






Promoting a culture of **accountability**

INTEGRATED ANNUAL
REPORT 2022-23

AUDITOR-GENERAL
SOUTH AFRICA



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PREAMBLE TO THE CONSTITUTION

We therefore, through our freely elected representatives, adopt this Constitution as the supreme law of the republic to:

- Heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights;
- Lay the foundations for a democratic and open society in which government is based on the will of the people and every citizen is equally protected by law;
- Improve the quality of life of all citizens and free the potential of each person; and
- Build a united and democratic South Africa able to take its rightful place as a sovereign state in the family of nations.

We the people of South Africa
Recognise the injustices of our past;
Honour those who suffered for justice and freedom in our land;
Respect those who have worked to build and develop our country; and
Believe that South Africa belongs to all who live in it, united in our diversity.

LETTER TO THE SPEAKER

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

September 2023

Honourable Speaker

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

It is an honour to submit my integrated annual report, which includes a review of our performance against predetermined objectives and the audited financial statements for the financial year ended 31 March 2023, as required by our governing legislation.

It gives me great pleasure to announce that the audit committee, established in terms of section 40 of the Public Audit Act, is satisfied with the Auditor-General of South Africa's (AGSA's) audited financial statements and unmodified audit opinion.

I respectfully draw your attention to section 41(5) of the Act, which requires that we submit our report within six months of the end of the financial year. I therefore request that this report be tabled in the National Assembly by 30 September 2023.

Yours sincerely

28/9/2023

TSAKANI MALULEKE
Auditor-General

To accomplish great things, we must not only act, but also dream; not only plan, but also believe.

Anatole France

AUDITOR-GENERAL'S MESSAGE

TSAKANI MALULEKE
AUDITOR-GENERAL

In these times of digital transformation, machine learning, artificial intelligence and large language models, the work in the national audit office requires certain fundamental traits such as diligence, tenacity, quality of work, integrity, and some non-traditional elements such as the ability to dream.

We dared to dream; to transform our environment and imagine a South Africa in which her people trust the integrity of their government, appreciate the accountability and transparency with which public resources are managed and, ultimately, enjoy access to basic service delivery.

To realise the dream, we needed action. We planned our end goal, assessed our environment against the end goal and applied the insight gained to tailor programmes that create value for our stakeholders. I firmly believe that our work positively impacts achieving the ambitions of our country's National Development Plan and supports the improvement of the lives of the people of South Africa.

An important driver of the state's capability to deliver services is the quality and strength of a public service culture and the values embedded within it – particularly those of performance, accountability, transparency and integrity. This premise forms the foundation of our #cultureshift2030 strategy, developed in 2021.

During the 2022-23 reporting period, while executing our mandate, we focused on building the skills, capacity and capabilities required for us to successfully deliver our #cultureshift2030 strategy.

Accountability ecosystem

The strategy encompasses creating an accountability ecosystem. We formally outlined the concept as a network of all the roleplayers that have a mandate or responsibility to drive public sector accountability.

We actively encourage each roleplayer to leverage on their mutually reinforcing connections to help shift the culture within the public sector to one of active performance, accountability, transparency and integrity.

We highlighted the strategic connections between the citizen's service delivery expectations, the mandates of the various responsible players in government and society, and the available accountability mechanisms. We also highlighted their effectiveness in driving transparent, responsive and prudent public financial management aimed at improving the wellbeing of South Africans, as embedded in our Constitution.

I believe that regular and prudent collaboration, information sharing and contributions throughout the accountability ecosystem will lead to a shift in public sector culture. This positive influence could result in effective service delivery that will help better the lives of the people of South Africa.

To monitor the integrity of our accountability ecosystem, we will also assess the network and contributors annually. This evaluation will become an integral part of the value we deliver to our stakeholders.

How we added value through our work

The rigorous scrutiny of the accounting records and other related information to support financial statements and performance reports of approximately 1 000 institutions that we audited resulted in two general reports being tabled in Parliament. These serve as a state-of-governance account of how our government – at all three tiers – has spent taxpayers' money during the audited period, provide a comprehensive analysis of the audit outcomes and represent the main source of insight into the stewardship of public funds in the country. This year, our general reports went further to include a particular focus on service delivery.

Along with our key recommendations and government's commitments, the insight into the impact of these results is meant to stimulate understanding and encourage a shift to a culture of accountability.

The insight garnered from the real-time audit on the use of the funds allocated for relief of damages caused by the floods in KwaZulu-Natal and the Eastern Cape elicited an acknowledgement by government that it was ill-prepared to manage disasters. Extensive interactions with all our stakeholders gave our reports the necessary attention and influence to compel action.

Government made commitments that included stopping irregular contracts, withholding payments to suppliers until the work was completed, negotiating prices and applying other measures to minimise leakage and maximise the use of public funds on actual disaster relief for the people affected by the floods. We monitor these commitments on an ongoing basis.

Our relevant and actionable insight also focused on specific areas of public spending, especially those that make up the bulk of the budget and have the power to bring improvement in the lives of ordinary South Africans.

We issued a performance audit report on the rehabilitation of derelict and ownerless mines, which highlighted the health and safety concerns for local communities that live around these mines. The strength of our messages increased with the application of targeted data analytics. We tested new tools that enabled us to analyse vast volumes of data for greater efficiency.

We continued to enable oversight by sharing the audit outcomes and providing rich insight to drive understanding and action, and are particularly pleased to observe that our investment in enhancing the capabilities of portfolio committees and committee support staff is yielding positive results.

Implementing our extended powers

In 2022-23 we reached our target to implement our material irregularity process at 202 public sector institutions that we audit in national and provincial government, and 170 in local government. We are on track to implement this process at all 879 institutions that we audit in the 2024-25 financial year.

So far, the material irregularity process prevented R655 million in financial loss, while R164 million was recovered with a further R820 million in the process of recovery. Importantly, the process also ushered in a change that saw internal controls improve, supplier contracts being stopped where money was being lost, and consequences for wrongdoing. At the same time, we enhanced our material irregularity methodology and guidance to streamline the process and strengthened our collaboration and relationships with public bodies such as the Special Investigating Unit and the Office of the Public Protector. Special material irregularity reports provided full transparency of the resolution status of the material irregularities for national, provincial and local government.

Our main challenges

An important pillar of our independence is our financial viability. Throughout the years it has been sustained by sound financial administration, strict cash flow management and good internal controls, systems and processes. However, our work and our viability is dependent on the overall status of the fiscus.

The persistent lack of prudence in spending, inadequate financial management and inadequate accountability for financial performance erode the limited public funds available, and the scope for beneficial spending on service delivery is severely limited.

The increased number of auditees in financial distress is compounded by the rise in the public's demands for service delivery and accountability, protests and destruction of public assets. This makes it imperative that accounting officers and authorities do everything in their power to get the most value from every rand spent and to manage every aspect of their finances with diligence and care.

One of the consequences is that auditees impacted by the status of their public finances are unable to pay audit fees, which in turn threatens our sustainability. Debt owed to us is ever increasing, which restricts our plans to modernise our tools and develop our staff. Our leadership pays constant attention to this challenge.

Over the past year, we have dealt with litigation brought against us in relation to our audit work and related reports.

Pushbacks and litigation often compromise our ability to meet our legislated deadlines and cause us to deploy scarce resources towards legal fees.

These challenges to our work present opportunities for key roleplayers in the accountability ecosystem to not only participate in resolving disputes, but to actively shift towards a culture of responsible public financial management, effective performance, greater transparency and better accountability.

We have revised our audit dispute resolution mechanism, which is succinct and allows for greater leadership visibility through a tiered escalation approach. Ultimately, our desire is that the new process will significantly reduce the appetite to litigate against our audit outcomes. While it is too soon to express a conclusive view on the effectiveness of the revised dispute resolution mechanism, I am encouraged by the early signs that it may promote a more constructive engagement with those who raise disputes.

Our year of transition also presented a unique performance challenge. In our ambition to build a strong basis for our #cultureshift2030 strategy, we defined a set of internal targets to develop the requisite knowledge, skills, capacity and tools. While we achieved the commitments outlined in our strategic plan, we fell short of achieving some important internal milestones. We are determined to erase this shortfall in performance and proceed with implementing the strategy in the identified value chains and sectors.

Future audit focus

While individual audit plans have always been in place, we have begun to align our audits with a comprehensive long-term strategic audit plan to ensure that our audit messages and insight are consistent, relevant and wide-ranging, and have impact.

The long-term approach will also demonstrate the transparency of our choices, the allocation of limited organisational resources to auditing what matters and the expected impact on service delivery as the vehicle to improve people's lives.

We will strengthen our specialist expertise, deepen our insight in selected fields, and fine-tune our audit messages and recommendations to increase our impact on the improvement of audit outcomes and, consequently, on improving people's lived realities.

Conclusion

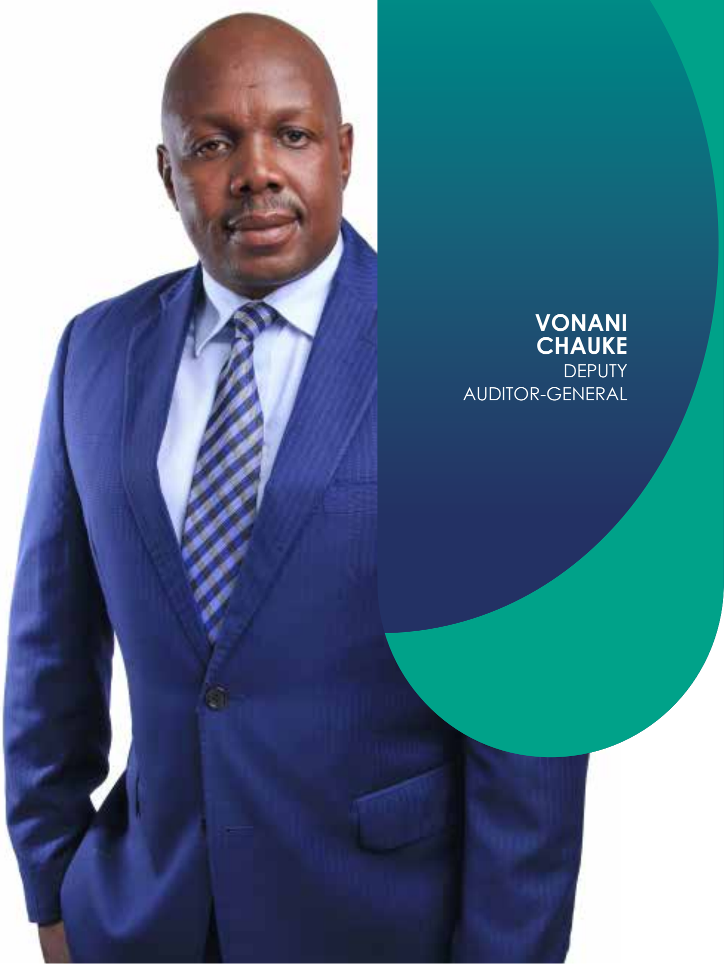
In daring to dream, we shifted our own culture, realising that our work cannot be done in isolation. To succeed in transforming our environment, we must collaborate in an accountability ecosystem with common purpose for the benefit and wellbeing of our people.

We call on all relevant stakeholders to share our dream and join us on the journey towards a better South Africa.

28/9/2023

TSAKANI MALULEKE
AUDITOR-GENERAL

Supreme audit institutions have a critical role to play in the fight against corruption. We have been inspired by the spirit and the outcomes of the Judicial commission of inquiry into allegations of state capture and have made an institutional commitment to intensify our collaboration with other organs of state to prevent fraud, corruption and other forms of impropriety. In the spirit of leading by example, all our internal functions have implemented best practice emanating from the report.



VONANI CHAUKE
DEPUTY AUDITOR-GENERAL

DEPUTY AUDITOR-GENERAL'S OVERVIEW OF PERFORMANCE

We continued to contribute to trust, efficiency and effectiveness in the public sector by providing assurance on financial management of public organisations and entities and reporting publicly on our findings to promote accountability and transparency.

The execution of our mandate through the lens of our #cultureshift2030 strategy required dedicated preparation. Six specific aspects required leadership attention:

- Ensure financial independence
- Resource for success
- Improve our technological capabilities
- Create leadership alignment
- Engage staff effectively
- Strengthen our ethical posture

To drive progress, we began identifying key performance indicators, deliverables and desired outputs that would allow us to achieve the required level of readiness. The pursuit and alignment of those priorities took longer than expected, and our internal scorecard, which is in addition to our commitments to Parliament, was only finalised in the second half of the performance year. This shortened the time available for reaching some of the desired outcomes and outputs.

While we were able to achieve most of our commitments outlined in our 2022-25 strategic plan, we were not so successful in achieving a few important internal milestones, mostly in the areas of financial and human capital.

Ensuring our financial independence

Our financial viability is paramount for our independence as a supreme audit institution. We therefore follow an approved funding model that ensures sound financial administration, well managed cash flow, and strong internal controls, systems and processes. We produced a fair set of financial results, especially in the context of the country's financial constraints.

Our actual audit income for the year was R4 583 million, representing a year-on-year increase of 4%. We contained the increase in audit fees using efficiencies derived from re-allocating staff between national and provincial audit units (resource pooling) and continuous improvement in productivity and recoverability rates (own hours' revenue).

Resource pooling is being institutionalised, realising R221 million (2021-22: R120 million) in audit income.

The introduction of the recoverable Ahluma centre was an interesting initiative, which created opportunities for retained audit seniors or audit clerks to work with multiple business units and gain a diverse skillset. They, in turn, conducted some of our audits, eliminating the need to use private audit firms. In its three months of operation, the Ahluma centre helped us save R20 million on outsourcing.

Cost optimisation

In the face of a challenging economic and fiscal environment, the AGSA continued to demonstrate a steadfast commitment to prudent financial management and resilience. We have achieved a notable increase in our net surplus of R263 million, compared to R40 million in the previous year.

However, it is essential to provide context for this increase, as it was primarily achieved by making strategic decisions to weather economic uncertainties.

A key measure of cost optimisation was a challenging but necessary decision to not pay our dedicated staff performance bonuses, allowing us to allocate these resources towards strengthening our capital expenditure programme. The programme will be an investment in digital transformation initiatives to empower us to harness operational efficiencies and enhance the quality of our audit services.

Cost optimisation strategies also resulted in a 3% reduction in operating expenditure. These measures collectively underscore our commitment to prudent financial stewardship.

We remain committed to creating an environment where our employees are rewarded for their hard work and dedication, and are confident that these investments will ultimately benefit both our clients and our team as we continue to evolve and grow.

We will apply to retain the net surplus in line with the Public Audit Act (PAA) so that it can be invested as indicated above.

Review of our funding model

The objectives of the #cultureshift2030 strategy, rapid changes in the technological and communications aspects of business, and human capital needs require novel financial decisions. We completed the review of our funding model as prompted by our oversight committee and considered possible improvements. This project will be concluded after due engagement with Scoag.

Our intention is to base our future audit fees on the value delivered per audit, or audit products and services, and not only on hours spent on the audits.

In brief, our financial viability and independence have been preserved and we are in a good position to navigate the financial challenges we believe lie ahead for us. Improving business efficiency, prudent financial management and delivering value to our stakeholders remain the ways which will allow us to be financially independent.

Challenges to our financial independence

The collection of audit fees remains a challenge and endangers our financial viability, and in turn our financial independence. We are owed R1 080 million. Although this is a minimal 1,9% year-on-year increase in debtors, it represents 24% of our total revenue. Worse, 34% of this amount is owed for 120 days or more, mainly by auditees in financial distress.

Debt collection receives continuous attention by the leadership at all levels. In this financial year, we formed a credit watchlist committee that focused on managing accounts that are 90 days past their due date and suggesting creative yet effective collection techniques.

Our few successes demonstrated that we still have a way to go to exhaust debt collection options:

- tighter collection targets and instalment agreements led to stemming the rise in local government debt
- engagements with the National Treasury in line with the provisions of the PAA resulted in a payment against the audit fees shortfall of 1% debtors
- engagements with provincial stakeholders allowed us to receive payment from the provincial treasury in lieu of fees owed to us by municipalities.

Collecting through litigation and ringfencing agreements also continued to be effective.

Post-retirement medical aid liability

We concluded our effort to reduce the post-retirement medical aid liability by offering to buy out that liability from 337 members (91%), 258 of whom accepted the offer. This allowed us to reduce the post-retirement medical aid obligation from R49 million to R13 million as of 31 March 2023.

Resourcing for success

The success of our strategy depends on the availability of staff with the required work ethic, knowledge, capabilities, competencies, skills and professionalism and directing them towards activities that not only enhance but directly impact shifting the culture in the public sector.

We continued to implement processes that have proven successful in talent acquisition. We have, however, observed systemic changes in the environment that forced us to review our resourcing strategies. The proliferation of collaborative tools and emergence of new players in the auditing and accounting labour market that offer hybrid or entirely work from home conditions, as well as the shrinking pool of candidates with a Certificate in the Theory of Accounting (CTA) posed a challenge throughout the financial year. We had to make changes in the selection of institutions offering CTA studies and introduce a mid-year intake to ensure the availability of young professionals on the audits.

To build additional internal capacity that is also financially feasible, we formed the Ahluma centre, which provided the additional resources for our audits. We are proud to reflect on the number of benefits that the centre offered to the participants in addition to helping our financial position, such as access to study support and leave for preparation for professional qualifications, exposure to junior management responsibilities, career progression when internal opportunities become available, continued care through the employee wellness programme, and most of all, secure employment during specific periods.

We will monitor the realisation of this project in the coming years as we see a possibility of investing in capacity through this centre.

Professionalisation

In the midst of many challenges, we achieved a number of successes in the continued professionalisation of the office. We were recognised as the employer of choice in the public sector for the third consecutive year in 2022, a recognition that we cherish.

A total of 239 of our candidates successfully passed the Assessment of Professional Competence (APC), making us the third largest contributor of successful candidates in the country, i.e. 9% of successful CTA candidates come from our training programme. This proportion has increased steadily over the past four years.

During the 2022-23 financial year we distributed R5,4 million to 36 academically gifted young people and provided opportunities to persons with disabilities, as well as candidates selected from our schools support programme, and AGSA employee family members. We expect them to join our workforce in the next few years.

We contributed R11 497 125 to Thuthuka for the 2023 academic year. In return, 32 Thuthuka candidates began their articles with the AGSA in 2023.

Currently, we employ a sizeable cohort of audit professionals – 1 350 in total, with more than half of them (776) being chartered accountants.

Level 1
B-BBEE

Employee wellness

Creating an environment that promotes engagement and contentment allows our employees to flourish and achieve their full potential, for their own, and our benefit. We allocated sufficient resources to understand the needs of our staff ranging from physical, to emotional, financial, mental, social, career and community purpose aspects.

We developed holistic interventions for the various levels in the organisation that could provide our staff with the tools to help them thrive, be resilient, safe and productive, and to improve their overall health and wellbeing.

One of the overarching topics that we dealt with was the fear of not delivering, specifically in a rapidly changing world of work paired with an ambitious strategy that requires an internal culture shift and readiness, leading to work-related anxiety, for employees and their leaders.

Our programmes offer personalised support that aids their mental health and holistic wellbeing, aimed at embedding a culture of value and care for our employees.

Contribution to transformation

We have maintained a level 1 broad-based black economic empowerment (B-BBEE) recognition status for the fifth year. Our success is attributed to ongoing commitment from our staff and leadership on this transformation agenda. We provided financial support to the value of R3 million and business support in various forms to help qualifying enterprises overcome obstacles and increase their market competitiveness, and ultimately to create jobs and become sustainable.

In the past year, 24 small firms joined our programme, while one firm from the previous cohort graduated from the programme and became a supplier of audit skills.

Improving our technological capabilities

In the current swiftly developing technological aspect of our life, we have no choice but to ensure that we have adequate tools and capabilities to execute our mandate and to ensure efficiency of our operations.

The digital transformation strategy approved by the executive committee gives us a full assessment of our needs and charts a careful way to the acquisition of badly needed modern tools and technologies for the auditors as well as for running our business sustainably.

Our audit software, TeamMate, has been upgraded numerous times, and the time has come to replace it with a new agile way to execute audit procedures faster. This will allow us to assess more available data and extract deep, unique, actionable insights that we need to pass on to the relevant roleplayers in the accountability ecosystem for execution.

Our audit software project progressed well, and we are looking forward to deploying this innovative tool. As this will require major financial investment, we will be looking at adequate ways to fund the project.

Overall, we are looking at automating business operations, implementing software robotics that mimic user behaviour and connects multiple fragmented systems and sub-processes through automation, strong business intelligence and analytics, and migrating relevant applications and data to the cloud with minimum disruption to business operations. An example of the way forward in our business environment is our first robot, Imbewu, which allows us to allocate daily deposits within the space of a few minutes.

To achieve our ambitions, we finalised the restructuring of our information technology (IT) space. In line with best practice, we have a digital technology office built on four key pillars of supporting and enabling the business: becoming a data-driven organisation, strengthening our core operations, improving our customer and user experience, and automating our business to bring about efficiencies.

As we invest in and transform our operations, we will be strict in evaluating the realisation of the benefits envisaged at the start of this programme. However, when our programme is implemented, we expect to see immense benefits for our operations and audit processes.

Leadership alignment

We made the achievement and practice of leadership alignment one of the top priorities for our transition into the implementation of the #cultureshift2030 strategy.

Through various dedicated interventions, our leadership team built its skills to conduct healthy debates, actively support one another and take collective ownership of the successful implementation of our strategic change.

This allowed us to make a number of important operational decisions ranging from approval and implementation of audit methodologies, vital functional strategies, such as our digital transformation and financial sustainability strategies, implementation of latest standards.

In February we held our Leadership Summit under the theme *#cultureshift2030: Getting hard things done* during which we engaged with our cohort of senior managers and grappled with ideas important for the realisation of our strategic aspirations. We took stock of the first year of implementation and lessons learnt to lay the foundation for the next seven years ahead. The novel ideas shared during the event were incorporated into the development of our long-term scorecard.

It takes continuous effort to keep everyone on the same level of understanding and commitment and we are prepared to continue our investment in leadership alignment across the management levels, as we firmly believe that this is the only way to achieve our objectives over the long strategic horizon in front of us.

Engagement with staff and internal culture shift

Equally important for the success of our aspirations is the continuous engagement with staff, thus engendering better commitment and ensuring alignment with our strategy.

The deputy auditor-general's roadshows provided opportunity to every staff member to have a direct access to the team that worked on the formulation of the #cultureshift2030 strategy and engage on its intention, desired impact and most importantly, on how the organisation would go about the successful implementation of the strategy.

These engagements laid a good foundation for the cascading of the strategic targets and initiatives. In our journey to build trust and demonstrate transparency of the leadership decisions, we also held difficult conversations with staff unpacking ethical breaches or in instances where we have had to make unpopular but vitally important decisions.

While these actions are good practice, they are also a deliberate effort to instil a new organisational culture, one that puts caring for each other, building trust, and doing the right thing among its core values. This demonstrates the importance of our collective commitment towards building an enabling and supportive environment that sets the foundation of the #cultureshift2030 strategy.

A culture that is consistent, practised daily and conducive to the implementation of the strategy, can only be reached through strong leadership and unwavering commitment by staff. We therefore developed a bespoke culture change programme using a trust model that focuses on the individual, team, and the organisation to embed and strengthen the desired internal culture.

Strengthening our ethics posture and risk management

Running an ethical national audit office is the underlying premise to our success, and sustaining an impeccable level of ethical behaviour is a continuous effort. The International Ethics Standards Board for Accountants (IESBA) and International Standard for Supreme Audit Institutions (ISSAI) 130 inform our ethical stance and are the foundation of our ethics management programme.

The current ethics initiatives have allowed the organisation to instil adequate ethics risk management processes and to reach an AA maturity rating as independently assessed through the Ethics Monitor tool. We strongly intend to reach the ultimate maturity rating of AAA.

Having to deal with an ethical breach of a senior executive in the past year, we have executed our commitment to enhance leadership capabilities by strengthening their ethical resolve through providing timeous intelligence on ethical misconduct and breaches, as well as strengthening their capacity to withstand ethical threats and respond appropriately to the complexities of the environment within which the organisation operates.

At an employee level, personal interests are captured and managed through our declarations system. The compliance rate for the 2022-23 financial year is 99,7%, with the outstanding declarations related to employees on maternity, sick and unpaid leave, who are expected to comply upon their return to duty.

It is important to not only build a strong internal ethical environment but to also capitalise on our placement in the industry to influence ethical behaviour in the auditing profession and in the entire environment in which we operate. Hence, our programme also included ethics engagements with the firms contracted to perform audits on behalf of the AGSA and will be continued to ensure adherence to non-negotiable ethical standards and behaviours.

System of Quality Management (SOQM)


Final Pronouncement
December 2020

International Standard on Quality Management

International Standard on Quality Management 1 (Previously International Standard on Quality Control 1)

Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

IAASB

One way to ensure the ethical posture of the organisation and the position of the supreme audit institution in the society is the quality of the audit work. The outcomes of our audits attract significant attention from our auditees, oversight and from the general public. We are mindful of the reality that our products and processes may be subject to increased scrutiny before the courts. We therefore make quality of audits our priority.

A new international standard for audit quality management, the International System of Quality Management (ISQM), came into effect on 15 December 2022. To comply with and adopt the standard by the prescribed timeline, we developed an effective system of quality management and approached the implementation of ISQM on a project management basis. While we did experience challenges, our massive effort allowed us to become ISQM compliant ahead of the deadline.

We are proud to announce that our quality management assessment committee (QMAC) allocated a rating of 84% compliance with engagement quality standards for the 2022-23 performance year based on the assessment of 64 audit files.

Overall, there has been a gradual and sustained improvement in the quality outcomes over the past five years, which can be attributed to our investment in specific initiatives that have been implemented and embedded in the organisation over the years.

We continually look at ways to sustain and improve our audit quality, with the main effort focused on audit quality indicators as an early warning system, proactive quality reviews on audits with elevated risks, and a strong remediation process. This ensures that we have relevant, reliable, and timely information about the design, implementation, and operation of the SOQM. This allows us to take action to prevent

Risk management

The organisation's risk management processes are an integral and a fundamental tool for enabling organisational objectives and delivering on our strategy.

During 2022-23, and as a consequence of the introduction of the ISQM 1 and 2, we reviewed and enhanced some policies and procedures – including our risk management policy – primarily to ensure that organisational risk management processes remain robust and proactively responsive to emerging environmental factors.

We identified six major risks to the achievement of our mandate and our strategy which form our strategic risk profile. Our audit committee, which has the ultimate responsibility of approving the strategic risks profile, has agreed with our views.

While we run our business according to best practice, we provide a full opportunity to all stakeholders to lodge complaints. The management of all complaints has been elevated and we thus eradicated the backlog from the previous years.

Our whistleblowing platform remains an effective channel to report complaints relating to the conduct of the AGSA employees and the office administration. This is enabled by the whistleblowing platform being completely anonymous.

A discipline that we have developed fully is the management of our legal risks, as our ability to sustainably impact the lives of South Africans relies to a great extent on our independence. Attacks on our independence manifest in various forms. One is to disrupt our work and bring the credibility of our products into question. Our legal team is tasked with the responsibility to predict, prevent, identify and mitigate all legal risks that threaten our independence.

We are pleased to note that across the organisation and its various structures, there is an established culture of risk consciousness and intelligence. We believe that our collective attitude to risk management will safeguard the organisation and ensure its sustainability into the future.

Conclusion

Running a supreme audit institution is a complex task and requires the involvement of all executives and staff. It is my conclusion that the AGSA has expended all the effort to implement our strategy and to prove that clean administration is achievable. After the work done during our transitional phase we are in a good position to advance our strategy into the identified sectors and value chains.

We are looking forward to demonstrating the results of our strategy, and ultimately, to see improvement in the public sector that favourably impact the lives of our people.

To my colleagues, I thank you for giving your all towards realising our cause and the execution of our mandate. I could not have wished for a better team.

VONANI CHAUKE
DEPUTY AUDITOR-GENERAL

ABOUT OUR REPORT

01

Our integrated annual report represents our account to Parliament and the people of South Africa on the fulfilment of our constitutional mandate and our promise to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

The report is the result of a systematic reporting process that involves various levels in the organisation, making it a truly collective effort. Our executive committee leads the reporting process; its members are also active contributors to the content of the report, demonstrating the importance of accountability and transparency practised in the national audit office.

Reporting period

This integrated annual report provides a concise and balanced account of our performance from 1 April 2022 to 31 March 2023 against the commitments outlined in the *2022-25 Strategic plan and budget*.

Where relevant for the formulation of a complete view of reported matter, some material events after the date of the financial year and up to the approval of this report by the auditor-general on 27 September 2023 have also been reflected in the report.

Integrated approach to materiality, reporting principles and practice

Our integrated approach to reporting is a result of applying integrated thinking to defining the imperatives for creating long-term, sustainable value for our stakeholders. This report covers the performance of all AGSA business units, including our head office and our offices across the nine provinces.

The report reflects the requirements of our governing legislation, the Public Audit Act 25 of 2004 (PAA), and the principles of the King IV code on corporate governance and reporting. The financial statements are prepared according to the International Financial Reporting Standards (IFRS) and the PAA.

Our material focus and the process to determine the content of this report

We identify issues that have the potential to impact our sustainability, i.e. our ability to create, preserve or erode value for our stakeholders. We prioritise those with the greatest relevance in our operating context as material matters. These matters generally relate to our financial and performance management, as well as the risks and opportunities that inform the scenarios we may face in the future.

We assess the matter continually to ensure that we remain relevant, to inform our strategy, the movement of our six capitals and our performance targets.

The material topics reported in this report were defined by our executive committee in the strategic commitments made to Parliament, which are based on our long-term strategy and outlined in detail in the *AGSA's 2022-25 Strategic plan and budget*. The material aspects are applicable to all AGSA business units and all our key stakeholders. We therefore continuously engage with our stakeholders to find out what is important to them so that we can respond to their needs.

We did not need any restatements from our previous integrated annual reports.

Financial statements

The report includes the audited financial statements and the reports of the remuneration and audit committees.

Sustainability reporting

The 'core' option of the Global Reporting Initiative (GRI) guidelines for sustainable reporting and the International Integrated Reporting <IR> framework both informed the content and format of this report. Therefore, this report meets the information and reporting requirements of both the <IR> and the GRI standards 'core' option.

Governance and risk management

Disclosure about all governance structures, as well as a discussion around our strategic risk profile are also included in this report.

Forward-looking statements

The report contains certain forward-looking statements on our financial condition, performance results and operations. They are based on our current beliefs and expectations of future events. These forecasts involve risk and uncertainty as they relate to events and depend on circumstances that are expected to occur in the future, many of which could be beyond our control. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements.

Significant changes during the reporting period

The 2022-23 financial year was used to prepare our environment for the implementation of our #cultureshift2030 strategy, which will guide our activities over the next six years in pursuit of high-impact outcomes. To drive and deepen public sector accountability, our messages were centred on the roles and responsibilities of various players in the accountability ecosystem with the aim of changing the public sector culture.

The revised standard on risk assessment (ISA 315) required a major change in methodology and application. The changes were implemented in the working papers for 2022-23 and the development of the training material was completed.

External assurance of information

We adhere to the principles of good governance. Our combined assurance model defines the various roleplayers that provide assurance to the AGSA, which include management, internal specialists, actuaries, the independent QMAC, internal audit, external audit and the audit committee.

An independent external auditor audits our financial statements, financial management and performance information, and provides limited assurance on the selected sustainability performance indicators.

The assurance on this report was conducted according to the International Standard on Assurance Engagements (ISAE) 3000 (Revised), issued by the International Auditing and Assurance Standards Board (IAASB). The external auditor's report is on page 125 of this report.

Relationship between the organisation and the assurance providers

The external auditor is completely independent of the organisation. The firm does not receive any allocation of audits to be done on behalf of the AGSA.

Scoag, which oversees the AGSA's work on behalf of Parliament, appoints the external auditor for five years (renewable once) and confirms its appointment every year.

The audit committee facilitates contracting the external auditor on behalf of Scoag in a process that is fair, equitable, transparent, efficient and effective and in line with our transformation agenda.

The audit committee also examines the auditor's capacity and competence to provide assurance on the sustainability information it reports on as part of its annual report to Scoag.

Feedback on our report

We welcome feedback on our integrated reporting to ensure that we continue to disclose information that is pertinent to all our stakeholders. Should you wish to provide written feedback, kindly use our email address agsa@agsa.co.za or our X (previously known as twitter) account @AuditorGen_SA.

This report reflects the requirements of our governing legislation, the PAA, and has been prepared according to the GRI standards' 'core' option and the <IR> framework.

It also reflects the principles of the King IV code on corporate governance and reporting. The report, which includes the audited financial statements for the year ended 31 March 2023, has been approved by the deputy auditor-general and the auditor-general.

Approval of the report

The deputy auditor-general and auditor-general have applied themselves to ensure the integrity of the *2022-23 Integrated annual report*. They have considered the completeness of the material aspects addressed in the report and the reliability of the reported performance information presented based on the combined assurance process.

Accordingly, the deputy auditor-general and the auditor-general are satisfied that the *2022-23 Integrated annual report* provides a fair and balanced account of the AGSA's performance on those material matters that have been assessed as having a bearing on the AGSA's capacity to create value.

We are also satisfied that the delegation of authority framework has contributed to role clarity and the effective exercise of authority and responsibilities by the relevant individuals and committees.

Vonani Chauke
DEPUTY AUDITOR-GENERAL

28/9/2023

TSAKANI MALULEKE
AUDITOR-GENERAL

ABOUT THE SOUTH AFRICAN NATIONAL AUDIT OFFICE

02

VISION

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

VALUES

WE CARE FOR EACH OTHER

WE DO THE RIGHT THING

WE BUILD TRUST

WE EXCEL IN ALL WE DO

Our values underpin the culture of our organisation, built on the principles of mutual respect, trust, courage and ethical behaviour

MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution 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

Our mandate and legal form

The AGSA is South Africa's supreme audit institution, with a mandate stemming from chapter 9 of the Constitution of the Republic of South Africa, 1996. This makes us one of six state institutions that support constitutional democracy. The Constitution entrenches the AGSA's independence, subject only to the Constitution and the law. In turn, the Constitution requires us to be impartial, and to exercise our powers and perform our functions without fear, favour or prejudice.

