

**Strategic plan and budget
of the
Auditor-General of South Africa
for 2011-2014**

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Constitutional and legislative mandate

Mandate and functions

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

Our functions are described in section 188 of the Constitution and further regulated in the PAA, which mandates the AGSA to perform constitutional and other functions. Constitutional functions are those which we perform to comply with the broader mandate described in the Constitution. Section 4 of the PAA makes a further distinction between mandatory and discretionary audits.

Accountability and reporting

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

Our products

Each year, we produce audit reports on government departments, public entities, municipalities and other public institutions. In addition to these entity-specific reports, we analyse the audit outcomes in general reports that cover both the PFMA and the MFMA cycles. We also produce reports on discretionary audits, performance audits and other special audits. Our reports are then tabled in the legislatures that have a direct interest in the

¹ Constitution of the Republic of South Africa, 1996

² Section 181(2)

particular audit, namely Parliament, provincial legislatures or municipal councils. These bodies then use the reports in accordance with their own rules and procedures for oversight.

Vision, Mission and Values

Our vision

To be recognised by all our stakeholders as a relevant Supreme Audit Institution that enhances public sector accountability.

Our mission

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

This is our reputation promise.

Our values

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

Auditor-General's statement of policy and commitment

As I present the strategic plan and budget of the Auditor-General of South Africa (AGSA), I am convinced that clean administration, characterised by clean audits and good governance, will provide the necessary impetus for achieving our vision of enhancing public sector accountability. In discharging our mandate, I intend to ensure that it offers value and benefits to the citizens of our country. In keeping with this commitment, the AGSA should be exemplary in terms of governance and public accountability.

Since we started analysing the root causes of audit findings three years ago, we have strived to apply the three measures for success, namely simplicity, clarity and relevance. In our quest for greater simplicity during the previous audit cycle, we communicated key controls to the executive authorities of national, provincial and municipal entities. Clarity has been achieved by defining the audit requirements upfront and agreeing on clear expectations with the auditees. We will remain relevant by providing timely and concise audit recommendations of a high quality. At quarterly intervals, we will assess key controls and provide relevant feedback to those charged with governance. These quarterly visits signify our commitment to enabling clean governance.

The continuous professionalisation of our human resources will enable greater understanding of the public sector and build a pipeline of inspired auditing leaders who espouse the value and benefits of our institution. The ability to be responsive to our stakeholders, apply audit standards and impart extensive knowledge and insight relating to outcomes and good practices will strengthen and enhance public accountability, while a critical measure of success would be the level of motivation of our staff.

Financial stability is essential to discharging our mandate. We will continue with the funding model initiative instituted for the first time in the previous financial year. The success indicator would be optimal margins and stable cash flow. We will continue to pursue the challenge of municipal debt through dialogue with our stakeholders, while audit efficiencies will be instituted and monitored as we create conditions for affordable audit cost for all the entities.

We will once again strive to be exemplary in maintaining effective governance structures and business processes, promoting transformation and ensuring the quality and timeliness of all our products. Transformation of the AGSA and the profession will continue to be effected through employment equity and BBBEE initiatives with an incremental approach and adherence to the codes of best practice. The timely tabling of our national, provincial and

municipal general reports, strategic plan and budget and annual report will illustrate that we are committed to achieving that which we expect of our auditees, all of which should be independently endorsed by a clean audit report from our auditors as a critical measure of success.

The success of this supreme audit institution, as encapsulated in our reputation promise, will be measured by our efforts in achieving a significant number of clean audits across all spheres of government with a view to building public confidence.

Overview by the Deputy Auditor-General

Introduction

I am pleased to present to you the strategic plan and budget of the AGSA for the period April 2011 to March 2014. In developing and ensuring the effective implementation of this medium-term plan, I give practical expression to my responsibilities as head of administration, in accordance with section 32 of the Public Audit Act (PAA) and as accounting officer in line with my financial responsibilities in terms of section 43 of the PAA.

The purpose of this strategic plan and budget is to present what we, as the AGSA leadership, plan to achieve during each of the next three years. This plan gives all our staff a framework for delivering according to our external stakeholders' requirements, while continuing to be aligned to our five-year strategy as articulated in our vision, mission and values. The main thrust of our strategy is to encourage clean administration in all government departments and entities, thereby building public confidence.

As mandated by the Constitution and further regulated by the PAA, our core function is to conduct audits. The ultimate outcome of these activities is the strengthening of democracy and the building of public confidence. This occurs when those spending public sector resources are held accountable for such expenditure. We contribute to a climate of accountability by proactively assessing the risks in the public sector environment and identifying stakeholder expectations, which we then factor into our strategic and audit plans.

In contributing to a culture of public sector accountability, we are mindful of our broad objectives as our country's supreme audit institution (SAI): to make a difference to the lives of citizens; and to lead by example through being a model organisation.

To achieve this we have determined the following goals:

- 1. Simplicity, clarity and relevance of messages** in all communications with our internal and external stakeholders

As in the previous year, we continue to focus on communicating in a manner that makes our audit messages more understandable to our stakeholders. To draw attention to the internal control deficiencies identified as the root causes of the audit findings, we have raised the level and frequency of reporting and stakeholder interactions, thereby ensuring that auditees focus on improving their own leadership, governance, financial and performance management. This is intended to encourage clean administration so

that our auditees can achieve clean audits. We have continued enhancing our product mix by expanding its relevance beyond a financial/regularity audit focus. As shown in the detailed sections of this plan, our response to increased stakeholder expectations around performance auditing, as well as investigations, involves further developing our infrastructure as well as relevant partnerships.

