



AUDITOR-GENERAL  
SOUTH AFRICA

2020-21 IAR Summary

# INCREASED RELEVANCE IN A CHANGING WORLD

## THE AGSA STRATEGY

Our daily work provides value to the people of South Africa and their elected representatives in all spheres of government. We are driven by our aspirations for the public service and our existence is concisely defined by our vision, mission and values.

### Our aspirations

We want to see a South African public service that is characterised by:

- |   |   |
|---|---|
| <p><b>1</b> strong financial and performance management systems</p> | <p><b>3</b> commitment and ethical behaviour by all</p>                   |
| <p><b>2</b> oversight and accountability</p>                        | <p><b>4</b> a value-adding assurance provider in the form of the AGSA</p> |



### OUR VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.



### OUR MISSION

We have a constitutional mandate and, as the supreme audit institution of South Africa, exist to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



### OUR VALUES

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



# DISCUSSION POINTS

## 1. Expanding the implementation of our enhanced powers

- Nature and status of the identified material irregularities

## 2. Value adding auditing

- Summary of our regulatory audit work

## 3. Supporting government through real-time audits

- Nature and impact of our work

## 4. Enabling stakeholders to understand and act

- Stakeholder engagements

## 5. Sustained financial independence

- Financial overview

## 6. Internal operations

- People matters, systems and tools

## 7. Vision and values driven

- transformation, risk and ethics management



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# ACCOUNTABILITY REPORT

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Implementing our  
enhanced powers

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Nature of  
identified MIs



# IMPLEMENTING OUR ENHANCED POWERS



## In 2020-21, we:

- expanded the MI definition to include any non-compliance with, or contravention of, **legislation, fraud, theft or breach of fiduciary duty that resulted, or is likely to result, in a material financial loss.**
- implemented the enhanced powers at **146** auditees (**89 PFMA and 57 MFMA**)
- continued driving the resolution of Mis identified in previous cycles

## An MI is resolved when:



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



## NATURE OF IDENTIFIED MIs

### MIs IDENTIFIED DURING THE 2019-20 NATIONAL AND PROVINCIAL AUDIT CYCLE

- 75 MIs with an estimated financial loss of R6,9 billion

Area	Number of MIs	Financial lost (R'mn)
Procurement	29	R3 204
Expenditure management	35	R1 598
Revenue management	4	R1 762
Resource management	7	R287

### MIs IDENTIFIED DURING THE 2019-20 LOCAL GOVERNMENT AUDIT CYCLE

- 96 MIs with an estimated financial loss of R2 billion

Area	Number of MIs	Financial lost (R'mn)
Disclaimer	21	
Procurement	19	R288
Revenue management	10	R332
Interest and penalties	34	R1 034
Investments and assets	12	R382