The AGSA is an organ of state as defined by sub-section 239(b)(i) of the Constitution, has full legal capacity and acts as a juristic person.

Accountability and reporting

We account to the National Assembly by tabling our annual report, financial statements and the audit report on those financial statements. This requirement is governed by sub-section 10(2)(b) of the PAA.

Our functions, beneficiaries and products

Section 188 of the Constitution describes our functions and chapters 2 and 3 of the PAA regulate the powers necessary to perform them. By law, we audit and report on how the government spends the South African taxpayers' money.

Every year, we audit national and provincial government departments, certain public entities, municipalities and municipal entities (our auditees). We issue audit reports that provide them with the outcomes of our audits and emphasise material irregularities where we find them.

Definitions

According to section 1(1) of the PAA, a material irregularity (MI) occurs when:

- a person does not comply with or contravenes legislation, engages in fraud or theft, or violates their entrusted duty
- this action can or does result in a significant financial loss, the misuse or loss of a significant public resource or substantial harm to a public sector institution or the general public
- the action is identified during an audit performed under the PAA

When audit outcomes include material irregularities, we can either refer them to public bodies for investigation or include recommendations to address them in the audit report. In the case of the latter, if our recommendations are not implemented, we take binding remedial action. Where the accounting officer or authority does not implement the remedial action, the auditor-general can issue a certificate of debt to recover money lost from accounting officers or authorities.

Definitions

Binding remedial action directs the accounting officer or authority to address cases where our recommendations are not implemented. In the case of a financial loss, the accounting officer must calculate the loss and recover it from the person responsible.

A certificate of debt is a certificate issued in terms of section 5B(1) of the PAA when remedial action has not been taken. It requires the accounting officer or authority to repay the specified financial loss to the state.

We undertake two main types of audits: regularity audits and discretionary audits such as performance audits, special audits and investigations.

Definitions

Regularity audit is our mandated examination and reporting on an auditee's financial statements. It also examines the auditee's compliance with relevant legislation and its reporting on its performance against its own predetermined objectives.

Specialised audit services is a division of the AGSA that nurtures and provides specialised skills and techniques for in-depth audits based on the auditee risk profile. These audits can be standalone or integrated with regularity audits and other discretionary audits. The three specialised audit services business units are investigations, information system audit and performance audit.

All our reports are meant to help the legislature call the executive to account for the way they manage public funds. Auditees include our regularity audit reports in their respective annual reports, which they table in their relevant legislature (National Assembly, provincial legislatures or municipal councils). The reports may also be made available to bodies with a direct interest in the particular audit and to any other legislature or organ of state if we consider it in the public interest to do so.

In addition to these audit reports, we publish general reports in which we analyse the outcomes of the regularity audits at national, provincial and municipal levels, and special reports that analyse our findings from real-time or other standalone discretionary audits.

External charters, principles and initiatives that we subscribe to or endorse

The AGSA is an active member of the International Organisation of Supreme Audit Institutions (Intosai). We lead the capacity building committee, which is Intosai's advocate and custodian for supreme audit institutions' capacity development. The AGSA participates in several of Intosai's working groups aimed at exchanging ideas, knowledge and experience between its members as well as working on finding common solutions to identified challenges. We host the secretariat of the African Organisation of English-speaking Supreme Audit Institutions (Afrosai-e), a regional chapter of Intosai.

We subscribe to the following standards and principles:

Auditing / accounting

- The International Standards on Auditing
- The International Standards of Supreme Audit Institutions
- International Standard on Quality Management 1 and 2
- The International Financial Reporting Standards
- The Institute of Internal Auditors' *International standards for the professional practice of internal auditing*

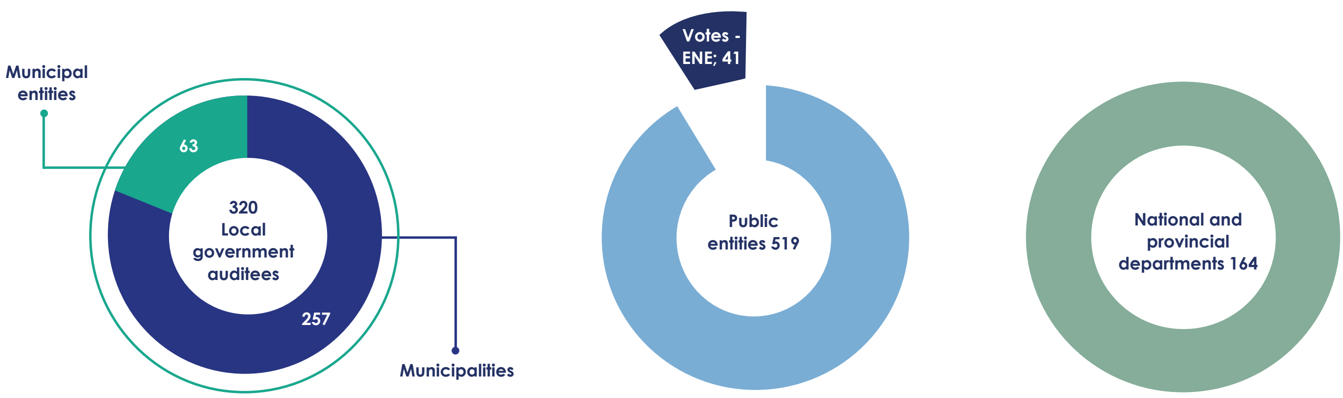
Ethics

- The International Ethics Standards Board for Accountants' *Code of ethics for professional accountants*
- The Intosai *Code of ethics*

Corporate reporting

- International Integrated Reporting Council framework
- Global reporting initiative

Scale and complexity of our audit work



As part of our mandate we audit a large number of clients, each with different complexities based on the nature of their business.

Scale of the organisation At 31 March 2023

3 688 people
including trainee auditors and those on short-term contracts

R2 069 million
Total assets

R4 583 million
actual revenue from
1 003 regularity audits
2 discretionary audits

The way we are organised

The AGSA is based in South Africa and delivers services that benefit the people of our country.

By implication, the work that we do in enabling good governance and accountability in the public sector, in creating professional public auditors, developing best practice in public auditing and running a supreme audit institution benefits the global community as well.

Our head office is in Pretoria. We have a regional office in each of the nine provinces to ensure that we are accessible to our clients and deliver our services in the most efficient and effective manner.

The business operations of some of our auditees require us to audit elsewhere in the world.

Structure of the AGSA

Auditor-general

Office support & international unit

Deputy auditor-general

Audit
- 9x provincial
- 6x national
- 4x specialised audit disciplines
- 5x audit support

Support
- Financial portfolio (4 units)
- People portfolio (2 units)
- Digital technology portfolio (2 units)
- Risk management (3 units)

Office support & independent units:
- Strategy
- Governance
- Communication

2022-23 Value-added statement

Revenue **R4 583 million**

Paid to suppliers
R1 407 million

Total assets
R2 069 million

Gross profit **R1 567 million**

Reinvested
in the business
12,63%

Capital providers
1,59%

Salaries, wages
and benefits **83,96%**
Employee wellness **0,21%**
Study assistance **0,76%**

Employees and internal
empowerment **84,93%**

External
empowerment
0,85%

Total value
added
R3 279 million

Organisation's supply chain

In line with the principles prescribed in the Constitution, we maintain a procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective.

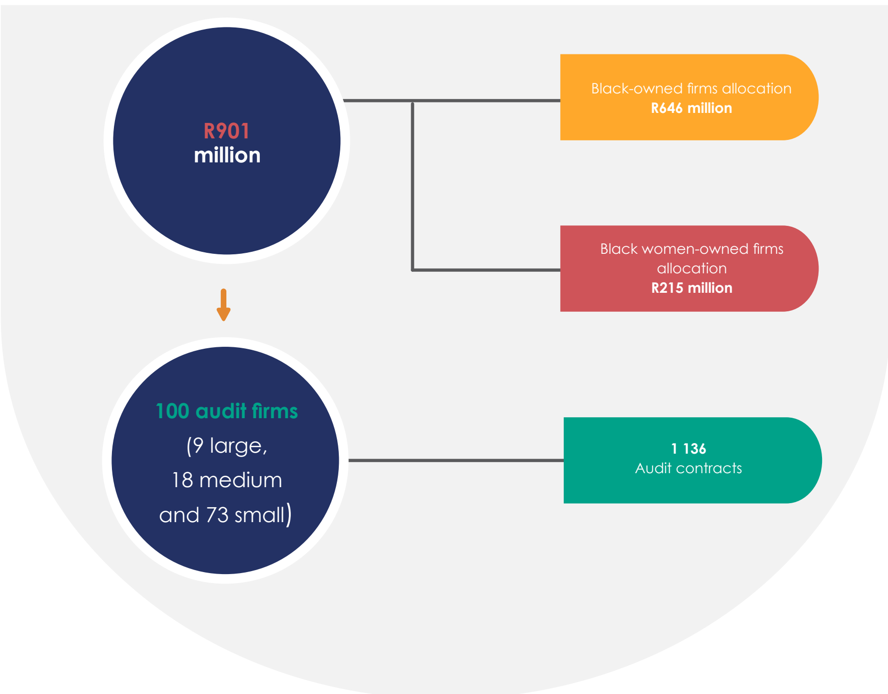
Audit contracts awarded

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

The appointment process also incorporates the principles of transformation to develop, grow and advance black chartered accountants.

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

2022-23 spend on core audit work by private firms



Large firm – turnover of more than R50 million
Medium firm – turnover between R10 million – R50 million
Small firm – turnover between R0 million – R10 million

Non-audit supplier database

Province	Suppliers
Eastern Cape	27
Free State	19
Gauteng	535
KwaZulu-Natal	36
Western Cape	61
Limpopo	24
Mpumalanga	24
Northern Cape	11
North West	29

Total 769

Our vendor and service providers vetting system features enhance probity checks on all prospective service providers, vendors and their directors. In our quest to lead by example, we apply key principles emanating from the work of the Commission of Inquiry into State Capture, being pedantic in detecting possible conflicts of interest.

During the reporting period, we conducted a thorough review of all service providers and vendors registered on our system. We improved the status of our database by deactivating 1 832 dormant suppliers, which resulted in a lean, easily manageable supplier database.

We safeguard against paying a high premium for goods and services received. Our legal team negotiates all contracts with a value above R1 million.

Our digital transformation strategy is based on the phasing in of new audit tools and technologies that will allow us to audit more efficiently and generate unique audit insight for the benefit of our stakeholders.

Major procurement processes include our audit software replacement, DataSnipper tool, enterprise-wide project management office system, financial strategy and funding model development and the managed security services for the AGSA's IT environment.

Conditions under which we operate

Our work is informed by our environment and the changes that have the potential to affect the delivery of our mandate. Our operating environment has undergone significant developments in many aspects of life and business locally and globally.

These aspects were:

Insufficient improvement in audit outcomes

The limited progress in improving audit outcomes, especially at auditees that are critical for driving service delivery, results in a pronounced, negative impact on the people of South Africa. These trends are most evident at local government level and in state-owned enterprises – something that is of significant concern to the AGSA, Parliament and citizens.

Audit outcomes relate directly to the work we do, and lack of improvement has an indirect effect on how the public and government perceive our relevance and effectiveness. The reflection on how to enhance our relevance and effectiveness has formed the basis of our #cultureshift2030 strategy, which targets improvement of public sector culture.

Persistent fraud and corruption

In our daily work we are faced with the continuous misuse of state resources. The freedom of speech in our country has allowed the media to highlight numerous cases of fraud and corruption.

Many civil society organisations take up the fight against the spillage of public resources within the scope of their work. The AGSA is determined to provide insight and transparency on indicators of fraud, corruption and state capture that we detect through our audits.

This will allow our stakeholders to continue holding government accountable, which in the long term should lead to improved state performance and betterment of lives of people.

Decline in the country's economic outlook and its financial impact on us

South Africa's economic outlook has declined, mainly as a result of the pandemic. This has seen a stagnation in our low global economic ratings and presents government with fiscal constraints to delivering its programmes and generating revenue, especially at local government level, which exerts continued pressure on audit fees.

The war in Ukraine carried significant risks to the global, and by implication, the South African economy that had not recovered from the covid-19 pandemic. It has directly led to higher oil and grain prices, which has had adverse implications for price inflation in the country. The high inflation erodes the disposable income of consumers who already struggle to feed their families and meet commitments to financial institutions. This will make it harder for municipalities to collect customer debt for services rendered.

Collecting outstanding debt, predominantly from local government and ailing state-owned enterprises, remains a challenge. We expect this trend to increase given the loss of revenue throughout the pandemic and the Russia-Ukraine war.

Furthermore, we expect to see deterioration of service delivery at local government level specifically because of the lack of sufficient financial resources.

Complex audit environment

Our state-owned enterprises audit portfolio has grown over the years, increasing the number of specialised and complex environments that we audit. Although the pace of this change has exerted pressure on our resources, it has led to intensive training and learning for our staff.

Currently, we continue to invest in understanding the audit environment and scope of Eskom with the intention of signing off the Eskom audit once we have had a chance to create the necessary capacity and capability for such a complex audit.

Conducting real-time audits has increased our need for specialised audit skills, especially investigations skills. We have experienced some challenges in recruiting these skills and capacity due to the limited availability of specialised skills in the market. We continue to mitigate this challenge through internal initiatives such as training, internships, promoting suitably skilled officials and employing outsourced resources on fixed-term contracts.

Implementing the material irregularity process intensified our need for greater skills and capacity to perform high-quality audits. While our initial focus was to master the implementation of our extended power, now our attention is towards the identification of impactful material irregularities, i.e. those that once resolved will result in improving the lives of South African people.

The poor quality of the annual financial and performance reports submitted by many of our auditees has a negative impact on the timeframe and quality of our audits because additional work is needed to respond to the risks posed by misstatements. Persistently we see internal control environments that are inadequately managed. Weak preventative controls and the disregard for our audit messages increase the audit risk profile.

Audit contestations have become a feature of our environment and we will continue to track such cases to understand how we can engage with the respective stakeholders to pre-empt pushbacks. A possible increase in contestations resulting from our enhanced mandate could pose a threat to our staff and an increase in judicial scrutiny of our reports. We use various internal platforms to support our staff to maintain their ethical conduct and make the right choices.

Increased risk of cyberattacks and new technologies

With cyberattacks on the rise globally, we recognise the potential for data breaches and have taken steps to protect our information from such threats. Phishing attempts continued though they were identified early and contained by our information and communication technology specialists. We will continue to intensify our information management and security measures to secure the information collected during our audits.

Lastly, the environment has seen an influx of new technologies, specifically the pervasive use of digital tools, robotic process automation, machine learning and lately, the use of artificial intelligence. These present both risks and opportunities. Opportunities are abundant for increased audit efficiencies and transparency of transactions by public sector roleplayers, and thus for increased accountability. There are also risks for us being left behind due to lack of access to the required financial resources or for lack of standardisation and regulation on the use of such new technologies.

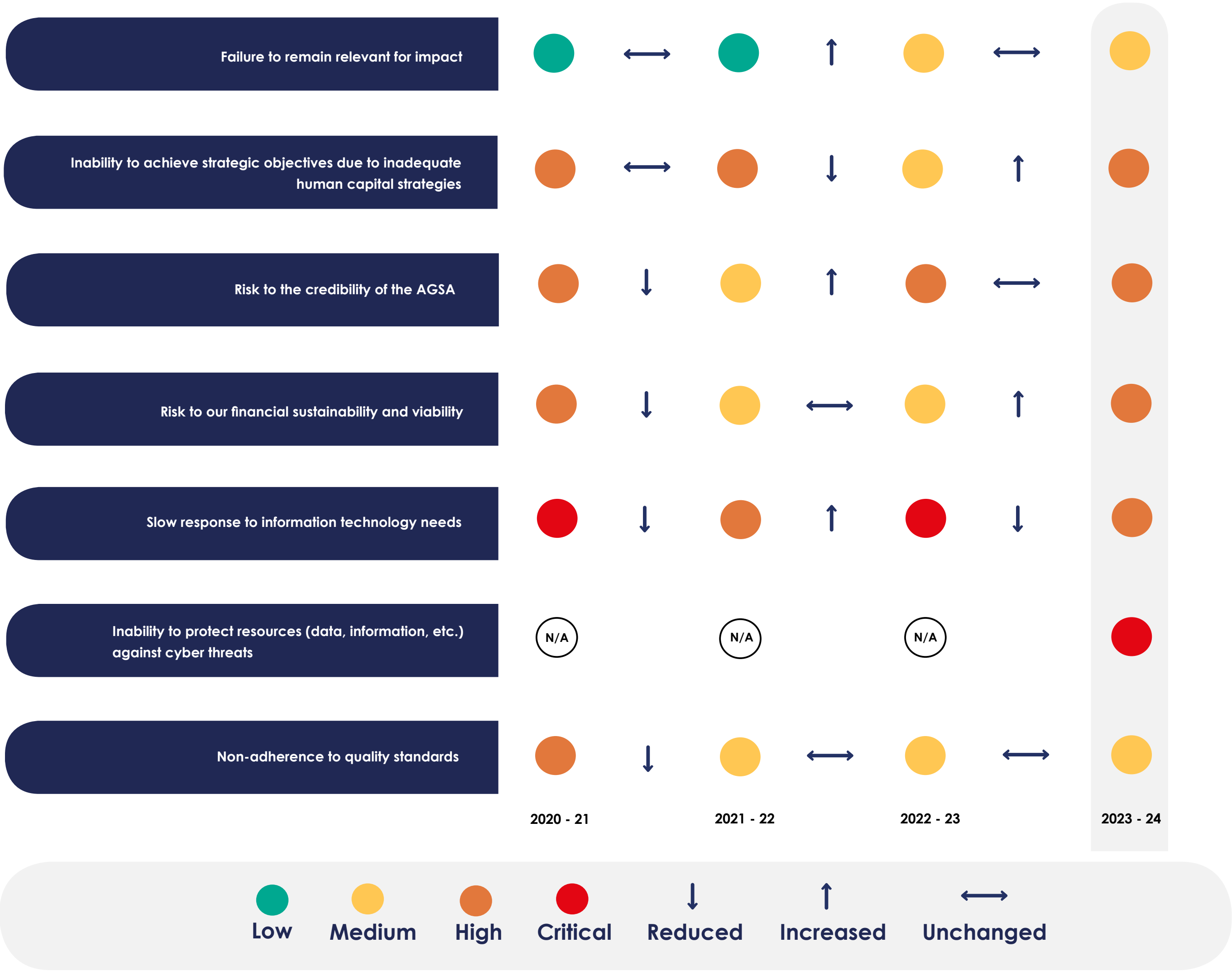
Strategic risks

Our strategic risk profile represents the top risks faced by the organisation managed at executive level and overseen by the independent audit committee. These are the risks that could fundamentally hinder us from achieving our strategic objectives, hence they receive priority attention at the highest level.

The implementation of the mitigations for the strategic risks identified in 2021-22 and 2022-23 was rigorously monitored over the year, periodically assessing the various risk indicators. We are satisfied with the efforts to mitigate risk and action that owners took to address risk exposure.

The residual mitigations are of a long-term nature as the strategic objectives extend beyond the performance period.

While we assess the movement of the risks continuously throughout the year, annually we hold a formal process of evaluation of the risks, considering all environmental factors that have the potential to impact the achievement of our ambitious #cultureshift2030 strategy.



Fundamentally, our strategic risk profile remained similar throughout the last few years. Mitigations to those risks have been in place since the 2021-22 financial year and as far as they remain relevant, we will continue with those actions. The strategic initiatives defined in the #cultureshift2030 strategy have been incorporated as mitigations, especially for risk 1 *"failure to remain relevant and cause a positive impact through our product, insights or messages"*.

We have now identified the increase in cyber attacks on business globally to be applicable to us given our unrestricted access to our clients' business and personal information.

Our approach to the risk mitigation is through both soft and hard controls. These include:

- continuously reviewing our IT security policy and relevant procedures
- technical staff training
- modernising our infrastructure
- enhancing security tools
- adopting ISO 27001

HOW WE ARE GOVERNED

03

AGSA executive committee

Vonani Chauke (47)
Deputy Auditor-General: Exco Chairperson

Sibongiseni Ngoma (47)
Head of Audit: National

Mabatho Sedikela (46)
Head of Audit: Provincial

Lindiwe Miyambu (50)
Chief People Officer

Solomon Segooa (50)
Chief Risk Officer

Thami Zikode (49)
(Caretaking)
Head of Specialised Audit

Polani Sokombela (38)
Chief Financial Officer

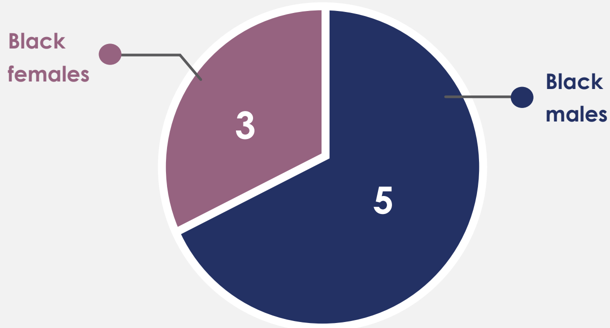
Phila Ndara (55)
Chief Technology Officer

The PAA gives both the auditor-general and the deputy auditor-general the authority to delegate their assigned powers or duties to any member of staff.

The executive committee (exco) assists the deputy auditor-general to manage the business affairs of the organisation, in line with the delegation of authority set out in the AGSA management approval framework. It also has the power to establish subcommittees to assist it.

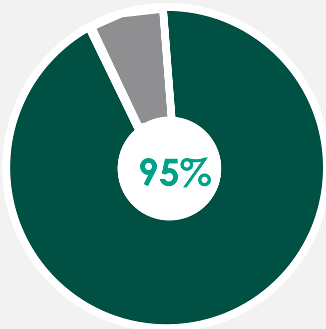
Chaired by the deputy auditor-general, exco consists of the two heads of audit and the five chief officers.

Exco meets regularly during the year.



Exco meeting attendance 2022-23

Number of meetings 14



Experience

Vonani	Bongi	Mabatho	Polani	Phila	Solly	Lindiwe	Thami
CA(SA) Cisa CIA	CA(SA)	CA(SA) MCom. Tax	CA(SA)	BCom MDP PG Dip. DT	CA(SA)	B.ED	CA(SA) MAP, MBA M Phil
Audit	Audit	Audit	Audit	IT Digital in banking & insurance	Audit Financial management Investment & banking services Mining	Management in human capital in the financial services sector	Audit Investigations, Financial management & analysis, Business risk & governance

Our diversity targets for black women exco members have been met.

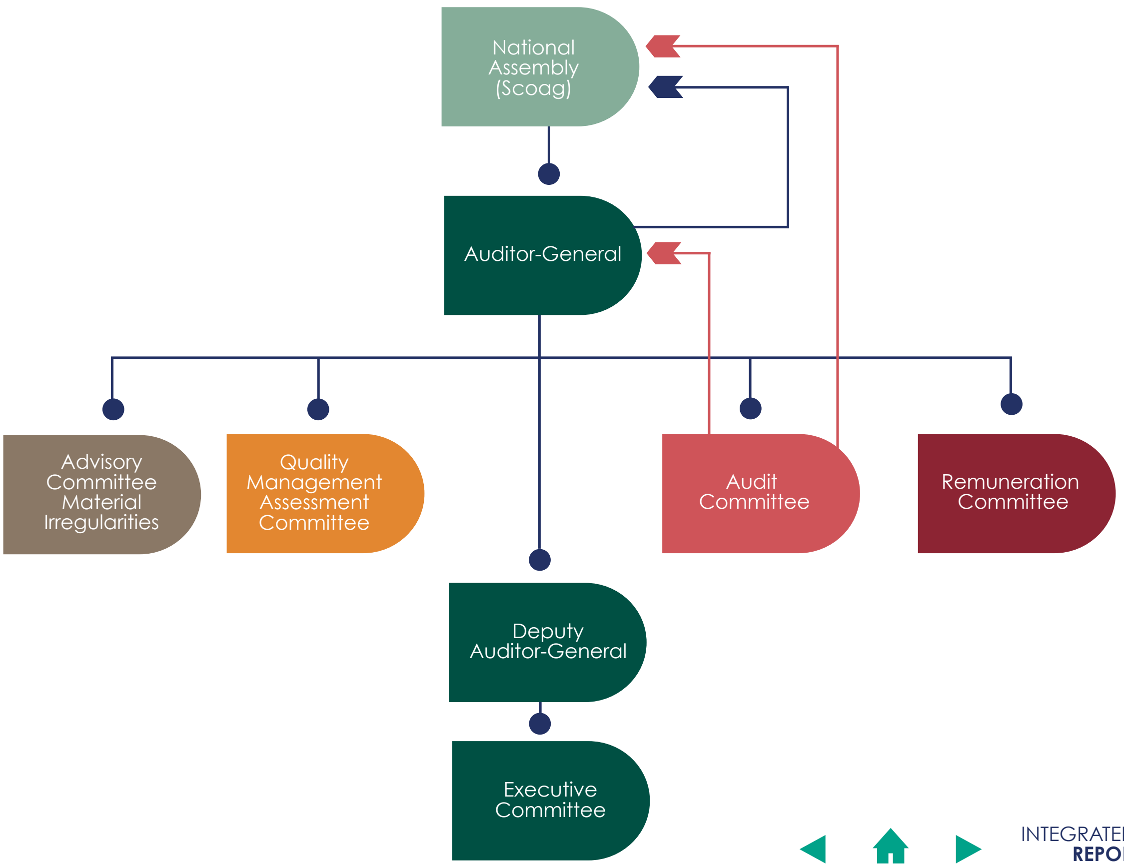
Corporate governance framework

Our governance framework is defined by the Constitution, PAA, certain regulations issued in terms of the PAA and good governance best practices.

We fully adhere to most King IV principles, and partially comply with 8, 9 and 10.

In line with best practice, we rotate the members of our governance structures and perform annual independent reviews of their effectiveness.

We also regularly fine-tune our internal governance framework to enhance our leadership decision-making processes.



Standing committee on the auditor-general (Scoag)

Scoag consists of the following honourable members of parliament and political parties:

ANC
Mr SS Somyo (Chairperson)
Mr JB Mamabolo
Mr OM Mathafa
Mr Z Mlenzana
Ms PT Mpushe
Ms C Seoposengwe
Ms DJ Myolwa

AIC
Mr SM Jafta

DA
Mr MH Hoosen
Ms SP Kopane

EFF
Ms NV Mente
Ms NKF Hlonyana (Alternate member)

IFP
Mr N Singh

From 1 April 2022 to 31 March 2023, Scoag considered the following AGSA briefings and matters:

- Local government audit outcomes and findings on covid-19 municipal relief funds
- Integrated annual report 2021-22, audit committee report, 2023-26 strategic plan and budget and audit directive
- 2021-22 national and provincial audit outcomes

Scoag Is an oversight mechanism aligned to the provisions of section 55(2)(b)(ii) of the Constitution and section 10(3) of the PAA.

Mandate:
- Advise the National Assembly
- Approve a financial reporting framework for the AGSA
- Agree to the AGSA retaining any surplus at the end of a financial year
- Assist and protect the auditor-general to ensure independence, impartiality, dignity and effectiveness
- Recommend the conditions of employment of the auditor-general to the president
- Provide general oversight
- Confirm the five-year appointment of an independent firm of external auditors and review it annually
- Comment on a code of conduct for authorised auditors appointed by the auditor-general
- Comment on the mechanism for handling complaints on the manner in which the AGSA performs its audits
- Comment on the basis for calculating audit fees
- Comment on regulations that the auditor-general makes in terms of the PAA
- Consider the audit committee's concerns
- Consider the auditor-general's annual report, financial statements and audit report
- Consider the deputy auditor-general's reports on actual or pending under-collection, shortfalls on the budgeted revenue and overspending or expenditure not in line with the AGSA's budget
- Consider reports from the deputy auditor-general on decisions the auditor-general took that are likely to result in irregular or fruitless and wasteful expenditure

Audit committee

The committee consists of three independent, non-executive members. Their skills and competencies are aligned to their duties and cover business, financial and risk management matters.

Members:

Mr John Biesman-Simons 69
CA(SA)
Appointed 2014 Attendance: 80%
Experience: Audit partner for 13 years. Retired as a non-executive director of a JSE-listed REIT and chaired its audit committee for 10 years
R364 197

Ms Grathel Motau 49
CA(SA) MPhil, AMP
Appointed 2022 Attendance: 100%
Experience: Financial director with 26 years of business experience from both the public and private sectors in areas that include credit risk, financial analysis, financial management and reporting, auditing, corporate governance and supply chain
R208 065

Ms Carol Roskruge 50
BSc Hons, MSc, MBL
Appointed 2016 Attendance: 100%
Experience: On an executive level in business strategy and operations with specialisation in supply and value chain management, and an experienced committee member in both the public and private sectors
R292 892

Mr Cedrick Mampuru 48
CA(SA)
Appointed 2018 Attendance: 100%
Experience: Over 20 years, in areas that include debt and equity structuring, auditing risk, and financial management
R333 864

* Mr John Biesman-Simons' term as the audit committee chairperson came to an end in July 2022. Ms Grathel Motau took over his duties effective from 1 November 2022.

Mandate:
The audit committee reports to the auditor-general and Scoag on:

- whether our internal controls and risk management are adequate and effective
- its evaluation of our annual financial statements
- its opinion of whether our chief financial officer and finance function have the necessary financial expertise to fulfil their responsibilities.

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

- the status of our internal controls and risk management
- the progress of the internal and external audits
- the integrated annual report and audited financial statements
- our sustainability and performance information
- our internal and external audit work plan
- our recommendation to Scoag to appoint the external auditor and their work plan
- our chief financial officer and finance function's financial expertise to fulfil their responsibilities
- our complaints management
- the early adoption of new accounting standards
- the mitigation we implemented to improve quality control
- the resolution of the former chief people officer's allegations against the auditor-general

The AGSA remunerates external committee members in line with the approved South African Institute of Chartered Accountants (Saica) rates. Members are paid an hourly rate of R3 201 for the duration of a meeting and preparation.

The audit committee's full report is presented on page 116 of the report.

Quality management assessment committee

Mandate:
The QMAC oversees the system of quality control at the AGSA.

The QMAC assesses quality control based on input from our Quality Management business unit and the Independent Regulatory Board for Auditors (IRBA) standards and legal requirements, and that our audit reports are in line with accepted international standards.

All quality control monitoring review reports are submitted to the QMAC annually, which considers whether the Quality Management business unit has correctly evaluated the quality assessment ratings for those engagement managers subjected to a quality review. The QMAC also reviews and approves our policies and processes for monitoring quality compliance.

The QMAC consists of the auditor-general, the deputy auditor-general, a member of the audit committee and an additional external member co-opted by the auditor-general

Members

Ms Tsakani Maluleke (Chairperson) 48
CA(SA)
Appointed 2021 Attendance: 100%

Mr Vonani Chauke 47
CA(SA), Cisa, CIA
Appointed 2022 Attendance: 100%

Mr John Biesman-Simons* 69
CA(SA)
Appointed 2013 Attendance: 100%
Experience: Audit partner for 13 years. Retired as a non-executive director of a JSE-listed REIT and chaired its audit committee for 10 years
R42 253

Ms Linda de Beer 49
CA(SA)
Appointed 2015 Attendance: 100%
Experience: Serving on the boards of a number of JSE-listed companies, often chairing their audit committees
R42 253

* Mr John Biesman-Simons' term in the committee was directly linked to his position as the audit committee chairperson which came to an end in July 2022. The 2022-23 financial year was the last year he served as a member of QMAC

At its meetings held on 14 June 2022 and 28 June 2022 the QMAC finalised the assessment results of a sample of our audit engagements reviewed in the 2021-22 performance year. The main points of deliberation were:

- the policy on monitoring quality compliance
- the report on the legal assessment into the root causes for the quality failures allocated during the 2021-22 review cycle
- the quality review process and the assessment criteria
- the report on the peer review of internal quality reviewers
- a consideration of review reports, review statistics and overall results and final decisions on proposed ratings for the 2020-21 audit cycle
- the possible impact of findings on policies and procedures, and on quality policies
- scheduling 2022-23 reviews

Members are paid an hourly rate of R3 201 for the duration of a meeting and meeting preparation according to the approved Saica rates for 2022-23.

The results are reported under performance information on *Audit quality management* on page 96 of the report.

Remuneration committee

Members

Ms Mpho Nkeli (Chairperson) 58
BSc (Env. Sci), MBA
Appointed 2021 Attendance: 100%
Experience: 15 years' executive experience, former chairperson of the Commission of Employment Equity. Heads the SPI Board practice
Paid: Nil

Ms Tantaswa Fubu (Deputy Chair) 51
CA(SA), B Admin (Hons)
Appointed 2022 Attendance: 80%
Experience: 30 years across diverse sectors of the economy as an audit partner and on various ethics and transformation, and remuneration committees
R96 030

Ms Nazlie Samodien 53
PDM, GRP, B Soc. Science Master Reward Specialist
Appointed 2014 Attendance 40%
Experience: 10 years of generalist HR experience and over 15 years in specialist remuneration
R12 804

Mr Vonani Chauke 47
CA(SA), Cisa, CIA
Attendance: 100%

Mandate:

The auditor-general determines the terms and conditions of employment of all employees in the organisation.

The remuneration committee (remco) provides the auditor-general with specialised advice on remuneration and related issues, which is considered before the auditor-general makes a final decision.

It also provides advice on industry developments in remuneration frameworks. The remuneration committee is reviewed annually for independence.

In addition, the amended PAA mandates remco to make recommendations to the independent commission for the remuneration of public office bearers on the salary, allowances and benefits of the auditor-general.

