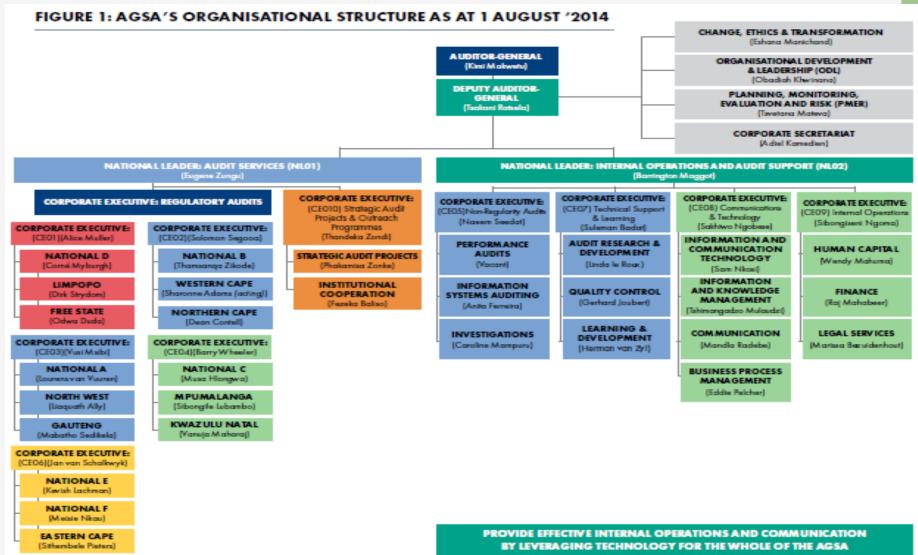
AGSA BUSINESS MODEL How we are organised

- Head office (national ABUs, support, executive)
- Offices in each of the
 9 provinces to
 ensure accessibility
 to the auditees