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

Status of the MIs identified during the 2019-20 audit cycle



# VALUE-ADDING AUDITING

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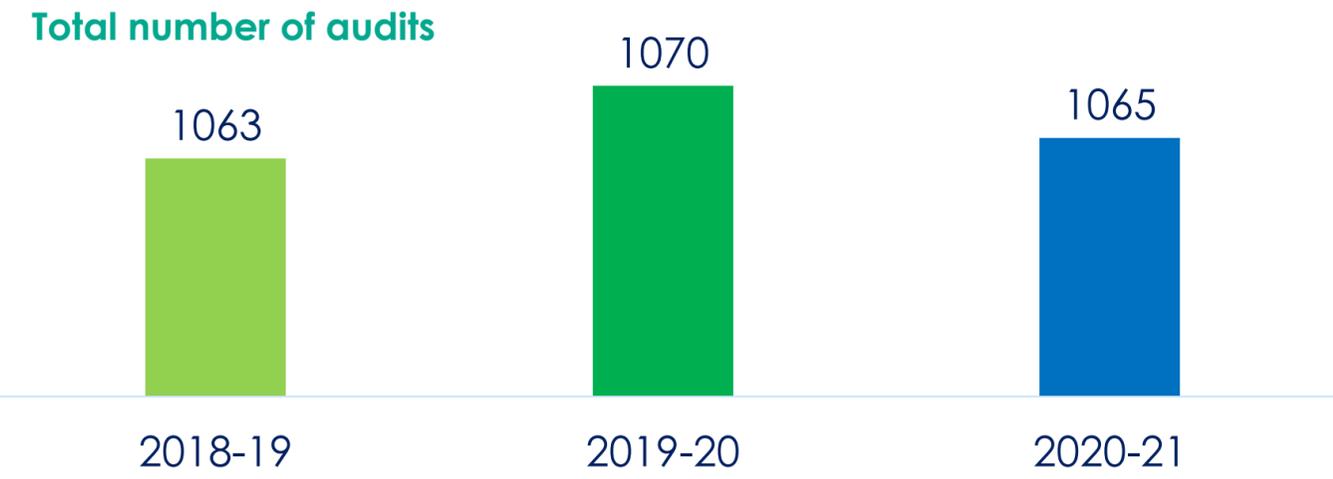
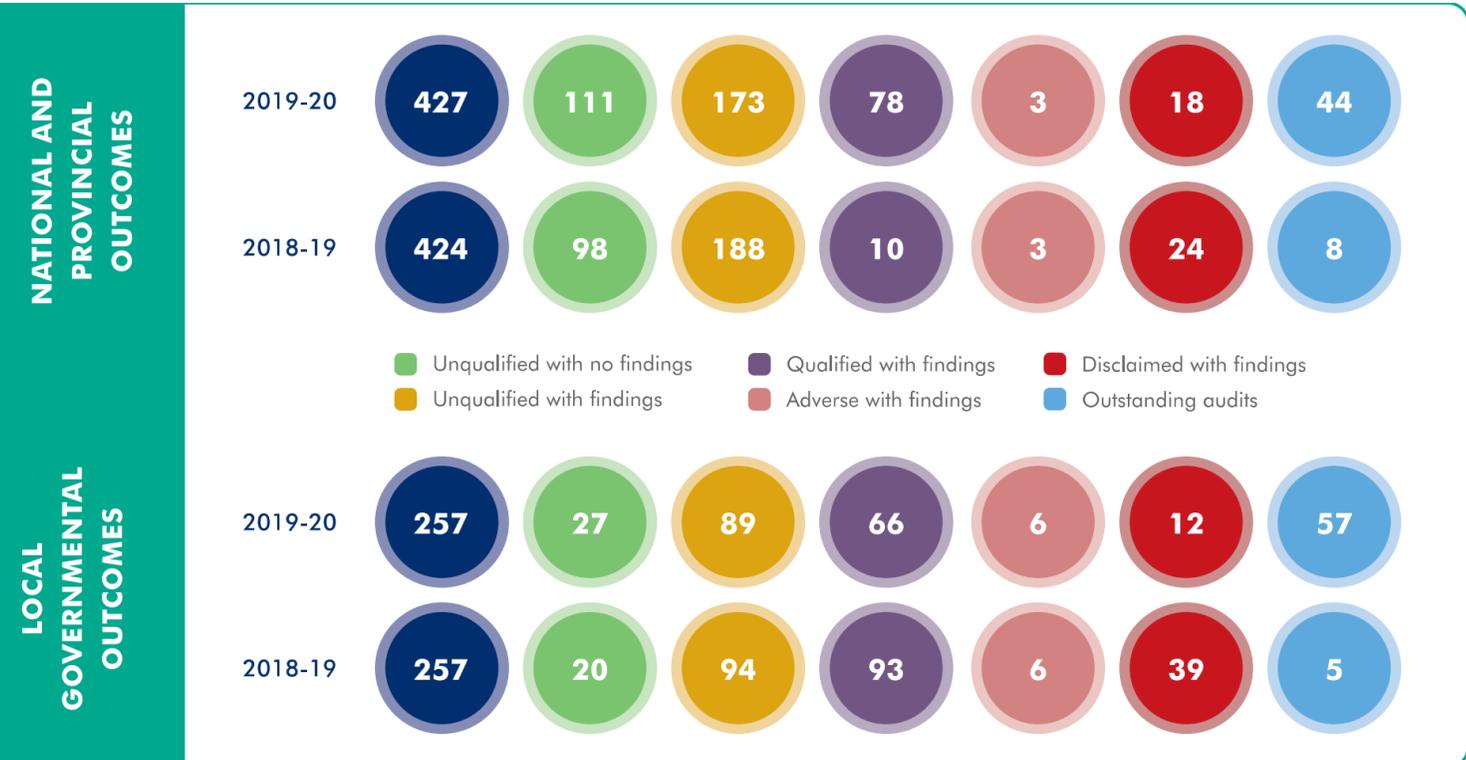


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The number of  
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Summary of  
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Innovative ways  
to conduct audits



## IN OUR REPORTS, WE HIGHLIGHTED THAT:

- 1 sustainable solutions are required to prevent accountability failures
- 2 in some areas a “quick fix” will not turn the situation around
- 3 some problems will require deeper attention to prevent failures
- 4 there must be consequences for accountability failures
- 5 improving auditees’ financial management should be a priority
- 6 there are opportunities for progressive and sustainable change



# SUMMARY OF SCHEDULE 2 AUDITS TAKEN OVER

**15**

**of 21 schedule 2 entities audited by us**

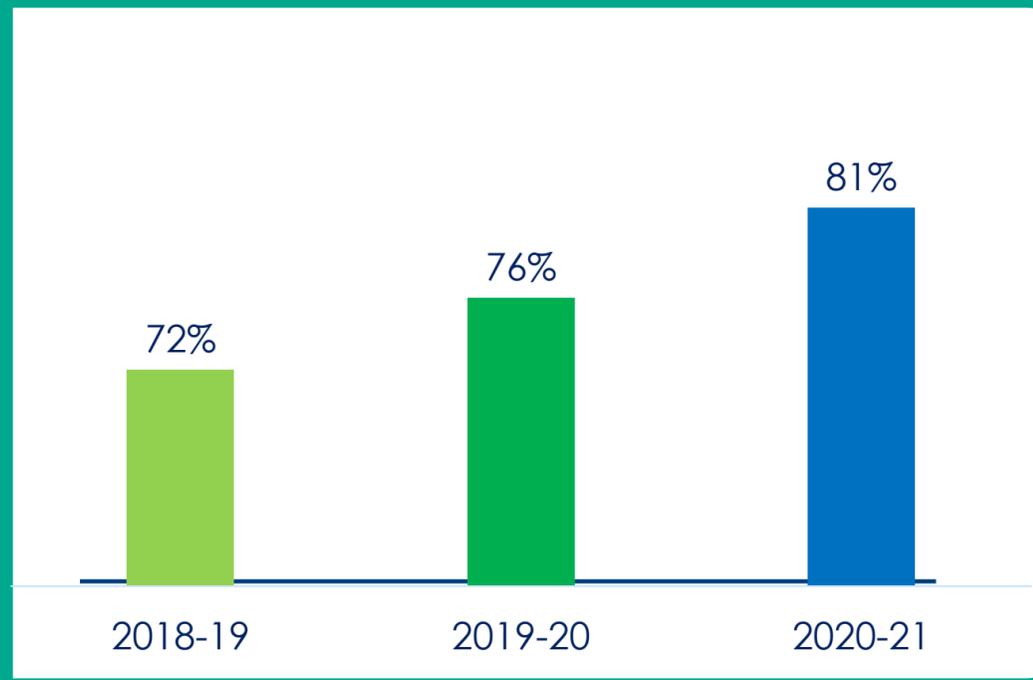


We officially took over the Transnet audit in October 2020 after a two-year transition.