During the year, the committee met three times to deliberate on the following areas:

- Annual salary increase and performance bonuses
- Financial position update and the scenario planning going forward
- Employee engagement plans
- Consideration of consultation process for the auditor-general's remuneration

Members are paid an hourly rate of R3 201 for the duration of a meeting and meeting preparation according to the approved Saica rates for 2022-23.

The committee's report can be found on page 120 of the report.

HOW WE ADD VALUE TO STAKEHOLDERS

04

Value and delivered to groups of stakeholders

The people of South Africa

- Listening to conversations in the public sector and civil society organisations on areas of importance, acting in the public interest, and selecting areas of audit that have a direct impact on the lived reality of our people
- Making public the results of our audit work and providing them in a simple manner, which may enable citizens to hold their elected representatives and custodians of public resources accountable
- Being a model organisation that champions clean administration and transformation imperatives
- Executing our audits in the most cost-effective, efficient and economical manner

The legislatures

- Being a trustworthy source of relevant, independent and objective insight based on professional judgement and sound analysis
- Proactively identifying themes, common findings, trends and root causes
- Providing audit recommendations and discussing these with key stakeholders to enable them to oversee and support beneficial changes in the public sector culture and service delivery so that we influence improvement in the lived reality of our people
- Enabling them to be good custodians of the accountability ecosystem, strengthen their monitoring processes and intergovernmental relationships, and ensure appropriate and swift interventions for the people of South Africa

The executive and auditees

- Identifying instances of mismanagement and their root causes, and recommending improvements tailored to the business of the auditee
- Equipping them with a value-adding understanding of the status of their financial and performance management and compliance with relevant laws
- Delivering tailored audit and engagement programmes to assist them to improve their respective cultures so that they are characterised by performance, accountability, transparency and integrity
- Enabling them to bring about improvements in the audit outcomes of their portfolios by becoming more actively involved in key government matters, particularly those faced by state-owned enterprises and key service delivery portfolios

The auditing and accounting professions

- Allocating contract audit work equitably and meaningfully
- Building skilled and qualified professionals
- Creating a pipeline of black chartered accountants to transform the profession and economically empower black audit firms

Our employees

- Providing an invaluable opportunity to play a role in shaping the work of the public sector
- Creating meaningful employment and career development opportunities
- Providing fair, transparent, market-related and equitable remuneration and benefits

Value and benefits of supreme audit institutions

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

The goal of supreme audit institutions is to make a difference in the lives of ordinary citizens in their respective countries. The overall philosophy of the standard centres around the following notion:

Auditing of government and public sector entities by SAIs has a positive impact on trust in society because it focuses the minds of the custodians of public resources on how well they use those resources. Such awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions. Once SAIs' results have been made public, citizens are able to hold the custodians of public resources accountable. In this way SAIs promote the efficiency, accountability, effectiveness and transparency of public administration. An independent, effective and credible SAI is therefore an essential component in a democratic system where accountability, transparency and integrity are indispensable parts of a stable democracy. Acting in the public interest places a further responsibility on SAIs to demonstrate their ongoing relevance to citizens, Parliament and other stakeholders.

The extent to which a supreme audit institution is able to make a difference to the lives of citizens is contingent on three main pillars:

PILLAR 1	PILLAR 2	PILLAR 3
Strengthening the accountability, transparency and integrity of government and public sector entities	**Demonstrating ongoing relevance to citizens, Parliament and other stakeholders**	**Being a model organisation through leading by example**
• Safeguarding the independence of the SAI • Carrying out audits • Enabling those charged with governance • Reporting on audit results	• Being responsive to changing environments and emerging risks • Communicating effectively with stakeholders • Being a credible source of independent and objective insight	• Ensuring appropriate own transparency and accountability • Ensuring own good governance • Complying with a code of ethics • Striving for service excellence and quality • Capacity building through learning and knowledge sharing

Value creation process

Business model

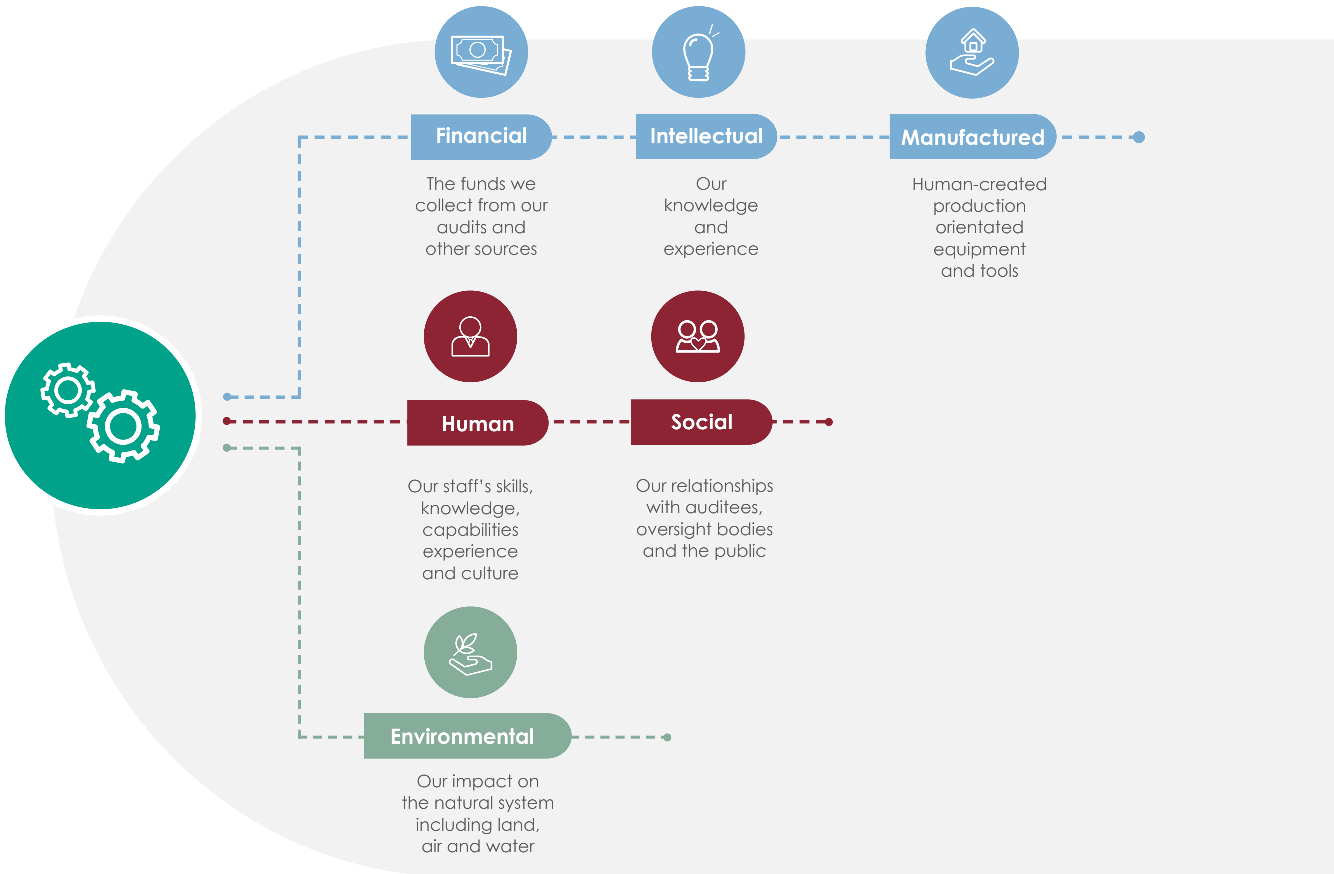
Section 36 of the PAA authorises the AGSA to access funding from multiple sources. These sources vary from our audit fees to money appropriated by Parliament, interest earned on investments, money obtained by alienation or letting of property and funds from any other source. The AGSA is legally authorised to accept donations and bequests if these will not result in a conflict of interest, and subject to a duty to disclose the donation or bequest in the annual report.

We are self-funded and derive our income by charging audit fees for the work required to complete an audit, based on publicly available, transparent and annually revised audit fees. A defined percentage of markup, or our sustainability margin, is used to maintain our operations.

Section 38(4) of the PAA authorises the AGSA to retain any surplus, or a portion of it, following consultation with the National Treasury and after approval by Scoag.

When approved, we use this surplus to fund our infrastructure (capital) expenditure and for working capital requirements to ensure our sustainability. Any portion of the surplus that Scoag does not approve for retention is paid into the National Revenue Fund. Our business model is geared towards generating value.

The term 'capital' used in the integrated reporting framework refers broadly to any store of value that we use to deliver our mandate. We depend on the various forms of capital for our success. Their availability, quality and affordability can affect our long-term viability and, therefore, our ability to create value. They must be maintained if we are to continue creating value in the future.



Business model summary

Inputs	Processes	Outputs	Outcomes and impact
The status of the capital at the beginning of the year	The methods that we used to ensure that the input of each capital yields the desired output	The status of the capital at the end of the financial year	

Primary processes

- Auditing organisations and entities funded by public money using the following tools:
  - audit research methodology
  - audit planning
  - audit execution
  - audit reporting
  - quality control over audit processes and products
- Training professional auditors

Secondary processes

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

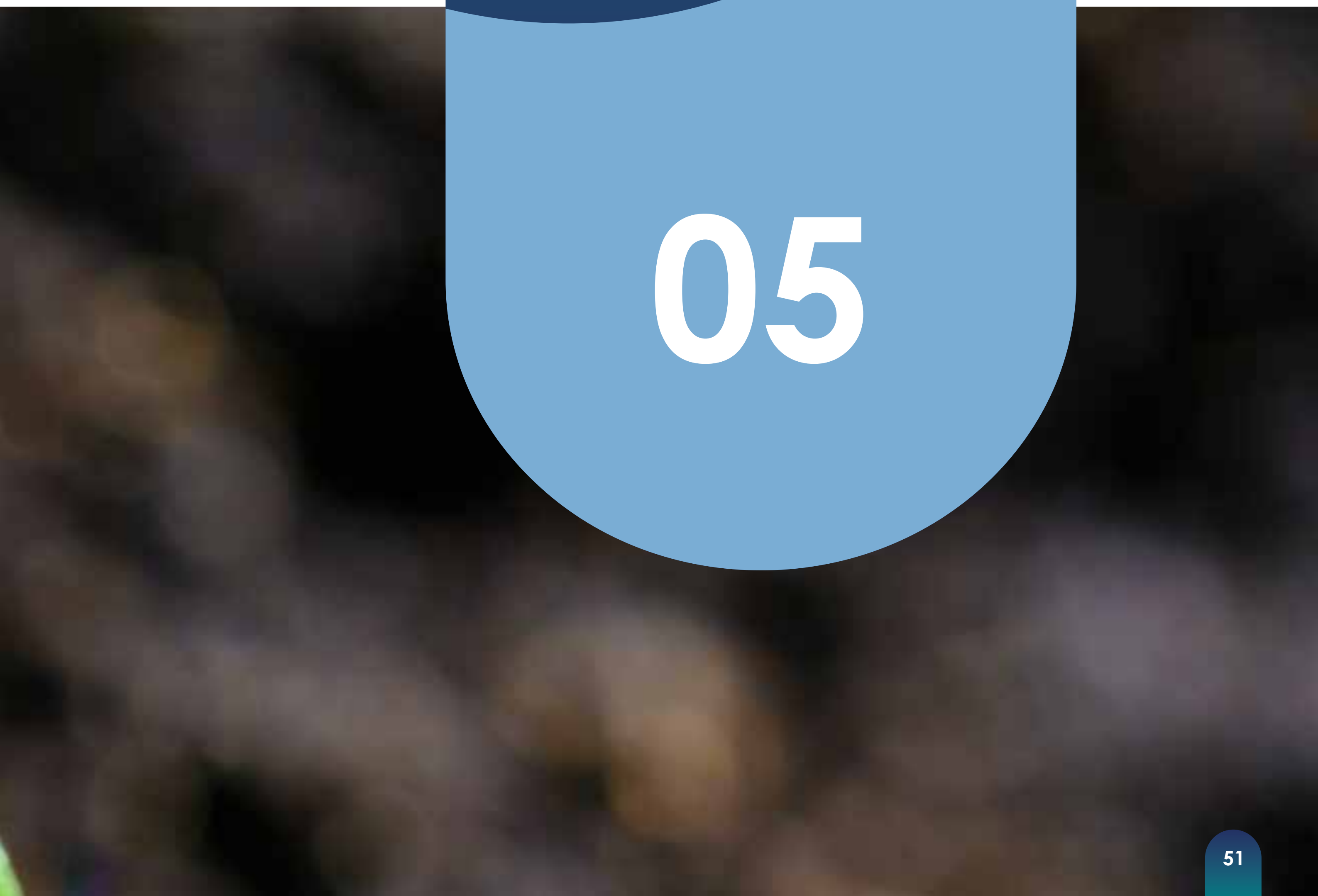
Management control

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

Our approach to funding has served us well since we formally adopted the funding model in 2009. However, the difficulty to collect outstanding fees from mostly local government and embattled SOEs increased due to the loss of revenue caused by the pandemic and other factors such as mismanagement, fraud, corruption and other forms of impropriety. We have heeded Scoag's call to review our funding model to remain financially independent and have commenced our research in that respect.

PERFORMANCE REPORT

05



The AGSA's #cultureshift2030 strategy

Our aspirations and the way we intend to achieve them are formulated in our call for action, our strategic manifesto.

Our strategic aspiration is that over the next six years we will make a stronger, more direct and consistent impact on the lived reality of ordinary South Africans by sustainably and efficiently shifting public sector culture through insight, influence and enforcement.

We envisage that by 2030, the AGSA will be associated with a meaningful and sustainable shift of public sector culture to one of performance, accountability, transparency and integrity.

Change and strategic priorities

Culture refers to our shared values and way of life – it reveals the fundamental values of society.

It goes beyond simple, occasional compliance with rules; it appreciates – and encourages – the outcomes for which the rules exist. From culture flows behaviour. To fundamentally influence behaviour, therefore, it is important to fundamentally change the underlying culture. It is the solidity of culture within the public sector that we believe will ultimately drive a sustained, consistent and meaningful improvement in the lived reality of South Africans.

We intend to sustainably and efficiently shift public sector culture through insight, influence and enforcement.

We are practitioners in public sector accountability, transparency and integrity.

Audit is not all we are, audit is what we do to collect, analyse and translate data into information, and information into impactful insights.

Our work generates impactful insight; our influence translates insight into action.

Action stimulates and shifts our clients towards a culture of accountability.

A culture of accountability enables sustained, consistent and meaningful improvements in audit outcomes.

Sustained, consistent and meaningful improvements in audit outcomes translate into sustained, consistent and meaningful improvements in the lived reality of ordinary South Africans.

In that manner our constitutional democracy is strengthened.

We are not just auditors – we are independent, relevant and exemplary culture shifters.

Every single one of us.

Our success is contingent on us excelling in the following dimensions in a coordinated manner:

Insight

Generate insight that illuminates understanding, drive action and yield results

Influence

Move stakeholders from mere awareness to action and advocacy of our messaging

Enforcement

Directly or indirectly recover resources lost to the state and taxpayers, and ensure consequences for wrongdoing

Shift public sector culture

Move critical mass of auditees to organisational cultures characterised by performance, transparency, integrity and accountability

Sustainably

Acquire, develop and maintain quantity, quality and configuration of resources and capabilities to achieve and sustain desired levels of impact

Efficiently

Unlock latent capacity in the existing resource base and lower the cost and effort with which we derive each marginal unit of impact

Ultimately, success is a shift of critical mass to cultures characterised by performance, accountability, transparency and integrity, driven through partnerships in an accountability ecosystem of stakeholders willing to use their advocacy and influence to create meaningful improvements in the lived reality of ordinary South Africans.

PERFORMANCE INFORMATION

Strategic commitment	2022-23 target	Performance
Insight		
Increase the understanding of performance in the public sector by extracting unique insights and incorporating these into our products	Develop and approve plan for new insight-based products offered by the AGSA to various stakeholders	One-year consolidated audit plan was approved and is currently being implemented. The multi-year audit plan is in development and will be implemented from the next audit cycle
Increase our impact on the accountability culture of the public sector by increasing the level and extent of specified real-time audit work	Complete and report on 100% of planned real-time audit work	Report on the use of the flood-relief funds published
Increase our impact on the accountability culture of the public sector by implementing a differentiated audit approach	Approve differentiated audit approach and implementation plan Pilot approach at selected auditees	Three new audit methodologies developed, piloted and approved for use
Increase our impact on the accountability culture of the public sector by optimising our collaboration with CSO partners	Refine and institutionalise framework and implementation plan for collaboration with CSOs Report on outcome of programme	The framework for collaboration with CSOs approved and implemented

Strategic commitment	2022-23 target	Performance
Influence		
Improve our stakeholders' sentiment about our contribution to the accountability culture in the public sector	Establish stakeholder sentiment baseline rating	The correct timing to distribute the survey is being reconsidered
Report on and implement measures to improve the performance of the accountability ecosystem	Develop and approve accountability ecosystem framework and implementation plan	A position paper defining our approach was developed and approved, together with an implementation plan. The development and implementation of a framework will be completed in the 2023-24 financial year
Auditor-general's assessment of the organisation's performance on influencing stakeholders to move to a culture of accountability	Meet the auditor-general's expectations on influencing stakeholders to move to a culture of accountability	The auditor-general has highlighted that the central coordination of key activities to drive culture shift requires improvement
Enforcement		
Finalise the implementation of the material irregularity process across all auditees	42% of auditees	Implemented as planned
Auditor-general's assessment of the organisation's performance in implementing the enhanced powers	Meet the auditor-general's expectations on the implementation of our enhanced powers	The auditor-general is satisfied with the effort and the achieved progress as described further in this report
Shift public sector culture		
Implement programmes to improve public sector accountability culture	Formulate and approve public sector culture baseline and related culture shift action plan	Plotting for the identified auditees completed

Strategic commitment	2022-23 target	Performance
Sustainably		
Net surplus	1% - 4%	5,7%
Sustainability margin	2 – 2,5 months' forward cover	1,65 months
Promote the wellbeing of our staff	Develop and approve holistic employee wellbeing programme	A holistic programme was developed, approved and implemented
% adherence to quality standards: audit engagements	80% - 90% (C1, C1#, C2 and C3 rating)	Achieved 84%
% implementation of the International Standard on Quality Management (ISQM) 1	Full implementation of ISQM 1	Implemented and being one of the very early adopters of this strict standard
Efficiently		
Improve our productivity level	Establish organisation's productivity level baseline and define measures for improvement	A suite of human capital related baselines was established
Improve our audit efficiency	Establish organisation's audit efficiency baseline and define measures for improvement	All working papers were assessed and a few identified for optimisation, digitisation or automation
Improve our business efficiency	Establish organisation's business efficiency baseline and define measures for improvement	A proprietary tool for assessment of business processes was developed. A bot demonstrating efficiencies was developed and implemented

Insight

Public sector institutions play a key role in delivering services, driving overall government programmes, and overseeing a substantial portion of the public purse. All these have a significant impact on the lives of citizens. As public sector auditors, we have committed to using our #cultureshift2030 strategy to provide strategic and informative insight, drawn from our audits, to enable government to take the right decisions and have a meaningful impact on the lives of citizens.

Analysing the trends in these audit outcomes helps to spark understanding and a commitment to act from all the roleplayers in the accountability ecosystem, as was done in the national, provincial and local government general reports.

General reports

Our general reports serve as a state-of-governance account of how our government – at all three tiers – has spent taxpayers' money during a particular period. We tabled two general reports during 2022-23.

As a result of rigorous scrutiny of the accounting records and other related information to support financial statements and performance reports of auditees, both general reports provide a comprehensive analysis of the audit outcomes and represent the main source of insight into the stewardship of public funds in the country.

The reports are rich in statistics and real examples on the state of the audited entities, with a particular focus on key service delivery mechanisms. The value of the reports is rooted in the use of the information they present, hence, to drive culture shift and improvement in the public sector, we specifically detailed recommendations.

National and provincial audit outcomes

The audit outcomes showed a gradual upward trend since the term of the previous administration ended. We acknowledge the effort and attention that has been paid to improve the basics of financial and performance management and the disciplines that underpin a good audit outcome, especially a clean audit.

NATIONAL AND PROVINCIAL DEPARTMENTS	47 IMPROVED	12 REGRESSED
PUBLIC ENTITIES	67 IMPROVED	34 REGRESSED
CLEAN AUDITS	55 IMPROVED 69 MAINTAINED	69 REGRESSED

Audit outcomes of national and provincial audits

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2021-22	128	184	76	1	9	26	424
	30%	44%	18%	<1%	2%	6%	▲65 ▼41
2021-22 EXPENDITURE BUDGET R2,58 TRILLION	6%	45%	15%	<1%	1%	33%	▲114 ▼46

The key service delivery portfolios and state-owned enterprises (SOEs) are responsible for more than 30% of the expenditure budget, but consistently have the worst outcomes.

Auditees from these groups account for 58% of the outstanding audits and 31% of the modified audit opinions (qualified, adverse and disclaimed).

Audit outcomes of key service delivery portfolios

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
Key service delivery portfolios (basic education, health, human settlements, public works, transport, water and sanitation)	6	39	21	0	1	4	71
	8%	55%	30%	0%	1%	6%	

Audits outstanding

26 audits incomplete at 15 September 2022

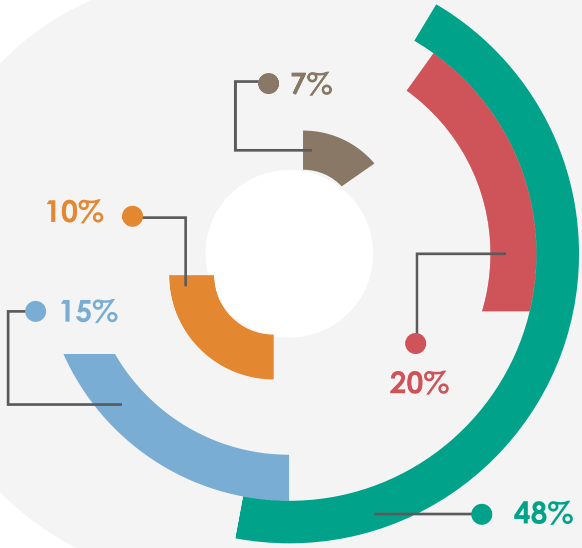
15 did not submit financial statements	**6** submitted financial statements late	**5** delayed the audit

Audit outcomes of state-owned enterprises (excluding subsidiaries)

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
State-owned enterprises (we audit)	2	6	2	0	2	3	15
	13%	41%	13%	0%	13%	20%	

Local government audit outcomes

Local government is the sphere of government that is closest to our citizens because it provides basic services to the areas in which they live, and so directly impacts their lives.



R262,92 billion
Metropolitan municipalities (MM)

R105,39 billion
Intermediate cities (ICM)

R35,60 billion
District municipalities (DM)

R83,21 billion
Local municipalities (LM)

R52,01 billion
Municipal entities (ME)

Metropolitan municipalities

commonly known as 'metros', are large urban complexes with populations of more than one million people. They account for the largest portion of municipal expenditure and serve the highest number of households and thus most of the people in the country.

Intermediate cities

are municipalities with large budgets that also serve a substantial number of households. They are responsible for all municipal functions not assigned to the district – in particular, local service delivery.

District municipalities

perform certain functions on behalf of local municipalities, such as integrated planning, infrastructure development, electricity provision and public transport. A district municipality may be a water services authority and may also provide financial, technical and administrative support services to a local municipality within its area as far as it can.

Local municipalities

can be large towns, small towns or rural areas. Just like intermediate cities, they are responsible for all municipal functions not assigned to the district, particularly service delivery to the residents in their designated geographical area. These municipal functions include water and sanitation services, electricity supply, refuse removal and road maintenance.

Municipal entities

are independent entities that perform municipal services on behalf of a municipality. Their financial statements are consolidated into those of their parent municipalities. Their audit outcomes are also important as they are responsible for a significant portion of municipal expenditure and service delivery programmes.

While we are encouraged by the strides made to improve the audit outcomes of municipalities, most notably the reduction of municipalities in the disclaimer category, it nevertheless remains disheartening to report ongoing failures in accountability and performance at municipalities.

While there were fewer municipalities with disclaimed opinions, there were also fewer clean audits. The audit outcomes showed an overall stagnation or little improvement.

LOCAL GOVERNMENT
- 34 IMPROVED
- 31 REGRESSED

CLEAN AUDITS
- 5 IMPROVED
- 33 MAINTAINED
- 7 REGRESSED

DISCLAIMED
- 9 IMPROVED
- 12 REPEAT | 10 OF THESE FOR MORE THAN 4 YEARS
- 3 REGRESSED

Improved audit outcomes or action taken towards resolving long-standing issues were mostly due to deliberate steps by municipalities to improve and strengthen their internal control environments and through the support and intervention of coordinating institutions. The material irregularity process also triggered actions such as the submission of financial statements that were previously outstanding.

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits		Movement from last year of previous administration	
Metropolitan municipalities **Percentage of budget:** 48% **Households:** 8 361 167	2	3	2	1	0	0	8	2	2
Intermediate cities **Percentage of budget:** 20% **Households:** 4 959 833	5	16	15	0	2	1	39	5	6
District municipalities **Percentage of budget:** 7%	13	16	10	2	1	2	44	3	5
Local municipalities **Percentage of budget:** 15% **Households:** 5 099 379	18	69	51	3	12	13	166	23	16
Municipal entities **Percentage of budget:** 10%	0	15	1	0	1	0	17	1	2

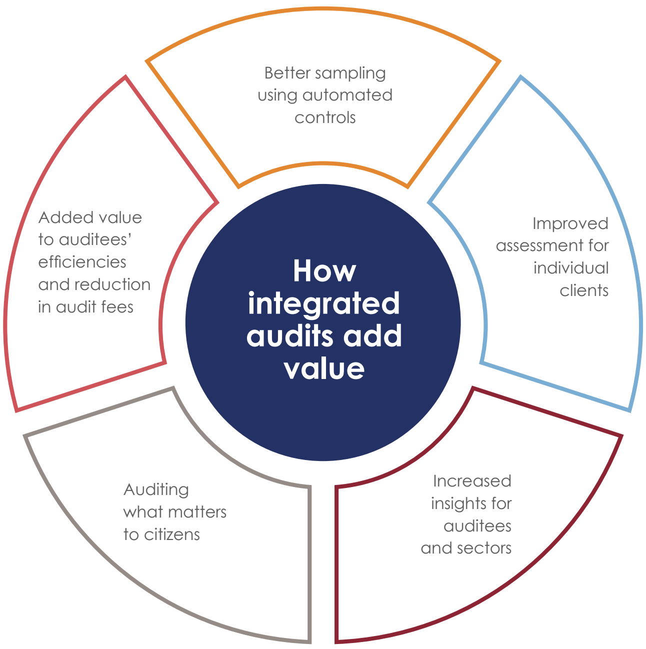
Our general reports included a particular focus on service delivery with a significant shift in the way we wrote and positioned these messages. Along with key recommendations and commitments, the insight into the impact of these results are meant to stimulate understanding and discourse to encourage a shift in culture.

16 audits incomplete at 17 February 2023
- **3** did not submit financial statements
- **12** submitted financial statements late
- **1** delayed the audit

Our tailored audit insights:

- Published the water sector report and the Postbank cybersecurity report
- Engaged on different platforms regarding sector reports, e.g. at GIBS, and the infrastructure-built anti-corruption forum
- Issued the report on the rehabilitation of derelict and ownerless mines, which impacted the lived realities of the citizens by indicating the possible health and safety concerns for local communities around these mines
- Used PowerBI for enhanced data analytics and to identify key risks

Delivering audits through multidisciplinary teams



Using multidisciplinary teams on audits has become our best practice in delivering tailored audit insight to stakeholders. Multidisciplinary teams harness a diversity of skills and expertise to achieve complex audit objectives and gain a deep understanding of our auditees' businesses. This assists them in navigating the complexities of an environment associated with high expenditure and greater audit risk.

Multidisciplinary teams include professionals in information technology governance, risks and controls systems, data analytics, information security, financial fraud and investigations, and in key government sectors including health professionals, economists, education specialists and engineers.

Their contribution to audit risk assessment, fraud data analytics and specialised auditee knowledge added comprehensive audit insight and improved audit efficiencies and effectiveness.

Data analytics

Audit analytics is fully integrated into the regularity audits as each audit is planned by an integrated team and data analytics opportunities are explored as part of the audit strategy. The audit planning meetings have become much richer; in the next financial year, we will be attempting to assess the extracted audit efficiencies resulting from the integrated planning.

While the use of computer assisted audit techniques (Caats) analytical procedures has been fully adopted across all our audits, due to limited capacity and capabilities, a phased-in approach has been adopted to scale up the use of PowerBI dashboards.

These dashboards visualise an auditee's business in a succinct and complete way thus serving as a risk identification tool.

This year we relied on external specialists to fully implement advanced analytics and to upskill our internal resources.

Data analytics tools

The success of audit data analytics is strongly dependent on the use of appropriate tools. We acquired a number of software licences for a tool that proved to be valuable in transforming and analysing vast volumes of data and enables us to perform more advanced analytics, including machine learning, enhanced spatial analysis and text mining.

The process of acquiring a specialised media monitoring tool is at an advanced stage. The tool will assist us in conducting real-time media and social media scanning in support of our audit risk analyses.

Increase our impact on the accountability culture of the public sector by extracting unique insights and incorporating these into our products

The OYAP serves as a tool to demonstrate our impact and relevance to citizens while affirming that we have heard their concerns and are appropriately responding to their lived experiences.

Data analytics benefits:

- identifying fraud risk and reporting it
- ingesting data analytics in an assessment of government projects to close the gap between audit outcomes and service delivery
- predicting potential material irregularities and supporting evidence for them
- driving integrated messaging
- driving business decisions

One-year audit plan (OYAP)

The integrated one-year audit plan (OYAP) was developed using insight from integrated environmental scanning information and the audit risk register to:

- determine the audit themes
- identify the required AGSA tools and levers that will enable audit execution
- highlight the key institutions and clusters where work will be undertaken

Data analytics strategy

Information is one of the major assets of the AGSA. As the amount of data generated by the public sector continues to grow, the importance of leveraging the collected data to improve the AGSA's capabilities for decisionmaking and analysis becomes critical. We conceptualised our approach towards the use of data analytics under one integrated strategy.

Stemming from the culture shift charter, the OYAP directs how we plan and carry out our audits to amplify a culture shift.

It ensures that our audit work responds promptly to changing environments and emerging risks, while also being tailored to our internal priorities. In March 2023, exco approved the OYAP for 2023-24.

As these audits are retroactive, this plan will be used when we audit the 2022-23 cycle.

The OYAP does not negate our mandated regulatory audits at national, provincial and local government, but rather elevates key matters that the audit portfolio must undertake in the respective cycles to foster and drive a culture shift.

It will also assist to approach our auditing in a more structured manner, resulting in efficiencies and an important straight point when deciding what to audit.

Real-time audits' impact on the public sector accountability culture

During the reporting period we received a request to conduct a real-time audit on the use of the funds allocated for relief of damages caused by the floods in KwaZulu-Natal and the Eastern Cape.

The accumulated know-how from this audit is immense. Without prior experience and a methodology on auditing flood-relief funds, and not being able to draw on any specialist knowledge from private audit firms, our audit team conceptualised and conducted the audit with only our existing resources.

As part of our intention to interact with other roleplayers in society, we engaged with local civil society organisations to improve our risk identification and risk response. An important factor for this audit was to approach it considering the perspective of those that were ultimately impacted by this disaster – i.e. the people on the ground. Our audit team visited the flood-damaged areas for better perspective of the audit risks and scope.

A special audit report that dealt with the immediate activities of the disaster relief was released and provided the public with insight on the response to the disaster.

However, based on the slow rate at which funds were used, the auditor-general decided that we would audit this matter further during our annual audit. The respective provincial summaries in the general report on local government provided further insight on these real-time audits.

Our insight elicited an admission by government that it was ill-prepared to manage disasters, and it provided commitments that we monitor on an ongoing basis. Extensive interactions with all our stakeholders gave our reports the necessary attention and influence to compel action. Irregular contracts were stopped, payments to suppliers were withheld until the work was completed, prices were negotiated, and other measures were put in place to minimise leakage and maximise the use of public funds on actual disaster relief for the people affected by the floods.

We are formalising a more controlled and structured approach to such real-time audits.

Differentiated audit approach's impact on the public sector accountability culture

The differentiated audit methodology (DAM) project began in 2021-22 with three new methodologies:

- financial statements review
- audit of performance objectives (AoPO) findings engagement
- compliance findings engagement.

The objective was to provide an expanded menu of methodologies that can be applied to different categories of auditees, creating opportunities for efficiencies and a simpler audit process for specific auditees.

The project's main phase (pilot and implementation approval) was completed in 2022-23 with all targets met.

The pilots showed significant efficiencies in all spheres of our audits with no negative impact on the outcome and messaging and 100% approval ratings from pilot teams.

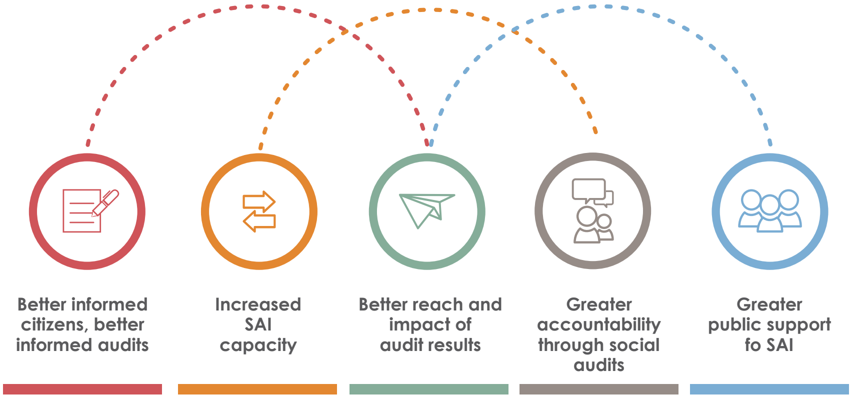
Lessons learnt from the pilots allowed us to fine-tune the methodologies, include a gap analysis and determine how the gaps will be closed.