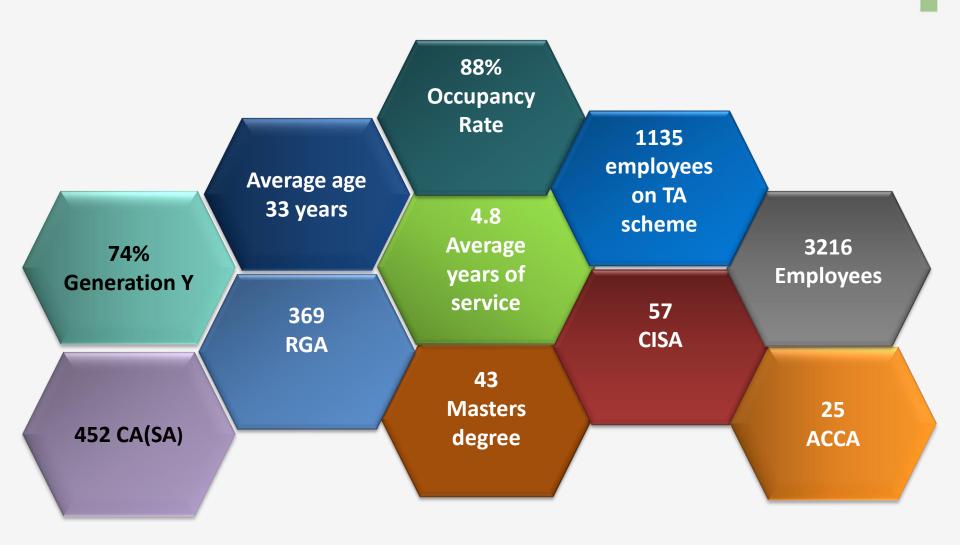


AGSA BUSINESS MODEL How we are organised



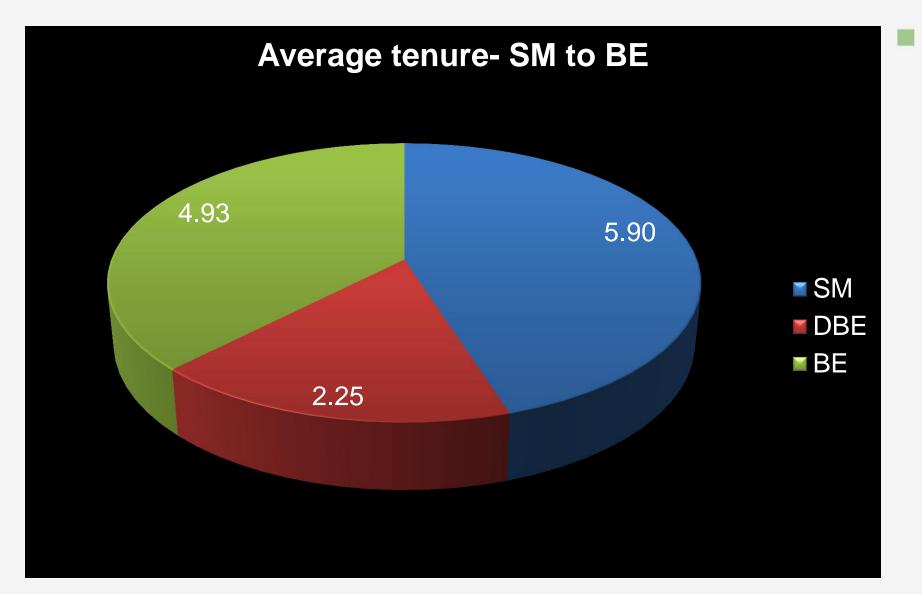
WORKFORCE PROFILE AT 30 SEPT 2014





AVERAGE TENURE AT SENIOR MANAGEMENT ...





AGSA RETENTION STRATEGIES



- Continuous review of our Pay and benefits to align them to the market.
- Other benefits: Study leave, relocation benefits, introduction of in-house group retirement fund;
- Implementation of the Employee Wellness programme offering services that support employees dealing with both personal and work challenges.
- Talent Management System high performers are plotted and developed for future promotion.
- A learning organization and we invest heavily in structured programs for staff.



AGSA LONG-TERM STRATEGY



PRESENTATION OUTLINE



AG's long term strategy 2024

- 1. External environmental trends considered in the new strategy
- 2. Audit outcomes trends

- 3. Visibility program
- 4. Internal organisational trends
- 5. The desired status the AGSA's aspirations for the public service
- 6. AGSA's strategic response the long-term strategic goals

AGSA's strategic plan and budget 2015-18

- 1. Strategic initiatives and measures
- 2. Budget 2015-16



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CHANGES IN THE EXTERNAL ENVIRONMENT



- New Parliament changes in key leadership positions.
- A lot more active citizenry engagements, lack of tolerance for mismanagement and maladministration.
- SA lagging behind in the Global Competitiveness Index specifically around public administration.
- Economic stagnation, lack of cash in the system, competition for skilled labour.
- Government's focus on education, health, grants, infrastructure.



CHANGES IN THE EXTERNAL ENVIRONMENT



- Auditees have advanced information systems.
- Records management is at various levels of maturity.
- Big data brings major changes in the way information is created, stored and used.
- Multitude of computing devices.
- An enormous increase in the use of social media.



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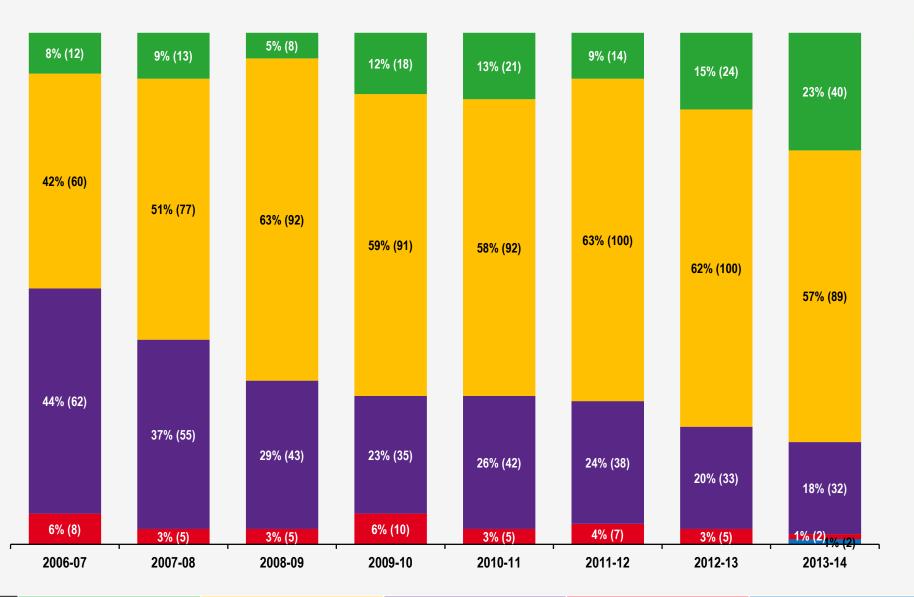
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PFMA AUDIT OUTCOMES - DEPARTMENTS