2. Visibility of our leadership to all internal and external stakeholders

Our leaders will continue to develop stakeholder relationships to encourage clean administration. The goal of leadership visibility ties in with that of the simplicity of our reports. As leaders, we will continue to interact with our stakeholders using audit reporting to communicate the key controls that should be implemented to achieve clean administration and improve audit outcomes. Our external interactions follow the PFMA and MFMA audit cycles and include our communication with the auditees at leadership, governance and financial management levels. Internal stakeholder interaction with our staff will enable them to understand their unique contribution to the vision and mission of the AGSA and our role in encouraging clean administration. One of the special events in the medium term is our centenary celebration. We will engage various stakeholders in this programme so that we can profile a truly South African audit office ready to tackle public sector audit challenges in the 21st century.

3. Funding our operations in an economical, efficient and effective manner

We are committed to performing optimally by delivering our services efficiently and cost-effectively, with our main initiatives aimed at ensuring that we continue minimising auditing cost to government, flattening operational cost, improving debt collection, and reinvesting in growth areas such as performance audits.

4. Strengthening human resources to achieve a skilled, high-performing and diverse workforce

We are continuing to build a skilled, motivated, high-performing and diverse workforce that enables us to deliver on our mandate. We have spread the relevant initiatives out over the medium to long term so that we can develop our capacity organically, i.e. within our ongoing audit work commitments. These initiatives are multi-faceted and encompass improvements to the TA scheme, a strong focus on leadership development, succession planning and performance management, innovative approaches towards sourcing, developing and retaining talent, and creating prospects for the long-term growth of our people. We are also committed to exposing staff to the broad auditing

environment and to deepening their insight into and knowledge of the workings of the public sector.

5. Leading by example in all our internal processes

As an institution charged with ensuring that public funds are spent efficiently, we will continue to be exemplary. We are committed to maintaining excellent standards in all areas and to maximising our contribution to the transformation agenda. Our aim to apply the code of good practice remains a key priority with clear and precise awareness and implementation plans that will result in effective and efficient contributions towards the transformation agenda. We will ensure that we manage our risks proactively and that our internal controls are observed and are in line with good practices by conducting regular internal and external audits. These initiatives revolve around establishing more transparent and reliable processes, information systems that store and generate up-to-date and reliable information and the proactive implementation of all our transformation commitments.

The figure below demonstrates how these goals link up with the audits we conduct.

Figure 1: AGSA strategic overview

Organisational risk environment

Our organisation's reputation and image are underpinned by our independence, our adherence to world-class auditing standards and our participation in the global arena. We continually scan our environment to ensure that we leverage our strengths and adequately address our risks and challenges.

Through our risk management processes, we have identified the potential loss of stakeholder confidence in the AGSA as an issue to be addressed as a strategic priority. This entails the risk of our institution becoming irrelevant in the eyes of our external stakeholders. The following causes and mitigating actions are part of our action plans in the medium term.

- **Loss of stakeholder confidence in the AGSA**
 - We are increasingly communicating the outcomes of our audits with stakeholders in order to encourage clean administration, thereby demonstrating the relevance of our audits to government and to the rest of society
 - Our response also entails raising the level of our ongoing interactions in order to understand and ascertain the expectations of various stakeholders
- **Incorrect audit opinions** due to inconsistent application of auditing standards, inappropriate allocation of audits and audit responsibilities to staff with inadequate skills and competencies, and inadequate quality control systems and technical know-how
 - We provide ongoing support to closing gaps in our audit processes through services such as technical guidelines and the product champions forum
 - Ongoing training and staff development initiatives as well as assessment of skills in planning and execution of audits
 - Continuous monitoring through approved quality control processes and procedures as well as the Independence and Regulatory Controls (Ethics Policy)
- **Shortage of appropriate skills** due to national skills scarcity
 - We continue to produce an increasing number of skilled professionals through our comprehensive trainee auditor (TA) scheme and this has been enhanced through various initiatives

- Holistic talent management framework and retention strategy
- Our vigorous recruitment drive combined with better profiling of the AGSA continues in order to fill vacant positions
- **Inability to collect from debtors** specifically municipalities
 - We continue with the strict control of debt through increased collection efforts and daily monitoring of payments. This includes the escalation of specific municipal debts to treasuries and political principals
 - We will exercise the legal option regarding outstanding fees within the existing controls in our debt collection process

Strategic goal 1: Simplicity, clarity and relevance of messages

Communication is a fundamental component of internal control and as such deserves focused attention. Communicating actionable messages to government and the public at large is critical in achieving our reputation promise, which is to strengthen our country's democracy through auditing, thereby building public confidence. It also confirms our support for implementing the fundamental requirements developed by the INTOSAI Working Group on the Value and Benefits of SAIs as well as the 12 outcomes adopted by government to ensure delivery in key strategic areas.

As in the previous year, our intention when we communicate to our stakeholders about audit outcomes is to help them understand our reports and the action required to address our findings. To enhance understanding among internal and external stakeholders, we try to keep all our messages simple, clear and relevant and make sure that our documents are easy to use. This applies both to reports on our audit work and to our corporate reporting on our performance and operations.

Audit reporting

When we conduct audits, we gain insight into some of the obstacles standing in the way of clean administration. We then bring these to the attention of government decision-makers so that they can introduce improvements in leadership, financial and performance management and governance. Similarly, when communicating the audit outcomes to the oversight bodies, we focus on enabling them to understand our reports and on providing them with relevant, objective and timely information.