We supported our audit teams by supplying training on all three new methodologies and developing:

- a working paper to assess suitability of the institution being audited for the DAM project
- a toolkit to enable discussions with these institutions, and
- an approval process.

Our collaboration with CSOs and its impact on public sector accountability culture

The cornerstone of South Africa's constitutional democracy is the Bill of Rights. In pursuit of strengthening democracy, we, in our unique way give effect to the fundamental human rights entrenched in chapter 2 of the Constitution. The missions of most CSOs are in some way linked to basic human rights. They are therefore ideally positioned to feed insight about basic human rights, citizen experiences and service delivery expectations into our audit work.



Benefits of SAI-civil society engagement

While we originally intended to manage our relationships with CSOs at an institutional or sector level, it is now clear that there is a need to institutionalise these relationships at a business unit and engagement level. To do so, we developed a streamlined framework for collaboration with the CSOs:

- Understanding the views and experiences of citizens as a broad context to our audit work, and more specifically, overall multi-year audit planning
- Facilitating the flow of civil insights / research / focus areas into work on the AGSA's audit focus areas and related approaches
- Using civil insights as part of environmental scanning and risk assessment per engagement
- Using civil insights to inform sector work and related messaging (including standalone performance audit work)
- Sharing (audit) insights that empower civil society to do their work and, in the process, assist with the desired culture change in the accountability ecosystem (as envisaged in #cultureshift2030)

Most of the objectives saw good traction during the year:

- Basic processes to identify CSOs for engagement at BU level and a basic reporting functionality to keep track of the engagement were used throughout the year
- Basic use of CSO insight as inputs into the audit cycle planning processes (environmental scanning and risk assessment) worked well
- Using CSO insight on sector work was fully implemented. The work was also used to inform the related messaging (including standalone performance audit work) – main examples of this were using CSO insight in the flood relief audit processes and on the metro financial health, indigent debt and equitable share analysis
- An enabling toolkit to support the work of the CSOs was made available and enhanced as needs evolved

Overall, we are very satisfied with the progress we made in this aspect of work.

Leveraging the work of the commission into state capture

In the prior year, we reported on our interest in the investigative work of the Judicial Commission of Inquiry into State Capture, led by Chief Justice Raymond Zondo, as it has direct relevance to our audit work. The commission's report highlighted the role of the public sector auditor in identifying and preventing fraud, corruption and other forms of impropriety.

Once the commission's report was published, we launched a project to analyse the observations, findings and recommendations of the commission, which culminated in our own report to the President of the Republic. We made a number of commitments which we since have factored into our audit work to enable the audit teams to have a better line of sight of the indicators of capture.

Conclusion

We used all our intellectual resources to deliver insight that is relevant, actionable and focused on improving lives of ordinary South Africans.

While comprehensive audit plans have always been in place, we have now begun to align our audits with a long-term plan to ensure relevance, consistency and continuity of audit messages, to demonstrate transparency of our choices, and to allocate limited organisational resources to auditing what matters and what will have an impact on service delivery as the vehicle to improving lives of people.

Influence

To influence a culture shift in the public sector, we must maintain meaningful relationships with our strategic partners in the accountability ecosystem. Our interactions cover a range of topics that focus on driving change towards a culture of performance, accountability, transparency and integrity.

During our engagements over the past few years, we have actively promoted the need for all roleplayers in the public sector to diligently discharge their responsibilities to ensure maximum positive impact on the success of our country and on the lives of the people of South Africa. We called the network of stakeholders an accountability ecosystem. These stakeholders have a mandate or responsibility (whether legislative or moral) to drive, deepen and insist on public sector accountability, and form an ecosystem due to their mutually reinforcing connections. We encourage our accountability ecosystem roleplayers to work together with an awareness of how their respective roles influence both the roles of others within the ecosystem and the ecosystem at large.

To fully develop and understand the accountability ecosystem concept and the various connections, roles and responsibilities we undertook wide-ranging research and consultation. The knowledge and understanding gained was captured in a position paper to generate a common understanding of the accountability ecosystem within the AGSA. The paper not only sets out the various roleplayers, their mandates and envisaged roles in shifting the public sector culture, but also supplements the philosophy of the accountability ecosystem with the enabling behaviour required for the system to function optimally.

The next step in the process is to set up a task team to develop an accountability ecosystem framework, which will allow for structured engagement with and among the roleplayers, as well as reporting on the overall performance of the system.

Stakeholder engagements

Our stakeholder engagements remained focused on driving impact and change in line with our strategy. The engagements were planned carefully and in a systematic way, considering up-to-date environmental insights, platform selections and targeted key messages for each stakeholder.

Constitutional engagements

Overall, we engaged with constitutional stakeholders to give them an understanding of the audit outcomes, the key failures that lead to disappointing outcomes and material irregularities, and the areas that need to improve. Another important objective of these interactions is to obtain commitments to drive improvements. We undertook 681 tailored engagements (130%) against the annual target of 524.

Annual target for 2022-23
524 engagements

681 (130%)

actual engagements

Accounting officers and executives of institutions that we audit

Parliamentary and portfolio committees

National Assembly

Provincial legislatures

Coordinating bodies

To achieve the required culture shift, we must maintain meaningful relationships with our strategic partners in the accountability ecosystem. Such relationships are governed through a memorandum of understanding or agreement. Our interaction with those partners is a direct way to share our insight and the aspirations of the #cultureshift2030 strategy.

One of these key aspirations is to foster a culture that encourages competence, in which officials know their work.

National School of Government

Our relationship enables us to influence this agenda by collaborating on matters of professionalising the public sector (as stated in the government's National Framework towards the Professionalisation of the Public Sector), including its various training and induction programmes.

South African Association of Public Accounts Committees

Through our relationship, we are part of the planning team for the 2023 Southern Africa Development Community Organisation of Public Accounts Committees annual conference, annual general meeting and 20th anniversary celebrations to be held in Durban in October 2023.

South African Local Government Association

We continue to work on governance training programmes and share insight in webinars. Our participation in the Salga coordinated platforms led to the successful induction of all new councillors, and customised capacity-building initiatives for MPACs as part of phase II of the councillor induction programme. At year end, only three provinces, Gauteng, Mpumalanga and Northern Cape completed this leg of the capacity-building programme.

National Treasury

This is one of the key standard setters for financial reporting frameworks and a custodian of the national, provincial and local government financial management legislation.

Within the National Treasury we regularly interacted with the Office of the Accountant-General, the Office of the Chief Procurement Officer and the National Treasury Internal Audit Support.

Our goal in engaging with these offices is to resolve contentious technical issues arising from our audits. These discussions aid in improving the consistency of responses as well as the manner in which auditors and auditees apply these resolutions. We also contribute to and comment on standards, templates, procurement prescripts, guidelines, and other technical documents.

Department of Performance Planning, Monitoring and Evaluation (DPME)

After the closeout of the performance information task team in November 2021, we continued with bilateral meetings with DPME. The objectives are to deliberate on performance management, reporting and auditing issues identified and to influence DPME in their coordinating and oversight role over strategic and annual plans of government.

This year, we shared insight and gaps identified in relation to the completeness of the Medium-Term Strategic Framework outcomes versus key indicators included in plans for key sector departments and their impact on actual service delivery. We also shared insight, findings and challenges identified at national and provincial departments in their preparation of draft annual performance plans for 2023-24.

To ensure a seamless stakeholder engagement experience for the AGSA when Cabinet was reshuffled, profiles of the new ministers and deputy ministers were produced to assist in planning the best way to land their key messages. Our observation reports provided detailed feedback on stakeholders' reception of our messages, their concerns and advice for improvements for future interactions.

We continued to enable oversight during the 2022 budget review and recommendation reports (BRRR) engagements by sharing the audit outcomes and providing rich insights to drive understanding and action. From the BRRR engagements, we observed that our investment in enhancing the capabilities of portfolio committees and committee support staff is yielding positive results.

Standard setters

Accounting Standards Board

The board is responsible for developing and maintaining the Standards of Generally Recognised Accounting Practice (GRAP) and advancing financial reporting in the public sector.

Our engagements provide insight on implementing auditing and accounting considerations when setting the GRAP standards. Our key priorities for this year was to provide input on formulating new standards and reviewing existing standards, with a focus on matters that have led to disputes and legal actions in the past.

Independent Regulatory Board for Auditors

Our objective in engaging is to facilitate public sector audit insight in developing standards and guidance for auditors. We participate in its quarterly meetings of the Committee for Audit Standards, steering committee and subcommittees, which include the Public Sector Standing Committee, Regulated Industries and Reporting Standing Committee and Sustainability Standing Committee.

We held ISQM benchmarking engagements, and gathered information on all relevant and innovative solutions and proactive quality support.

We also found that auditees often sought second opinions from audit firms on matters already covered by our audit opinions.

Before delivering a second opinion, the IESBA, Saica, and IRBA code of ethics requires firms to communicate with the auditor (AGSA). The firms who provided second opinions on a majority of the conflicts did not comply with this code requirement.

We raised this issue before the IRBA Public Sector Standing Committee, which resolved to address this matter through a project proposal to the IRBA ethics committee.

Formal trilateral meetings

The formal trilateral meeting is between the AGSA, the National Treasury and the chief executive officer of the ASB. The objective is to strategically collaborate to improve financial reporting, accountability systems and transparency, and to give direction to technical specialists.

Engagements this year focused on sharing our strategy to locate our partners in the accountability ecosystem, and we shared our dispute resolution mechanism.

Professional bodies and associations

Institute of Internal Auditors South Africa (IIASA) – Public Sector Committee (PSC)

Regular engagements were held with the IIASA PSC to support capacity-building initiatives for internal auditors in the public sector. Key insights on using the work of internal audit were shared, and the outcomes of the discussions were used to identify areas for practical application guidance for the AGSA auditors. A key outcome for this reporting period is the guide on communication opportunities between internal and external audit which was issued in response to work done with the IIASA PSC.

Public Sector Audit Committee Forum (PSACF)

The AGSA is a founding member of the PSACF together with the Institute of Directors South Africa (IoDSA), IIASA, Saica, Institute of Risk Management South Africa (IRMSA), National Treasury and the Development Bank of Southern Africa (DBSA). The PSACF is involved in capacity-building initiatives for audit committee members in the public sector.

We participated in the PSACF by sharing our insights in the areas of internal audit and audit committees. We also supported the PSACF with a number of initiatives to improve the effectiveness of audit committees.

A key outcome of the work that we did during this year was sharing the key themes on internal audit and audit committee from the Zondo Commission on State Capture to influence relevant guidance paper topics in the coming year.

Improve our stakeholders' sentiment about our contribution to the accountability culture in the public sector

Seeking feedback from stakeholders is an important activity for a supreme audit institution. During the reporting period we were able to reflect on the timing of a survey given the stage of execution of our strategy and the upcoming general elections. We considered the areas that require feedback from stakeholders and the possible questions to be posed to the various groups of stakeholders. In search of a completely independent survey of stakeholder views, we have appointed a service provider who is designing the survey, and will execute and publish the results in 2023-24.

Non-constitutional stakeholder engagements

Recognising the importance of engaging the entire spectrum of roleplayers in the accountability ecosystem, we put a lot of effort into professionalising and standardising our engagements with non-constitutional stakeholders. These stakeholders have been identified over the years as integral partners to improving public sector accountability. Consistent messages aim to increase their awareness of our work and how it translates into improvements in the lived experiences of people.

All public engagements profiled the #cultureshift2030 strategy, calling on stakeholders to join us in influencing a public sector culture shift that improves accountability and uses public resources efficiently, while strengthening the reputation of the accountancy and auditing profession.

Use of media and social media to promote the public sector culture shift

We have continued to receive balanced and prominent media coverage from both earned and associative media mentions. The highlight of this trend was when Daily Maverick – an authoritative and much-read thought shaper on good governance – voted the AGSA the South African Institute of the Year.

In its citation on why its readers – who are mainly influential thought leaders, professionals and experts in various fields – voted for the national audit office, the news agency notes in part that "It [AGSA] has increasingly flexed its accountability muscle and got accounting officers to toe the line of good governance."

It is encouraging that news agencies are embedding the culture shift tone and terminology in their reporting, a seed that is continuously and strategically infused in all externally-bound AGSA messages such as media statements or responses. Independent social media analysis further indicates that the organisation continued to receive positive reportage during the release of our flagship audit reports such as the provincial and national, and local government, general reports. We used our selected media platforms as conduits to help influence a public sector culture shift towards wholesale good governance.

After releasing the general reports, interviews were given to mainstream and regional media agencies.

We continued to enlighten journalists about our culture shift strategy and the importance of activating the roleplayers in the accountability ecosystem.

We also drive messages about our extended mandate. In partnership with the Institute for the Advancement of Journalism (IAJ), we hosted a workshop for more than 20 Western Cape journalists on how they can report in a developmental manner that will influence good governance in the public sector.

Messages meant for journalists (and by extension the public) were simplified to ensure better understanding of not only the audit jargon, but also the issues hindering public sector efficiency.

While it is still early to measure the effect of the new #cultureshift2030 strategy in the media, it is worth noting that media agencies have started using related terminology such as accountability ecosystem in their reporting jargon – indicating our influence in framing AGSA messages.

Social media platforms were used extensively to educate citizens and spread messages on government performance. Initiatives supporting our image as an employer and profiling our leaders also featured on the social media platforms. We continually simplify our products to deliver crisp and clear messages that are easy to understand and clearly guide the audience to action. Our narrative is complemented with visuals and images to strengthen our messaging. These messages empower citizens, giving them the ability to steadily be informed and active citizens that question those in key positions about their inaction and apathy to their roles and its impact on our country.

Enforcement
(Accountability report)

Implementing the material irregularity (MI) process (our enhanced powers)

Over the past four years we have increasingly implemented all the elements of the material irregularity concept and increased the number of auditees at which we implemented the material irregularity process. We focused on auditees where we could have the greatest impact, using our resources optimally to ensure the quality of our processes.

The overall aim of our enhanced powers is to:

- Instil a culture of accountability
- Improve the protection of resources
- Enhance public sector performance and encourage an ethical culture
- Strengthen public sector institutions to better serve the people of South Africa

Definition of material irregularity and expanded powers

Any **non-compliance** with, or **contravention** of, legislation, **fraud, theft** or a **breach of a fiduciary duty** identified during an audit performed under the Public Audit Act that **resulted in or is likely** to result in a **material financial loss,** the **misuse or loss** of a **material public resource,** or **substantial harm** to a **public sector institution** or the **general public**

MATERIAL IRREGULARITY

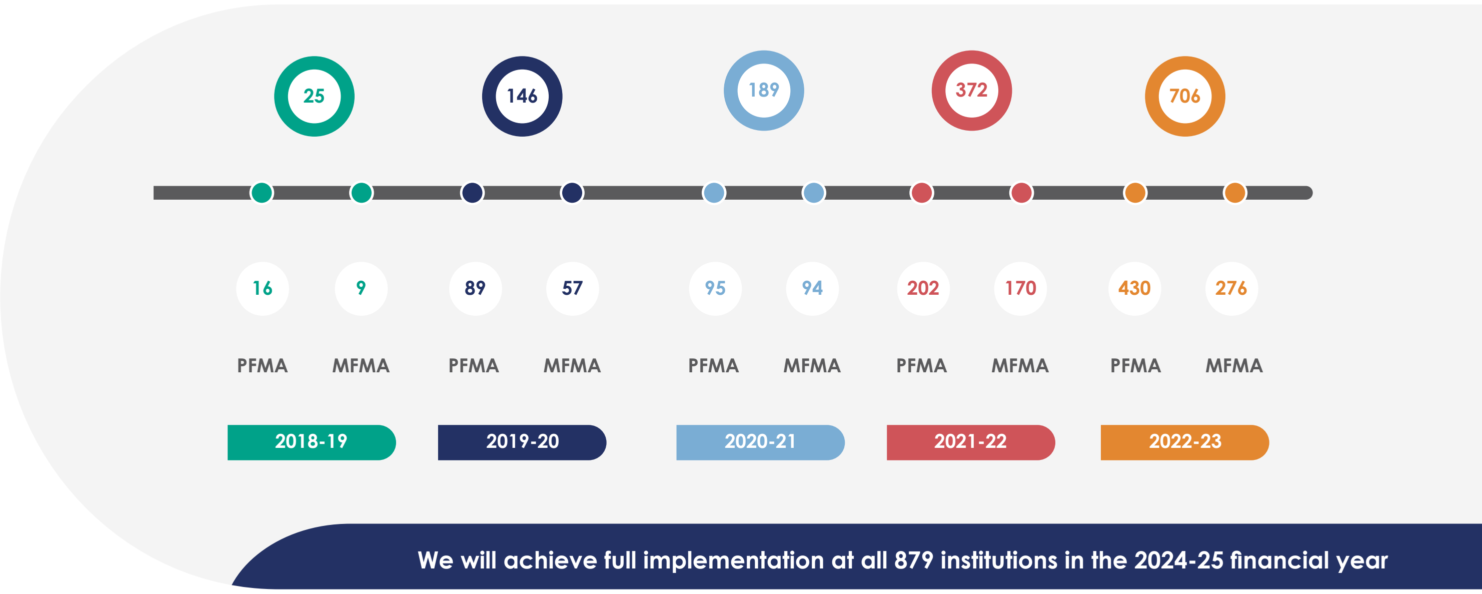
If the accounting officer/authority does not appropriately deal with material irregularities, our expanded mandate allows us to:

1. **Refer material irregularities**
   to relevant public bodies for further investigations
2. **Recommend actions**
   in the audit report to resolve the material irregularity
   Take remedial action
   for failure to implement recommendations
3. **Issue certificate of debt**
   implement remedial action if financial loss was involved

For more on our expanded powers and the material irregularity process visit the MI explained page on our website.

In 2022-23 we expanded our work significantly for the 2021-22 audit cycle by implementing the material irregularity process at 202 public sector institutions that we audit in national and provincial government and 170 in local government, in line with reaching our target of 42% breadth of implementation.

Our material irregularity implementation plan – an incremental approach



While expanding the breadth of our material irregularity process, we also began to focus on its impact.

Impact of MI process (PFMA 2021-22)

From inaction to action

179 material irregularities on **non-compliance and fraud** resulting in:

- 169 material **financial loss** (estimated R12 billion)
- 9 substantial **harm to public sector institution**
- 1 **misuse of material public sector resource**

No actions were taken to address **82%** of these matters until we issued notifications

Actions taken by auditees

- R636 m **Prevented financial loss** from taking place
- R509 m financial loss **in process of recovey**
- R14 m financial loss **recovered**
- 39 **Internal controls improved** to prevent recurrence
- 36 Responsible officials identified and **disciplinary process** completed or in progress
- 15 **Fraud/criminal investigations** instituted
- 5 **Stopped supplier contracts** where money is being lost

Impact of MI process (MFMA 2021-22)

From inaction to action

No actions were taken to address **87%** of matters until we issued notifications

Status of 182 active and assessed MIs

- 29 resolved MIs
- 103 **appropriate action** taken to resolve MI
- 50 **No appropriate action taken –** invoked our powers

Actions taken by auditees

- R150,55 m Financial loss **recovered**
- R18,85 m Financial loss **prevented** from taking place
- R310,16 m Financial loss **in process of being recovered**
- 46 **Internal controls improved** to prevent recurrence
- 58 Responsible officials identified and **disciplinary process** completed or in progress
- 14 **Fraud/criminal investigations** instituted
- 1 **Supplier contracts stopped** where money is being lost
- 15 **Outstanding financial statements** submitted

The statistics of assets recovered and losses prevented, and the change in behaviour, point to the success of the material irregularity process. At the same time, we enhanced the material irregularity methodology and guidance to streamline the process and strengthened our collaboration and relationships with public bodies such as the Special Investigating Unit (SIU) and the Public Protector. It is important to reflect that we have not observed any legal challenges emanating from the material irregularity process implementation, which is an indirect indicator of the good design and application of the process.

Collaboration between our regularity auditors and our specialised audit services helped to strengthen the quality of the material irregularities raised.

Our technical specialists developed or updated guidance to support the audit teams on a variety of topics, and specifically in areas where we are building expertise such as matters relating to substantial harm to the general public or a public sector institution, or misuse of a material resource.

We continued to mitigate against potential risks to our audit quality during the material irregularity process by subjecting selected audits to independent reviews, and widely sharing the lessons learnt throughout the organisation.

We established an MI think tank to continuously enhance the material irregularity process, explore potential macro-environmental based MIs and ensure better stakeholder relations and communication protocols.

Case Management System (CMS)

The CMS was a key milestone for the organisation as the system is critical for streamlining the material irregularity process, reducing audit inefficiencies and mitigating risks linked to the management of the large number of material irregularities as we increase the breadth of implementation.

The rollout of this system to the end users is in progress and we look forward to realising the intended benefits in the next financial year.

Challenges in the implementation of the material irregularity process

The challenges that hampered us included:

- Instability in public sector leadership positions
- Requests for extensions on implementation dates that caused delays in the material irregularity process
- Delays in investigations referred to public bodies
- Delays in public bodies signing memorandums of understanding (MoUs)
- Delays in obtaining information that extended the time auditors spent on an audit

Conclusion

The implementation of our enhanced powers continues with the intended speed and at the desired quality. Directly or indirectly, we have begun to observe that resources lost to the state have been recovered and consequences have been applied for wrongdoing. We are encouraged by the observed impact of our material irregularity process. Our intention is to review the process in its entirety, to assess the supporting policies and regulations, and to continue strengthening our capacity for implementation.

Our various platforms of engagement have helped increase stakeholders' understanding of the material irregularity process, our role in identifying material irregularities, and the responsibilities of other roleplayers. Multi-year audit planning and our work with various roleplayers in the accountability ecosystem are complementary mechanisms that we will widely leverage to identify and process impactful material irregularities.

Shift public sector culture

To address the twin challenges of poverty and inequality, the state needs to play a transformative and developmental role. This requires well-run and effectively coordinated state institutions staffed with skilled public servants who are committed to the public good and are capable of delivering consistently high-quality services, while prioritising the nation's developmental objectives.

If the public service is to deliver on its part of the constitutional promise, it must embrace a culture of performance, accountability, transparency and integrity. It is not until such a culture is entrenched within the public service that we will begin to see consistent, meaningful and sustained improvements in audit outcomes.

Shifting public sector culture requires us to enhance our effectiveness at pulling the appropriate levers within the scope of our mandate and resources. At the same time, we seek to forge and strengthen partnerships with, and exercise our influence on, stakeholders with the scope, mandates and resources to pull other levers in a manner that complements our efforts.

Establishing the existing cultures in our auditees' environments

During this period, we worked to establish the status quo, i.e. categorising the culture of our auditees based on well-defined, consistently applied indicators. We sought to reach a shared understanding of the definitions of performance, accountability, transparency and integrity.

These definitions will guide our assessment of the status of public sector institutions, determine the focus of our work to provide insight and apply the right level of enforcement, engage our stakeholders in the accountability ecosystem, and inform the way in which we express ourselves in our reports.

We also established the measurement principles, developed detailed plotting criteria based on our definitions and categorised them into four cardinal areas.

FINANCIAL MANAGEMENT

Deals with financial reporting and financial health (transparency and performance)

SERVICE DELIVERY

Deals with planning, reporting and delivery (transparency and performance)

COMPLIANCE

Deals with compliance with legislation (accountability and integrity)

ETHICS, FRAUD AND RESPONSIVENESS

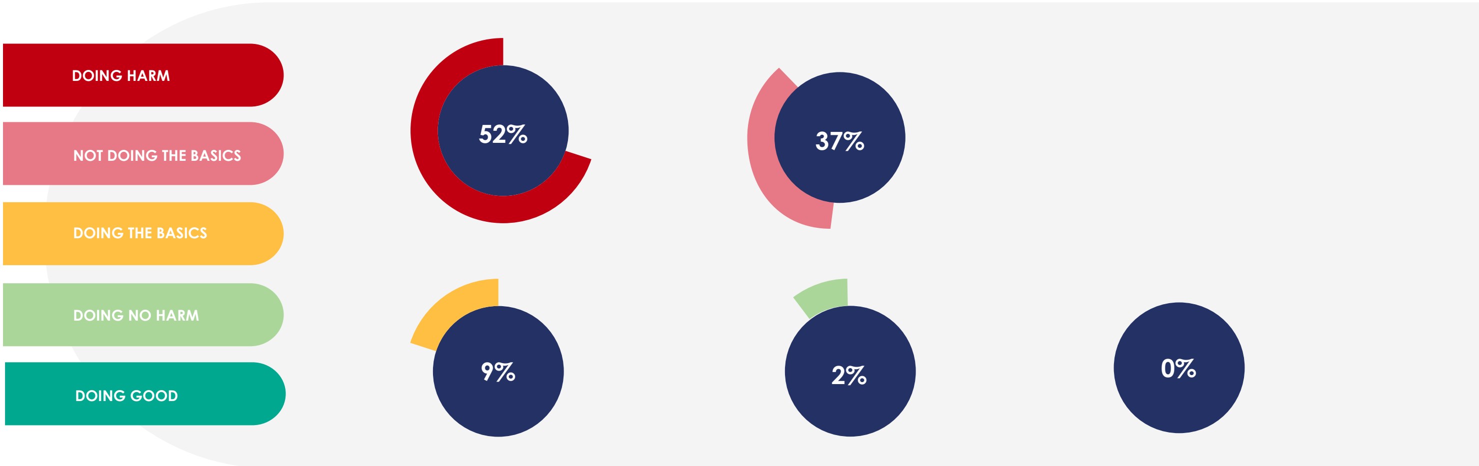
Combines most of the behavioural areas (accountability and integrity)

The categories of public sector culture form a culture shift continuum that spans from doing harm to doing good. These criteria for there categories are summarised as follows:

	Financial management	Service delivery	Compliance	Ethics, fraud and responsiveness
DOING GOOD	• Good financial health • Correlation between achievement of targets and use of budget	• All key service delivery performance targets achieved	• No non-compliance with legislation	• Strong ethical culture set by leadership • Controls in place to prevent fraud and corruption including cybersecurity controls
DOING NO HARM	• No/trivial budget overspending • Budget and grants spend in accordance with purpose • No/trivial fruitless and wasteful expenditure • No/trivial financial losses (including asset impairments and abnormal water/ electricity losses)	• High congruence between performance plan and mandate/ public expectations (including those identified through public participation) • Achieving 80% of key service delivery performance targets	• No/trivial irregular expenditure (excluding budget overspending) • No non-compliance material irregularities	• No fraud indicators or risk identified • No ongoing investigations by public bodies • No fraud/theft/breaches material irregularities • No/trivial unauthorised, irregular, fruitless and wasteful expenditure opening balance • High percentage of previous year audit recommendations implemented
DOING THE BASICS	• No material misstatements in submitted annual financial statements (unqualified) • Going concern	• Reported indicators and targets consistent with planning • Planned indicators and targets passed usefulness criteria • All standardised (C88/sectors) and medium term strategic framework indicators included in plans • Reported achievement and variance explanations in annual performance report reliable	• No material non-compliance with legislation	• Prior year unauthorised, irregular, fruitless and wasteful expenditure actioned • Accounting officer or authority implements commitments made
NOT DOING THE BASICS	• Material misstatements in submitted annual financial statements	• Material misstatements in submitted annual performance report	• Material non-compliance with legislation	• Repeat conflicts of interests findings • Material irregularities in recommendation phase • No/limited action on previous year findings on possible fraud or improper supply chain management conduct • Limited/inappropriate action on prior years' unauthorised, irregular, fruitless and wasteful expenditure
DOING HARM	• Annual financial statements not submitted • Disclaimer/adverse opinion • Creditors payment days > 120 days • Active institution (finance related)	• Annual performance report not prepared • Disclaimer/adverse opinion • Active material irregularities on substantial harm to general public or to public sector institution (performance related)	• Material limitation auditing procurement and contract management	• Material irregularities in remedial action/ certificate of debt phase • No action on prior years' unauthorised, irregular, fruitless and wasteful expenditure

We classified 422 institutions (228 institutions in national and provincial government and 194 in local government), which included metropolitan municipalities, municipal entities, coordinating institutions, and departments and public entities that play a significant role in a number of value chains. These were plotted against the approved criteria.

422 government institutions plotted



None of the institutions that we plotted managed to fall in the category of "doing good" and none of the local government auditees managed to achieve even a "doing no harm" rating. This sets the bar high, which is firmly consistent with our message that a shift in culture to performance, accountability, transparency and integrity is urgently required.

This is a tough starting position, given our ultimate vision for the success of our strategy: a minimum of 30% of institutions that we audit shifting to "doing good" by 2030, with less than 10% in the "doing harm" category.

Culture shift charter

We developed the culture shift charter as a tactical approach to driving at least 30% of the public sector institutions that we audit towards a meaningful and observable shift to "doing good" by 2030.

This mapping exercise is the first of its kind and we will continue fine-tuning our understanding and concepts as we implement our strategy. Engagement with the public sector institutions is paramount to creating individual, customised programmes for improving their unique cultures. Plotting and progress along the culture shift continuum will be included in the 2023-24 management reports.

The charter brings together cohesive and complementary strategic initiatives, outlines the levers for each strategic goal, and highlights the changes in our own organisational mindset required to enable a culture shift.

The key strategic initiatives outlined in the charter include:

INITIATIVE 1	INITIATIVE 2	INITIATIVE 3	INITIATIVE 4
Systematically positioning all institutions on the culture continuum	Crafting and activating the accountability ecosystem for specific group of auditees	Identifying coalition partners	Using differentiated audit methodologies to achieve optimum benefit for the auditee and stakeholders

The culture shift charter was designed to be implemented in the 2023-24 financial year, with further development and enhancements in subsequent years. For the 2022-23 cycle, we identified the insight, influence and enforcement levers for deployment in targeted value chains, metropolitan municipalities, intermediate cities, and among the disclaimer and clean audit clusters in local government.

Since a one-size-fits-all approach is not effective in changing public sector culture, our audit teams are customising the levers for each public sector institution, based on their indepth knowledge of the institution's environment, to ensure optimum impact.

The charter provides a detailed list of the levers; however, a few examples are presented below:

Insight:

We produced an integrated annual audit plan for the 2022-23 cycle to guide scoping, messaging, resources and tools for our audit planning, execution and reporting.

Influence:

We developed the public sector landscape to identify key roleplayers in government. This will assist us to direct our accountability messages to relevant stakeholders.

Enforcement:

We defined the concept of a high-impact material irregularity and developed principles to support our auditors in identifying impactful material irregularities. This was added to the material irregularity manual.

For the 2023-24 financial year, we expect to get buy-in and commitment from public sector institutions on walking the journey with us, to shift from where they are plotted to where they need to be. We will also develop and implement institution-specific action plans that detail the specific levers that need to be deployed for that institution, giving due consideration to the principles in the culture charter.

Conclusion

For the first time we have defined our understanding of the categories of public sector culture around the four aspects of performance, transparency, accountability and integrity. We have completed our detailed initial plotting of institutions that we audit from selected sectors and value chains.

We realise that the low starting point for the majority of our auditees may present a challenge to the achievement of our vision for the performance of the public sector.

We appreciate the clarity around such a starting point, as it clarifies programmes that we need to implement to not only support and encourage our auditees to move up the culture shift continuum but also to provide the necessary support to other roleplayers in the accountability ecosystem.

Plotting on the culture shift continuum is an iterative process. We will therefore schedule regular checkpoints to refine the defined criteria, to develop adequate processes and guidance for embedding the culture shift continuum concept. Individual plotting results will be discussed with each institution to allow them to create plans for improvement.

Sustainably

Financial performance

Our funding model is premised on the organisation being commercially viable and financially independent. This model ensures that our financial administration is sound, our cash flow is properly managed, and our internal controls, systems and processes are intact.

The organisation has leveraged the benefits of this model to remain solvent and cover operational and capital expenses, including our technology requirements.

We produced a fair set of financial results given South Africa's financial constraints, but look forward to audit efficiencies resulting in less audit work being assigned to private audit firms.

Audit income

Our actual audit income for the year ended 31 March 2023 was R4 583 million (2021-22: R4 395 million), representing a year-on-year increase of 4%. We managed to contain the increase in audit fees using efficiencies derived from pooling staff between national and provincial business units and continuous improvement in productivity and recoverable rates (own hours' revenue).

The pooling resources initiative is being institutionalised, realising R221 million (2021-22: R120 million) in audit income. This approach will allow us to increase revenue generation and optimise operating costs.

Towards the end of the 2022 financial year, we introduced the recoverable Ahluma centre. Through Ahluma, we could retain audit seniors or audit clerks and create opportunities for these young professionals to work with multiple business units and gain a diverse skillset.

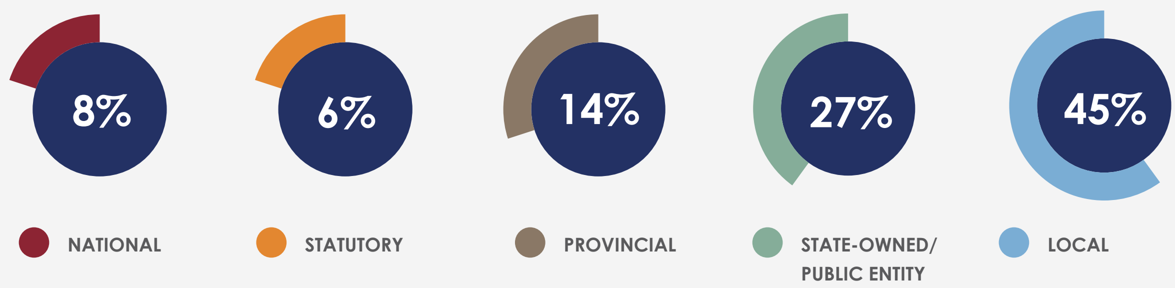
They, in turn, could contribute by executing our audits instead of private audit firms. In its three months of operation, Ahluma produced revenue that equates to a R20 million saving on outsourced private audit firms.