Unqualified with no findings

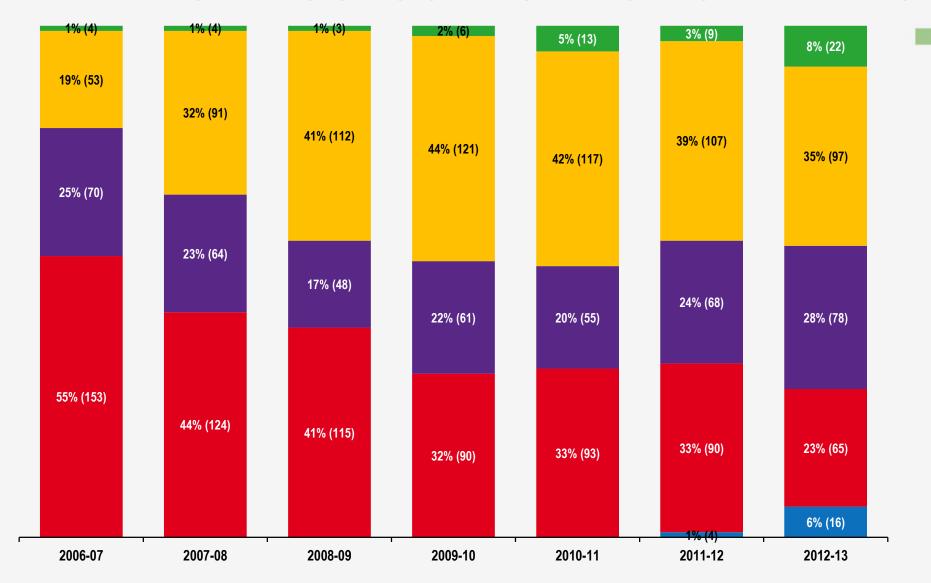
Unqualified with findings

Qualified with findings

Adverse/Disclaimer with findings

Outstanding audits

MFMA AUDIT OUTCOMES - MUNICIPALITIES



Unqualified with no findings

Unqualified with findings

Qualified with findings

Adverse/Disclaimer with findings

Outstanding audits

MAJOR REASONS FOR IMPROVEMENTS



Auditees paying more attention to the six key risk areas:

- Auditees reducing vacancies and increasing stability in key positions.
- The promulgation of minimum competencies in local government.

Improvement in governance:

- Auditee management, ACs and internal audit units starting to take ownership of key controls
- Faster response by auditee management to reported internal control weaknesses and well-designed, implemented monitored audit action plans
- Audit committees improving assurance provided



MAJOR REASONS FOR IMPROVEMENTS



The main driver has been improvement in leadership:

- Ministers, MECs, Mayors making themselves available for regular interactions with the AGSA
- National and provincial leadership following through on the commitments given to the AGSA
- Continuing support, new initiatives and interventions of role players such as National Treasury, provincial treasuries and the DPSA



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AGSA VISIBILITY PROGRAM JOURNEY



SYANQOBA, 2001 stated that:

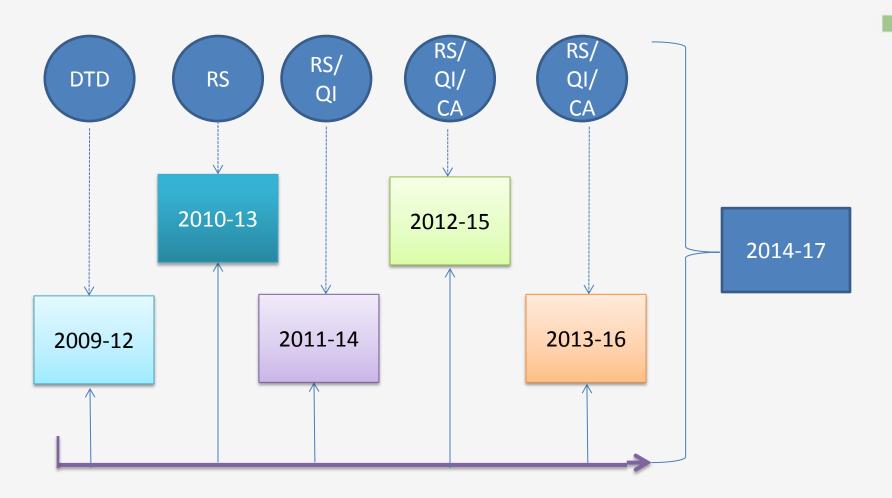
"..... our strategy will only be successful if our stakeholders say so...."