Continued to use limited capacity in the Eskom audits focusing on high risk and high public interest areas.



## Audit quality assessments



This year, we subjected 58 audit files to a post-issuance quality review and obtained an 81% compliance rate with quality standards against a target range of 80% to 90%.

## MEASURES USED TO IMPROVE AUDIT QUALITY



- Reviewed selected audits that phased in the MI process
- Enhanced targeted communications on audit quality
- Enhanced our technical analysis
- Conducted transversal root cause analysis with specific corrective actions
- Supported new and acting engagement managers, and managers that had previously received a non-comply rating
- Pre-issuance reviewers who did not adequately discharge their responsibilities were either removed from the database or received warning letters
- To improve the quality of our audit engagements, we have worked on our audit quality indicators (AQIs) which is an early warning of potential threats



## INTRODUCING INNOVATION



We introduced an innovation think tank focusing on three central themes:

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

## USING MULTIDISCIPLINARY TEAMS



**SAS business units added deeper audit insight in areas such as:**

- data analytics on general controls and evaluating large volumes of data on high-risk transactions (ISABU)
- SCM contract reviews, forensic data analytics and fraud risk engagements (IBU)
- focus areas for our real-time audits, specialised insight on the focus areas, and economy, effectiveness and efficiency during procurement (PABU)



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# REAL-TIME AUDITS

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spending



### SPECIAL REPORTS

- Our 3 special reports were well received by our stakeholders
- The highlighted risk areas included irregularities, poor controls and systems, and indicators of potential fraud
- 37% of the accounting officers and executive authorities took action by implementing our recommendations

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

- These real-time audits looked at transactions, payments or procurement processes almost directly after they took place.
- The focus was on prevention and can be seen as a deterrent to prevent abuse.
- Data analytics were used extensively to identify risks and transactions that were not valid or accurate, or were incorrectly rejected.
- Multidisciplinary teams helped us identify fraud risks and incorrectly configured systems controls, and provided deeper insight on the quality, pricing and delivery of goods and services purchased.
- We reported to oversight bodies through the special reports at intervals during the audit and as matters unfolded, enabling immediate oversight.
- We shared our analyses, red flags and findings directly with investigative agencies through the multiagency Fusion Centre, enabling swift action.

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



## REAL-TIME AUDITS

The initiatives taken through the real-time audits can be summarised in these broad categories:

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



### COLLABORATION ON AUDITING AND INVESTIGATING PANDEMIC SPENDING

- PP, SIU - to prevent duplication
- Multiagency Fusion centre to share information
- Referred cases to relevant law enforcement agencies
- Intosai's spotlight on real-time audits

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



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# VISIBILITY FOR IMPACT

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Constitutional stakeholder engagements

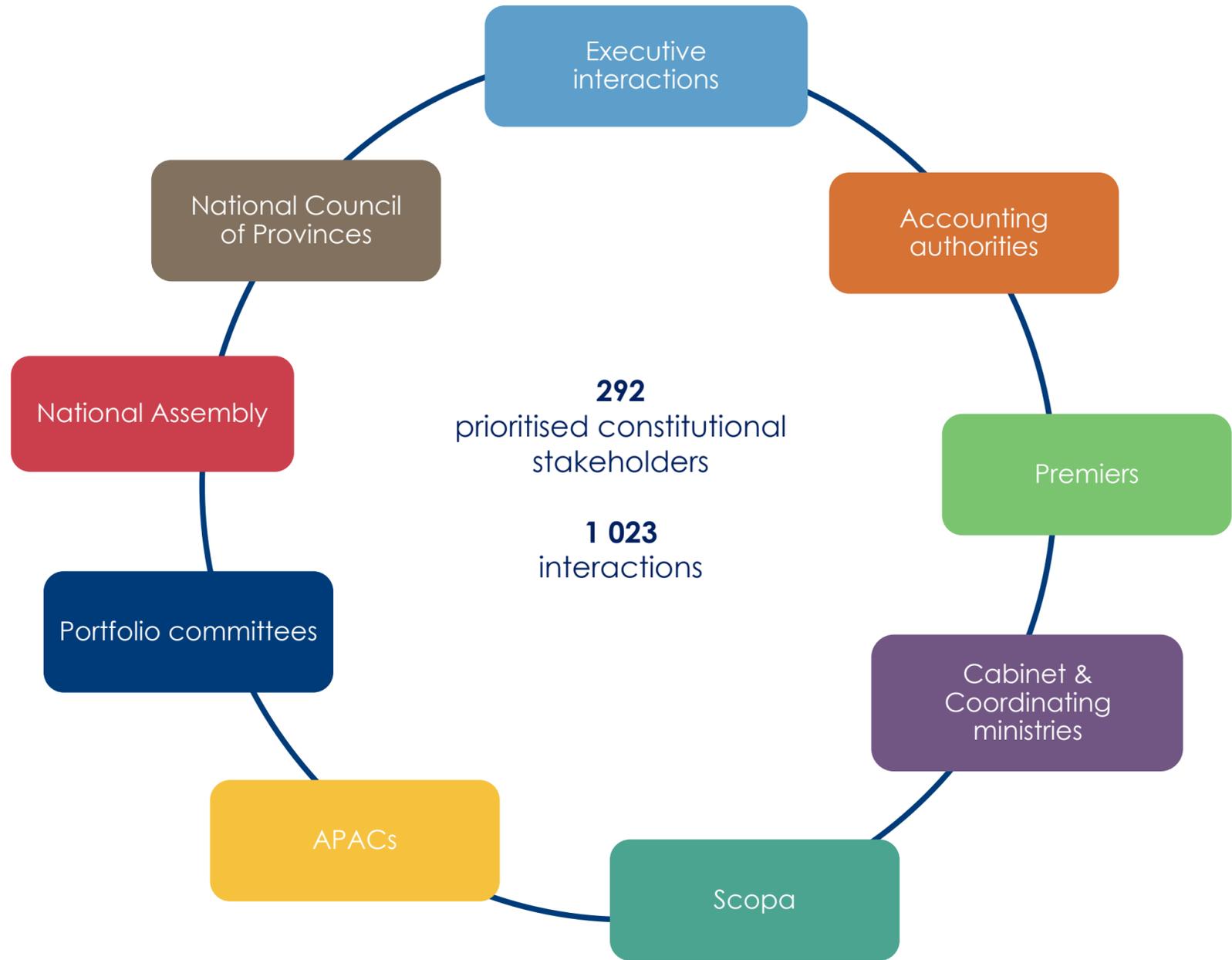
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# CONSTITUTIONAL STAKEHOLDER ENGAGEMENTS