Our overhead expenses of R1 405 million are 19% above the previous year's expenditure of R1 180 million. The increase was mainly driven by inflation, personnel costs for capacitating some business units, course fees and study assistance, as well as key initiatives to support our #cultureshift2030 strategy. We are committed to keeping overhead expenses within budget by enforcing stringent spending controls and implementing cost-cutting measures to mitigate any potential income loss in the future.

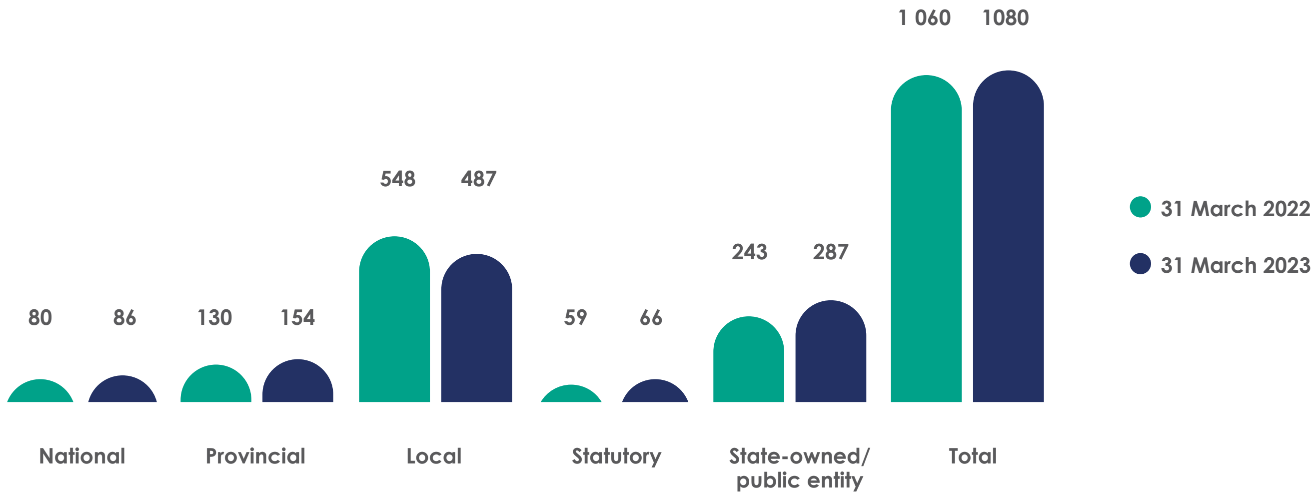
Working capital

In this financial year, we formed a credit watchlist committee to improve existing collection initiatives. The committee's primary responsibilities include managing the watch list (a list of all debtors with accounts that are 90 days past due), suggesting creative collection techniques including ringfencing and overseeing the litigation process.

The AGSA debt book closed at R1 080 million, up from R1 060 million in the same period last year, and represents 24% of total revenue (2020-21: 24%).



Percentage of debt owed at 31 March 2023



Of this debt, R371 million or 34% is owed for 120 days or more, mainly by auditees in financial distress.

The improvement in local government debt is due to our intensive collection activities, which entailed settling outstanding debt through ringfencing and our tighter collection target.

Debt collection

We anticipate that the quality of our debt book will improve as we continue to enforce collections in line with our accounts receivable policy and the PAA. We made notable strides in collecting debt by implementing the following strategies:

Debt collection strategies

- Enhancing our collection targets
- Continuing engagements with the National Treasury, which resulted in R76 million being paid to resolve the two-year funding shortage for 1% debtors. This was in addition to the R72 million received during the course of the financial year.
- With effect from 1 April 2023, we will receive the full 1% allocation from the National Revenue Fund. We estimate the amount we receive will increase from an annual average of R72 million to R123 million.

We continued to use ringfencing and litigation strategies to boost collections. We collected R60 million (2021-22: R53 million) through ringfencing agreements (R49 million) and short-term payment plans (R11 million). This project is still regarded as beneficial since it helps certain debtors catch up on previous debt while paying current debt.

Summary of the debt collected through ringfencing agreements

Financial year	Ringfencing agreements	Ringfenced amount	Amount paid
2022-23	11	R128 million	R60 million
2021-22	17	R107 million	R53 million

The effort to enforce debt collection through litigation collected R199 million, compared to R156 million in the same period last year.

Summary of the debt collected through litigation

Financial year	Litigation cases	Litigated amount	Amount paid
2022-23	55	R246 million	R199 million
2021-22	30	R231 million	R156 million

The payment of post-retirement medical aid liability

We partially paid the post-retirement medical aid liability by offering a buyout to 337 members (91%). The buyout, implemented in the third quarter of the financial year, contained a 20% bonus for accepting the offer. Of those approached, 258 members accepted the offer, which cost R42 million, including a R7 million bonus. Most of these were paid out in the 2022-23 financial year.

The post-retirement medical aid obligation of R49 million has reduced by R36 million (or 74%) to R13 million as of 31 March 2023.

Safety margin and net surplus

Working capital management is crucial to ensure that we have enough cash to pay our expenditure and debts when they fall due. Debt collections and paying our suppliers on time is also very important.

Our bank balance closed at R707 million (2021-22: R770 million), which translates into a margin of safety of 1,6 months compared to a target of 2 to 3 months. The buy-out process of the post retirement medical aid liability and settling more creditors to reduce our liabilities has contributed to the low margin of safety.

Our net surplus increased from R40 million in the previous financial year to R263 million. This increase was as a result of cost optimisation strategies as mentioned in this report. The increase in our net surplus will assist to preserve our liquidity and financial sustainability as we continue to navigate the difficult economic and fiscal challenges.

Conclusion

Our financial viability and independence will continue to be solid for the foreseeable future and will be able to respond well to unforeseen circumstances. Going forward, we will direct our efforts towards attaining our #cultureshift2030 strategic goals. This will necessitate improving our financial management system, automation and integrated business processes.

Human capital performance

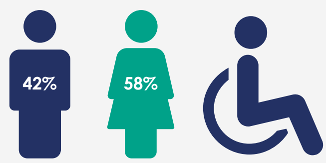
The AGSA invests a great deal of effort into acquiring and developing the type, quantity, quality and configuration of resources and organisational capabilities necessary to drive our public sector culture shift and high-impact outcomes.

AGSA workforce profile snapshot 2022-23

Total workforce – **3 688**
2 971 Audit staff
717 Support staff (incl. ABU support)

Total fixed term – **788**
742 Audit staff
46 Support staff

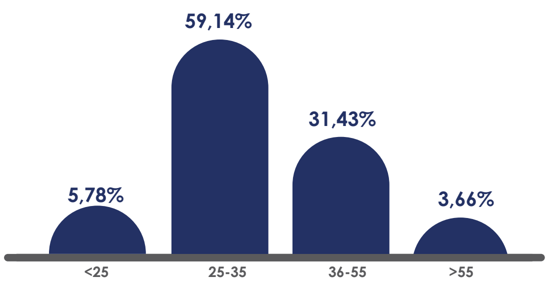
Employment equity



1,72%
0,28% below 2% target

	Q4 2021-22	Q1 2022-23	Q2 2022-23	Q3 2022-23	Q4 2022-23
Occupancy rate	84,82%	89,11%	87,24%	85,49%	86,49%
Number of positions	4 430	4 182	4 249	4 265	4 264
Number of employees	3 765	3 716	3 707	3 646	3 688
Vacancies	665	466	542	619	576

Workforce by age group



While our employee numbers decreased by 77 from last year's total, reflecting the limited number of CTA graduates in the market for our trainee auditor intake, our young professionals development programme resulted in an additional 162 newly qualified CAs(SA) who were supported during their qualification journey.

The staff voluntary turnover rate (excluding trainees and staff on short term contracts) was 9,98% for 2022-23. Although this reflects an increase of 4,11% from last year, it is in line with the industry benchmark of <10%.

Our staff remains our most valuable asset. Creating an environment to promote engagement and contentment will allow our employees to flourish and achieve their full potential, for their own and the organisation's benefit. We believe that promoting good health and wellbeing can be a core enabler of employee engagement and organisational performance. Wellbeing relates to all aspects of work life including physical, emotional, financial, social, career, community and purpose elements.

Promoting staff wellbeing

Informed by our business insight, we developed holistic wellbeing initiatives and interventions that could provide our staff with the tools to help them thrive, be resilient, safe and productive, and to improve their overall health and wellbeing.

We are on a continuous drive to foster an environment that enables employees to meaningfully contribute towards achieving our strategic aspirations. This means providing support for issues such as mental health, relationship problems, personal development, organisational and management issues, all of which continue to be prevalent, not only within the organisation but in similar industries and globally.

Understanding that the fear of not delivering and a rapid change in the new ways of working lead to more work-related anxiety, for both employees and leaders, we offered psychological support to empower them with better understanding of their locus of control. This intervention concentrates on the four elements of hope, efficacy, resilience, and optimism, all of which share an appreciation and positive evaluation of psychosocial events. The plan is to implement this initiative across the organisation by the 2023-24 financial year.

The corporate athletes programme is aimed at addressing executives' wellbeing concerns in a personalised way. This initiative was implemented to assist executives with their mental health and holistic wellbeing, and to embed the culture of wellbeing and value of care within our organisation.

LEADERS

- Corporate athletes
- Safety awareness

CULTURE

MANAGERS

- Managerial consultancy
- Prosilience sessions
- Fitness (body, mind and soul)
- Health risk

POLICY

EMPOWERMENT

EMPLOYEES

- Self and safety awareness
- Prosilience sessions
- Fitness (body, mind and soul)
- Health risk

HEALTH ENRICHMENT

FINANCIAL LITERACY

STRESS MANAGEMENT

CAREER PLANNING

Recruitment (talent acquisition)

The need to fill critical positions that impact the delivery of our mandate and strategic goal saw an increase in both internal and external appointments. Internal appointments of 351, reflect an increase of 75,5% from 2021-22 recruitment and 163 external appointments, excluding trainee auditors, were a 136% increase on last year.

The demand for graduates with Certificate in the Theory of Accounting (CTA) continues to increase and, post-pandemic, competition from international firms recruiting in the South African CTA market has grown bigger.

This necessitates more agility and innovation in our recruitment practices. We appointed 182 trainees with CTA: 148 trainees commenced their training in the fourth quarter of the 2022-23 financial year, while 34 are scheduled to begin in the first quarter of 2023-24. This year's intake reflected a decline of 19% (43 trainees) compared to the previous intake of 225 trainees in 2021-22.

In response, we have introduced new attraction initiatives, which will form part of our broader talent acquisition plan going forward. We will also, for the first time in 2023, introduce a midyear intake of CTA graduates to accommodate for the initial shortfall in resourcing our audit business units.

Our attraction initiatives include:

- creating awareness of the AGSA value propositions such as competitive salaries and benefits, professional development, promoting a positive work-life balance
- providing insight to our values to showcase a diverse and inclusive workplace culture
- following innovative recruitment strategies, such as our talent-centric social media messaging campaigns, industry-specific events, webinars, publications and targeted outreach to diverse online communities
- partnering with universities and industry-specific associations to attract the best-fit talent with diverse skills such as auditing, data analysts, forensic accountants, and information systems auditors
- organising campus recruitment drives, on-campus events, and industry-specific competitions
- showcasing the diversity within the workplace and its commitment to retention, upskilling and career development
- marketing the AGSA as the largest CA training programme in the world and acknowledging the responsibility we have to continue building the best CA(SA) talent in South Africa

To enhance innovation and diversify our workforce we appointed talented individuals to strategic leadership roles in the field of digital skills. These digital and analytical skills have enabled us to leverage tools and techniques to create a data-driven enterprise. The hidden value in data science and predictive analytics can streamline and optimise the way we work.

Employer of choice recognition

We were recognised as the employer of choice in the public sector for the third consecutive year in 2022. Being voted the top employer in the public sector by graduates showcases the AGSA as an organisation that provides an uplifting working environment for graduates entering the workforce.

Talent management and rewards

The culture shift strategy calls for diversified skills and capabilities. We identified the need to create career journeys for professionals, and redesigned the performance management framework to focus on career advancement and progression. We benchmarked salaries against both the national market and financial services and discussed the outcomes with remco. The work will be completed in phases in the 2023-24 financial year.

Comprehensive consultations about changes in the pay structure, possible policy/procedural changes and voluntary benefit structure (group risk benefits) will be held and alignment with other people management processes ensured.

Our organisational culture change journey

Our collective commitment is to build an enabling and supportive environment that sets the platform for the #cultureshift2030 strategy. One of the key focus areas during this performance year was on the development of a bespoke cultural change programme using a trust model.

Cultural change programme

We successfully developed the overall content and related toolkits for all our culture initiatives that have been rolled out on various platforms.

A big part of the programme was the introduction of the change leadership framework that encourages our leaders to build resilience and capability at the individual, team and organisational levels to anticipate, prepare for and adaptively respond to constant change.

Learning and development

Employee training

Our training hours reduced this year, with employees spending on average nine hours less on training. We halted technical training for six months while the updated audit methodology for the ISQM 1 was being developed. We expect training hours to increase significantly with the updated methodology and the #cultureshift2030 strategy.

With a notable increase in the resignations of our state-owned enterprise auditors, our need for basic training in this area grew exponentially. In total, 549 employees attended 6 061 hours of state-owned enterprise training. Our plan over the next financial year is to develop initiatives that will ensure the sustainability of this capability.

Leader training

The executive and leadership development programmes (EDP and LDP) saw a steady stream of graduates with 27 executives graduating from the EDP and 114 leaders completing the LDP.

The first 10 students in the LDP train-the-trainer model have completed their training and will focus on facilitating the manager development programme in-house. This will save money on external trainers, upskill our employees and lead to consistency in training.

Young professional development

The management of our trainee auditors' path through their training is done against a well-considered tactical plan, which has been in place since 2021. Our support is for the chartered accounting, information system auditing and forensic auditing disciplines. The number of our young professionals decreased from 1 151 in the prior year as a decision was made to focus recruitment on trainee auditors with a CTA in 2023, which limited the annual intake.

We countered the lack of entrants with CTA by retaining a large number of those who had already completed their learnership. The numbers of auditors on the Certified Information Systems Auditor (Cisa) learnership decreased from 36 in 2021-22 due to a deliberate decision to pause while we take time to define our information systems audit strategy.

Young professionals in training at the AGSA

Ethnic group	Total (Male)	Total (Female)	Saica (Male)	Saica (Female)	Isaca (Male)	Isaca (Female)	ACFE (Male)	ACFE (Female)
African	300	471	287	446	7	15	6	10
Coloured	12	24	10	24	2	0	0	0
Indian	8	8	8	8	0	0	0	0
White	4	1	4	1	0	0	0	0
Total	**324**	**504**	**309**	**479**	**9**	**15**	**6**	**10**
Total M&F	**828**		**788**		**24**		**16**	

In the 2022 academic year, exco approved a special CTA study support programme for trainee auditors. We invested R4,9 million (excluding lost revenue) in the programme which resulted in a humble 30% success rate for our AGSA candidates. We are now working on a more appropriate offering for the existing trainee auditors who are studying towards CTA. At Unisa, from which we source candidates with CTA, only 53 candidates passed nationwide (15% were from the AGSA). We are reconsidering the continued use of this programme.

The Assessment of Professional Competence (APC) is the final test of competence in the chartered accountant journey and the penultimate exam. A total of 239 of our candidates succeeded, the third largest contributor to successful candidates in the country, i.e. 9% of successful CTA candidates come from our training programme. This proportion has increased steadily in the last four years.

Year	AGSA	Saica	% Of total
2019	149	2 024	7,36%
2020	61	1 653	3,69%
2021	308	3 549	8,68%
2022	239*	2 711	8,82%
TOTAL	757	9 937	

*These candidates were in the AGSA's employ as at 31 March 2023

Just at the end of the financial year, 31 March 2023, Saica released the Initial Test of Competence (ITC) results. Our candidates achieved a 53% pass rate (those writing for the first time achieved an 85% pass rate).

Currently, we employ a sizeable cohort of audit professionals:

	Total		Acca		Saiga		Cisa		Saica	
	M	F	M	F	M	F	M	F	M	F
African	426	530	8	9	143	181	19	35	256	305
Coloured	48	31	1	1	13	6	3	1	31	23
Indian	61	45	2	2	20	11	5	1	34	31
White	112	85	5	5	55	26	11	4	41	50
Foreign	6	6	3	3		1			3	2
Total	**653**	**697**	**19**	**20**	**231**	**225**	**38**	**41**	**365**	**411**
	1 350		**39**		**456**		**79**		**776**	

Bursary scheme

The AGSA external bursary scheme provides financial assistance to potential AGSA employees who are keen to pursue a career in the accounting and auditing profession. The scheme enables us to have access to skilled professionals for the execution of our mandate and strategy, as well as to support the transformation objectives of the chartered accountancy profession.

During the 2022-23 financial year we distributed R5,4 million to 36 academically gifted young people and provided opportunities to persons with disabilities, candidates selected from our schools support programme, as well as AGSA employee family members.

The Thuthuka development fund administered by Saica provides all-round, holistic support to talented African and coloured students who want to become chartered accountants. The AGSA-Thuthuka partnership continues to highlight the importance of the AGSA as a formidable training institution in the public sector.

We contributed R11 497 125 to Thuthuka for the 2023 academic year. In return, 32 Thuthuka candidates began their articles with the AGSA in 2023.

Transformation

Our transformation journey continues to evolve and, in support of our strategy, goes beyond compliance; we aim to contribute meaningfully towards building an inclusive society that is characterised by equitable opportunities for employment that embrace a diversity of skills, procurement processes that drive inclusive growth, strong partnerships with non-governmental organisations and community uplift programmes that reach the most vulnerable groups in society.

We have maintained a level 1 B-BBEE recognition status for the fifth year. Our success is attributed to ongoing commitment from our staff and leadership on this transformation agenda.

We continue to strengthen messages of diversity and inclusion through our employment equity forums. Webinars have become an important way of educating and empowering staff on matters such as prevention and elimination of harassment in the workplace, equity deviations and other difficult topics continue to be an area of focus.

In addition to building skills in the auditing and accounting professions, our trainee auditor scheme also aims to contribute positively to youth employment through our learnership programmes. We are accessing opportunities to partner with non-governmental organisations that support youth employment initiatives. Possible risks associated with such partnerships are actively managed.

Our contribution to socioeconomic development focuses on investing in educational programmes, social relevance and strategic relationships. Our school programme as well as our corporate social responsibility initiatives remained constant. Our donations to people affected by floods in the KwaZulu-Natal and Eastern Cape partnership with the Red Cross made a real difference.

We are investing in strategic relationships on transformation matters with professional bodies, audit firms and some of our auditees.

Achieving targets for employing people with disabilities remains a challenge. The matter is receiving our highest attention. Similarly, cost containment measures impact the availability of funds for training.

Enterprise and supplier development (ESD)

The objective of our ESD programme is to accelerate growth and the sustainability of black owned enterprises in the auditing and accounting industry by providing financial and business support to help qualifying companies overcome obstacles and increase their market competitiveness, and ultimately to create jobs and become sustainable.

The ESD programme runs over a five-year cycle. In March every year, ESD beneficiaries are assessed to determine which will proceed with the programme. In 2022-23, 24 firms began the programme.

Pamag Inc. a black women-owned firm graduated to supplier development. The assessment for firms ready to graduate out of the programme is still in progress and will be finalised before the new tender cycle.

The overall budget for the ESD programme for 2022-23 was R3 million, and was used in full. The main support provided to the firms aimed to align their operational infrastructure with our specifications.

Firm name	Amount spent	Reason for support provided
Masa Inc	R425 000	• New office set-up for new branch
NUE Inc	R875 000	• New office set-up for new branch • IT equipment • Networking • Software and infrastructure • Office furniture and fittings for the new office
Thamani Inc	R600 000	• IT infrastructure for new office
Pamag	R435 000	• New office set-up for new branch
Mpako Harvest	R400 000	• IT equipment and office equipment
Maine Inc	R265 000	• IT infrastructure • Purchase of laptops

Employee relations

CCMA disputes by outcomes

- 7 disputes, which is fewer than last year
- 3 are still ongoing
- 3 were in favour of the AGSA
- 1 was withdrawn by the employee.

Our employee relations root cause analysis helps support business with proactive interventions for identified misconduct to avoid recurrences. Such interventions further drive an internal culture of transparency, care, trust, and accountability.

Working hard to address the identified triggers and prevent disputes, bolsters employee morale and ensures legal compliance.

Technology

Repositioned ICT function

Our ICT function underwent a series of changes in 2022-23 to form a sustainable technological foundation for our #cultureshift2030 strategy. The ICT function now forms part of the Digital and Technology Office (DTO) portfolio and delivers based on the approved novel DTO strategy, which aligns our technology investments with our strategic priorities.

It is built on four key pillars for supporting and enabling the organisation:

- enabling data-driven decisions
- strengthening our core operations
- improving our customer and user experience
- automating our business to bring about efficiencies

The strategy reinforces our ability to adapt and thrive in the ever-evolving digital landscape, emphasises innovation, strengthens cybersecurity and promotes agile IT governance.

A new strategic enterprise architecture and a revised ICT operating model and structure drove the formation of a future-fit unit with the right mix of IT skills. We are delighted to reflect that by March 2023, the ICT unit had filled 98% of all vacancies and is fully responsible for our IT infrastructure, its operations and supporting processes.

Major ICT strategic projects for the year included:

- **Audit software programme**
  – an audit software solution that facilitates efficiencies and elevates the quality of our audits and reporting
- **Information technology service management tool**
  – an industry-leading cloud-based system to manage ICT service desk requests and radically improve the way ICT resolves these calls
- **Mimecast services**
  – aimed at an improved overall security
- **Firewall replacement**
  – to improve security

Resolving IT audit findings

We resolved 96% of ICT audit findings due in March 2023 in a significant improvement from previous years. The security environment was also improved to include the following:

- Security plan and user awareness programme to ensure the confidentiality, integrity and availability of AGSA assets, as well as protecting the privacy of our stakeholders
- ISO 27001 adoption readiness and Control Objectives for Information and Related Technologies (COBIT) assessments were included into the security plan
- Granting of access rights to authenticated users as well as ports and sites by the improved firewall
- Network level authentication on all servers to reduce the risks of denial-of-service attacks on our environment
- Monthly security patches deployed to all operating systems except during freeze periods
- Security operation centre service by external party to detect and prevent any malicious activities on the network
- Prevention of malware and intrusions from external sources and to report exceptions through antivirus with network intrusion prevention signatures on all our servers
- Encryption of the access from the web browser to the web server application and database
- Backup and daily backup checklist.

The unit is working on getting to the maximum resolution of audit findings and maintaining the clean control environment. Cyber and data security improvement is an ongoing process through the implementation of the approved cybersecurity plan.

A new digital transformation unit

The objective of our new digital transformation unit is to transform the business by using fit-for-purpose technologies. This will result in automating business operations, insight and unlocking efficiencies to create a sustainable business model.

The core strategic objectives include:

- collaborating to identify organisational initiatives that extract business value from technology investments
- implementing software robotics that mimic user behaviour and connect multiple fragmented systems and sub-processes through automation
- implementing business intelligence and analytics
- leveraging technologies to give machines the ability to sense, comprehend, act and learn to mimic and expand human capabilities
- migrating relevant applications and data to the cloud with minimum disruption to business operations.

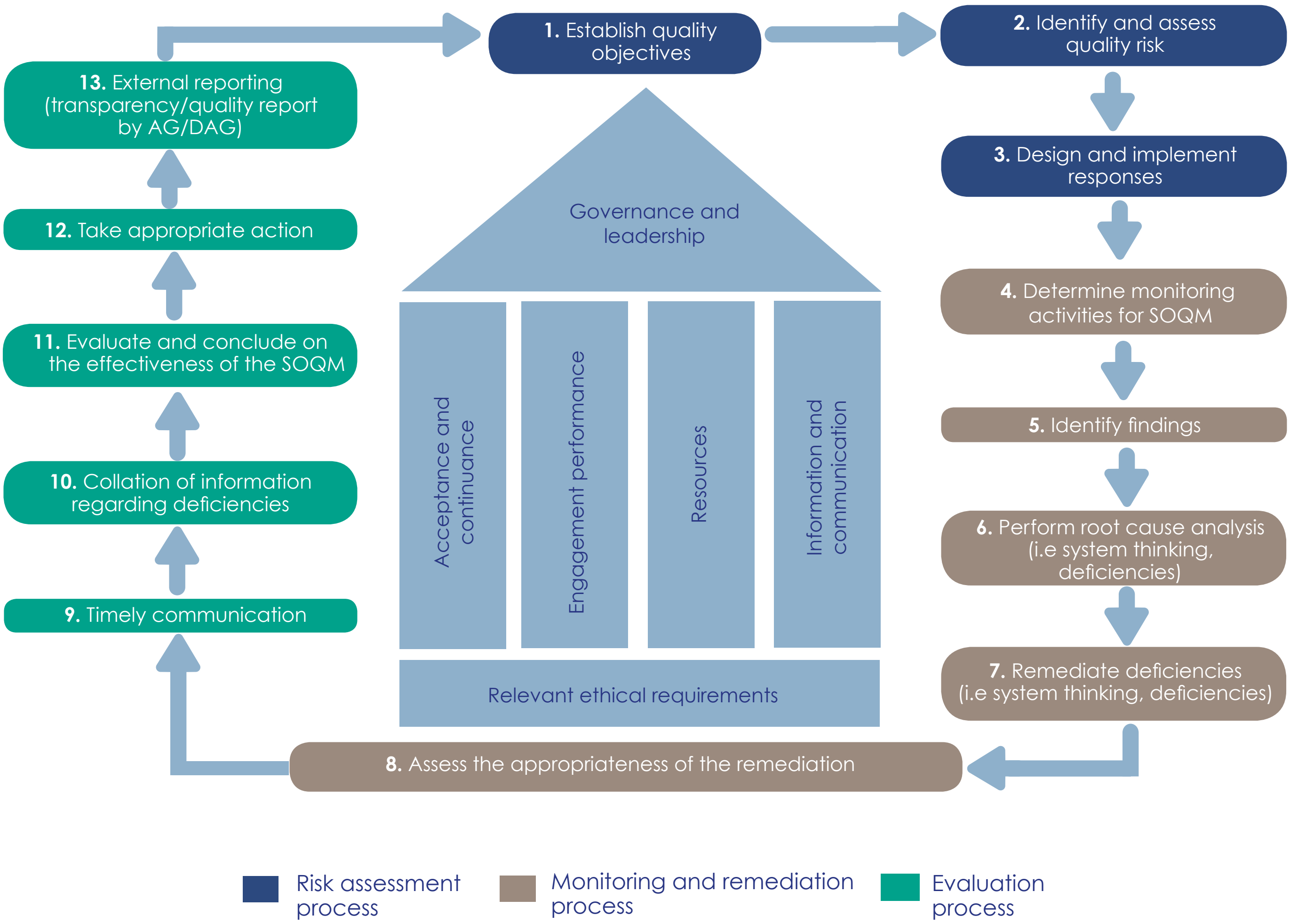
Audit quality management

Ensure high quality of our audits

The quality of our audit work continues to be paramount as it ensures the credibility of our opinions and enhances our reputation. The work that we produce attracts significant attention, both from our auditees and from the public. We are mindful of the reality that our products and processes may be subject to increased scrutiny before the courts. We therefore make quality audits our priority.

System of quality management

The new ISQM standard came into effect on 15 December 2022. To comply with and adopt the standard within the prescribed timeline, we developed an effective system of quality management.



We used a project management approach to implement the ISQM to ensure that we were business ready to comply with the standard by the effective date. While we experienced challenges, we became ISQM compliant ahead of the 15 December 2022 deadline.

The ISQM 1 implementation required a mind shift in how we navigate from a perceived reactive and negative quality control space to new ways of managing quality that is proactive, preventative and ensures collaborative engagement and accountability.

We conducted a comprehensive and iterative change impact assessment and prepared for applying the ISQM by training staff on the principles to strengthen systems of quality management.

This training reached 3 414 participants who spent a collective 6 690,17 hours on our eLearning platforms on the learning management systems (LMS), with a pass rate of 89%.

The information systems audit reimagine project aimed to redesign the current operating model and structure by conducting a skills gap assessment to ensure that the unit has the relevant future-ready IT auditing skills to meet the emerging technology demands and business needs. This project will continue into the 2023-24 performance year.

ISQM

Establishment of ISQM dedicated website for sharing the project implementation efforts and raise awareness

10 key policies linked to WSLL enhanced and approved

93% of AGSA staff completed ISQM training and related assessments

17 process owners' business units successfully completed deliverables (100%)

outsourced audit firms workshop held in support

One on one engagements with outsourced audit firms to close gaps identified

5 audit methodology chapters updated

10 working papers templates updated

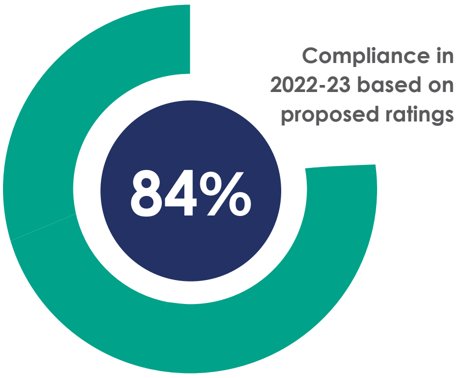
10 guides and process documents updated

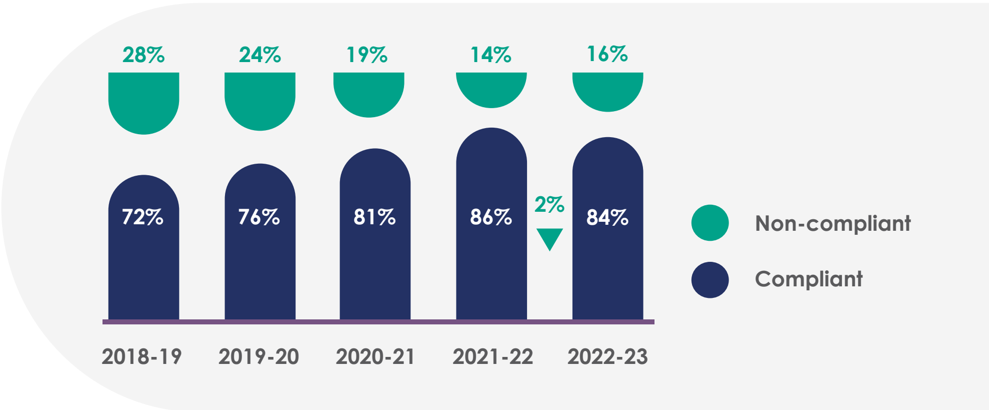
Initiatives to improve audit quality

- **Audit quality indicators**
  – provide an early warning of potential threats to audit quality
- **Proactive audit quality reviews**
  – conducted by our technical audit support staff on specific areas in the audit files where audit quality risks have been identified to influence higher quality audit files. The audit teams resolved these findings prior to signing off the audit reports. Details of these findings were also shared across the organisation to ensure that similar audit quality matters are addressed on audits that did not undergo a proactive review
- **Remediation process**
  – to ensure that we have relevant, reliable, and timely information about the design, implementation and operation of the SOQM, and to take action to prevent findings from reoccurring

This year we subjected 64 audit engagement files for 63 engagement managers to a post-issuance quality review. We are proud to announce that we achieved a rating of 84% compliance with engagement quality standards for the 2022-23 performance year.

While this is a decline of 2% from our rating in the previous year, it is within the targeted achievement of 80% or more. We intend to improve on this year on year as we mature in the SOQM.





Overall, there has been a gradual and sustained improvement in the quality outcomes over the past five years, which can be attributed to our investment in specific initiatives that have been implemented and embedded in the organisation over the years.

Risk management

Strategic risks

The organisation's risk management processes are an integral and a fundamental tool for enabling organisational objectives and delivering on our strategy. During 2022-23, and as a consequence of the introduction of the ISQM 1, we reviewed and enhanced some policies and procedures – including our risk management policy – primarily to ensure that organisational risk management processes remain robust and proactively responsive to emerging environmental factors.

In developing and implementing the culture shift strategy, we set out to proactively identify strategic risks and implement measures to mitigate against the potential threats to the achievement of strategic objectives. We identified six strategic risks, including at the audit committee level, which has the ultimate responsibility of approving the strategic risk profile.

We are pleased to note that across the organisation and its various structures, there is an established culture of risk consciousness and intelligence. We believe that our collective attitude to risk management will safeguard the organisation and ensure its sustainability into the future. As depicted below, when the strategic risk profile was revised, a deliberate effort was made to ensure that there was an alignment between the strategic risk profile and the #cultureshift2030 strategy and its pillars or elements.

While the strategic risk profile has not significantly changed from last year, the average exposure associated with the six risks has increased, with none of the risks rated as low.

The risks are mostly influenced by the following factors:

- Emerging environmental factors as a result of our scanning exercises
- Continuous risk identification and risk monitoring
- An assessment of performance indicators
- An assessment of our risk appetite measures.

We continuously identify, evaluate, mitigate and report on risks as an important element of the overall risk management approach. We also continuously review and monitor the mitigations. The table below outlines the key responses attached to the strategic risks. Some key responses are initiatives to the #cultureshift2030 strategy.

Risk description	Key response
Failure to remain relevant (high-impact outcomes) with regard to our product, insights or messages as well as our proactiveness	• Establish stakeholder sentiment baseline about our contribution to the accountability ecosystem in the public sector • Formulation of a public sector culture baseline and related culture shift action plans • Plotting of auditees on the culture continuum
Unfavourable employee experience impacting on the delivery of the mandate	• Establish a healthy and enabling organisational culture strongly expressive of the organisational values • Establish and maintain target operating model • Develop and implement an effective resourcing management model
Negative financial viability	• Review and redesign the organisation's funding model • Acquisition of a fit-for-purpose audit software, to enable efficiencies • Establish and maintain target operating model
Negative impact on the credibility of the AGSA	• Ethics maturity assessment to demonstrate high level of ethical behaviour and being seen to be ethical by stakeholders
Slow response to information technology needs impacting on efficiencies and achievement of organisational objectives	• Implement an enterprise architecture framework and principle • Develop and enhance enterprise and audit process technology
Non-adherence to quality standards	• Develop and enhance audit processes, methodology and framework • Periodic evaluation of the system of quality management (ISQM), and implementation of remediation process where appropriate

In view of the above, and other mitigations on the strategic risk profile, we are satisfied that when implemented, the initiatives will enable the organisation to achieve its strategic objectives.