Another element of our approach to audit reporting is to give the auditors themselves detailed technical guidance and training. This equips the auditors to interact appropriately and proactively with key stakeholders, which enhances the process of influencing clean administration.

In all our reports, we include the internal control deficiencies that have been identified as the root causes of the audit findings. The main types of reports that we produce as a result of our audits are:

- management reports
- audit reports
- general reports

When reporting on deficiencies in internal control, we focus on the following three fundamentals of internal control:

- Leadership
- Financial and performance management
- Governance

Analysing these three fundamental factors gives an indication of the key controls that should be implemented to improve audit outcomes and achieve clean administration. The process of reviewing key controls and related interactions will be dealt with through our leadership visibility initiatives.

Enhancement of our product mix

Stakeholder expectations of our audit work are growing and changing. To cater for these changes, we have continued enhancing our product mix by expanding its relevance beyond a financial/regularity audit focus. This is highlighted by our response to increased stakeholder expectations around performance auditing, as well as investigations.

Performance auditing

We are enhancing our capacity and skills to ensure that performance auditing accomplishes the following:

- Addresses strategic government objectives and sectoral, thematic and/or systemic issues
- Increases the breadth and depth of our research into government programmes, with the aim of influencing and directing key role players
- Increases knowledge sharing and consultation with internal and external stakeholder
- Monitors and influences corrective action in areas where deficiencies have been identified

For purposes of this strategic plan, we have recognised that the area of performance auditing is not the traditional domain of our statutory audits. In this regard we plan to increase our level of investment in appropriate skills and enhance our reliance on institutions with the relevant expertise so that pronouncements made on matters of economy, efficiency and effectiveness can be relied upon due to the expertise involved in the various evaluations. In this context, the recovery will be slower in this area during the initial years of setting up the required infrastructure.

In conducting these performance audits close collaboration with other public sector institutions that perform work of a similar kind will be strengthened to ensure that there is no unnecessary duplication of effort as well as to proactively manage potential conflicting messages that may compromise the overall effort to government. In this regard we have concluded a number of memoranda of understanding with a number of these institutions and will seek to ensure that these are actively implemented for mutually beneficial outcomes.

Investigations

In the past, the focus of our special audits was mainly on reactive investigations. However, as the refocused Investigations business unit gains momentum, the focus will be strategically aligned to both reactive and proactive initiatives. We plan to focus a section of this unit towards getting integrated insights into fraud risk assessments at the planning stages of our audits which will inform the nature and extent of audit procedures that will be developed by the main statutory auditors in most of our high-risk auditees. This will ensure that all audits are carried out with the necessary scepticism and appropriate focus on areas that are susceptible to the risk of fraud. This will increase the level of detection and improve the auditor's knowledge and understanding of the auditees' risk profile.

In respect of requests received for investigations, we will conduct all high-risk engagements internally, as far as possible. Staff from audit firms will be contracted in as and when required to enhance the capacity of the unit. Training will be provided to these audit firms as well as AGSA staff to ensure that they properly understand the expectations and requirements for communicating clear, simple and relevant messages. The scope of our investigations will be clearly contained in a letter of engagement as per the normal practice to bridge the expectation gap. Investigation reports will clearly state the root causes and recommendations. The outcome of investigations will also be incorporated into the general report as well as the sector reports.

A number of public sector agencies are already active in the area of investigations focusing on high-profile assignments. It is our intention to work closely with these agencies so as to ensure that value for money and speedy reporting of investigation outcomes is achieved.

Corporate reporting

The same principles of simplicity, clarity and relevance that apply to our external auditing messages also apply to our corporate reports, including the Annual report and the *Strategic plan and budget*. The challenge is to ensure that these messages are clear enough to solicit internal ownership and accountability by the individuals or groups who can initiate and carry through immediate and focused action. Although the major emphasis in the year ahead is on the messages contained in the strategic plan and the Annual report, we also plan to pay attention to the simplicity and clarity of our internal policies and procedures, as well as staff communication.

Objective: Identify root causes and make recommendations

We will continue to focus on achieving our goal of simplicity, clarity and relevance of all our reports by driving the objective of identifying root causes and making recommendations through our reports to stakeholders. This helps to highlight the appropriate action needed to address issues of concern. The table below shows the targets we will work towards for the next three financial years, together with the measures to be used to assess our progress.

Table 1: Quality of messages

Performance measure	Target 2011-12	Target 2012-13	Target 2013-14
Quality of messages in all our reports	3	3	3
Tool	<ul style="list-style-type: none">• Qualitative top-down rating by immediate supervisor on all reports delivered (audit reports, management reports, general reports, annual report, strategic plan and budget). Our targets are based on a 4-point rating scale (1 – 4).• Source of information: Actual reports, roadshow and presentation experience		

Initiatives

A number of initiatives are under way to improve the simplicity, clarity and relevance of the messages we communicate to our stakeholders:

- Understanding new government and public sector developments so that we can understand and respond appropriately to auditee risks Training of audit staff to ensure that they:
 - understand the linkage between financial and compliance findings on the one hand and service delivery on the other
 - understand government service delivery imperatives
 - are able to use computer assisted auditing techniques (CAATS)
 - are able to identify the needs and expectations that stakeholders have of our reports; for example, these needs will be identified through interactions with stakeholders such as the Standing Committee on Public Accounts (SCOPA).
- Technical development of auditing through:
 - root cause analysis training
 - training in technical report writing
 - re-establishment of compulsory continuous professional development
- Enhancing auditing capacity by:
 - building up decentralised capacity in Information Systems Audit to enable us to finalise audits timeously and respond to government's increased use of information systems
 - improving the automation of audit processes to further enhance the effectiveness of our operations.
- Providing the new intake of trainees with the appropriate technical training before they are sent on audits for the first time
 - Enhancing audit support by properly aligning Audit Research and Development (ARD) to fulfil this objective
 - Providing support on the auditing of section 4(3) entities, whether through generic guidance or guidance on how to monitor small section 4(3) entities and those not audited by us