Scopa sought engagement with us and the SIU, during its oversight of the covid-19 disbursements, and requested briefings prior to scrutinising the SOEs, with a particular focus on the fiduciary duties of their boards.

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



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

These institutionalised interactions with ministries, and portfolio and public account committees have matured. However, more action is required to improve audit outcomes.



# PREVENTATIVE CONTROLS



- we refined our status of records reviews in 2020-21 to enhance our proactive approach and focus on preventative controls. .



While the status of records review provides an early warning to accounting officers, preventative controls are measures that enable accounting officers to maintain a solid set of controls that are applied daily to business processes.



## What is included in the guides for each control

- Controls accounting officers and authorities should implement
- Questions oversight structures and executive authorities could ask to obtain assurance
- Why are preventative controls important
- Noting the applicable legislation



# ENGAGEMENTS WITH NON-CONSTITUTIONAL STAKEHOLDERS



Standard setters and regulators



Our leaders engage as thought leaders on various topics that have an impact on the profession



Professional bodies hosted our leaders at webinars, conferences, seminars and symposiums



Civil society organisations



## Our objectives

- collaborate
- influence
- ensure that our technical audit insights are used
- gather relevant insight from them for our own use
- promoting ethical behaviour
- sharing insight on public accountability
- proactively auditing covid-19 expenditure, fraud and corruption



## Intosai

- developed guidance materials for SAI's capacity and professionalism
- staged global webinars on complex and challenging contexts
- participated in global strategic dialogues
- Highlighted real-time audits and auditing donor funds
- intensified stakeholder engagements
- led the Intosai task force on auditor professionalisation

## Afrosai-e

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

## AUC

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

In its Supreme audit institutions independence index: 2021 global synthesis report, the World Bank rated SAI SA as one of two very highly independent supreme audit institutions.



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# VIABILITY

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# FINANCIAL OVERVIEW

Given the fundamental business and operational changes in response to the pandemic, the budget had to be revised and our revised forecast had to consider the current realities i.e.:

- Impact of the Corona virus pandemic to the already ailing South African economy
- Audit teams not being able to access the auditees to carry out their audit work because of the lock down restrictions

In addition, we had to make a lot of calculated sacrifices to reduce our deficit.

1 R293 million deficit

2 Additional income:

- R58 million from our investment
- National Treasury allocation of R44 million to assist funding our enhanced mandate

3 Audit income of R3 395 million (R3 784 million in 2019-20) is 2% below our revised forecast

4 Audit revenue:

- own hours' income R2 669 million (1% above forecast)
- Contracted audit firms and subsistence and travel income, R725 million (11% below forecast)

5 Gross profit includes:

- resource pooling of R146 million
- the real-time audits of R67 million

6

- Overhead expenses of R1 449 million are 7% above our revised forecast, but R115 million below the budget
- We derived savings to narrow our deficit



## FINANCIAL OVERVIEW



### The National Revenue Fund

R70 million received for distressed auditees.



### Ring-fencing & litigation

We collected R31 million through ring-fencing and R23 million through the litigation process in 2020-21.



### Impairment on debtors

Our provision increased R198 million.



### Cash balance

The year-end cash balance was R576 million translating into a cash cover of 1,8 months



### Audits

Our real-time audits led to declines in our revenue lines



Despite low collections, reprioritised projects and other related challenges brought on by the pandemic, we continue to take pride in the talent, work ethic, knowledge, competencies, skills and professionalism of our staff. **The strong legislative framework and funding model ensured that we remain a viable and sustainable business.**

**We stood the test of time.**

**We implemented our legislated mandate economically, efficiently and effectively, focusing on providing value-for-money audits to the public sector.**



# INCREASE IN AUDIT PROFESSIONALS



AUDITOR - GENERAL  
SOUTH AFRICA

## OUR AUDIT PROFESSIONALS PER AUDIT QUALIFICATION

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



### High level of professionalisation

1 369 or 37% of audit professionals (2019-20: 1 327) and 796 non-audit employees with tertiary education (21%)



### CA cohort

The number of CAs has grown by 88% since 2014 from 397 to 746.