- It was the first AGSA strategy that clearly defined stakeholders, outline engagement requirements and defines measurement criteria ("impact criteria")
- Referred to "reputation management"
- Very clear about the requirement for quality / service excellence, based on our much valued independence, as the foundation for everything that we do



AGSA VISIBILITY PROGRAM JOURNEY





DTD – Door to Door

QI – Quarterly Interactions

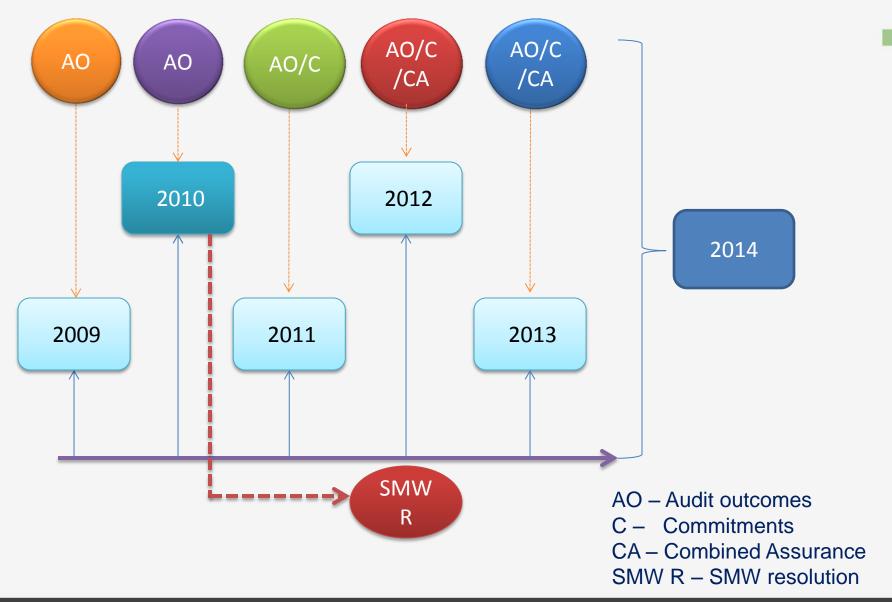
RS - Roadshows

CA – Combined Assurance



PFMA & MFMA GENERAL REPORTS JOURNEY





IDENTIFIED STAKEHOLDERS (EXECUTIVE)



National

Cabinet

Ministers

DGs

CFOs

Provincial

Premiers

MECs

DGs

HODs

Local

Mayors

MMs

CFOs



IDENTIFIED STAKEHOLDERS (LEGISLATIVE)



National

Speaker NA/
Chairperson NCOP

House Chairperson

PACs

PCs/SCs

Provincial

Speakers

House Chairpersons

PACs

PCs

Local

Speakers

MPAC Chairpersons

MPAC Members

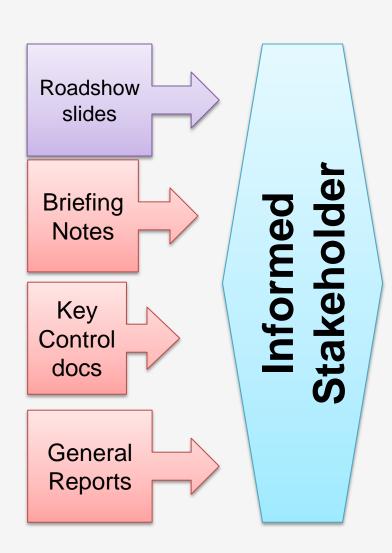
Party Whips



VISIBILITY PROGRAM TOOLS









A WORTHWHILE JOURNEY?



- Concepts of structured stakeholder engagement confirmed in international auditing standards (ISSAI 12) in 2013 in Beijing, China.
- Relatively new area in the functioning of SAI SA.
- Continuous evolvement in skill, process, stakeholder focus, packaging, etc.
- Recognition that this is an area that will always evolve and require adjustment and fine-tuning (Ian McPhee, "Mr Relationships" / AG of Australia).
- Entrenched as part of "what we do"?
- Return on investment



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CHANGES IN THE INTERNAL ENVIRONMENT



- Availability and development of skills has improved but still remains a challenge – 88% occupancy currently.
- The AGSA's workforce is becoming younger.
- Growth in the TA scheme 447 people at the last intake.
- Demand for information (messages) from AGSA.
- Defining of the Auditor-General's Vision 2024 outlining our aspirations for the public sector.

WORKFORCE JOURNEY 2007 - 2014

1		-	-
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	Female				Male						
Year	Black	Coloured	Foreign	Indian	White	Black	Coloured	Foreign	Indian	White	Total
Apr-07	466	75	9	77	285	459	51	16	87	297	1822
Sep-14	1227	123	10	137	236	977	106	20	155	225	3216

Professional qualifications	2007	2014
Masters degree	45	43
CA(SA)	291	452
RGA	393	369
CISA	38	57
ACCA	17	25



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VISION 2024 AGSA's ASPIRATIONS FOR THE PUBLIC SERVICE

We aspire to see a public service that is characterised by:

- Robust financial and performance management systems.
- Oversight and accountability.
- Commitment and ethical behaviour by all.
- A competent and value adding Auditor-General.