- Continually assessing the quality of engagements
- Doing cost-effective stakeholder surveys
- Supporting COGTA's Operation Clean Audit 2014 initiative for all government departments, entities and municipalities by encouraging clean administration, through both audit processes and stakeholder interactions.
- Managing risks associated with changes in municipal administration in June 2011 through proper planning.
- Focusing on the key control programme by:
 - conducting quarterly reviews of progress on commitments already made
 - strengthening public service finance and governance structures (audit committees) and leadership effectiveness on issues of key controls.

Strategic goal 2: Visibility of our leadership

Our leadership aims to further improve our ongoing interaction with external and internal stakeholders in order to improve the consistency of our messages and to provide insight into the purpose and outcomes of audits. In this way, we will continue highlighting the corrective actions that need to be taken and obtain leadership commitments for these actions. Internal stakeholder interaction with our staff is aimed at enabling them to understand their unique contribution to the vision and mission of the AGSA and our role in encouraging clean administration.

External interactions

Figure 2: Effective interaction and accountability



Our contribution to accountability and good governance will not only depend on the quality with which we perform our audits, but also on the extent to which we succeed in sharing our insight with those in charge of public resources so that they are enabled to take the necessary corrective action. We interact with external stakeholders at regular and planned intervals, linked to the statutory accountability cycles provided for in the PFMA and MFMA. We will interact with executive authorities, others charged with governance, and the management of the auditee on a

quarterly basis. Beyond the audit process we interact with legislative oversight authorities at least twice per year, mainly in the form of oversight committee interaction.

Initial interactions are aimed at providing insight to the stakeholder into the key internal controls and to assist them in anticipating emerging risks. The ultimate aim of these interactions is to obtain commitments about the corrective actions required to improve audit outcomes. After the initial interactions, there are regular interactions where the basic internal controls are assessed to establish whether the necessary action has been taken to address deficiencies in a timely manner. From those charged with oversight, we seek commitments for oversight of the corrective action undertaken by those in charge of public resources.

For these leadership interactions to be effective, they have to be conducted within a context of the overall risk management environment associated with the normal execution of audits. It has been emphasised with our teams that all corporate executives and business executives will provide leadership in the risk management area in order to mitigate any real or perceived risks that may emerge as we enhance our visibility with the auditees.

As in the previous year, we continue to use an annual AGSA visibility calendar that is aligned to both the PFMA and MFMA audit cycles³.

Interaction with providers of audit resources, professional bodies and public sector regulators

In addition to communicating with stakeholders directly affected by our audits, our auditors interact with the audit firms that do work on our behalf. We attend regular meetings with these firms and ensure our visibility on audits even where these have been contracted out to a private audit firm.

We ensure that the highest standards are applied in the audits conducted in the public sector. For this purpose, we undertake a series of strategic initiatives and participate in a number of technical and other forums related to our audit responsibilities. These include regular meetings with the National Treasury (NT), the Accounting Standards Board (ASB) and various professional bodies nationally and internationally.

³ AGSA Visibility calendar

Organisational alignment

Through structured internal interaction, our leadership ensures strategic alignment within the organisation. The purpose is to help staff understand the strategic plan and show how they contribute, as business units and individually, to the effective implementation of the organisational plan. The main vehicles for this interaction are the Vision Achievement and Organisational Alignment (VA/OA) workshops and the performance management reviews. Our leaders facilitate these at various stages during the year and all staff members will be encouraged to continue their active participation in these interactions.

Leadership interactions start at the beginning of the annual planning cycle, when the focus is on crafting simple and clear messages for our leaders to communicate, and these culminate in the finalisation of the strategic plan. This plan is invaluable in enabling us to communicate clear and consistent message to our staff and to external stakeholders such as SCoAG.

The media as a key stakeholder

We see the media as a major strategic communication partner through which we can reach our stakeholders and keep them informed about our critical role in supporting the country's democracy. With this in mind, the Auditor-General will continue with the annual road shows that are used to inform journalists about the PFMA and MFMA audit findings. After the road shows, we will again organise in-depth, one-on-one interviews with various national, provincial and community newspapers, as well as television and radio stations, so that journalists have all the background knowledge they need to report on issues raised in the audits.

As we believe it is important for our executives to understand how the media work, they have received media training and will attend follow-up annual media training sessions during the 2011-14 period.

Auditor-General South Africa 2011 Centenary

The year to which this strategic plan relates coincides with the achievement of 100 years of the existence of the public audit function in South Africa pursuant to its establishment in 1911 immediately after the enactment of the Act of Union. As many generations of South Africans have contributed to this ongoing growth, development and core mandate, it is our intention to observe and celebrate this golden achievement. We have made specific provisions in the budget for these activities, the details of which will be articulated in specific business plans. The idea will be to position the audit mandate and mission of the AGSA, taking critical stock

of its past achievements, challenges and future opportunities locally and globally and define a clear focus for building on these for future sustainability. We will engage various stakeholders in this programme so that we can profile a truly South African audit office ready to tackle public sector audit challenges in the 21st century.