Managing ethical and independence risks

Our approach to building a strong ethical environment and influencing ethical behaviour in the auditing profession and in the environment in which we operate is guided by our dedicated ethics strategic programme. Through it we strengthen our leadership's ability to deal with ethical issues and create mechanisms by which we will make our employees feel more valued and ensure that all AGSA employees, stakeholders, auditees and contractors adhere to and are held to the same standard of ethical conduct that is beyond reproach, in fact and in perception.

We proactively identify and respond to ethics risks by creating and sustaining an organisational environment with a common understanding and application of the AGSA's ethical principles, with the specific goal of strengthening the character and ethical resolve of our employees to be steadfast against temptation and undue influence.

The International Ethics Standards Board for Accountants (IESBA) and the International Standard for Supreme Audit Institutions (ISSAI) 130 inform our ethical stance and are the foundation of our ethics management programme.

Our employees' personal interests are captured and managed through our declarations system and are monitored quarterly via exception dashboards.

The compliance rate for the 2022-23 financial year is 99,7%. The declarations outstanding as at 31 March 2023 relate to employees on maternity, sick and unpaid leave, who are expected to comply upon their return to duty. One outstanding declaration relates to a new member of staff whose details had not yet been captured on the system.

We had two confirmed ethical breaches for the year:

Summary of allegations	Ethical breach and actions taken
Complaint regarding the unfair allocation of work to a CWC firm	• The employee overlooked a specific private firm for the allocation of work • Management implemented the recommendation in response to the outcome of this investigation
Suspected fraudulent payment of an employee's salary into a third-party bank account	• The employees did not follow processes in the bank verification and payment for this amount • Management implemented the recommendation in response to the outcome of this investigation

The current ethics initiatives have allowed the organisation to instil adequate ethics risk management processes and to reach an AA maturity rating. The ESP intends to move the maturity rating to an optimal AAA.

The ethics programme also included ethics engagements with the firms contracted to perform audits on behalf of the AGSA and will be continued to ensure adherence, with the relevant provisions included as contractual obligations.

Organisation's risk culture

In response to the organisational risk culture survey conducted in quarter 2 and 3, we have drafted a training and change plan that will be rolled out over the 2023-24 performance period.

Some of the interventions that will be rolled out include the following:

- Hosting risk management workshop, that will be open to all our key stakeholders
- Facilitating a risk champion awareness initiative; that will include clarity on their roles and responsibilities and how to apply the risk management process within their business units
- Supporting the champions with their responsibilities, to enable them to realise their risk management goals (given that risk management is included as a performance measure in their IPCs)

Furthermore, a fraud risk assessment was developed after a fraud risk survey was performed with representatives from business.

Status of audit findings resolutions

Of the 39 findings from internal and external auditors issued in the 2022-23 financial year, 28 (72%) were issued to the ICT function, mostly as a result of issues identified during the IT security review, undertaken by the internal auditors. The other 11 (28%) were issued to the Finance and Risk and Ethics units.

Of the 39 findings, 27 (69%) have been resolved and 12 (31%) are in progress. It should be noted that one finding emanating from the IT security review, which has previously been closed, has since been reopened given that a vulnerability scan indicated that the finding was not resolved sustainably. The team is investigating a sustainable remediation action.

Although this gives us a level of comfort, we remain conscious of all identified issues and their related root causes. Most of the issues are because of late approvals (time) and movements of assets. It should be noted that the identified issues are usually resolved within 30 days.

We are therefore reasonably comfortable that exceptions are generally detected early and resolved timeously. In line with the organisation's digital transformation and automation efforts, the internal controls monitoring function is looking forward to implementing and embracing a new robot and a digital form to assist with improving efficiencies.

Adequacy and effectiveness of our internal controls

With the internal controls monitoring process, we have a notable reduction in the level of reported exceptions, at 406 (40%), demonstrating a significant improvement in adherence to defined internal controls, policies and procedures.

Status of compliance with the laws and regulations (mandatory or elective)

Our regulatory universe has no significant changes. We do not have legislation, standards or codes rated either critical or high; implying that our process on compliance management remains adequate and effective to mitigate against regulatory compliance risks.

Complaints statistics and trends

During 2022-23 we received 98 complaints. These were assessed and broken down as follows:

Out of scope	Number
Referred to relevant authority	46
Audit tip-offs	18
TOTAL	**64**

The majority of complaints are still reported through the AGSA's website (58). However, most of these are classified as out of scope and are reported on this platform due to the accessibility of the website or the public's misconception of the AGSA's role.

The remaining 34 complaints were in scope. These were broken down as follows:

In-scope	Number
Audit related complaints (Category 2)	10
Combination of conduct and audit related (Category 2 and 3)	2
Conduct and administration of the office (Category 3)	22
TOTAL	**34**

Changes to the complaints policy

On 1 November 2022, the new dispute resolution policy came into effect to address audit-related complaints. The scope of the dispute resolution policy is to address disagreements between the audit teams and those they audit, where these disputes are not successfully resolved by audit business unit leaders. These complaints will be resolved by the complainant escalating the matter to the head of portfolio of the respective audit team for efficient resolution.

Promote the whistleblowing channel

Our whistleblowing platform remains an effective channel to report complaints relating to the conduct of AGSA employees and the office administration. This is enabled by the whistleblowing platform being completely anonymous.

In addition, our other channels to report these irregularities include:

- The AGSA website
- A dedicated AGSA ethics email address (ethics@agsa.co.za)
- Stakeholder walk-ins (particularly at the head office building)

Effectiveness of reporting channels

Whistleblowing cases received from speak-up		Cases received from the AGSA website		Cases received from direct email and walk-ins	
In-scope	Out-of-scope	In-scope	Out-of-scope	In-scope	Out-of-scope
15	5	4	54	15	5

Fraud prevention framework

The fraud prevention implementation plan was approved in July 2022 to support our Fraud Prevention Framework. The plan contains specific activities that were rolled out to the organisation to prevent the occurrence of occupation fraud. The majority of these activities have already been completed with the remaining activities being carried over into the new financial period.

Management of legal risk

Our ability to sustainably impact the lives of South Africans relies to a great extent on our independence. Attacks on our independence manifest in various forms. One is to disrupt our work and bring the credibility of our products into question. Our legal team is tasked with the responsibility to predict, prevent, identify and mitigate all legal risks that threaten our independence. Once a threat has materialised, the legal team defends our cases before the courts.

A change in legislation, court rulings that alter the law as we knew it, complex commercial transactions and employee concerns all create some form of legal risk or threat for the organisation. The most prominent, and possibly the most harmful are legal attacks on our audits.

During the 2022-23 financial year, our legal team identified jurisprudence and changes in legislation that affected our operations and the manner in which we execute our mandate. Our approach to these developments is one of proactive analysis and early preparation of the environment to ensure minimum risk of non-compliance when the changes in law take effect.

When considering legal risk in the context of our audits, we have sharpened our ability to resolve disputes as soon as they arise, or as early as possible thereafter.

Judicial review proceedings against our audit products not only compromise our ability to meet our legislated deadlines, but also threaten the institution's guaranteed independent role in ensuring accountability, transparency and timely oversight by those charged with that responsibility. In 2022-23, the AGSA did not face any commercial legal attacks. We experienced legal challenges in the employment relations discipline and a handful of audits came under legal scrutiny.

The chief people officer (CPO) case

In June 2022, the former chief people officer (CPO) threatened the auditor-general with exposure of alleged 'wrongdoings' in exchange for financial rewards in a material ethical breach. The deputy auditor-general ordered an independent investigation by a prominent law firm, Bowman Gilfillan, into the threat and allegations. During the course of the investigation, the CPO's former employer shared information that indicated several acts of impropriety by the former CPO, acts that he never declared to the AGSA during or after his appointment. The CPO was charged in a formal disciplinary hearing with gross misconduct, breach of his suspension conditions and gross dishonesty. He was subsequently dismissed and his services at the AGSA terminated on 28 September 2022.

The Road Accident Fund (RAF) case

We highlighted in last year's integrated annual report the Road Accident Fund's (RAF) judicial review of our 2020-21 audit report. The RAF has subsequently withdrawn its appeal against the high court order allowing publication of the report. However, the RAF persists in challenging the auditor-general's decision to issue a disclaimer of opinion for the 2020-21 audit. The judicial review is set down for argument before the high court, and there is still no sign of withdrawal of the case.

The RAF's continued use of its accounting policy, based on an inappropriate standard, led to another judicial attack on an urgent basis to prohibit the auditor-general from publishing the 2021-22 audit report.

In dismissing the RAF's application, the court confirmed two fundamental principles:

- A legal attack against the submission of an audit report unduly hinders the auditor-general from performing her statutory duties and amounts to interference and, unless exceptional circumstances existed, would infringe on the principles governing the separation of powers.
- The Constitution demands swift, accurate and transparent reporting on the financial affairs of public entities. This requirement for transparent reporting, the judge argued, was even more acute in the current state of concern regarding the governance of public entities in the country.

Legal challenges are not only time consuming and costly, but also disrupt the normal course of the oversight process.

Legal challenges against the AGSA don't always originate from disagreement with the way we work or the results of our work. During the current reporting period, Sakeliga NPC brought an application in terms of the Promotion of Access to Information Act, 2000 (PAIA) to gain access to the management reports of 154 municipalities for the financial years 2015 to 2022. Sakeliga also applied for an order to instruct the AGSA to make all management reports public going forward. We opposed this application on a number of grounds, including the impact that such orders would have on the ability and appetite of auditees to share information freely with the auditors. The high court ruled in our favour and confirmed that the Constitution did not require us to make our management reports public.

We encourage the users of our reports to engage in the rich information we report in our general reports. Our general reports contain auditee-specific insights that are adequate for the exercising of the rights of groups and individuals.

Conclusion and looking ahead

Our chief risk officer and his legal team identified and mitigated the legal risk that the institution faced, and safeguarded our ability to exercise our calling independently and without fear, favour or prejudice. We remain focused on closing the RAF review proceedings in respect of the 2020-21 and 2021-22 financial years and to keep our stakeholders informed. We similarly hope to close the review proceedings brought by the member of the executive council of the Department of Small Business Development, Tourism and Environmental Affairs (Destea).

We plan to review our litigation strategy during the course of 2023-24. The aim of this initiative is to ensure integration of our legal processes with the new audit dispute resolution process. The overarching aspiration is to eventually be free of any court challenges against our audits. This is not a pipe dream, if all relevant roleplayers in the ecosystem guide our auditees, support them, monitor their actions and use their enforcement powers in deserving cases.

Efficiently

To operate efficiently we must use our existing resources to create greater value. However, to measure this value and the success of our efficiency drive, we must first establish baselines against which we will measure that success. The ultimate aim is to be able to use the same resource base to add greater value and impact while lowering the cost and effort of creating that value.

Establish the organisation's productivity and efficiency baselines

For this assessment we used the concept that productivity equals creating value. Increased productivity results in creating more value with the same resources or creating the same value with fewer resources.

The AGSA's total productivity (output) is a result of many interlinked factors and a reflection of our business model.

The business model processes include our practices to optimise efficiencies in the people, processes, systems and capital (tools) areas.

Depending on the focus of the work, we have established various productivity and efficiency baselines. The overall productivity baselines include:

Audit income: R4 583 million
Own hours income: R3 502 million

Outsourced audit work: R901 million

Overheads: R1 405 million or 40,1% of own hours income

Direct costs: R3 015 million or 86,1% of own hours income

Total staff remuneration: R2 554 million or 72,9% of own hours income

Gross profit: R1 567 million
Gross profit margin: 34,2%

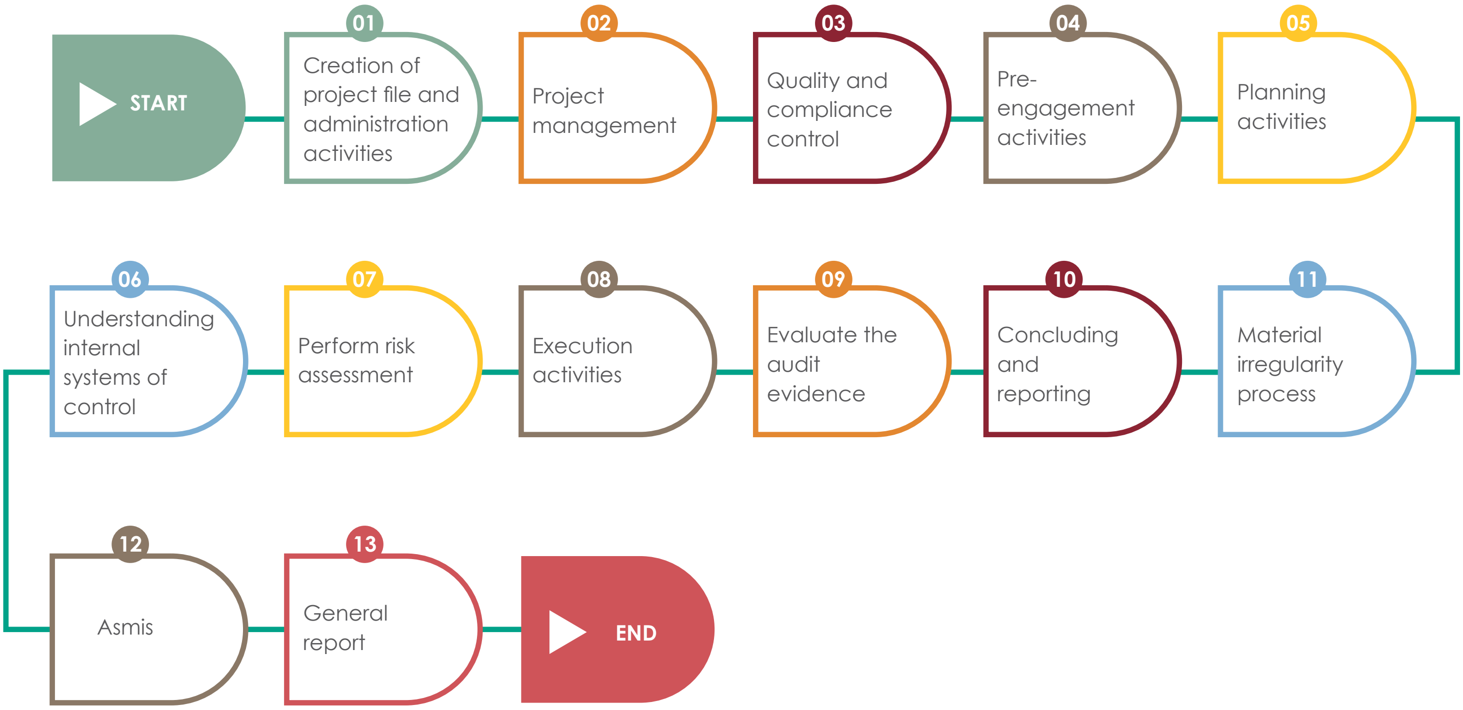
Audit staff remuneration: R1 921 million or 54,9% of own hours income

Support staff remuneration: R633 million or 18,1% of own hours income

Surplus: R263 million
Surplus percentage: 5,7%

Analysis of the audit process

For the audit efficiency baseline, we looked at the audit process based on the AGSA's audit methodology, and rated inefficiencies and areas that would benefit from automation.



Overall, we reviewed 99 working papers of which 48% were found to be good candidates for automation and will be built into our customised audit software. Data points will be integrated across all business units that use these specific working papers.

Business efficiency baseline

We approached the establishment of the business efficiency baseline by investing in the development of a business process assessment framework with the conviction that a formal description and quantification of each business process is the best way to identify areas for improvement or automation.

While the main driver for this work is to minimise capital investment, time and resources, these are not the only factors that will be applied to a decision. At times, these drivers will show a negative return on investment but a strategic imperative will still require investment, such as digitisation to prevent reputational damage.

The process assessment framework was applied to the daily deposit process in the Finance business unit.

The resulting business case demonstrated the viability of the investment in the automation of this process which in turn resulted in the deployment of the first robot in our organisation.

The net present value of the automation of the daily deposit process over 60 months is expected to be over R1,6 million, or 20-times the improvement in speed and over 2 000 hours reduction annually. It will also significantly decrease the risk of misallocating deposits.

The next step is to form a productivity committee to track the improvement in overall productivity. The committee will also support or sponsor further research and analysis of matters related to productivity as the need for deeper or specific understanding arises.

Conclusion

Developing a comprehensive view of our resources and how they have been spread and used throughout the business was a first step towards identifying how and where to achieve productivity, audit and business efficiencies. However, with these efficiencies comes change.

An organised system's productivity is a reflection of the organisation's business and operating model. To improve our efficiency and achieve significant changes in our productivity we will have to review our operating principles.

These include important systems of operation such as business units vs delivery centres, delivering value vs billing per hour, and blending human and technological resources vs human resourcing using tools.

Eventually, it will be important to redefine the productivity baselines for a business model that moves away from charging audit fees based on hourly rates and presence at the office activities.

While major changes in the business model might take place over a longer time, we must continue with incremental improvement to productivity as a normal business practice.

EXTERNAL ASSURANCE

06

INDEPENDENT ASSURANCE PRACTITIONER'S LIMITED ASSURANCE REPORT TO PARLIAMENT ON SELECTED KEY SUSTAINABILITY INDICATORS

Report on selected key sustainability indicators

We have undertaken a limited assurance engagement on selected key sustainability indicators, as described below, and presented in the *2022-23 Integrated annual report of the Auditor-General of South Africa* (AGSA) for the year ended 31 March 2023 (the report).

Subject matter

We have been engaged to provide a limited assurance conclusion in our report on the following selected key sustainability indicators, prepared in accordance with the Global Reporting Initiative (GRI) G4 Standards.

Category	Key sustainability indicators	Scope of coverage
Economic	Application of the funding model. Amounts and initiatives in respect of: • Trainee auditors scheme • Preferential procurement • Corporate social investment	Republic of South Africa
Social	Amounts and initiatives in respect of: • Bursaries and scholarships • Rural schools programme • Social responsibility programmes • Enterprise and supplier development	Republic of South Africa
Cultural	Disclosures in respect of: • Employee profile • Diversity • Staff turnover • Ethics training initiatives • Employee wellness programmes • Employee relations	Auditor-General of South Africa
Stakeholder engagements	Disclosures in respect of: • Employees • Auditees • Constitutional stakeholders • Contract firms • Media • Professional bodies • Regulatory bodies • Citizenry • International stakeholders	Republic of South Africa

Deputy auditor-general's responsibilities

The deputy auditor-general (DAG) is responsible for the selection, preparation and presentation of the selected key sustainability indicators in accordance with the GRI G4 Standards. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

The DAG is also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected key sustainability indicators and for ensuring that those criteria are publicly available to the report users.

Our independence and quality control

We have complied with the independence and all other ethical requirements of the Code of Professional Conduct for Registered Auditors, issued by the Independent Regulatory Board for Auditors (IRBA), that is consistent with the International Ethics Standards Board for Accountants' *International Code of ethics for professional accountants,* which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Crowe JHB applies the International Standard on Quality Management 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the selected key sustainability indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected key sustainability indicators are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of AGSA's use of GRI G4 Standards as the basis of preparation for the selected key sustainability indicators, assessing the risks of material misstatement of the selected key sustainability indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected key sustainability indicators.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Auditor's responsibility (continued)

Given the circumstances of the engagement, in performing the procedures listed above we:

Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;

Inspected documentation to corroborate the statements of management and senior executives in our interviews;

Tested the processes and systems to generate, collate, aggregate, monitor and report the selected key sustainability indicators;

Performed a controls walkthrough of identified key controls;

Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;

Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the DAG in the preparation of the selected key sustainability indicators; and

Evaluated whether the selected key sustainability indicators presented in the report are consistent with our overall knowledge and experience of sustainability management and performance at AGSA.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Accordingly, we do not express a reasonable assurance opinion about whether AGSA's selected key sustainability indicators have been prepared, in all material respects, in accordance with GRI G4 Standards.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected key sustainability indicators as set out in the subject matter paragraph above for the year ended 31 March 2023 are not prepared, in all material respects, in accordance with GRI G4 Standards.

Other matters

The maintenance and integrity of the AGSA's website is the responsibility of AGSA management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the report or our independent limited assurance report that may have occurred since the initial date of its presentation on AGSA's website.

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected key sustainability information to the AGSA in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than AGSA, for our work, for this report, or for the conclusion we have reached.

Crowe JHB

RAAKESH KHANDOO
PARTNER
REGISTERED AUDITOR

Rivonia
31 July 2023

AUDIT COMMITTEE REPORT

Introduction

This report of the audit committee (the committee) is prepared and based on the requirements of section 40 (6)(a) of the Public Audit Act 25 of 2004 (PAA), as well as its terms of reference, which are reviewed and approved on an annual basis.

According to Principle 15 of the King IV code of governance, the governing body should ensure that assurance services enable an effective internal controls environment, and that these support the integrity of information for internal decision making and of the organisation's external reports.

The committee is pleased to present its report for the 2022-23 performance year, to the Standing Committee on the Auditor-General (Scoag) and all other stakeholders of the Auditor-General of South Africa (AGSA).

Committee governance

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

The composition and meetings of the audit committee are outlined in section 3 of this report. In line with the PAA, all members of the committee are independent of the AGSA and have, in accordance with their statutory responsibilities, attended all committee meetings. Furthermore, the members have periodically declared their independence and that they are free of any conflict of interest in discharging their statutory duties throughout the reporting period.

The committee's terms of reference are developed in line with best practice. They outline its processes and responsibilities, are reviewed annually and are approved by the auditor-general, as necessary. Furthermore, the committee develops an annual work plan that directs its activities.

The committee accordingly conducted its affairs and discharged its responsibilities to enable it to conclude, as outlined in its activities below, that for the reporting period:

- The systems of internal control over financial reporting were adequate and operated effectively
- Risk management processes were adequate and effective
- The organisation has the appropriate resources and financial expertise to perform its duties

Activities of the committee

External audit and evaluation of the annual financial statements

The committee assessed the external auditor's independence as required by section 39(2)(b) of the PAA and confirms that Crowe JHB (Crowe) is independent and not conflicted in any way. Furthermore, the committee is satisfied that the 2022-23 financial year audit was effectively conducted by Crowe. As such, the committee recommends their re-appointment for the 2023-24 financial year. According to section 39(1) of the PAA, Scoag has the authority to appoint the external auditor and does so, on an annual basis.

As required by its terms of reference, the committee:

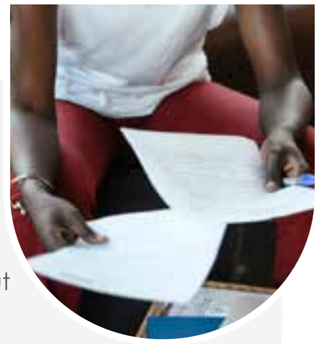
- considered the audit approach and audit risks in approving the external audit plan
- reviewed the annual financial statements and agreed with management that the AGSA is a going concern
- considered the appropriateness of the accounting policies, accounting treatments, any significant unusual transactions and judgement areas
- reviewed compliance with International Financial Reporting Standards (IFRS) and the PAA
- considered and reviewed the management reports and the summary of unadjusted differences
- reviewed the audit report on the annual financial statements and the performance against predetermined objectives
- ongoing monitoring of non-audit services to ensure they are not significant in relation to the audit fees, to ensure the external auditor's independence is not compromised
- engaged with the external auditors in the absence of management, to ensure that the quality, credibility and effectiveness of the external audit process was maintained
- received confirmation that no pressure was exerted on the auditor to suppress any findings nor were there any scope limitations placed on their work
- considered all factors and risks that may impact on the integrity of information in the integrated annual report ("IAR") and that it presents the economic, social and environmental performance of the AGSA

Following the review of the management representation letters addressed to Crowe, and commentary to the annual financial statements and the IAR, the audit committee recommended that the AG sign off on the IAR and its individual components.

Internal audit

SNG-Grant Thornton (SNG-GT) are the internal auditors of the AGSA. The 2022-23 financial year was their first year of audit. The internal audit plan operates on a three-year rolling basis; all key finance functions of the organisation are covered at least once during the three-year cycle.

In accordance with its terms of reference and the internal audit charter, the committee:



Internal audit

- reviewed and approved the annual internal audit plan and the internal audit charter
- considered reports from SNG-GT on the internal audit work performed throughout the year, and their annual written assessment, which concluded that the internal controls in the areas tested, are adequate and effective
- met separately with the internal auditor without management present to ensure that the independence, quality, credibility, and effectiveness of the internal audit process was maintained at all times; and received confirmation that no restrictions nor pressure was put on them to suppress audit findings.

The committee is assured that, considering the work done in the current year by the internal auditors, the systems of internal control in place at the AGSA are adequate and operating effectively, a notable improvement in the control environment has also been observed. The IT security controls were found to be partially effective. This is due to the identification of new vulnerabilities emerging from an environment review conducted during the year. These ongoing IT security reviews, together with a heightened awareness of the cybersecurity threat and more robust risk identification facilitate much needed focus in this area. It should be noted that the risk posed by the weaknesses in the IT security environment is receiving further attention through the ongoing closure of audit findings and initiatives in the new enterprise architecture work.

Risk management

Under the stewardship of a chief risk officer, the Risk and Ethics business unit (R&E) is responsible for coordinating the risk management function in the AGSA. The chief risk officer concludes that the systems of internal controls, risk management process as well as compliance with laws and regulations employed throughout the financial year by the organisation are adequate and effective to manage risks to an acceptable level.

The committee exercised oversight on:

- the identification of strategic risks of the organisation, where it monitored implementation of the mitigations agreed with management to manage the risks to an acceptable level
- review and approval of the strategic risk profile and risk appetite statement for the 2022-23 financial period, and monitored the organisation's performance in relation to the appetite measures defined
- received assurance in line with the 2022-23 combined assurance matrix ensuring that assurance is obtained for all material risk areas, and that assurance by the different assurance providers is adequate
- the assurance received from the internal auditors on the risk management function, financial and internal control environment, including fraud risk and compliance management systems

Furthermore, the committee approved the combined assurance matrix for application in the 2023-24 performance period.

Given the quality of the risk management and oversight processes in place, we confirm there is a robust risk management system in place. We believe that key material risks have been identified with clear management actions and are confident that the risk management system is functioning adequately and continues to mature.

Assessment of the finance function and the chief financial officer

The committee considered the composition, experience and skills set of the finance function as well as the performance and expertise of the chief financial officer and is satisfied that the function has the requisite capacity and appropriate skills to fulfil their responsibilities.

Key focus area

During the 2022-23 performance period, the committee's focus was on supporting the executive committee in implementing the #cultureshift2030 strategy and improving their information technology function.

Another focus of the committee during the year under review was to review the recommendations emanating from various reports following the event involving the former chief people officer's allegations against the auditor-general, and ensure that they are appropriately addressed. The committee rendered guidance and support in this regard and is satisfied with the deputy auditor- general's progress to date. The committee remains available to provide the necessary support until all items have been remediated.

Conclusion

The committee concludes that the systems of internal control over financial reporting, as well as the risk management processes for the AGSA, are adequate and operating effectively. Key focus areas outlined above remain our guide in terms of optimising the environment of internal controls.

The committee recommended that the deputy auditor-general may sign the annual financial statements and that the deputy auditor-general and the auditor-general may sign the *integrated annual report 2022-23*.

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

REMUNERATION COMMITTEE REPORT

Background

The auditor-general is responsible for determining the terms and conditions of employment of all employees in the organisation, in accordance with section 34(3) of the PAA.

The remuneration committee (remco) was established as an oversight governance structure to provide specialised advice to the auditor-general on remuneration and related issues, while the final decision-making rests with the auditor-general. One of its primary purposes is to ensure that the organisation's remuneration principles, policies and practices are fair and transparent so as to promote the achievement of strategic objectives.

Remuneration committee membership

To ensure adherence to good governance practices, the members of the remuneration committee are appointed for a period of three years subject to an annual review. No changes in membership have occurred in the 2022-23 financial year.

Members of the governance structures are remunerated in line with the approved South African Institute of Chartered Accountants (Saica) rates. This currently stands at R3 201 per hour.

An overview of the main provisions of the remuneration policy

The organisation has developed a remuneration policy, procedures and processes that are made available to all employees. Any amendments to the policy principles are communicated to employees following consultations (where applicable).

The AGSA's approach to recognising and rewarding employees is based on a total reward philosophy in which the benefits of working for the AGSA are considered in their entirety.

These include financial and non-financial benefits, rewards and the working environment. The total reward policy has been designed to support the achievement of the organisation's objectives, reinforce organisational values and behaviours, and recognise outstanding contributions made by individuals and teams. The policy principles are implemented in accordance with the provisions of the organisation's management approval framework.

The AGSA has indicated that it will review its remuneration philosophy, strategy, policies, procedures and practices that will underpin the organisation's strategic aspirations as set out in the #cultureshift2030 strategy and will consult the committee in due time.

Remuneration of AGSA executives

The AGSA remunerates its executives in terms of the AGSA remuneration policy. The details of executives' remuneration are reported as part of the financial statements in section 7 of this integrated annual report.

Internal and external factors that influence remuneration

Remuneration considerations and decisions are based on a combination of external and internal factors:

- Sustainability of the organisation – budget considerations and financial affordability
- Market relativity and industry market positioning
- Attraction, retention and employee engagement considerations
- Strengthening performance culture
- Consumer price index (CPI) / inflation
- Economic outlook

Key areas of focus by the remuneration committee

Annual salary increase

On 1 March 2023, remco discussed the annual salary increase process for the 2023-24 financial year. The committee considered multiple aspects including financial affordability, existing policy principles for salary increases, market indicators and internal salary trends. Remco recommended a 5% salary increment for all employees, effective 1 April 2023, based on its considerations of the Cola adjustment policy.

An assessment of the cash flow affordability indicated that the AGSA could afford the salary increases and still be liquid, viable and sustainable going forward. The 5% salary increase would also ensure that the AGSA remains competitive in the market for talent attraction and retention.

Performance bonus consideration

The performance bonus scheme is used to recognise and reward the performance of employees who contribute towards the achievements of the organisation's goals. This is a short-term incentive, awarded in recognition of an individual's successful accomplishment of the goals set for the performance year. The payment of the performance bonus is at the discretion of the auditor-general.

Consistent with its mandate, the committee considered and debated the performance bonus proposal at its meeting on 27 July 2023. The committee resolved to recommend the exco proposal that no performance bonus be paid for the 2022-23 financial year.

Use of remuneration consultants

While the organisation strives to use its internal resources to deliver on remuneration initiatives, it should be noted that there have been areas of speciality where external remuneration reports were used due to the nature of benchmarking required.

Post-retirement medical aid (PRMA) liability

The PRMA is a historical employee benefit governed by the Audit Arrangements Act and Policy Framework on Medical Assistance. The AGSA has aimed to eliminate the financial liability associated with the post-retirement medical aid subsidy benefit by offering to pay a settlement to all its beneficiaries.

All 372 (146 in-service, 226 external) beneficiaries were included in the offer. Of these, 35 external beneficiaries could not be traced. Of the 337 (146 in-service, 191 external) beneficiaries that were successfully contacted:

- (80,12%) 270 beneficiaries (137 in-service, 133 external) accepted the offer
- (12,46%) 42 beneficiaries (5 in-service, 37 external) rejected the offer,
- (7,42%) 25 beneficiaries (4 in-service, 21 external), did not respond in time

Overall, this endeavor has been a great success thanks to the number of members who accepted the offer.

Conclusion

The committee remains dedicated to providing guidance and advice on total reward and recognition strategies, principles and decisions, to align employee motivation with the organisation's strategy. The committee appreciated that staff remained committed to achieving the goals of the organisation.

FINANCIAL STATEMENTS

07

DEPUTY AUDITOR-GENERAL'S RESPONSIBILITIES AND APPROVAL

As the deputy auditor-general I am required by the Public Audit Act 25 of 2004 (PAA) to maintain adequate accounting records and am responsible for the content and integrity of the financial statements and related financial information. It is my responsibility to ensure that the financial statements fairly present the financial position of the Auditor-General of South Africa (AGSA) as at the end of the financial year and the results of its operations, changes in equity and cash flows for the year then ended. The financial statements conform to the International Financial Reporting Standards (IFRS) and the PAA, and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. External auditors are engaged to express an independent opinion on the financial statements.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the AGSA and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, the AGSA, after consultation with the parliamentary oversight committee, sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include properly delegating responsibilities within a clearly defined framework, effective accounting procedures and adequately segregating duties to ensure an acceptable level of risk. These controls are monitored throughout the AGSA and all employees are required to maintain the highest ethical standards to ensure the AGSA's business is conducted in a manner that, in all reasonable circumstances, is above reproach.

VONANI CHAUKE
DEPUTY AUDITOR-GENERAL

The AGSA's risk management focus is to identify, assess, manage and monitor all known forms of risk across the organisation. While operational risk cannot be eliminated, we try to minimise it by defining our risk appetite and ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations provided by management, that the system of internal control provides reasonable assurance that the financial records may be relied on to prepare the financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

I have reviewed the AGSA's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, I am satisfied that the AGSA has, or has access to, adequate resources to continue operating as a going concern for the foreseeable future. The going concern basis assumes that the AGSA will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

I am not aware of any matter or circumstance arising since the end of the financial year that will materially affect these financial statements.

The financial statements set out on pages 125 to 178, prepared on the going concern basis, were approved and signed by me on 31 July 2023 on behalf of the AGSA.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND REPORT ON PREDETERMINED OBJECTIVES

OPINION

We have audited the financial statements of the Auditor-General of South Africa (AGSA) as set out on pages 125 to 178, which comprise the statement of financial position as at 31 March 2023, the statement of surplus or deficit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AGSA as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Expected credit losses allowance on trade receivables (IFRS 9)

In terms of the accounting standard on financial instruments, IFRS 9 Financial instruments, the standard requires an expected credit loss model to be used in impairing financial assets.