ROBUST FINANCIAL AND PERFORMANCE MANAGEMENT SYSTEMS



 Transparent and stable financial and performance management reporting systems that are regularly maintained, led and managed by staff with strong technical skills and experience that is able to withstand changes and transitions.

Budgeting and planning processes that ensure the effective,
 efficient and economical use of all public resources.



ROBUST FINANCIAL AND PERFORMANCE MANAGEMENT SYSTEMS



- Accounting officers developing focused information management platforms and proactively engaging with auditors to appraise progress made in all areas of reporting and accountability matters.
- Strong internal audit capabilities that provide assurance and contribute to a culture of good internal control as a foundation for a strong and capable administrative environment that supports effective execution of government programmes.



OVERSIGHT AND ACCOUNTABILITY



- Accurate and empowering financial and performance reporting to enable effective oversight by those charged with governance, i.e. those responsible for the strategic direction and accountability of an institution.
- An appreciation for the role of applying consequences for transgressions and poor performance in restoring the integrity of and building public confidence in the systems of public administration, coupled with low tolerance for lack of execution of controls & deviations from laws and regulations.

COMMITMENT AND ETHICAL BEHAVIOUR BY ALL

- Visible commitment by all players in the public service to contribute towards the financial health of the country and an improved social reality for the citizens of South Africa.
- Demonstrated impeccable ethical behaviour and professionalism by all players in the public sector executive, leadership and governance structures as cementing characteristics of a capable state, with a public service that consistently does the right thing so that the end can be better than the beginning.

A VALUE-ADDING ASSURANCE PROVIDER



- Independent and relevant reporting by the AG, with all audit messages being seen as reflecting the complete and balanced picture of the state of the auditee.
- Value-adding inputs expressed by the AG, based on deep insights into the state of the public sector financial and service delivery performance that better enable integration and collaboration between all spheres and sectors of government.

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AGSA LONG-TERM STRATEGY



BASED ON THE ANALYSIS AND THE DESIRED STATE OUR STRATEGIC FOCUS WILL BE ON:



- Performing our work and reporting our insights on the outcomes of our audits
- Enhancing our effectiveness in influencing leadership to drive basic controls and accountability, i.e. planned intensification of key controls program
- Investing in a diverse, highly skilled, independent professional staff.
- Improving our own organisation
- Continuing our global efforts



STRATEGIC GOALS FOR 2015-24



GOAL 1

Value- add auditing

GOAL 2 Viability

GOAL 3
Visibility for impact

GOAL 4
Vision & Values
driven



TRANSITION TO THE ENHANCED LONG-TERM STRATEGIC GOALS

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Strategic Goals 2008-17	Strategic Goals 2015-24
1. Simplicity, clarity and relevance of messages	1. Value-add auditing
2. Visibility of leadership	2. Visibility for impact
3. Funding	
4. Strengthen human capital	3. Viability
5. Lead by example	4. Vision and values driven



GOAL 1 - Value add auditing

Value-add auditing is focused on auditing areas that matter and influencing all players in the public sector to utilise public funds as intended for the benefit of the people of the country

We will demonstrate value add auditing by focusing on:

- The parts of the public service with the greatest impact on the well-being of the South African people: poverty alleviation, education, health, crime
- increasing our audit footprint in public sector funded organisations
- utilising the wealth of publicly available information and our own insights for the improvements of public sector transparency, accountability and governance
- performing high quality audits



Goal 2 - Visibility for impact

Visibility: The focus of engagement with stakeholders is on enabling and compelling them to action. The required actions will be different but with the goal of ensuring service delivery and holding government accountable.

We will demonstrate impact by focusing on:

- Focusing on specific key relationships to ensure improved audit outcomes at the auditees
- Establishing methodology for achieving practical and cost-effective stakeholder engagements
- Engage civil society, enable active citizenry by educating the wider public
- Establishing thought leadership



GOAL 3 - Viability

Viability looks in an integrated manner at all the elements that make the AGSA viable.

We will demonstrate viability by focusing on:

- Maintaining financial and legal viability and independence:
- Aligning internal competencies and capabilities
- Increasing operational efficiencies
- Increasing internal leadership visibility
- Embedding the concept of sustainability



Goal 4 - Vision and Values driven

We will run our affairs appropriately, leading by example through high levels of accountability, effective governance, such that we are deserving of our independence.