Objective: Develop stakeholder relationships so as to encourage clean administration

The AGSA will enhance interaction with stakeholders to deepen their understanding of the messages in our reports. Such interaction will also be used to gain a better mutual understanding of the respective needs of each stakeholder and the AGSA.

As shown in the table below, we set annual targets for improving the quality and impact of our interaction with all our internal and external stakeholders.

Table 2: Percentage stakeholder satisfaction

Performance measure	Target 2011-12	Target 2012-13	Target 2013-14
High-quality, value-adding stakeholder interactions are conducted and escalated, where necessary	3	3	3
Tool	<ul style="list-style-type: none"> • Qualitative top-down rating by immediate supervisor. Our targets are based on a 4-point rating scale (1 – 4). • Source of information: Quarterly stakeholder MIS and interactions, roadshow and presentation experience 		

Initiatives

The initiatives planned to increase the visibility of our interaction with stakeholders are:

- stakeholder interaction programmes, which are monitored and assessed at business unit level every quarter
- timeous updating of the Audit Stakeholder Management Information System (AS:MIS) and the enhancement of this system

- extending stakeholders' capacity to optimally utilise our reports⁴
- cost-effective stakeholder surveys
- Auditor-General of South Africa 2011 Centenary

⁴ Deepening stakeholder understanding would include continuing training of committees on optimal utilisation of AGSA reports, including and especially portfolio committees and newly established Municipal Public Accounts Committees.

Strategic goal 3: Funding

We are committed to achieving optimisation in terms of delivering our services effectively and economically, and being operationally efficient.

To achieve this, our focus is on the following areas:

- Managing contract work to a level where the cost of auditing to the auditee continues to be manageable
- Improving audit cost-effectiveness through implementation of the principles of horizontal and sectoral auditing and other best practices
- Ensuring minimum overheads by keeping indirect costs in line with other institutions
- Effective working capital management
- Rolling-out of several policies, including financial policies, to improve operational efficiencies

Objective: To execute the AGSA's mandate economically, efficiently and effectively

The AGSA strives at all times to meet this objective to ensure our long-term financial sustainability.

We are committed to using our resources economically and delivering services efficiently. Key financial indicators such as own hours, contract work, working capital and overheads are managed and reviewed regularly to ensure that we achieve the desired financial performance.

Horizontal and sectoral audits have been introduced to improve the quality and cost-effectiveness of audits and to increase the extent of value-add to audits. A typical way that value-add is generated by the use of horizontal and sectoral audits is when common risks are identified across a whole system.

The government's initiative to restructure some of the national departments, for example, the Department of Education being split into the Department of Basic Education and the Department of Higher Education, will result in an increase of audit

fees. To minimise the impact of any increase, we will apply methodologies such as horizontal and sectoral audits.

Performance measure

As shown in the table below, we maintain a net surplus within the level allowed in our funding model in order to re-invest in our delivery capabilities, while cost of auditing to the auditee continues to be manageable

Table 3: Net surplus

Performance measure	Target 2011-12	Target 2012-13	Target 2013-14
% Net surplus	4%	4%	4%
Tool	Analysis of the income statement		

We strive to lead by example by paying creditors within agreed timeframes as shown in the table below.

Table 4: Creditors days

Creditors days

45 days from voucher date
45 days from voucher date
45 days from voucher date

Tool

Analysis of the creditors ageing report

We will continue to work closely with all spheres of government in order to ensure that a high percentage of the agreed audit fees are paid by the relevant departments. As shown in the table below, our debt collection targets are categorised according to the type of department audited in.

Table 5: Debt collection

% debt collected within 30 days (all national departments, Gauteng and the Western Cape)

75% - 80%

75% - 80%

75% - 80%

% debt collected within 30 days (Limpopo and KwaZulu-Natal)

65% - 70%

65% - 70%

65% - 70%

% debt collected within 30 days (North-West, Free State, Northern Cape, Eastern Cape and Mpumalanga)

55% - 60%

55% - 60%

55% - 60%

Tool

Analysis of the debtors ageing report

Initiatives

The strategic objective is supported by the following initiatives:

- Implementing interventions to collect debt and improve cash flow
- Continuing ongoing assessment of the funding model
- Generating a sufficient surplus for reinvestment in the business, for example, funding performance audits in the investment phase
- Continually reviewing our cost structures by benchmarking ourselves against major audit firms
- Containing the cost of auditing by executing our audits smarter
- Considering funding alternatives for discretionary audits
- Investigating funding of performance audits and reaching an agreement with government on the cost of these audits

- Flattening operational costs while deriving maximum benefit from areas supporting the core audit function

Strategic goal 4: Strengthen human resources

After a climate survey, that measured staff's feelings, in 2007/8, the leadership of the AGSA realised the need of an organisational cultural change which would be in line with the revised vision and mission of the AGSA. In addition to this the AGSA needs to continuously respond to the changes in the external environment. The AGSA has therefore embarked on a journey towards a culture of high performance which is supported by a 5 to 8 year plan. One of the main aims of the culture change is to build a skilled, motivated, high performance and diverse workforce.

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

To ensure that we achieve our objective of a motivated, high-performing and diverse workforce AGSA will be utilising a model called the McKinsey - 7's Model.

Figure 3: Culture roadmap

Source: McKinsey

This is a simple change model that focuses on seven key elements of organisational cultural change. The 7-S Model reflects all the key areas for organisational cultural change that will have to be addressed by the AGSA within the mentioned time span.