### High retention levels

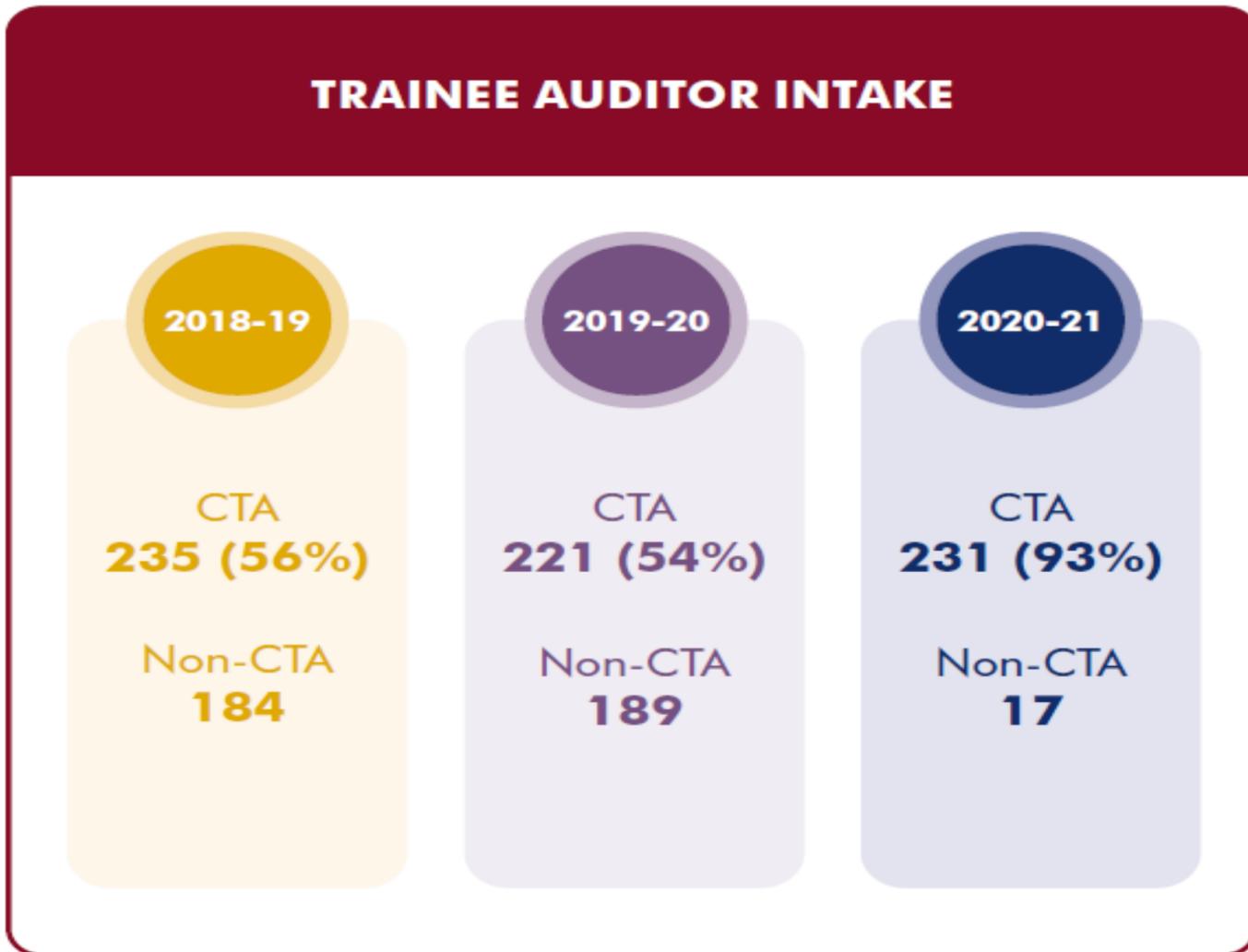
of professionals who qualify as CA(SA)



# TRAINEE AUDITORS

We recruited 248 trainees because of the impact of the pandemic which limited the graduate pool from which we could recruit.

## TRAINEE AUDITOR INTAKE



## LEARNERSHIP PROFILE

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

We exceeded our CTA target of 80%, recruiting 231 (93%) trainees that had already attained their CTA.



# TRAINEE AUDITORS

## PIPELINE

We seconded 20 academic trainees to various universities in 2020

**90% (18) were black African candidates**

This is our contribution to transforming the profile of prospective academics in auditing and accounting.