We will demonstrate adherence to values and vision by focusing on:

- Continuing to be a transformational organisation:
- Enhancing organisational governance
- Ensuring our own clean administration
- Continuing to be a risk intelligent organisation
- Increasing our brand presence locally and internationally



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STRATEGIC PLAN 2015-18 INITIATIVES AND MEASURES



GOAL 1 Value add auditing

STRATEGIC OBJECTIVES

Demonstrate value add auditing

Ensure high quality of our audits



Goal 1 – Main activities/initiatives

- Develop deep knowledge of the clients' needs.
- Enhance the packaging of reports / messages.
- Evaluate the expectations of the users of our reports.
- Increase the number of audits of SOE's and FET colleges.
- Develop and implement a quality proactive audit plan.
- Enhance the reporting on financial and service delivery malpractice.
- Execute AGSA audits with appropriate standards.
- Benchmark our audit practices internationally.



Objective: Demonstrate Value-add



D(Targets			
Performance measures	2015-16	2016-17	2017-18	
% of auditees' senior management who find that our audits and services add value	Establish baseline Define target based on baseline – 5% over baseline		Define target based on baseline – 10% over baseline	
Tool	 Survey results after each audit cycle. 			
Value-add through General Reports	100%	100%	100%	
Tool	 Formal stakeholder evaluation survey. 			
Approved strategic audit plan	100 % (As pe targets in the plan)	100% (As per	100% (As per	
Tool	 Project tracking tool. 			

Objective: Ensure high quality of our audits



		Targets	Targets		
Performance measure	2015-16	2016-17	2017-18		
Adherence to all quality standards: Audit engagements	85% (C1, C2 and C3 rating)	85% (C1, C2 and C3 rating)	85% (C1, C2 and C3 rating)		
Tool	Rating confirmed by QCAC.				



GOAL 2 Visibility for impact

STRATEGIC OBJECTIVES

Achieve impact through visibility programmes

Auditor-auditee partnership and ownership

Engage civil society, enable active citizenry



Goal 2 - Main activities/initiatives



- Formalise a methodology for achieving practical and costeffective stakeholder engagements.
- Pool resources to enable clusters of leadership to drive communication of audit outcomes.
- Develop an audit-auditee partnership model.
- Develop and implement a formal thought leadership program.
- Continue focused involvement in the INTOSAI and AFROSAI-E communities.



Objective: Achieve impact through visibility programs



Doutowasasasasas		Targets		
Performance measure	2015-16	2016-17	2017-18	
% high quality focused				
external stakeholder				
interactions (emphasis on	70%	75%	80%	
partnering with the				
stakeholder)				
Tool	 Qualitative rating by AG. Formal stakeholder evaluation surveys. 			



Objective: Auditor-auditee partnership & ownership

Dorformanaa maaaura	Targets			
Performance measure	2015-16	2016-17	2017-18	
% Implementation of approved thought leadership program	100 % (As per targets in the plan)	100 % (As per targets in the plan)	100 % (As per targets in the plan)	
Tool	 Project tracking tool. Evaluation by the DAG. Formal stakeholder evaluation surveys. 			
% contribution to international forums (as per approved int. cooperation plans)	100 % (As per		100 % (As per targets in the plan)	
Tool	 International cooperation plans Evaluation by the AG. International stakeholder feedback. 			

Objective: Engage civil society, enable active citizenry



		Targets			
Performance measure	2015-16	2016-17	2017-18		
% implementation of			100 %		
approved civil society	100 %	100 %			
engagement plan	(As per targets	(As per	(As per		
	in the plan)	targets in	targets in the		
		the plan)	plan)		
Tool	 Project tracking tool. Evaluation by the DAG. Formal stakeholder evaluation surveys. 				





STRATEGIC OBJECTIVES

Maintain financial and legal viability

and independence

Align internal competencies and capabilities

Increase operational visibility

efficiencies



Goal 3 - Main activities/initiatives

- Develop and implement a revenue optimisation strategy.
- Manage our intellectual property.
- Improve collection of debt using all means available.
- Develop and implement our sustainability strategy.
- Develop and implement an appropriate "people strategy".
- Attract, retain and cultivate talented individuals.
- Increase and develop qualified professionals belonging to various professional bodies.



Goal 3 - Main activities/initiatives



- Finalise and implement a total reward strategy.
- Develop / enhance IT applications and technology.
- Ensure the completion of appropriate responsive audit software.
- Enhance our internal visibility programs driven by the top leadership.



Goal 3 - Main activities/initiatives



A number of Public Audit Act elements identified for possible review:

- Process for consideration of AG's salary, allowances and other benefits.
- Funding model.
- Establishment, composition, roles and responsibilities of the audit committee and the remuneration committees.
- Special reports on auditees with disclaimers.
- Mandate to conduct investigations, performance audits and international audits.