Shaping the organisation towards a high performance culture will entail focused and key strategic initiatives towards empowerment; nurturing AGSA leaders, living the values that emanate an organisation that values, respect and reward their employees and implement systems that will enable the high performance culture.

To effectively address the key organisational cultural interventions, the AGSA requires competent leaders who will champion and facilitate the implementation of changes required. The past years performance has been on putting the leadership performance platform basics in place. Some of these included the repositioning of the Performance Management Process and System, implementing basic leadership and management programmes for managers and senior managers as well as mapping processes and developing best practice people management policies and process that guide the organization in dealing with human resources management matters. The performance of leadership in the coming years will focus on the following critical and strategic interventions.

In our core business, we need skills that are scarce or critical and are in demand across the economy. Attracting and retaining these skills call for robust recruitment and retention processes that enable us to compete with other employers in the labour market, not only in terms of remuneration and benefits but also development opportunities and career growth.

Our strategy for building a motivated, high-performing and diverse workforce is multi-faceted, encompassing improvements to the TA scheme, a strong focus on leadership development, succession planning and performance management, innovative approaches towards sourcing, developing and retaining talent, and creating prospects for the long-term growth of our people. We are also committed to exposing staff to the broad auditing environment and to deepening their insight and knowledge into the workings of the public sector.

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

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

The Human Science Research Council conducted a benchmark across financial, manufacturing and service industries and determined the benchmark for these measures across these industries to be currently at 3.2 on a Likert scale of 1 to 5. Therefore, in the tables below, our organisational target is the broad industry norm as determined by HSRC. In 20010/11, we will conduct a baseline exercise to determine where we are as an organisation and the targets will be adjusted so as to reflect our reality.

The tables below show how these three indexes will be used in the next three financial years.

Table 6: Culture index

Culture index

Industry norm (3.2)

Industry norm (3.2)

Industry norm (3.2)

Tool

Survey and Focus group interviews and other assessments

Table 7: Leadership index

Leadership index

Industry norm (3.2)

Industry norm (3.2)

Industry norm (3.2)

Tool

Survey and Focus group interviews and other assessments

Table 8: Staff engagement index

Staff engagement index

Industry norm (3.2)

Industry norm (3.2)

Industry norm (3.2)

Tool

Survey and Focus group interviews and other assessments

Initiatives

The interventions we are implementing to strengthen our human resources are:

- **Culture/behaviour – values in action intervention** aims at re-iterating the importance and the impact of living the values on a continuous basis
- **Continuous improvement of policies and** procedures aligned to a high performance culture – this will focus on ensuring that our policies and procedures and our management approval framework is aligned to empowering and motivating our workforce
- **Define and review AGSA systems** that that will support the high performance culture – AGSA has various systems therefore we need to review these systems to ensure that they are working in a collaborative manner and is an enablement towards a high performance culture. One of the systems that will be reviewed during the year is to enable the AGSA to expedite the recruitment process.
- **Continuous review of AGSA structure;** skills required and competencies matched. Any organizational structure should be reviewed every 18 months this is to ensure that the change and pace the organization is moving at is catered in terms of the way we work. The structure will be reviewed and adjusted in accordance to an effective and efficient culture.
- **Diversity** – this initiative will focus on broad diversification – that is diversity of portfolio, the different generations, the different cultures and gender. An alignment towards diversification and organizational culture will be a primary objective.
- **Executive and Leadership Development through Coaching and Mentoring:** This intervention will focus on employees and executive and senior management job levels within the AGSA. The next phase will be to institutionalise this intervention as a broader competence development tool for the organization

- **Leadership pipeline and succession planning for the AGSA:** The intervention will facilitate the development of talent pools for the critical / scarce skills the AGSA requires for Business continuity and to create opportunities for long term career growth.
- **Effective Teams and Employees Engagement:** The AGSA requires a workforce that is motivated, energises and engaged. The Senior Leadership will embark and implement key activities and programmes to achieve high employees' engagement levels.
- **Repositioning the TA scheme** for greater effectiveness by creating two groups of entry-level trainees, namely trainee auditors and audit clerks. The audit clerk position will cater for those who are able to work on the audits but do not have the capacity or desire to obtain a professional qualification.
- **Continuing to grow the number of qualified professionals** in the public sector through the TA Scheme and our involvement with professional bodies and universities, examples being SAICA's Thuthuka programme and the partnership with the University of Fort Hare, which we are assisting to maintain their SAICA accreditation
- **Introducing 360 degree evaluation** for employees in band C and lower to encourage a culture of giving and receiving feedback
- **Entrenching our competency framework** through the Manager Assessment Development Programme (MAD)
- **Performance management**, with the emphasis on: managing poor performance, automating the performance management process and making provision for non-financial recognition and rewards
- **Deepening public sector insights and knowledge** throughout the organisation by corroborating with certain strategic partners

As is clear from the above, a lot of the initiatives are aspirational and will be triggered at various stages over the next three-year cycle. The capacity of the organisation coupled with the statutory commitments for the PFMA and MFMA limit our ability to execute all these in one financial year hence we have spread these initiatives out over the medium to long term. The budgetary implications are not significant; however, there will be greater focus on ensuring that leadership across the board create an environment for employees to consider the AGSA as a long-term employer. This will put us in a stronger position to realise the benefits of extracting value from our investment in training and providing funding for improved academic achievements of all our staff particularly trainees.