This model requires the AGSA to account for expected credit losses (ECL) and changes thereto at each reporting date, to reflect changes in credit risk since initial recognition of the financial assets.

As at 31 March 2023 gross trade receivables amounted to R1,1 billion against which an expected credit loss (ECL) of R219 million was raised.

As included in notes 5 and 26, the ECL on trade receivables amounting to R219 million (2022: R213 million) has been considered to be an area where the most significant judgements were required as it incorporates forward looking information into the ECL model as prepared by management, and additional overlays with respect to the current macro-economic environment.

The AGSA has elected to apply the simplified approach for measuring the loss allowance at an amount equal to lifetime credit losses for trade receivables.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Our audit procedures comprised, among others:

- We performed procedures in order to assist our understanding of the methodology applied by management in their IFRS 9 model;
- We agreed the source data used in the modelling to supporting documentation on a sample basis to assess accuracy and validity;
- We involved our independent specialists to test assumptions and calculations used in the ECL. This included, but not limited to, performing the following:
  - An assessment of the credit model against the developed methodology to confirm the methodology is appropriately applied in calculating the ECL allowance;
  - Reperformed the modelling at period end including the appropriateness of forward-looking macro-economic information;
  - An assessment of the reasonableness of the overlays that management calculated to determine the potential impact of the current macro-economic environment and other legislation on the allowance;
  - Sensitivity analysis on scenarios and probability weightings applied to these scenarios used to determine the impact of current macro-economic environment on the allowance.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses allowance on trade receivables (IFRS 9)	
These various scenarios constructed were probability weighted to determine the final debtors book impairment. Due to the size of the balance, the complexity and the judgement inherent in the calculation of the related ECL allowance it resulted in a key audit matter. Refer to note 1.2 (Significant judgements and accounting estimates, expected credit losses allowance) and note 26.2 (Credit risk) to the annual financial statements for the related disclosure.	• We assessed the disclosures in the annual financial statements relating to the expected credit losses on trade receivables in terms of the disclosure requirements of IFRS 9: Financial instruments and IFRS 7: Financial instruments disclosures. • We evaluated the accounting policy and we are satisfied that it is consistent with the requirement of IFRS 9. • Based on the procedures performed above, we are satisfied that the expected credit losses on trade and other receivables were reasonable and in line with our expectation and appropriately disclosed.

OTHER INFORMATION

The Deputy Auditor-General (DAG) is responsible for the other information. The other information comprises the Annual Report which includes the Audit Committee's Report and the Remuneration Committee's Report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DEPUTY AUDITOR-GENERAL AND THE AUDIT COMMITTEE

In terms of section 43 of the PAA the DAG is responsible for the preparation and fair presentation of these financial statements in accordance with the IFRS and for such internal control as is determined as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the DAG is responsible for assessing the AGSA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The audit committee is responsible for overseeing the AGSA's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the DAG's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AGSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained to the date of our auditor's report. However, future events or conditions may cause the AGSA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the DAG and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the DAG and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Crowe JHB has been the auditor of the AGSA for six years.

REPORT ON PREDETERMINED OBJECTIVES

INTRODUCTION

We have audited the report on performance against predetermined objectives of the AGSA for the year ended 31 March 2023, as set out on pages 54 to 108 of the integrated annual report 2022-2023.

THE DEPUTY AUDITOR-GENERAL'S RESPONSIBILITIES

The DAG is responsible for the preparation and fair presentation of the report on performance against predetermined objectives as required by the PAA, and for such internal controls as determined necessary to enable the preparation of a report on performance against predetermined objectives that is useful and reliable.

AUDITOR'S RESPONSIBILITY

As required by the PAA, our responsibility is to express an audit conclusion on the report on performance against predetermined objectives.

ASSURANCE WORK PERFORMED

We conducted our audit in accordance with the International Standards on Assurance Engagements (ISAE) 3000 (Revised): Assurance engagements other than audits or reviews of historical financial information.

We report on whether we have received all the information and explanations required to conduct the engagement, or if we became aware of additional information, the omission of which may result in the report on performance against predetermined objectives being materially misstated or misleading.

We provide reasonable assurance with respect to the usefulness of the information contained in the annual performance report.

We further provide reasonable assurance with respect to the reliability of the following selected material objectives as set out in the annual performance report:

- Insight
- Influence
- Enforcement
- Shift public sector culture
- Sustainably
- Efficiently

The criteria used as a basis for the audit conclusion are as follows:

USEFULNESS OF INFORMATION

Presentation:

Performance against predetermined objectives is reported using the relevant provisions from the Public Audit Act.

Consistency:

Objectives, indicators and targets are consistent between the 2022-2025 Strategic plan and budget and the 2022-2023 IAR as required by the Public Audit Act.

Measurability:

Indicators are well defined and verifiable, and targets are specific, measurable and time bound, as required by best practice.

Relevance:

The indicators relate logically and directly to aspects of the AGSA's mandate and the realisation of strategic goals and objectives, as required by the Public Audit Act and the 2022-2025 Strategic plan and budget tabled in Parliament.

RELIABILITY OF INFORMATION

Validity:

Reported performance has occurred and relates to the AGSA.

Accuracy:

Amounts, numbers and other data relating to reported performance have been recorded and reported correctly.

Completeness:

All actual performance that should have been recorded has been included in the report on performance against predetermined objectives.

The audit involves performing procedures to obtain audit evidence about the usefulness of the annual performance report and reliability of the objectives as set out in the annual performance report. The procedures selected depend on the auditor's judgement, including our assessment of the risks of material misstatement of the annual performance report. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the ISAE 3000 (Revised). The procedures performed include the following:

- Understanding and testing the internal policies, procedures and controls relating to the management of, and reporting on, performance information.
- Evaluating and testing processes, systems, controls and review of documentation in place at a detailed level to support the generation, collation, aggregation, monitoring and reporting of the performance indicators and targets.
- Evaluating, testing and confirmation of the existence and consistency of planned and reported performance information as well as the presentation and disclosure thereof in accordance with applicable requirements and guidance.
- Conducting detailed audit testing and obtaining sufficient appropriate audit evidence to verify the validity, accuracy and completeness of reported indicators and targets.

We believe that the evidence obtained from the work performed provides an appropriate basis for the reasonable assurance conclusions expressed below.

CONCLUSION

On the basis of our procedures described in this report, we conclude that in our opinion the report on performance against predetermined objectives is fairly stated, in all material respects, in accordance with the predetermined criteria.

Crowe JHB

RAAKESH KHANDOO
PARTNER
REGISTERED AUDITOR

Sandton
31 July 2023

STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Notes	2023 R'000	2022 R'000
ASSETS			
Non-current assets		449 318	540 471
Property, plant and equipment	2	112 341	124 813
Intangible assets	3	13 972	13 718
Right-of-use assets	4	323 005	401 940
Current assets		1 619 240	1 655 402
Trade and other receivables	5	912 711	885 058
Cash and cash equivalents	6	706 529	770 344
Total assets		**2 068 558**	**2 195 873**
EQUITY AND LIABILITIES			
Reserves		1 131 746	868 585
General reserve	7	863 621	823 366
Special audit services reserve	8	4 964	4 964
Accumulated surplus	9	263 161	40 255
Liabilities			
Non-current liabilities		379 224	489 783
Lease liabilities	10	343 918	420 493
Post-retirement benefit obligations	11	11 808	46 214
Provisions	12	19 790	20 998
Trade and other payables	13	3 708	2 078
Current liabilities		557 588	837 505
Lease liabilities	10	92 333	84 753
Post-retirement benefit obligations	11	1 096	2 749
Provisions	12	3 742	1 480
Trade and other payables	13	460 417	748 523
Total equity and liabilities		**2 068 558**	**2 195 873**

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Notes	2023 R'000	2022 R'000
Revenue			
Local services rendered	14	4 582 578	4 394 732
Direct audit cost		(3 015 485)	(2 962 070)
Recoverable staff cost	15	(1 921 080)	(1 833 904)
Contract work	16	(900 792)	(983 019)
Subsistence and travel	17	(193 613)	(145 147)
Gross surplus		**1 567 093**	**1 432 662**
Government grant and other income	18	47 275	44 162
Contributions to overheads		**1 614 368**	**1 476 824**
Operating expenditure		(1 404 908)	(1 447 070)
Non-recoverable staff cost	15	(883 970)	(1 015 875)
Depreciation expense - property, plant and equipment	2	(49 579)	(36 517)
Amortisation expense - intangible assets	3	(1 766)	(2 102)
Depreciation expense - right-of-use assets	4	(99 982)	(100 264)
Other operational expenditure	19	(368 275)	(291 706)
Post-retirement benefit obligations - current service cost and loss on settlement	11	(1 336)	(606)
		209 460	**29 754**
Operating surplus before finance charges			
Interest income	21	102 714	65 026
Interest expense	21	(52 439)	(64 160)
Surplus for the year		**259 735**	30 620
Other comprehensive income			
Items that will not be reclassified to surplus or deficit			
Post-retirement benefit obligations - actuarial gains	11	3 426	9 635
Total comprehensive surplus for the year		**263 161**	**40 255**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	General reserve R'000	Special audit services reserve R'000	Accumulated (deficit)/ surplus R'000	Total equity R'000
Balance at 31 March 2021	**1 116 366**	**4 964**	**(293 000)**	**828 330**
Transfer of accumulated deficit to reserves	(293 000)	-	293 000	-
Total comprehensive surplus	-	-	40 255	40 255
Surplus for the year	-	-	30 620	30 620
Other comprehensive income				
- Actuarial gains	-	-	9 635	9 635
Balance at 31 March 2022	**823 366**	**4 964**	**40 255**	**868 585**
Transfer of accumulated surplus to reserves	40 255	-	(40 255)	-
Total comprehensive surplus	-	-	263 161	263 161
Surplus for the year	-	-	259 735	259 735
Other comprehensive income				
- Actuarial gains	-	-	3 426	3 426
Balance at 31 March 2023	**863 261**	**4 964**	**263 161**	**1 131 746**
Notes	7	8	9	

STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Notes	2023 R'000	2022 R'000
Cash flows from operating activities			
Cash receipts from auditees	22.1	4 597 470	4 443 486
Total direct audit cost payments	22.2	(3 092 844)	(2 963 335)
Operational expenditure payments	22.3	(1 435 807)	(1 128 614)
Interest received	21	49 498	35 407
Interest paid	21	(49 246)	(57 475)
Net cash inflow from operating activities		**69 071**	**329 469**
Cash flows from investing activities			
Cash payments for property, plant and equipment	2	(44 766)	(66 820)
Cash payments for intangible assets	3	(2 020)	(237)
Proceeds from sale of property, plant and equipment	2	971	2 272
Net cash outflow from investing activities		**(45 815)**	**(64 785)**
Cash flow from financing activities			
Payment of lease liabilities	10	(87 071)	(70 592)
Net cash outflow from financing activities		**(87 071)**	**(70 592)**
Net (decrease)/increase in cash and cash equivalents		**(63 815)**	**194 092**
Cash and cash equivalents at the beginning of the year	6	770 344	576 252
Cash and cash equivalents at the end of the year		**706 529**	**770 344**

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies

1. Presentation of financial statements

The financial statements have been prepared on the going concern basis in accordance with the IFRS issued by IFRS Foundation, and in line with the requirements of the PAA. The financial statements are presented in South African rand, which is the AGSA's functional currency. All financial information has been rounded to the nearest thousand unless stated otherwise.

The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at amortised cost or unless stated otherwise, and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous year, unless otherwise stated.

1.1 New standards and interpretations

Standards, amendments and interpretations relevant to the operations of the AGSA not yet effective and not early adopted:

Standard / Interpretation	Effective date	Details	Impact
IAS 1 - Presentation of financial statements	1 Jan 2024	Classification of liabilities as current or non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	No impact on the AGSA financial statements
	1 Jan 2023	Disclosure of accounting policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	Impact on the AG financial statements to be determined
IAS 8 - Accounting policies, changes in accounting estimates and errors	1 Jan 2023	Definition of accounting estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	No impact on the AGSA financial statements

NOTES TO THE FINANCIAL STATEMENTS

1.2 Significant judgements and accounting estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. In addition, management is required to exercise its judgement in the process of applying the AGSA's accounting policies. Using available information and applying judgement is inherent in forming estimates.

Significant judgements:

The following judgements are made by management in applying the accounting policies that have the most significant effect on these financial statements.

Revenue from contracts with customers

In accordance with IFRS 15, management is required to make an assessment of the collectability of amounts recorded as revenue. When management identifies that there is doubt on the collectability of revenue, that portion of revenue is only recognised when the amount is received by the AGSA. This adjustment does not affect the legal nature of the transaction; any amounts invoiced to auditees remain due and payable in the ordinary course of business and payable in terms of the PAA within 30 days of invoice. The AGSA is entitled under law to pursue the collection of any debt owed and due to the AGSA.

In determining the collectability of amounts recorded as revenue, management has taken into account the payment history of the related auditees over the past 2 - 3 years when no payments have been received, or whether current circumstances suggest that an auditee will not be able to meet its obligation to the AGSA. These amounts will only be recognised as revenue once they have been received by the AGSA.

Amortised cost of ring-fenced debtors

The amortised cost of ring-fenced debtors is calculated using the prescribed interest rate and the remaining periods of the outstanding ring-fenced agreements. Since the amount was insignificant and considered immaterial, no adjustment was made to the amount owed by ring-fenced debtors.

Determining the lease term of contracts with renewal options

For lease contracts that include an option to renew the lease for a further period, management considers all facts and circumstances to determine whether it is likely that an extension option will be exercised. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The AGSA applies judgement in assessing whether it is reasonably likely that extension options will be exercised. Factors considered include past history of renewing leases, how far in the future an option occurs and the AGSA's business plan.

The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the AGSA.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results in the future could differ from these estimates, which may be material to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.2 Significant judgements and accounting estimates (continued)

Post-retirement medical care benefits

The costs and liabilities of the post-retirement medical care benefits are determined using methods relying on actuarial estimates and assumptions. Advice on the appropriateness of the assumptions is taken from independent actuaries. Changes in the assumptions used may have a significant effect on the statement of surplus or deficit and other comprehensive income, and statement of financial position (refer to note 1.9).

Allowance for impairment of receivables

An allowance for impairment of trade receivables accounts for expected credit losses, and changes thereto, to reflect changes in credit risk since initial recognition of financial assets. The calculation of the amount to be allowed for impairment of receivables requires the use of estimates and judgements (refer to note 1.5).

The AGSA measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Annual evaluation of property, plant and equipment and intangibles

To review property, plant and equipment and intangibles for possible impairment, changes in useful lives and changes in residual values at the end of each financial year, reference is made to historical information and the intended use of assets (refer to notes 1.3 and 1.4).

Estimating incremental borrowing rate used for leases

Where the interest rate implicit in the lease cannot be readily determined, the AGSA uses the incremental borrowing rate, which is the rate that the AGSA would have to pay to borrow the funds to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the AGSA holds for its own use and which are expected to be used for more than one year. An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the AGSA, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition of the asset and costs incurred subsequently to add to or replace part of it, if it is probable that future economic benefits associated with the replacement will flow to the AGSA and the cost can be measured reliably. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in surplus or deficit to bring the carrying amount in line with the recoverable amount.

Estimates are mainly based on historical information relating to use, and the intended use, of the asset. Depreciation is calculated on the straight-line method to write off the cost, less residual value, of each asset over its estimated useful life as follows:

Item	Useful life (current and comparative period)
Computer equipment	8 - 12 years
Notebooks	3 years
Motor vehicles	7 - 12 years
Furniture and fittings	6 - 23 years
Office equipment	5 - 15 years
Leasehold improvements	Over the period of the lease

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any changes to residual values, useful lives and depreciation methods are accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in surplus or deficit when the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

1.4 Intangible assets

Computer software

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost.

Acquired computer software licences are carried at cost less any accumulated amortisation and any impairment losses. Estimates relating to useful lives are mainly based on historical information relating to the use of the assets. Amortisation on these costs is provided to write down the intangible assets, on a straight-line basis, over their useful lives as follows:

Item	Useful life (current and comparative period)
Enterprise resource management system - PeopleSoft	14 years
Licences	8 - 10 years

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

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the AGSA and that will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and overheads directly attributed to preparing the asset for use. Other development expenditures are recognised as an expense as incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any changes to residual values, useful lives and amortisation methods are accounted for on a prospective basis.

An item of intangible asset is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. The gain or loss arising from the derecognition of an intangible asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, is included in surplus or deficit when the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

1.5 Financial instruments

Financial instruments are recognised when the AGSA becomes party to the contractual provisions of the instrument. Financial instruments carried in the statement of financial position include cash and bank balances, trade and other receivables and trade and other payables. These instruments are carried at their amortised cost.

Financial assets

The AGSA group its financial assets into one of the categories discussed below, depending on the business model assessment, which centres on whether financial assets are held to collect contractual cash flows. The accounting policy for each category is as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits held at call that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are initially recognised at fair value, and are subsequently carried at amortised cost using the effective interest method.

Receivables measured at amortised cost

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through providing services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less allowance for impairment.

Impairment

IFRS 9 requires an expected credit loss model to be used in impairing financial assets. This model requires the AGSA to account for expected credit losses and changes thereto at each reporting date, to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit loss event to have occurred before impairments are recognised. The AGSA has elected to apply the simplified approach for measuring the loss allowance at an amount equal to lifetime credit losses for trade receivables. For trade receivables, which are reported net, such amounts are recorded in a separate allowance account with the loss being recognised within operational expenditure in surplus or deficit. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the allowance. Reversals of impairment losses are recognised in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS

1.5 Financial instruments (continued)

Derecognition of financial assets

The AGSA derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. Gains or losses arising from changes in financial assets carried at amortised cost are recognised in surplus or deficit when the financial asset is derecognised or impaired, and through the amortisation process.

Financial liabilities

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

Derecognition of financial liabilities

The AGSA derecognises financial liabilities when, and only when, the AGSA's obligation are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is regognised in surplus or deficit.

1.6 General reserve

The general reserve relates to the retention of accumulated surpluses that is transferred to the general reserve in the statement of financial position. The reserve can be used for working capital and general reserve requirements of the AGSA.

1.7 Special audit services reserve

The special audit services reserve is a fund set aside to finance special investigations or audits, where the AGSA may be unable to recover the costs from a specific auditee. Increases in and utilisation of the reserve are recognised through the statement of surplus or deficit and other comprehensive income.

1.8 Leases

At inception of a contract, the AGSA assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the AGSA assesses whether:

The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

The AGSA has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.

The AGSA has the right to direct the use of the asset. The AGSA has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the AGSA has the right to direct the use of the asset if either:

- the AGSA has the right to operate the asset, or
- the AGSA designed the asset in a way that predetermined how and for what purpose it will be used.

NOTES TO THE FINANCIAL STATEMENTS

1.8 Leases (continued)

Some lease contracts include both lease and non-lease components. The AGSA has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in surplus or deficit as they are incurred.

For the leases of land and buildings, the AGSA has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The AGSA recognises a right-of-use asset and a lease liability at the lease commencement date for most leases. However, the AGSA has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (e.g. office equipment) and for short-term leases (leases that at commencement date have lease terms of 12 months or less). The AGSA recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liability

The lease liability is presented as a separate line item on the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the AGSA's incremental borrowing rate. Generally the AGSA uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the fixed lease payments and lease payments in an optional renewal period if the AGSA is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate or if the AGSA changes its assessment of whether it will exercise a renewal option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

Interest costs are charged to the statement of surplus or deficit and other comprehensive income over the lease period so as to produce a constant periodic interest on the remaining balance of the liability for each period.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in interest expense (refer to note 21).

NOTES TO THE FINANCIAL STATEMENTS

1.8 Leases (continued)

Right-of-use assets

The right-of-use assets are presented as a separate line in the statement of financial position. Lease payments included in the measurement of the lease liability comprise the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred, any estimated costs to restore the underlying asset when the AGSA incurs an obligation to do so and less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The depreciation charge for each period is recognised in surplus or deficit. For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Useful life (current and comparative period)
Office buildings	2 to 12 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

NOTES TO THE FINANCIAL STATEMENTS

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The expected bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Pension plan - defined contribution plan

Contributions to a pension plan of the employee's choice, in respect of service in a particular period, are included in the employee's total cost of employment and are charged to surplus or deficit in the year to which they relate as part of the cost of employment. Certain employees on the staff rules terms and conditions, who transitioned under the Audit Arrangements Act 122 of 1992, chose to retain membership of the Government Employees Pension Fund (GEPF). The AGSA has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and previous periods. With respect to early retirements, the AGSA is required to incur the cost of early retirement penalties.

Post-retirement medical care benefits - defined benefit plan

The AGSA provides post-retirement medical care benefits to certain employees and their legally recognised spouse at time of death. The entitlement to post-retirement medical care benefits is based on the employee being on the staff rules terms and conditions, remaining in service up to retirement age of 65 (or when reaching 50 in the case of early retirement) and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Actuarial gains and losses arising from experience adjustments are recognised in other comprehensive income in the statement of surplus or deficit and other comprehensive income in the period in which they occur. Interest cost and service cost are recognised in surplus or deficit in the period in which they occur. The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation. Valuations of these obligations are carried out annually by independent qualified actuaries.

Leave liability

The AGSA calculates the value of leave not taken at year-end based on the guaranteed package or basic salary, dependent on the category of leave. The value of leave is recognised in the statement of financial position as a short-term employee benefit.

NOTES TO THE FINANCIAL STATEMENTS

1.10 Provisions

Provisions are recognised when the AGSA has a present obligation (legal or constructive) as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure taking risks and uncertainties into account. Provisions are discounted where the time value of money is material using a rate that reflects current market assessments of the time value of money.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provision will be reversed.

1.11 Contingencies

Contingent liabilities are not recognised until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recognised.

1.12 Revenue

IFRS 15 establishes a single, comprehensive and robust framework for the recognition, measurement and disclosure of revenue. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The AGSA generates revenue by rendering audit services to the public sector. The AGSA has three main revenue streams:

- Own hours - audit services performed by the AGSA
- Contracted work recoverable - audit services contracted out to third parties and performed on behalf of the AGSA
- Subsistence and travel - amounts recovered from auditees for the costs of the AGSA audit staff's subsistence and travelling while performing their duties.

Revenue is recognised for the three revenue streams mentioned above, over time as the services are rendered and is measured based on the consideration specified in a contract with an auditee to the extent that the amounts are collectable. Revenue consists of amounts net of value-added tax. In terms of the PAA, amounts are due and payable within 30 days of the invoice date.

NOTES TO THE FINANCIAL STATEMENTS

1.13 Interest income

Interest is recognised based on the effective interest rate, which takes into account the effective yield on the asset over the period it is expected to be held.

1.14 Government grants

Government grants are accounted for through the statement of financial position and statement of surplus or deficit and other comprehensive income in accordance with IAS 20. Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants received as a compensation for costs already incurred or for immediate financial support, with no future related costs, are recognised as income in the period in which they are receivable. Grants related to future obligations are presented as deferred income in the statement of financial position. This will be amortised as and when the expenses are incurred.

2. Property, plant and equipment

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2023			
Computer equipment	68 118	(64 479)	3 639
Notebooks	129 809	(76 015)	53 794
Motor vehicles	7 705	(3 537)	4 168
Office equipment	4 820	(4 289)	531
Furniture and fittings	63 397	(55 935)	7 462
Leasehold improvements	69 650	(26 903)	42 747
	343 499	**(231 158)**	**112 341**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions [1] R'000	Disposals R'000	Depreciation R'000	Balance at the end of the year R'000
Computer equipment	7 620	2 610	(551)	(6 040)	3 639
Notebooks	50 195	32 992	(628)	(28 765)	53 794
Motor vehicles	4 306	-	-	(138)	4 168
Office equipment	1 348	703	(1 259)	(261)	531
Furniture and fittings	8 915	538	(150)	(1 841)	7 462
Leasehold improvements	52 429	2 852	-	(12 534)	42 747
	124 813	**39 695**	**(2 588)**	**(49 579)**	**112 341**

	R'000
Proceeds on disposal of property, plant and equipment	**971**

NOTES TO THE FINANCIAL STATEMENTS

2. Property, plant and equipment (continued)

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2022			
Computer equipment	72 870	(65 250)	7 620
Notebooks	119 598	(69 403)	50 195
Motor vehicles	7 705	(3 399)	4 306
Office equipment	5 741	(4 393)	1 348
Furniture and fittings	63 298	(54 383)	8 915
Leasehold improvements	66 832	(14 403)	52 429
	336 044	**(211 231)**	**124 813**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions [1] R'000	Disposals R'000	Depreciation R'000	Balance at the end of the year R'000
Computer equipment	8 883	685	(19)	(1 929)	7 620
Notebooks	25 373	53 972	(1 711)	(27 439)	50 195
Motor vehicles	4 474	-	-	(168)	4 306
Office equipment	1 561	10	(17)	(206)	1 348
Furniture and fittings	9 163	302	(301)	(249)	8 915
Leasehold improvements	60 462	59	(1 566)	(6 526)	52 429
	109 916	**55 028**	**(3 614)**	**(36 517)**	**124 813**

[1] Included in additions is R2 278 000 (2022: R8 752 000) accrued at year-end but not yet paid.

	R'000
Proceeds on disposal of property, plant and equipment	**2 272**

NOTES TO THE FINANCIAL STATEMENTS

3. Intangible assets

2023

	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Computer software - purchased			
Enterprise resource management system - PeopleSoft	17 288	(9 077)	8 211
Licences	37 494	(31 733)	5 761
	54 782	**(40 810)**	**13 972**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions R'000	Disposals R'000	Amortisation R'000	Balance at the end of the year R'000
Computer software - purchased					
Enterprise resource management system - PeopleSoft	9 355	-	-	(1 144)	8 211
Licences	4 363	2 020	-	(622)	5 761
	13 718	**2 020**	**-**	**(1 766)**	**13 972**

2022

	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Computer software - purchased			
Enterprise resource management system - PeopleSoft	17 288	(7 933)	9 355
Licences	35 474	(31 111)	4 363
	52 762	**(39 044)**	**13 718**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Additions R'000	Disposals R'000	Amortisation R'000	Balance at the end of the year R'000
Computer software - purchased					
Enterprise resource management system - PeopleSoft	10 466	-	-	(1 111)	9 355
Licences	4 991	237	126	(991)	4 363
	15 457	**237**	**126**	**(2 102)**	**13 718**

NOTES TO THE FINANCIAL STATEMENTS

4. Right-of-use assets

2023	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Office buildings	628 793	(305 788)	323 005
	628 793	**(305 788)**	**323 005**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	New leases R'000	Adjustments for lease modifications R'000	Disposals R'000	Depreciation R'000	Balance at the end of the year R'000
Office buildings	401 940	20 238	809	-	(99 982)	323 005
	401 940	**20 238**	**809**	**-**	**(99 982)**	**323 005**

2022	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Office buildings	622 980	(221 040)	401 940
	622 980	**(221 040)**	**401 940**

The carrying amounts are reconciled as follows:	Balance at the beginning of the year R'000	Adjustments for lease modifications R'000	Disposals R'000	Depreciation R'000	Balance at the end of the year R'000
Office buildings	482 097	20 107	-	(100 264)	401 940
	482 097	**20 107**	**-**	**(100 264)**	**401 940**

NOTES TO THE FINANCIAL STATEMENTS

4. Right-of-use assets (Continued)

The AGSA leases all the premises occupied by its head office and regionally based staff in the major centres of the country. The table below describes the nature of the AGSA's leasing activities by type of right-of-use asset recognised:

	Remaining lease term	Extension option	Option to purchase	Variable payment linked to an index	Termination index option
Office buildings					
Eastern Cape	5 months	No	No	No	No
Free State	120 months	Yes	No	No	No
Gauteng	62 months	Yes	No	No	No
Head Office	35 months	Yes	No	No	No
KwaZulu-Natal	97 months	Yes	No	No	No
Limpopo	7 months	Yes	No	No	No
Mpumalanga	9 months	No	No	No	No
Northern Cape	62 months	Yes	No	No	No
North West	51 months	Yes	No	No	No
Western Cape	21 months	Yes	No	No	No

The AGSA leases office equipment that are low-value assets. The lease payments are recognised in surplus or deficit on a straight-line basis over the period of the lease (refer to note 10).

5. Trade and other receivables

	2023 R'000	2022 R'000
Trade receivables (refer to note 26.2)	1 080 003	1 059 892
Allowance for impairment of receivables [2]	(219 642)	(213 322)
Net trade receivables	860 361	846 570
Staff debtors	7 250	5 470
Prepayments	44 889	32 811
Other debtors	211	207
Balance at the end of the year (refer to note 26.3)	**912 711**	**885 058**

NOTES TO THE FINANCIAL STATEMENTS

5. Trade and other receivables (continued)

[2] Allowance for impairment of receivables

	2023 R'000	2022 R'000
Balance at the beginning of the year	(213 322)	(198 079)
Amount written off during the year	18 213	5 809
Adjustment of allowance for impairment of receivables (refer to notes 19 and 22.3)	(24 533)	(21 052)
Balance at the end of the year (refer to note 26.2)	**(219 642)**	**(213 322)**

In determining the recoverability of trade receivables, the AGSA considered the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

6. Cash and cash equivalents

	2023 R'000	2022 R'000
Investment reserved for specific liabilities [3]	189 830	212 906
Overnight call account	35 058	111 557
Notice deposits	209 262	131 547
Current bank account	272 379	314 334
Balance at the end of the year (refer to notes 26.3 and 26.4)	**706 529**	**770 344**

[3] Investment reserved for specific liabilities

	2023 R'000	2022 R'000
The liabilities covered by this investment include the following:		
Post-retirement medical care benefits (refer to note 11) [4]	12 904	48 963
13th cheque accrual (refer to note 13) [5]	8 424	8 664
Leave pay accrual (refer to note 13) [6]	190 010	178 961
Repayment to former TBVC states employees - deductions of salary over-payments	195	195
	211 533	**236 783**

NOTES TO THE FINANCIAL STATEMENTS

6. Cash and cash equivalents (continued)

[4] The future service liability for post-retirement medical care benefits totalling R222 000 (2022: R3 168 000) is not included in the investment reserved for specific liabilities. Future service costs are recognised when the services are delivered by the employees during the employment terms.

[5] Employees have the option of structuring their packages to include a 13th cheque (equal to one month's basic salary) that is paid in their birthday month. The accrual relates to the bonus portion of the packages due to employees at 31 March 2023.

[6] Only R139 769 673 (2022: R137 242 050) of the leave pay accrual is ring-fenced through the investment reserved for specific liabilities. The balance of R50 240 388 (2022: R41 718 717) is covered through the current account as this can be encashed within the current year.

7. General reserve

	2023 R'000	2022 R'000
Balance at the beginning of the year	823 366	1 116 366
Transfer of accumulated surplus/(deficit) to general reserve (refer to note 9)	40 255	(293 000)
Balance at the end of the year	**863 621**	**823 366**

Accumulated surplus that was recommended by the Standing Committee on the Auditor-General (Scoag) and approved by Parliament (in terms of section 38(4) of the PAA) to be retained for working capital and general reserve requirements of the AGSA.

8. Special audit services reserve

	2023 R'000	2022 R'000
Balance at the beginning and end of the year	**4 964**	**4 964**

A fund set aside to finance special investigations or audits, for which the AGSA may be unable to recover the costs from a specific auditee. The former audit commission instructed that the reserve should not be increased before further guidance is provided by Scoag, established in terms of section 55(2)(b)(ii) of the Constitution.

NOTES TO THE FINANCIAL STATEMENTS

9. Accumulated surplus

	2023 R'000	2022 R'000
Balance at the beginning of the year	40 255	(293 000)
Transfer of accumulated (surplus)/deficit to general reserve (refer to note 7)	(40 255)	293 000
Total comprehensive surplus for the year	263 131	40 255
Balance at the end of the year	**263 161**	**40 255**

10. Lease liabilities

	2023 R'000	2022 R'000
Maturity analysis of future lease payments (discounted)		
Due within one year	133 858	134 133
Between one and five years	341 479	425 323
More than five years	98 836	120 835
Total future lease payments (refer to note 26.4)	**574 173**	**680 291**
Total future finance costs	(137 922)	(175 045)
Lease liabilities (refer to notes 26.3 and 26.4)	**436 251**	**505 246**
Non-current portion	343 918	420 493
Current portion	92 333	84 753

	2023 R'000	2022 R'000
Expenses related to leases		
Low-value lease expense - recognition exemption	**–**	**476**

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

NOTES TO THE FINANCIAL STATEMENTS

10. Lease liabilities (continued)

	2023 R'000	2022 R'000
Total cash outflows relating to leases		
Presented under financing activities		
Cash payments for capital portion of lease liabilities	87 071	70 592
Presented under operating activities		
Cash payments for interest portion of lease liabilities	49 231	56 769
Cash payments for low-value leases	–	476
Total cash outflow relating to leases	**136 302**	**127 837**

The AGSA leases all the premises occupied by its head office and regionally based staff in the major centres of the country. The table below describes the nature of the AGSA's leasing activities by type of right-of-use asset recognised:

	Remaining lease term	Extension option	Option to purchase	Variable payment linked to an index	Termination index option
Office buildings					
Eastern Cape	5 months	No	No	No	No
Free State	120 months	Yes	No	No	No
Gauteng	62 months	Yes	No	No	No
Head Office	35 months	Yes	No	No	No
KwaZulu-Natal	97 months	Yes	No	No	No
Limpopo	7 months	Yes	No	No	No
Mpumalanga	9 months	No	No	No	No
Northern Cape	62 months	Yes	No	No	No
North West	51 months	Yes	No	No	No
Western Cape	21 months	Yes	No	No	No

The incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 11,15%. The incremental borrowing rates for new leases and lease modifications entered into after initial recognition are as follows:

- 2020-21 financial year - between 6,95% and 10,16%
- 2021-22 financial year - between 5,83% and 5,94%
- 2022-23 financial year - between 7,55% and 10,91%

NOTES TO THE FINANCIAL STATEMENTS

11. Post-retirement benefit obligation

	2023 R'000	2022 R'000
Post-retirement medical care benefits	**12 904**	**48 963**
The liability is reconciled as follows:		
Balance at the beginning of the year	48 963	53 962
Current year provision	(34 056)	(2 344)
Current service costs	222	606
Actuarial gain	(3 426)	(9 635)
Remeasurements due to experience adjustments	(1 496)	(6 850)
Remeasurements due to financial assumptions	(1 930)	(2 785)
Interest expense adjustment on retirement benefit obligations (refer to note 21)	3 193	6 685
Effect of settlement	(35 159)	-
Loss of settlement	1 114	-
Less: Payments made	(2 003)	(2 655)
Balance at the end of the year (refer to note 6)	**12 904**	**48 963**
Non-current portion	11 808	46 214
Current portion	1 096	2 749
	12 904	**48 963**

The obligation in respect of the medical care contributions for post-retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed as at 31 March 2023 by Alexander Forbes Health (Pty) Ltd using the projected unit credit method.