Objective: Maintain financial and legal viability and independence



Douformonee meeting	Targets		
Performance measure	2015-16	2016-17	2017-18
Net surplus (%)	2%	2%	3%
Tool	o Analysis of	income stateme	ent.
% debt collected over 12 months – national business units	98% - 100%	98% - 100%	98% - 100%
1% debt collected from the NT over 12 months	100%	100%	100%
% debt collected over 12 months – provincial business units	97% - 99%	97% - 99%	97% - 99%
Tool	 Analysis of the debtors' ageing report. 		



Objective: Embed the concept of sustainability



		Targets	
Performance measure	2015-16	2016-17	2017-18
% implementation of an approved sustainability strategy	100 % (As per targets in the plan)	100 % (As per targets in the plan)	100 % (As per targets in the plan)
Tool	o Project tracking tool.		



Objective: Align internal competencies and capabilities



Dorformanaa maaatira	Targets			
Performance measure	2015-16	2016-17	2017-18	
Occupancy level	90%	90%	90%	
Tool	 Staff occupancy report from the ERP system. 			

Dayfaymanaa maaaliya	Targets			
Performance measure	2015-16	2016-17	2017-18	
# SAICA accredited	Level 1 – 2BUs	Level 1 – 3BUs	Level 1 – 4BUs	
training offices	Level 2 – 12BUs	Level 2 – 12BUs	Level 2 – 11BUs	
Tool	Accreditation certificates.			



Objective: Align internal competencies and capabilities *continued*



Performance measure		Targets		
	2015-16	2016-17	2017-18	
% Implementation of an approved People strategy reflective of the strategic direction of the organisation	100 % (As per targets in the plan)	100 % (As per targets in the plan)	100 % (As per targets in the plan)	
Tool	 Project tracking tool. 			



Objective: Increase	operational	efficiencies

	Targets		
Performance measure	2015-16	2016-17	2017-18
% implementation of an	100 % (As per	100 % (As per	100 % (As
approved enterprise	targets in the	targets in the	per targets
architecture	plan)	plan)	in the plan)
Tool	 Project tracking tool. 		

D(Targets		
Performance measure	2015-16	2016-17	2017-18
% completion of appropriate	100 % (As per targets in the	100 % (As per targets in the	100 % (As per targets
responsive audit software	plan)	plan)	in the plan)
Tool	 Project tracking tool. 		



Objective: Increase internal visibility

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Doufousopools	Targets		
Performance measure	2015-16	2016-17	2017-18
% conducted strategic alignment sessions by top leadership (CE's, NL's, DAG) – as per stakeholder plan	80%	90%	100%
Tool	 Project tracking tool. DAG qualitative rating.		





STRATEGIC OBJECTIVES

Continue to be a transformational organisation

Ensure our own clean administration

Enhance organisational governance

Continue to build a risk intelligent organisation

Increase the AGSA's brand presence



Goal 4 - Main activities/initiatives



- Enhance and implement the transformation strategy.
- Drive constant and consistent implementation of adequate and effective internal controls.
- Implement and continuously enhance our combined assurance model.
- Assess the adequacy and effectiveness of our governance framework.
- Continuously refine and update policies and procedures to reflect best practices.



Goal 4 - Main activities/initiatives

- Perform regular risk assessments.
- Implement continuous and efficient environmental scanning.
- Develop and implement a strategy to manage the brand of the AGSA.
- Ensure that all corporate reports (including general reports)
 and all support services reports conform to applicable quality
 requirements.



Objective: Continue to be a transformational organisation



	Targets		
Performance measure	2015-16	2016-17	2017-18
% implementation of an transformation strategy reflective of the organisational priorities	100 % (As per targets in the plan)	100 % (As per targets in the plan)	100 % (As per targets in the plan)
Tool	 Project tracking tool. 		



Objective: Continue to be a transformational organisation



	Targets		
Performance measure	2015-16	2016-17	2017-18
BBBEE level	2	2	2
Tool	 External assessment and rating. 		



Objective: Ensure our own clean administration

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Darfarmanaa maaatiraa	Targets				
Performance measures	2015-16	2016-17	2017-18		
External audit opinion on the AGSA	Clean audit	Clean audit	Clean audit		
Rate of closure of audit findings	100%	100%	100%		
Tool	 External audit report. Audit findings tracking register. Internal Audit reports. 				



Objective: Enhance organisational governance

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Performance measure	Targets			
renormance measure	2015-16	2016-17	2017-18	
Adequacy and effectiveness of our governance framework (against best practice)	100% improvement on identified deficiencies	100% improvement on identified deficiencies	100% improvement on identified deficiencies	
Tool	 Independent assessment (including effectiveness of committees). 			



Objective: Continue to build a risk intelligent organisation

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		Targets		
Performance measure	2015-16	2016-17	2017-18	
% progress against a Risk Maturity Framework	Baseline	% improvement on identified deficiencies	% improvement on identified deficiencies	
Tool	AGSA Risk assessment results.			