Strategic goal 5: Lead by example

As the SAI of South Africa we earn the trust of the public by opening ourselves to scrutiny and being transparent in the way we present our strategies, methods and their actual impact to different audiences. In doing so, we seek to set an example to the rest of the public sector and the audit profession at large. In positioning the organisation as credible, independent and accountable, it is important that, at the very least, we observe the same rules and philosophies that we expect from our auditees. Good governance is imperative in ensuring that the leadership manages risks and achieves our objectives. We are also using business process engineering to consolidate our environment and align our business processes to ensure that our operations are efficient and effective.

Auditing standards

One of the key processes in a SAI is establishing the quality standards for audits and developing a methodology to implement them. In terms of the PAA, the AG annually consults with SCoAG on the standards to be used in conducting the audits and these are confirmed in the annual directive. The AGSA is one of only a few SAIs in the world that have fully implemented the clarified ISAs in their regularity audits. We are also in the process of fully integrating the guidance published by INTOSAI into our methodology. Much of this guidance will be finally approved at the INCOSAI conference to be held in South Africa in November 2010. It goes without saying that we expect staff at all levels to practice high standards of integrity and ethics at all times.

Audit methodology

Our auditors receive comprehensive guidance on their implementation of the auditing standards. In line with the implementation of the clarified ISAs, the entire methodology has been reworked to improve efficiencies in the audit process. The limitations of the current audit software have hampered this project somewhat and we are investigating ways to streamline the audit process.

In our audit work, we require reliable information on auditee risks and stakeholder interventions for each type of auditee. To overcome the limitations of the current audit software in delivering this information, we have commissioned the development of an audit management information system (AS: MIS). This system has resulted in more

streamlined information gathering and analysis, and information from this system is already being used to prepare the general report.

We are working towards giving an opinion on the report on predetermined objectives, compliance with applicable laws and regulations and internal control. This is progressing well and can be implemented in phases for predetermined objectives once the National Treasury has confirmed the readiness of public sector entities. Phased implementation is necessary for compliance and internal control purposes, as well as to enable the National Treasury to put in place the frameworks against which this reporting can take place.

Therefore we will continue to improve the quality and timeliness of all our reports as outlined below.

Objective: Continual improvement of the quality and timeliness of AGSA reports
Continually improving the quality of reports

The quality of our audit work is of prime importance. We measure it in accordance with the International Standards on Quality Control (ISQC1) and subject our audit methodology to an internal and external quality review process. The internal process consists of internal consultation and review by the product champions in each business unit, while an independent external expert conducts the external review. In turn, each audit is subject to quality review processes, which include a pre-issuance review of the audit file, a consistency review of the application of the audit methodology and an independent review of the audits based on ISQC1 requirements.

The table below shows the performance targets and measures we will be using in the next three financial years.

Table 9: Percentage adherence to all quality standards

% adherence to all quality standards

Audit reports

86% (C2 and C3 rating)

87% (C2 and C3 rating)

87% (C2 and C3 rating)

Tool

Quality control assessment

% adherence to all quality standards

Non-audit deliverables

3

3

3

Tool

- Qualitative top-down rating by immediate supervisor on all non-audit deliverables. Our targets are based on a 4-point rating scale (1 – 4).
- Source of information: Non-audit deliverables

Continually improving the timeliness of our reports

The timeliness of our reports is an important pillar on which our reputation and image stand. We set deadlines for producing all our reports, including general reports, reports on regularity audits, performance audits and investigations, and our annual report and *Strategic plan and budget*. The primary aim of these deadlines is to enable swift action and response by those charged with governance so as to strengthen the quality of oversight in the public sector.

The table below shows our targets and measures for ensuring the timeliness of our reports over the next three financial years.

Table 10: Percentage compliance with statutory and legislative deadlines

Performance measure		Target 2011-12	Target 2012-13	Target 2013-14
% compliance with statutory and legislative deadlines	<ul style="list-style-type: none"> Strategic plan and budget, annual report, general reports 	100%	100%	100%
	<ul style="list-style-type: none"> Deadlines for these reports are in our events calendar 			
	<ul style="list-style-type: none"> Performance audits, investigations 			
	<ul style="list-style-type: none"> Deadlines as set out in the engagement letter to the auditee 	95%	95%	95%
	<ul style="list-style-type: none"> Audit reports (PFMA; MFMA) 			
	<ul style="list-style-type: none"> Measure pertains to all annual financial statements (AFS) received and required to be completed within the financial year 			
	<ul style="list-style-type: none"> Targets for PFMA: 90% (within two months of receipt of AFS). 	90%	90%	90%
	<ul style="list-style-type: none"> MFMA target is 90% (within three months where AFS are received per the legislated deadlines) 			
	<ul style="list-style-type: none"> MFMA target remains 90% (within four months where AFS are not received on time.) 			
Tool	Project Tracking Tool			

Objective: Adhere to standards of excellence for clean administration

By strengthening our information technology (IT) governance, we aim to align our organisation to King III guidelines on risk management and strengthen our internal control system. Through business process re-engineering and systems integration, we intend to eliminate inefficiencies and ineffectiveness of IT processes so that we can provide a better service to our stakeholders and deliver up-to-date and reliable information to our decision-makers. We are also implementing knowledge management strategies and action plans that will assist in preserving our intellectual capital and encourage a culture of knowledge sharing.

Another focal point is continuing to upgrade and strengthen our Information and Communications Technology (ICT) infrastructure. In the past few years, we focused on stabilising and standardising the technology infrastructure by investing in cost-effective and environmentally friendly tools and technologies.