**These academic trainees were placed in audit business units in 2021**

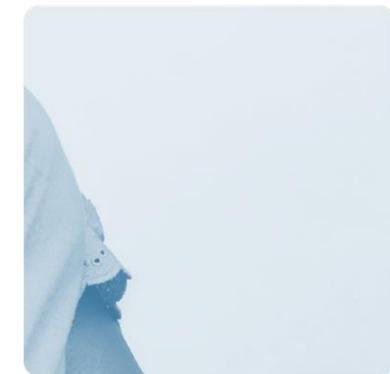
**19 external bursary recipients and 43 Thuthuka bursary holders were appointed as trainees at the beginning of 2021**

2020-21

**Total bursaries**  
R28 508 550

**Thuthuka bursary fund**  
R19 355 650

**External bursaries**  
R9 152 900

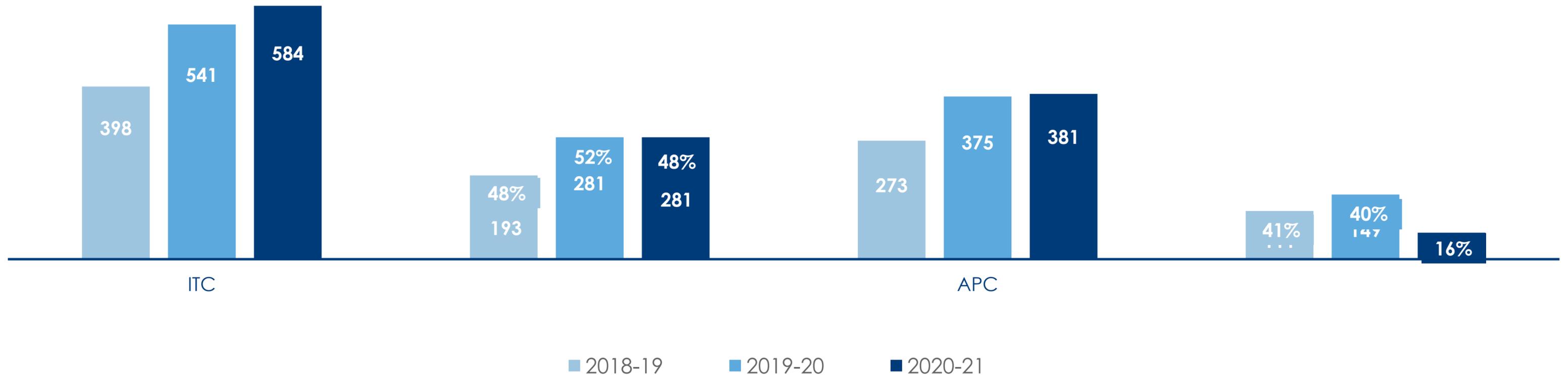




# TRAINEE AUDITOR SAICA ASSESSMENTS

## OUTCOMES

The AGSA candidates sitting for the Initial Test of Competence (ITC) and the Assessment of Professional Competence (APC) increased considerably over the years. Our training programme continues to produce the fourth highest number of candidates who sit for the APC exams.



*We recognise that 2020 was an extremely difficult year for the candidates to navigate, but the low pass rates remain a concern. We continue to work closely with key internal and external stakeholders to unravel the real issues in the value chain and address them sustainably.*



## TECHNICAL TRAINING



**While 2020-21 was an anomaly, we effectively delivered training using virtual platforms**

- We trained our employees for an average of 39 training hours per person

**We enhanced PAA training material and shifted from fundamental theoretical training to practical targeted training.**

- 750 staff and 534 staff from contracted audit firms were trained remotely

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



## ICT

We re-prioritised projects and renegotiated contracts to save precious resources

Introduced and enhanced remote working platforms

Automated internal processes

Enabled remote access to data

Successfully relocated our ICT infrastructure to our new HO



## KNOWLEDGE SHARING

We regularly published Insights on various topics to continuously educate staff

We relaunched our online information and library portal

We initiated a community of practice as a platform to share experiences, knowledge and lessons learned