	2023	2022
The valuation is based on the following most recent principal actuarial assumptions:		
The discount rate reflects the timing of benefit payments and is based on market bond yields	12,0%	11,3%
Subsidy increase rate (based on the inflation rate)	6,4%	6,4%
Expected retirement age	63	63
Number of continuation members	95	223
Average age of continuation members	74,0	71,7
Percentage continuation members married	47%	60%
Number of in-service members	10	146
Average age of in-service members	53,8	55,5
Percentage in-service members married	90%	90%
Average years of past service of in-service members	30,8	30,8

NOTES TO THE FINANCIAL STATEMENTS

11. Post-retirement benefit obligation (continued)

Sensitivity analysis

Below is the recalculated liability, as per the actuarial report, showing the effect of:

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

2023

Discount rate	Assumption 12,00%	-1%	+1%
Accrued liability 31 March 2023 (R'000)	12 904	14 053	11 916
% change		8,9%	-7,7%

Inflation rate	Assumption 6,40%	+1%	-1%
Accrued liability 31 March 2023 (R'000)	12 904	14 048	11 909
% change		8,9%	-7,7%

Expected retirement age	Assumption 63 years	1 year younger	1 year older
Accrued liability 31 March 2023 (R'000)	12 904	12 983	12 832
% change		0,6%	-0,6%

2022

Discount rate	Assumption 11,30%	-1%	+1%
Accrued liability 31 March 2022 (R'000)	48 963	54 818	44 092
% change		12,0%	-9,9%

Inflation rate	Assumption 6,40%	+1%	-1%
Accrued liability 31 March 2022 (R'000)	48 963	54 822	44 030
% change		12,0%	-10,1%

Expected retirement age	Assumption 63 years	1 year younger	1 year older
Accrued liability 31 March 2022 (R'000)	48 963	50 172	47 795
% change		2,5%	-2,4%

NOTES TO THE FINANCIAL STATEMENTS

12. Provisions

	2023 R'000	2022 R'000
Reinstatement cost [7]		
Opening balance	22 478	29 160
Provision raised	1 054	-
Payments made	-	(6 490)
Provision reversal	-	(192)
Closing balance	**23 532**	**22 478**
Non-current portion	19 790	20 998
Current portion	3 742	1 480
	23 532	**22 478**

[7] Provision for reinstatement costs relating to the AGSA's leased premises.

13. Trade and other payables

	2023 R'000	2022 R'000
Trade payables [8]	41 144	141 140
Accruals	120 794	59 062
Deferred compensation [9]	3 708	2 078
13th cheque accrual (refer to note 6)	8 424	8 664
Leave pay accrual (refer to note 6)	190 010	178 961
Performance bonus accrual	-	269 692
Staff creditors	1 576	2 441
VAT and PAYE	98 469	88 563
Balance at the end of the year (refer to notes 26.3 and 26.4)	**464 125**	**750 601**
Non-current portion	3 708	2 078
Current portion	460 417	748 523
	464 125	**750 601**

NOTES TO THE FINANCIAL STATEMENTS

13. Trade and other payables (continued)

[8] Aging of trade payables:

	Total R'000	Current R'000	30-60 R'000	60-90 R'000	90-120 R'000	120+ R'000
2023						
Trade payables	41 144	17 005	15 657	2 587	3 324	2 571
2022						
Trade payables	141 140	37 599	31 944	32 010	20 805	18 782

[9] The Auditor-General is entitled to a termination benefit (deferred compensation) at the completion of her term. The deferred compensation is accrued over the 7-year term, based on past service.

14. Revenue [10]

	2023 R'000	2022 R'000
Local services rendered		
Own hours	3 501 771	3 270 733
Contract work recoverable (refer to note 16)	887 194	978 852
Subsistence and travel recoverable (refer to note 17)	193 613	145 147
	4 582 578	**4 394 732**

[10] The amount of revenue invoiced but not recognised for the current period is R15 905 000 (2022: R7 858 000) and R25 754 000 (2022: R14 343 000) in income previously not recognised was recovered and included in revenue in the current period.

NOTES TO THE FINANCIAL STATEMENTS

15. Staff cost

	2023 R'000	2022 R'000
Management salaries (refer to note 25.1)	34 907	39 969
Other non-recoverable staff salaries	598 251	558 984
Other staff expenditure	53 408	311 485
Performance bonus	(4 011)	261 454
Group life scheme	46 206	39 683
Other employer contributions	11 213	10 348
Course fees and study assistance	111 580	54 512
Adjustment of leave pay accrual	78 792	50 925
Incentive on settlement of post-retirement obligation	7 032	-
Total non-recoverable staff cost	**883 970**	**1 015 875**
Recoverable staff cost (part of direct audit cost)	1 921 080	1 833 904
Total staff cost	**2 805 050**	**2 849 779**
Average number of staff	**3 727**	**3 734**

16. Contract work

	2023 R'000	2022 R'000
Contract work recoverable (refer to note 14)	887 194	978 852
Contract work non-recoverable	13 598	4 167
	900 792	**983 019**

This represents work done by external audit firms on behalf of the AGSA. Work is allocated to audit firms based on a tender process. No mark-up is applied to contract work.

NOTES TO THE FINANCIAL STATEMENTS

17. Subsistence and travel

	2023 R'000	2022 R'000
Subsistence and travelling recoverable (refer to note 14)	**193 613**	**145 147**

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

18. Government grant and other income

	2023 R'000	2022 R'000
Government grant received [11]	43 478	43 478
Sundry income [12]	498	317
Profit on sale of property, plant and equipment (refer to note 22.3)	-	367
Gain on lease modification [13]	3 299	-
	47 275	**44 162**

[11] Non-refundable grant received from National Treasury to assist with the implementation cost of the revised PAA which has already been incurred.

[12] Sundry income consists mainly of income from the AGSA's gift shop.

[13] The gain on lease modification relates to the reduction of the extension period for the Mpumalanga lease.

NOTES TO THE FINANCIAL STATEMENTS

19. Other operational expenditure

	2023 R'000	2022 R'000
Auditor's remuneration - statutory audit services	5 044	4 844
Adjustment of allowance for impairment of receivables (refer to notes 5 and 22.3)	24 533	21 052
Fruitless and wasteful expenditure (refer to note 20)	130	–
Governance costs	1 984	1 013
ICT services	107 580	101 913
Internal audit fees	2 568	3 168
Legal costs	13 056	10 086
Loss on disposal of property, plant and equipment (refer to note 22.3)	1 617	–
Service costs - land and buildings	32 291	30 695
Low-value leases - office equipment	2 621	1 435
Other operational expenses (excluding staff cost)	19 787	17 193
Publications	1 868	1 664
Refreshments	3 707	2 236
Repairs and maintenance	11 053	10 576
Bank charges	517	482
Labour and staff relations	896	310
Insurance	1 746	1 925
Outsourced services	55 240	42 424
Recruitment costs	20 219	13 061
Stakeholder relations	30 671	14 623
Stationery and printing	5 268	3 498
Subsistence and travelling non-audit	34 932	16 323
Telephone and postage	10 734	10 378
	368 275	**291 706**

20. Fruitless and wasteful expenditure

	2023 R'000	2022 R'000
Salary payment into fraudulent bank account (refer to note 19)	**130**	**–**

NOTES TO THE FINANCIAL STATEMENTS

21. Interest

	2023 R'000	2022 R'000
Interest income		
Interest income on bank and investments	39 796	25 078
Interest on overdue debtors accounts - received	9 702	10 329
	49 498	**35 407**
Interest on overdue debtors accounts - accrued	53 216	29 619
	102 714	**65 026**
Interest expense		
Interest on lease liabilities	(49 231)	(56 769)
Interest on staff debt [14]	–	(706)
Interest on overdue accounts	(15)	–
	(49 246)	**(57 475)**
Interest expense adjustment on retirement benefit obligations (refer to note 11)	(3 193)	(6 685)
	(52 439)	**(64 160)**

[14] The termination bonus was paid to the deceased estate of the former auditor-general Thembekile Makwetu in July 2021 and included an interest amount of R564 365.

22. Notes to the cash flow statement

	2023 R'000	2022 R'000
22.1 Cash receipts from auditees		
Revenue	4 582 578	4 394 732
Net decrease in trade receivables	14 892	48 754
	4 597 470	**4 443 486**

	2023 R'000	2022 R'000
22.2 Total direct audit cost payments		
Direct audit cost	(3 015 485)	(2 962 070)
Net decrease in trade payables	(77 359)	(1 265)
	(3 092 844)	**(2 963 335)**

NOTES TO THE FINANCIAL STATEMENTS

22. Notes to the cash flow statement (continued)

	2023 R'000	2022 R'000
22.3 Operational expenditure payments		
Surplus for the year	259 735	30 620
Adjusted for:		
Revenue	(4 582 578)	(4 394 732)
Direct audit cost	3 015 485	2 962 070
Interest income	(102 714)	(65 026)
Interest expense	52 439	64 160
Depreciation - property, plant and equipment	49 579	36 517
Depreciation - right-of-use assets	99 982	100 264
Amortisation - intangible assets	1 766	2 102
Increase in allowance for impairment of receivables (refer to notes 5 and 19)	24 533	21 052
Decrease in 13th cheque accrual	(240)	(94)
Increase/(decrease) in leave pay accrual	11 049	(13 322)
(Decrease)/increase in performance bonus accrual	(269 692)	136 729
Decrease in liability for post-retirement medical care benefits	(35 826)	(2 049)
Increase/(decrease) in accruals	52 990	(8 868)
Loss/(profit) on the disposal of property, plant and equipment (refer to notes 19 and 18)	1 617	(367)
	(1 421 875)	(1 130 944)
	(13 932)	2 330
Other working capital changes	(13 862)	5 264
(Increase)/decrease in other receivables	(70)	(2 934)
Decrease in other payables		
	(1 435 807)	**(1 128 614)**

23. Notebook losses

	2023 R'000	2022 R'000
Notebook computers stolen and written off at the carrying amount: 42 (2022: 64)	**274**	**482**

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

NOTES TO THE FINANCIAL STATEMENTS

24. Commitments

24.1 Other commitments

Thuthuka

The AGSA has committed to fund 130 undergraduate students for a period of three years while they complete their studies, at a rate per student that is determined every year by the Thuthuka Bursary Fund trustees and on condition that the AGSA can stop its financial contribution by written notice.

As the rate per student is determined yearly, the commitment cannot be quantified; however, the yearly commitment at current rates amounts to R14 317 160 (130 students x R110 132 per student).

External bursaries

External bursaries are awarded annually to full-time students for undergraduate and postgraduate studies until they complete the qualification and on condition that all subjects are passed.

Failed subjects are repeated at the student's own expense. If a student fails repeatedly, the bursary agreement is terminated and the amounts advanced must be repaid to the AGSA, or in certain instances redeemed through employment at the AGSA if the student already has a degree.

Due to the uncertainties around the varying costs of studies across the universities and the pass rate, the amount cannot be quantified, but will be managed within the budgeted amount of R5 438 210 for approximately 46 students for the 2023-24 financial year.

24.2 Capital commitments

	2023 R'000	2022 R'000
Approved and contracted [15]	–	73 512
Source of funding		
Internal resources	–	73 512

[15] Property, plant and equipment approved and contracted for in 2022-23, for implementation in the 2023-24 financial year.

NOTES TO THE FINANCIAL STATEMENTS

25. Related parties

Transactions with related parties are on an arm's length basis at market-related prices.

25.1 Key management personnel compensation

Total short-term, long-term and termination benefits paid to management.

2023

				Short-term benefits		Long-term benefits	
Position	Name	Appointment date	Term end date	Gross remuneration R'000	Performance bonus R'000	Deferred compensation R'000	Total remuneration R'000
Auditor-General	T Maluleke	1 Dec 2020	-	5 432	-	1 629	7 061
Deputy Auditor-General	V Chauke	1 Jul 2021	-	4 725	-	-	4 725
Head of Audit National	SS Ngoma	1 Jun 2021	-	3 885	-	-	3 885
Head of Audit Provincial	MM Sedikela	1 Jun 2021	-	3 885	-	-	3 885
Corporate Executive	JH v Schalkwyk	1 Nov 2010	-	3 434	-	-	3 434
Head of Specialised Audits	SL Ndaba	1 Jul 2018	31 Aug 2022	1 484	-	-	1 484
Chief Financial Officer	P Sokombela	1 Mar 2022	-	2 940	-	-	2 940
Chief People Officer	MM Mabaso	1 Aug 2016	27 Sep 2022	1 559	-	-	1 559
Chief Risk Officer	MS Segooa	1 Jul 2021	-	3 434	-	-	3 434
Chief Technology Officer	P Ndarana	1 Jun 2022	-	2 500	-	-	2 500
Total management compensation (refer to note 15)				**33 278**	**-**	**1 629**	**34 907**

NOTES TO THE FINANCIAL STATEMENTS

25. Related parties (continued)

25.1 Key management personnel compensation (continued)

2022

Position	Name	Appointment date	Term end date	Short-term benefits: Gross remuneration R'000	Short-term benefits: Performance bonus R'000	Long-term benefits: Deferred compensation R'000	Total remuneration R'000
Auditor-General	T Maluleke	1 Dec 2020	-	5 233	-	1 570	6 803
Deputy Auditor-General	JH v Schalkwyk **A**	1 Mar 2021	30 Jun 2021	942	-	-	942
Deputy Auditor-General	V Chauke	1 Jul 2021	-	3 375	1 012	-	4 387
National Leader [16]	AH Muller **A**	1 Feb 2019	31 May 2021	591	-	-	591
National Leader	MS Segooa **A**	1 Jun 2021	30 Jun 2021	273	-	-	273
Head of Audit National	SS Ngoma	1 Jun 2021	-	3 083	1 451	-	4 534
Head of Audit Provincial	MM Sedikela	1 Jun 2021	-	3 083	726	-	3 809
Corporate Executive	JH v Schalkwyk	1 Nov 2010	-	2 468	654	-	3 122
Corporate Executive [16]	OH Duda **A**	1 Feb 2019	31 May 2021	426	-	-	426
Corporate Executive	MS Segooa	1 Aug 2014	31 May 2021	545	-	-	545
Corporate Executive	MM Sedikela	1 Jan 2016	31 May 2021	545	-	-	545
Corporate Executive [16]	SL Lubambo	1 Aug 2017	31 May 2021	472	-	-	472
Corporate Executive [16]	V Maharaj	1 Aug 2017	31 May 2021	498	-	-	498
Head of Specialised Audits	SL Ndaba	1 Jul 2018	-	3 110	679	-	3 789
Chief Financial Officer	SS Ngoma	1 Nov 2012	31 May 2021	545	-	-	545
Chief Financial Officer	P Sokombela	1 Mar 2022	-	222	-	-	222
Chief People Officer	MM Mabaso	1 Aug 2016	-	3 009	-	-	3 009
Chief Risk Officer	MS Segooa	1 Jul 2021	-	2 453	654	-	3 107
Chief Technology Officer	SL Ndaba **A**	1 Jun 2021	30 Jun 2021	283	-	-	283
Chief Technology Officer	V Pillay	1 Aug 2021	31 Mar 2022	2 067	-	-	2 067
Total management compensation (refer to note 15)				**33 223**	**5 176**	**1 570**	**39 969**

A Acting

NOTES TO THE FINANCIAL STATEMENTS

25 Related parties (continued)

25.1 Key management personnel compensation (continued)

[16] The AGSA changed the composition of the executive management team in line with a new reporting structure from 1 June 2021. As a result, some key management personnel not included in the current year appear for two months in the prior year.

25.2 Members of governing boards

Total board fees paid to members of governing boards

Name	Role	Appointment date	Term end date	2023 R'000	2022 R'000
Mr J Biesman-Simons	Audit Committee	17 Mar 2014	31 Oct 2022	364	243
Ms G Motau	Audit Committee	1 Nov 2022	-	208	-
Ms C Roskruge	Audit Committee	17 Mar 2016	-	293	150
Mr C Mampuru	Audit Committee	1 Dec 2018	-	334	146
Ms T Maluleke	Quality Control Assessment Committee	1 Jun 2021	-	-	-
Ms L de Beer	Quality Control Assessment Committee	1 Apr 2015	-	42	25
Mr JH van Schalkwyk	Quality Control Assessment Committee	1 Mar 2021	30 Jun 2021	-	-
Mr J Biesman-Simons	Quality Control Assessment Committee	1 Apr 2013	28 Jun 2022	42	25
Mr V Chauke	Quality Control Assessment Committee	1 Jun 2022	-	-	-
Dr M Bussin	Remuneration Committee	17 Mar 2014	30 Jun 2022	10	30
Ms M Nkeli	Remuneration Committee	1 Mar 2021	-	-	-
Mr B Nkomo	Remuneration Committee	17 Mar 2014	30 Jun 2022	5	44
Ms M Tlhabane	Remuneration Committee	19 May 2020	30 Jun 2022	-	33
Ms N Samodien	Remuneration Committee	17 Mar 2014	-	13	27
Mr V Chauke	Remuneration Committee	1 Jul 2021	-	-	-
Ms T Fubu	Remuneration Committee	1 Jun 2022	-	96	-
				1 407	**723**

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments

The carrying amount of financial assets and liabilities reasonably approximate their fair value due to the short-term nature of the financial instruments.

26.1 Market risk

Interest rate risk management

The exposure to changes in interest rates relates primarily to the AGSA's current and investment accounts.

Interest rate sensitivity

Below are the recalculated financial assets and liabilities showing the effect of:

- A one percentage point decrease or increase in the current account interest rate
- A one percentage point decrease or increase in the investment account interest rates

2023

Current and investment accounts interest rates	Current balance	+1%	-1%
Net surplus (R'000)	263 161	270 138	256 077
% change		2,7%	-2,7%
Current bank and investment accounts balances (R'000)	706 529	713 506	699 445
% change		1,0%	-1,0%

2022

Current and investment accounts interest rates	Current balance	+1%	-1%
Net surplus (R'000)	40 255	47 072	33 451
% change		16,9%	-16,9%
Current bank and investment accounts balances (R'000)	770 344	777 104	763 589
% change		0,9%	-0,9%

26.2 Credit risk

Financial assets that potentially subject the AGSA to concentrations of credit risk consist principally of cash and short-term deposits placed with financial institutions that have the following national short-term credit ratings:

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.2 Credit risk (continued)

Financial institution	2023 (2022)		
	Fitch	Moody's	S&P
Standard Bank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
Investec	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
Nedbank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
First National Bank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
ABSA	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)

Trade receivables are presented net of the allowance for impairment. Credit risk with respect to trade receivables is limited to some degree due to the AGSA's constitutionally conferred audit mandate. However, the AGSA has a significant concentration of credit risk with local government debtors.

All financial assets are unsecured. The carrying amount of financial assets included in the statement of financial position represents the AGSA's exposure to credit risk in relation to these assets.

AGSA expected credit loss rates 2022-23

	Current	30 days	60 days	90 days	120 days	150 days	180 days	181+ days
National	1%	5%	28%	61%	45%	45%	45%	100%
Provincial	2%	5%	19%	34%	36%	43%	47%	100%
Local								
Local municipality	16%	27%	39%	46%	46%	53%	61%	100%
District municipality	4%	8%	15%	24%	24%	29%	38%	100%
Metro	2%	8%	45%	80%	45%	45%	45%	100%
Statutory	6%	12%	28%	43%	45%	49%	51%	100%
Other debtors	4%	10%	24%	34%	37%	44%	52%	100%
Non-audit debtors	95%	100%	100%	100%	83%	84%	84%	100%

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.2 Credit risk (continued)

AGSA expected credit loss rates 2021-22

	Current	30 days	60 days	90 days	120 days	150 days	180 days	181+ days
National	1%	3%	21%	50%	48%	49%	27%	100%
Provincial	1%	3%	11%	17%	23%	31%	35%	100%
Local								
Local municipality	11%	18%	25%	29%	32%	36%	45%	100%
District municipality	1%	2%	5%	11%	16%	26%	23%	100%
Metro	1%	4%	39%	50%	47%	47%	26%	100%
Statutory	2%	9%	11%	12%	11%	13%	15%	100%
Other debtors	10%	24%	55%	70%	72%	68%	77%	100%
Non-audit debtors	55%	69%	86%	82%	83%	85%	85%	100%

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

2023

Debtor type	Total R'000	Current R'000	30 - 120 R'000	120 - 180 R'000	180+ R'000
National	85 523	82 831	2 686	-	6
Provincial	154 453	145 672	3 372	-	5 409
Local	487 497	87 343	165 058	73 000	162 096
Local municipality	426 380	57 275	145 729	64 908	158 468
District municipality	26 692	14 274	8 546	2 885	987
Metro	34 425	15 794	10 783	5 207	2 641
Statutory	65 987	35 693	2 529	5 130	22 635
Other [17]	286 543	170 311	13 443	7 004	95 785
Total trade receivables (refer to note 5)	**1 080 003**	**521 850**	**187 088**	**85 134**	**285 931**

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.2 Credit risk (continued)

2022

Debtor type	Total R'000	Current R'000	30 - 120 R'000	120 - 180 R'000	180+ R'000
National	79 834	79 834	-	-	-
Provincial	129 809	126 326	1 356	2 127	-
Local	548 229	131 171	214 124	48 646	154 288
Local municipality	468 516	91 409	189 629	40 794	146 684
District municipality	41 118	17 009	18 743	3 221	2 145
Metro	38 595	22 753	5 752	4 631	5 459
Statutory	59 299	26 523	2 882	7 624	22 270
Other [17]	242 721	132 998	33 525	9 054	67 144
Total trade receivables (refer to note 5)	**1 059 892**	**496 852**	**251 887**	**67 451**	**243 702**

R558 153 000 (2022: R563 040 000) of receivables, comprising 51,7% (2022: 53,1%) of total receivables, are in arrears. Local government debtors' arrears stand at R400 154 000 (2022: R417 058 000), which is 71,7% (2022: 74,1%) of total arrears and 37,1% (2022: 39,3%) of total receivables.

Financial assets subject to credit risk

2023

Debtor type	Trade receivables R'000	Allowance for impairment of receivables R'000	Net trade receivables R'000
National	85 523	(1 623)	83 900
Provincial	154 453	(9 185)	145 268
Local	487 497	(140 862)	346 635
Local municipality	426 380	(132 038)	294 342
District municipality	26 692	(4 326)	22 366
Metro	34 425	(4 498)	29 927
Statutory	65 987	(368)	65 619
Other [17]	286 543	(67 604)	218 939
	1 080 003	**(219 642)**	**860 361**

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.2 Credit risk (continued)

2022

Debtor type	Trade receivables R'000	Allowance for impairment of receivables R'000	Net trade receivables R'000
National	79 834	(754)	79 080
Provincial	129 809	(3 329)	126 480
Local	548 229	(131 875)	416 354
Local municipality	468 516	(126 716)	341 800
District municipality	41 118	(4 466)	36 652
Metro	38 595	(693)	37 902
Statutory	59 299	(1 413)	57 886
Other [17]	242 721	(75 951)	166 770
	1 059 892	**(213 322)**	**846 570**

[17] Other receivables include unlisted public entities, municipal entities and utility agency corporations.

26.3 Liquidity risk

Liquidity risk is the risk that the AGSA will not be able to meet its financial obligations as they fall due.

The AGSA has adequate cash balances at its disposal and minimal long-term debt, which limits liquidity risk. Budgets and cash flow forecasts are prepared annually to ensure liquidity risks are monitored and controlled.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.3 Liquidity risk (continued)

Maturity profile of financial instruments

2023

	Within 1 year R'000	1 to 5 years R'000	Later than 5 years R'000	Total R'000
Assets				
Trade and other receivables (refer to note 26.4)	867 822	-	-	867 822
Total trade and other receivables (refer to note 5)	912 711	-	-	912 711
Prepayments	(44 889)	-	-	(44 889)
Cash (refer to notes 6 and 26.4)	706 529	-	-	706 529
Current account	272 379	-	-	272 379
Overnight call account	35 058	-	-	35 058
Notice deposits	399 092	-	-	399 092
Total financial assets	**1 574 351**	**-**	**-**	**1 574 351**
Liabilities				
Lease liabilities (refer to note 10)	92 333	262 714	81 204	436 251
Trade and other payables (refer to note 26.4)	171 938	-	3 708	175 646
Total trade and other payables (refer to note 13)	460 417	-	3 708	464 125
Leave pay accrual	(190 010)	-	-	(190 010)
VAT and PAYE	(98 469)	-	-	(98 469)
Total financial liabilities	**264 271**	**262 714**	**84 912**	**611 897**
Net financial assets	**1 310 080**	**(262 714)**	**(84 912)**	**962 454**

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.3 Liquidity risk (continued)

2022

	Within 1 year R'000	1 to 5 years R'000	Later than 5 years R'000	Total R'000
Assets				
Trade and other receivables (refer to note 26.4)	852 247	-	-	852 247
Total trade and other receivables (refer to note 5)	885 058	-	-	885 058
Prepayments	(32 811)	-	-	(32 811)
Cash (refer to notes 6 and 26.4)	770 344	-	-	770 344
Current account	314 334	-	-	314 334
Overnight call account	111 557	-	-	111 557
Notice deposits	344 453	-	-	344 453
Total financial assets	1 622 591	-	-	1 622 591
Liabilities				
Lease liabilities (refer to note 10)	84 753	320 753	99 740	505 246
Trade and other payables (refer to note 26.4)	480 999	-	2 078	483 077
Total trade and other payables (refer to note 13)	748 523	-	2 078	750 601
Leave pay accrual	(178 961)	-	-	(178 961)
VAT and PAYE	(88 563)	-	-	(88 563)
Total financial liabilities	565 752	320 753	101 818	988 323
Net financial assets	1 056 839	(320 753)	(101 818)	634 268

26.4 Classification of financial instruments

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

2023

Financial assets	Loans and receivables R'000	Non-financial assets R'000	Total R'000
Financial assets measured at amortised cost			
Trade and other receivables (refer to note 26.3)	867 822	44 889	912 711
Cash and cash equivalents (refer to notes 6 and 26.3)	706 529	-	706 529
	1 574 351	44 889	1 619 240

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.4 Classification of financial instruments (continued)

Financial liabilities	Financial liabilities R'000	Non-financial assets R'000	Total R'000
Financial liabilities measured at amortised cost			
Lease liabilities (refer to note 10)	436 251	-	436 251
Trade and other payables (refer to notes 13 and 26.3)	175 646	288 479	464 125
	611 897	**288 479**	**900 376**

2022

Financial assets	Loans and receivables R'000	Non-financial assets R'000	Total R'000
Financial assets measured at amortised cost			
Trade and other receivables (refer to note 26.3)	852 247	32 811	885 058
Cash and cash equivalents (refer to notes 6 and 26.3)	770 344	-	770 344
	1 622 591	**32 811**	**1 655 402**

Financial liabilities	Financial liabilities R'000	Non-financial liabilities R'000	Total R'000
Financial liabilities measured at amortised cost			
Lease liabilities (refer to note 10)	505 246	-	505 246
Trade and other payables (refer to notes 13 and 26.3)	483 077	267 524	750 601
	988 323	**267 524**	**1 255 847**

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments (continued)

26.4 Classification of financial instruments (continued)

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities is as follows:

Minimum lease payments due

2023

	Within 1 year R'000	1 to 5 years R'000	Later than 5 years R'000
Lease payments (refer to note 10)	133 858	341 479	98 836
Finance charges	(41 525)	(78 765)	(17 632)
Net present value	**92 333**	**262 714**	**81 204**

2022

	Within 1 year R'000	1 to 5 years R'000	Later than 5 years R'000
Lease payments (refer to note 10)	134 133	425 323	120 835
Finance charges	(49 380)	(104 570)	(21 095)
Net present value	**84 753**	**320 753**	**99 740**

NOTES TO THE FINANCIAL STATEMENTS

27. Taxation

No provision is made for income tax as the AGSA is exempt in terms of section 10(1)(cA)(i) of the Income Tax Act 58 of 1962.

28. Events after the reporting period

No other matters or circumstances arose after the end of the financial year and up to the date of the signing of these financial statements that will materially affect these financial statements.

29. Going concern

Based on the AGSA's cash flow forecast for the next 12 months to 31 July 2024 and the year to date performance, the AGSA will continue to operate as a going concern for the foreseeable future.

ANNEXURES

08

TABLE OF ABBREVIATIONS

ACFE	Association of Certified Fraud Examiners
APC	Assessment of Professional Competence
BRRR	Budget review and recommendation report
CCMA	Commission for Conciliation, Mediation and Arbitration
CSO	Civil society organisations
CTA	Certificate in the Theory of Accounting
EDP	Executive Development Programme
ESD	Enterprise and supplier development
GRAP	Generally Recognised Accounting Practice
GRI	Global Reporting Initiative
IAASB	International Auditing and Assurance Standards Board
ICT	Information Communication Technology
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
IRBA	Independent Regulatory Board for Auditors
ISQM	International Standard on Quality Management
ITC	Initial Test of Competence
LDP	Leadership Development Programme
MI	Material irregularity
NRF	National Revenue fund
PAA	Public Audit Act 25 of 2004
QMAC	Quality management assessment committee
SDG	Sustainable Development Goals
SOQM	System of quality management

INTEGRATED REPORTING INDEX

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

GRI CONTENT INDEX

The Guidelines for sustainable reporting of the Global Reporting Initiative (GRI) Standards informed the content and format of the report, which meets the information and reporting requirements in accordance with the ' Core' version.

GRI	Description
GRI 102 2016:	**General standard disclosures - strategy and analysis**
102-14	Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation.
GRI 102 2016:	**General standard disclosures - organisational profile**
102-1	Name of the organisation
102-2	Activities, brand, products and services of the AGSA
102-3	Location of head office
102-4	National footprint of the AGSA
102-5	Nature of ownership and legal form
102-6	Geographic breakdown, types of customers and beneficiaries
102-7	Scale of the organisation including • Number of employees • Number of operations • Net revenue • Quantity of services / products offered
102-8	Workforce profile • Total number of employees (permanent) • Total number of employees (contract) • Workforce by employment contract and gender • State whether a substantial portion of the organisation's work is performed by contractors
102-9	Description of AGSA's supply chain
102-10	Report any significant changes during the reporting period regarding the organisation's size, structure or supply chain

GRI	Description
GRI 102 2016:	**General standard disclosures - organisational profile (continued)**
102-11	Report on whether and how the precautionary approach or principle is addressed by the organisation
102-12	External charters, principles and initiatives that we subscribe to or endorse
102-13	Memberships maintained at an organisational level
GRI 102 2016:	**General standard disclosures - identified material aspects and boundaries**
102-46	Process for defining the report content and the aspect boundaries
102-47	List of material aspects identified
GRI 102 2016:	**General standard disclosures - stakeholder engagement**
102-40	List of stakeholder groups identified by the organisation
102-42	Basis for identification and selection of stakeholders
102-43	Organisation's approach to stakeholder management
102-44	Key topics raised through stakeholder engagement
GRI 102 2016:	**General standard disclosures - report profile**
102-50	Reporting period
102-51	Date of the most recent report
102-52	Reporting cycle
102-53	Contact point for questions regarding the report

GRI	Description
GRI 102 2016:	**General standard disclosures - report profile (continued)**
102-54	Claims of reporting in accordance with GRI standards
102-55	GRI content index
102-56	Organisation's policy and practice on seeking external assurance
GRI 102 2016:	**General standard disclosures – governance**
102-18	Governance structures within the AGSA
102-22	Composition of the highest governance body and its committees
GRI 102 2016:	**General standard disclosures - ethics and integrity**
102-16	• The organisation's ethical principle, standards and norms of behaviour such as code of ethics and code of conduct • Ethical and independence requirements
GRI 103 2016:	**General standard disclosures - disclosures on management approach**
103-2	Labour practices and grievance mechanisms
GRI 401:	**Specific standard disclosures - labour practices and decent work – employment**
401-1	• New employee hires • Staff turnover
GRI 403:	**Specific standard disclosures - labour practices and decent work - occupational health and safety**
403-2	Occupational health - types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

GRI	Description
GRI 404:	**Specific standard disclosures - Labour Practices and Decent Work - Training and Education**
404-1	Average hours of training, per employee and by employee category
405-1	Diversity and equal opportunity • Workforce by region and gender • Workforce by grade, race and gender • Workforce by employment contract and gender • Workforce profile by race and age • Executive committee by race group
GRI 405:	**Specific standard disclosures - labour practices and decent work - diversity and equal opportunity**
413-1	Local communities • Socio-economic development initiatives

SUSTAINABLE DEVELOPMENT GOALS

The sustainable development goals (SDGs) aim to ensure economic prosperity and an improvement in human well-being. Achieving these goals takes sound governance structures.

Our awareness of the SDG priorities in our own reporting is highlighted to demonstrate areas that are influenced by these goals.

SDG	No.
No poverty	01
No hunger	02
Good health and well being	03
Quality education	04
Gender equality	05
Clean water and sanitation	06
Decent work and economic growth	08

SDG	No.
Industry, innovation and infrastructure	09
Reduced inequalities	10
Sustainable cities and communities	11
Responsible consumption and production	12
Peace, justice and strong institutions	16
Partnerships for the goals	17

NOTES

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