Objective: Increase the AGSA's brand presence

Objective. Increase the AGOA's braild presence				
Performance measure	Targets			
	2015-16	2016-17	2017-18	
% favourable experience of the AGSA brand by stakeholders	60%	80%		
Tool	 Stakeholder survey results. 			
	 Project tracking tool. 			
Adherence to all quality requirements: Corporate reports – IAR, Strategic plan	100% 100% 100		100%	
Tool	o Qualita	ative rating by A	AG and	
	SCoAC	Э.		



STRATEGIC PLAN 2015-18 CASCADING





Strategic Plan and Budget

Organisational Balanced Scorecard

Portfolio & Business Units BSCs

Individual Performance Contracts



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BUDGET 2015 - 16



REFLECTION ON THE BUDGET PRINCIPLES



	Budget principle	Actual 2013-14	Budget 2014-15	Budget 2015-16
Gross profit %	32%	32%	32%	33%
Contract work creditors (CWC) %	23%	27%	23%	23%
Own hour's efficiency %	45%	46%	46%	45%
Overhead expense as a % of audit income	30%	30%	33%	32%
Target net surplus % of audit income	1% to 4%	3.89%	1.15%	1,48%
Salary increase %	7,8%	7.4%	7.8%	7,4%

Overall the 2015-16 budget is in line with budget principles and the funding model.



KEY DRIVERS TO THE ACTUAL CWC



Contract work creditors (CWC) 27% (Target: 23%):

Additional ad-hoc allocation of work to private audit firms were due to:

- Vacancies
- Scope increase
- New audits
- Delayed audits
- Inefficiencies

The actual 27% CWC, though higher than target, is however getting closer to the target as evidenced by the reduction from 29% in 2012-13.



INCOME STATEMENT AND CAPEX

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	Actual 2013-14	Budget 2014-15	Budget 2015-16
	R '000	R '000	R'000
Audit income	2 536 154	2 658 119	2 947 323
Direct expenditure	1 732 900	1 799 605	1 977 370
Gross profit	803 254	858 514	969 953
Other income	55 666	97 316	61 690
Contribution to Overheads	858 920	955 830	1 031 643
Overhead expenditure	760 178	925 233	988 161
Surplus	98 742	30 597	43 482
Capital expenditure	29 155	79 615	96 499
- Computer equipment & software (N1)	14 173	42 772	64 793
- Other	14 982	36 843	31 706

N1: Computer equipment and software includes replacement of regional servers, employee notebooks and network security software.



KEY DRIVERS TO THE OVERHEAD EXPENSE



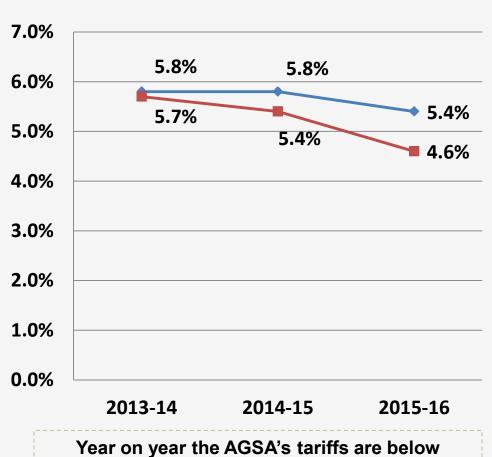
		Actual 2013/14 Rmil	Budget 2014/15 Rmil	Budget 2015/16 Rmil	Comments
Employee related costs	(1)	379	424	491	Employee related costs includes catch up in
Investments in ICT costs	(2)	45	81	78	filling support staff vacancies which require specialised skills not readily available e.g. ICT,
Learning and development	(3)	81	108	112	Performance Auditing and Investigations BUs
Accommodation	(4)	83	92	99	2. Catch up in IT infrastructure/delivery, e.g., data privacy protection software, data
Depreciation		37	50	56	analysis software and network security assessment software
S &T-irrecoverable		19	24	26	3. Learning and growth opportunities for
Stakeholder relationships		29	40	39	employees, such as training in technical audit skills, soft skills and leadership development
Office maintenance		28	36	31	4. Additional space required for Western Cape
Communication		8	12	12	and North West BUs due to increase in staff establishment as a result of increased audit
Other expenses		51	58	44	assignments
Total		760	925	988	Overall growth of 7% is in line with CPIX



TARIFF INCREASE







inflation (CPIX)

	Recoverable Hours	Average tariff per hour
Budget 2014-15	3 425 646	R575.63
Budget	3 571 627	R602.24
2015-16		

Recoverable hours

- Head counts
- Available hours
 - Recovery rate

Tariff per hour

- Salary cost
- Recoverable hours
- Mark-up factor