# VISION AND VALUES DRIVEN

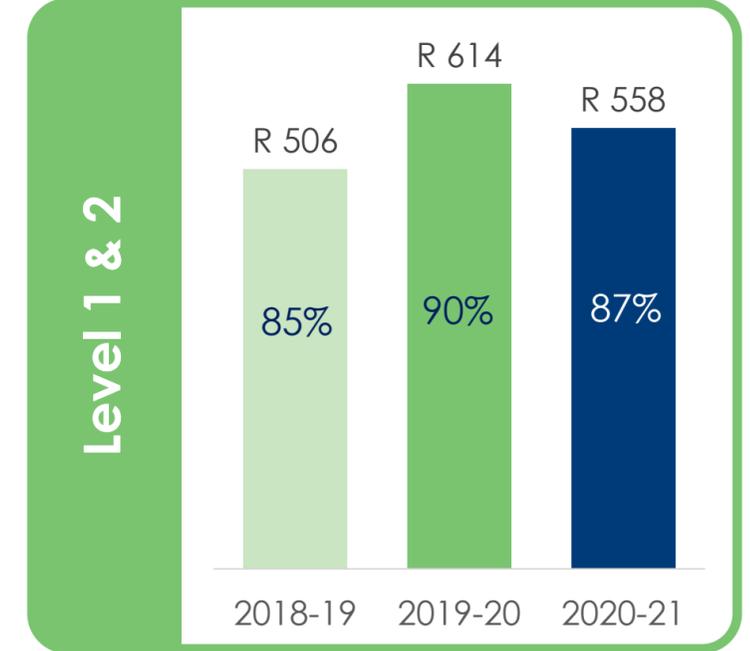
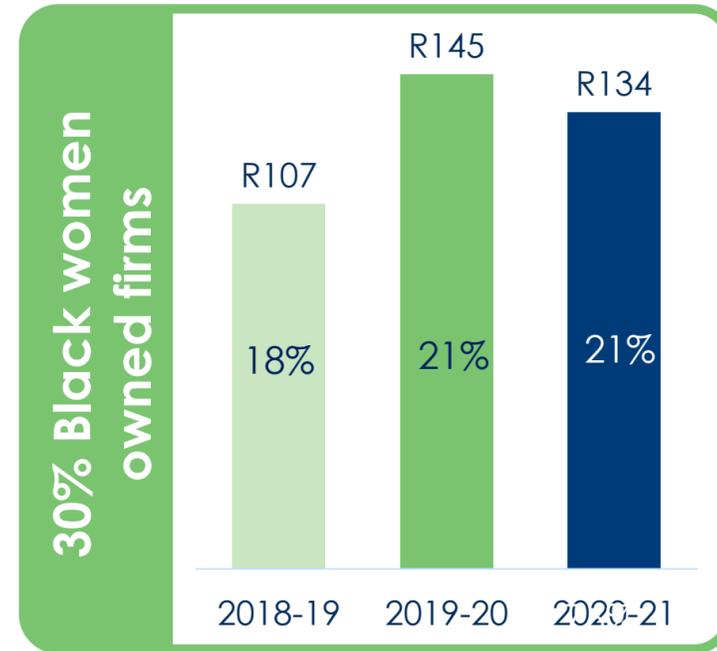
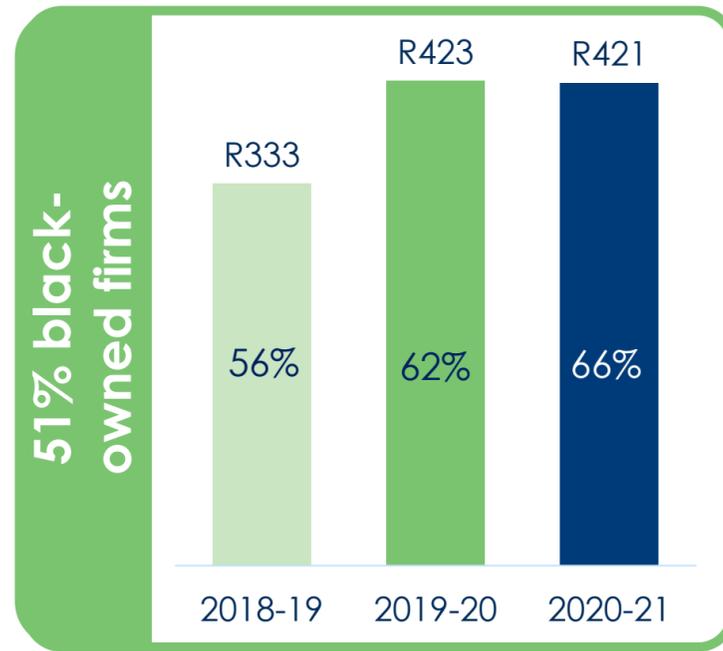
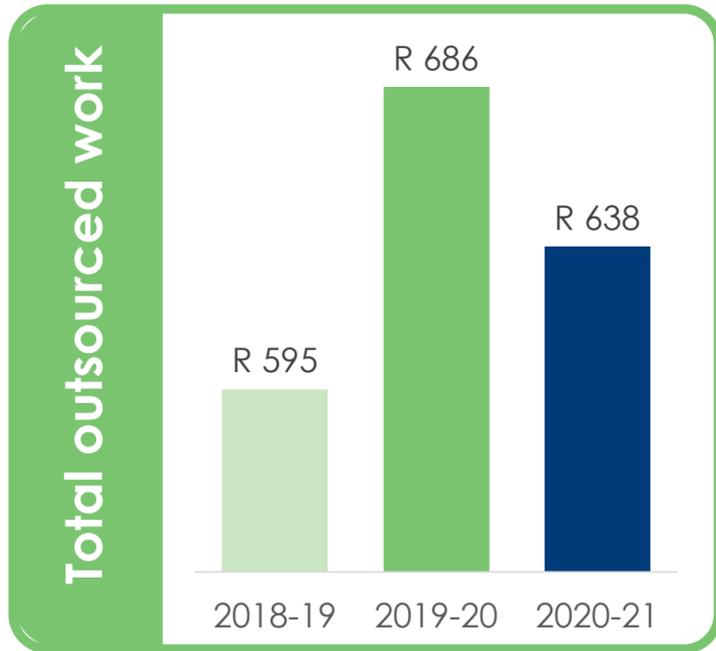
**| 30**  
Support to ESD  
firms

**| 32**  
Ethics  
management

**| 31**  
Risk  
management  
and compliance



# OUR CONTRIBUTION TO TRANSFORMATION

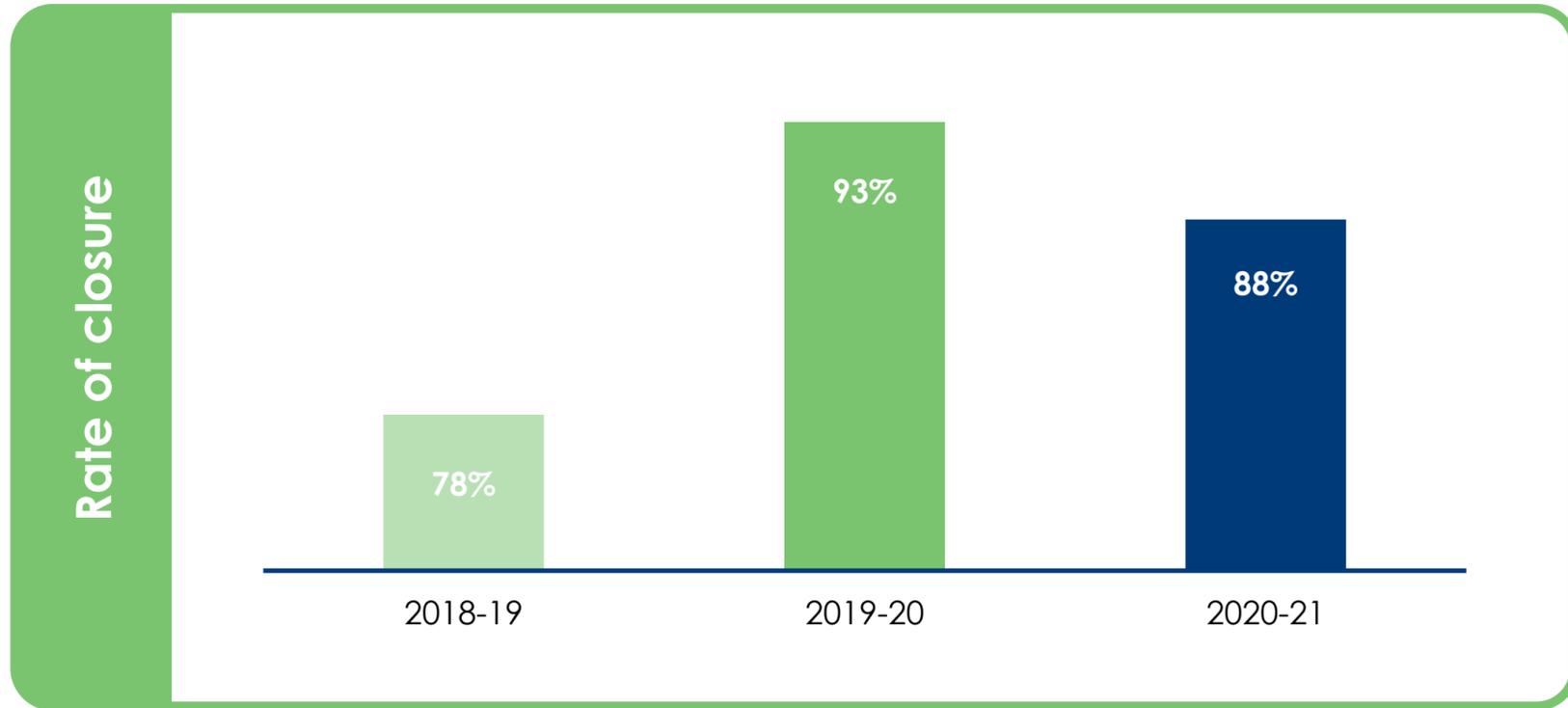


## SUPPORT TO ESD FIRMS

**ESD**

- Created **98** jobs
- received **26%** of our outsourced allocations
- 11 firms** Applied for Saica accreditation
- 5 firms** applied to increase training quota
- 4 firms** received office accreditations
- 3 firms** Increased the number of their trainees





**17 findings**

**7 implemented**

**9 not yet due**

**1 outstanding**

**88% Statistical rate of closure**

Our process owners strengthened the internal control environment.

The information technology governance framework and other policies and procedures reinforced information technology processes and aimed to manage information technology vulnerabilities.



## In 2019-20, we undertook an independent ethics maturity assessment

- Its outcomes included recommendations on strengthening core ethical conduct and addressing what makes employees feel valued.
- The maturity assessment re-affirmed the importance of leadership as a core driver of ethical conduct.
- We therefore maintained leadership as a focal area to building an ethical culture in the ethics management programme.
- Our awareness programme on ethics principles focused on capacitating leadership with the behavioural competencies to discharge this responsibility, and enhancing the declarations' quality assessments.

## Ethics hero campaign

- We began an ethics hero campaign that recognised employees across the organisation as ambassadors of “living the principles”.
- One of the greatest benefits of this campaign was the sense of ownership and accountability created within all employees of the role they play in maintaining an ethical culture.

## Ethics maturity rating



The scale used was from D to AAA (the best rating)

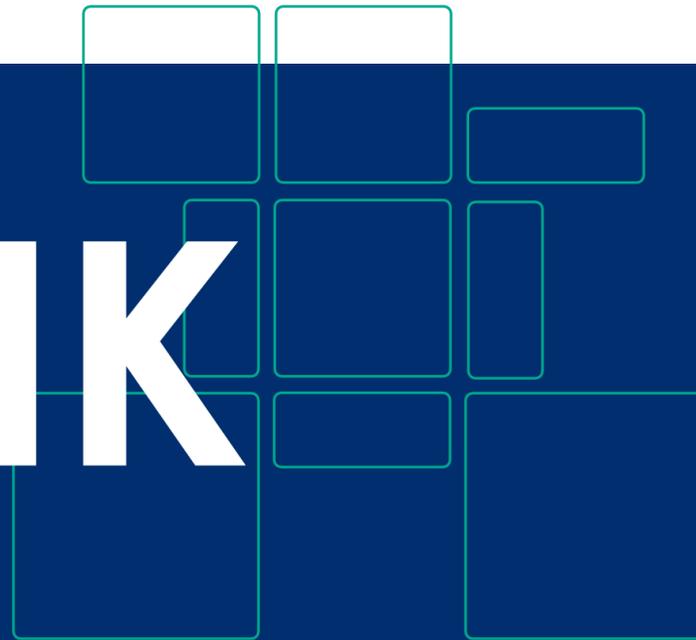


## Leadership as a core driver of ethical conduct

### Ethical environment provides

- direction
- a stronger more sustainable ethical status
- shape for our behaviour
- overall purpose to building and maintaining an ethical culture

THANK  
YOU



AUDITING TO  
BUILD PUBLIC CONFIDENCE



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