Together, all of these improvements will ensure that our infrastructure, systems and processes are efficient, transparent and reliable, enabling us to manage risk effectively and assure the integrity of our information. This is vital for maintaining our track record for clean audits and building on our status as a role model in the public sector.

The table below shows our targets for achieving clean audits in the next three financial years.

Table 11: Achieving clean audit reports

Performance measure	Target 2011-12	Target 2012-13	Target 2013-14
Achieve AGSA clean audit report	Clean audit report	Clean audit report	Clean audit report
Tool	External audit report		
Initiatives			

We are aligning our organisation to King III guidelines on risk management by implementing the following medium-term initiatives:

- Ensuring that we have the appropriate skills to manage risk to the required standard

- Performing regular strategic and operational risk assessments, complementing these assessments with regular interaction with the internal and external auditors
- Revamping and implementing the monthly internal control monitoring process to proactively identify and address internal control weaknesses
- Providing regular feedback to management from process owners, with internal audit continually evaluating the controls implemented and reporting to management and the audit committee
- Ongoing vigorous tracking and following up on the resolution of audit findings in a timely manner
- **Adopting best practice methodologies (incorporating roles and responsibilities) to ensure the timeliness and quality of our reports**
- **Modernising our environment, including our technology and processes as part of a multi-year programme focusing on the following categories:**
 - ICT infrastructure upgrades, including upgrading the data centre and bandwidth capacity
 - Systems integration, such as by integrating the finance, human capital and help desk modules of the Enterprise Resource Planning (ERP) system
 - Information and knowledge management initiatives, especially in electronic document and records management
 - Business intelligence initiatives, including data warehousing extension and optimisation
 - Audit software review and implementation to address current shortcomings
 - Enhancement of the Audit System : Management Information System (AS:MIS)
 - e-learning management, referring to electronic learning solutions for the organisation
- **Ongoing implementation of the Go-Green programme that entails managing our offices and events in the most responsible manner possible to minimise the environmental impact**

Objective: Maximise the impact of transformation

To strengthen our country's democracy and meet the legislative requirements of Broad-Based Black Economic Empowerment (BBBEE), we ensure that all transformational issues are implemented and become key focus areas for the organisation. To lead by example in applying BBBEE, we aim to use the codes as guidelines for setting the required targets and monitoring progress against them.

We will also contribute to economic growth by implementing employment equity and skills development codes, and by integrating corporate social investment (CSI) and enterprise development to positively influence the growth of small and medium audit firms. Over the years that we have been driving enterprise development we have not seen the qualitative outcomes of this effort. Everything has been limited to the ongoing delivery on our audits. It is against this background that we intend to accelerate our effort in enterprise development initiatives in the audit profession by properly re-assessing the contribution that contract work allocation can make towards this objective. This will be approached in a way that enables the AGSA to continue to provide support and growth to the whole auditing profession that has been a reliable delivery channel over many years.

Our aim is to implement a generic CSI plan at 1% of net surplus and CSI enterprise development at 3% of net surplus. A priority will be our schools poverty eradication programme.

The BBBEE strategy will be implemented in phases. The first step will be to align all relevant policies and procedures with the strategy, with the emphasis on full compliance with all procurement processes. This will be a key focus for 2011-12 to 2013-14.

As shown in the table below, the BBBEE target has been set at a level 4 rating, supported by 100% achievement of action plans as outlined in the BBBEE plan. The main measure of our contribution to economic transformation is the achievement of the identified BBBEE rating level.

Table 13: Achieving the required BBBEE rating level

Achieve identified BBBEE rating level	4	
Tool	4	
Independent review conducted by external agency	4	

Initiatives

To ensure that we lead by example in all aspects of our business, we are planning the following initiatives:

- **Awareness and engagement sessions with all relevant stakeholders on the AGSA BBBEE strategy and the implementation plan thereof;**
- **CSI plan focusing on the rural schools programme that is aligned to AGSA pipeline and Investment in Excellence programme**
- **Implementation of a high-level 3 year plan on enterprise development – this is to allow emerging black firms to enter the profession, influence and guide a growth of a leading black audit firm**
- **Implementing the BBBEE plan that focuses on preferential procurement, employment equity, management control and skills development**

AGSA balanced scorecard 2011-2014

Table A: AGSA balanced scorecard

Strategic Goal	Weight	Objective	Performance Measure	Target	
				2011-12	2013-14
Simplicity	20 %	Identify root causes and make recommendations	Quality of message in all our reports (qualitative top-down rating by immediate supervisor)	3	3
Visibility	25 %	Develop stakeholder relationships so as to encourage clean administration	High quality, value-adding stakeholder interactions are conducted and escalated, where necessary (qualitative top-down rating by supervisor)	3	3
Funding	15 %	Execute the AGSA mandate	% net surplus	4%	4%

Strategic Goal	Wei ght	Objective	Performance Measure	Target	
				2011-12	2013-14
Strengthen HR	25 %	economically, efficiently & effectively	Creditor's days	45 days from voucher date	45 days from voucher date
			% debt collected within 30 days (All nationals, GP, WC)	75% - 80%	75% - 80%
			% debt collected within 30 days (LIMP, KZN)	65% - 70%	65% - 70%
			% debt collected within 30 days (NW, FS, NC, EC, MP)	55% - 60%	55% - 60%
		Have a motivated, high-performing and diverse workforce	Culture index	Industry norm (3.2)	Industry norm (3.2)
			Leadership index	Industry norm (3.2)	Industry norm (3.2)
			Staff engagement index	Industry norm (3.2)	Industry norm (3.2)
Lead by Example	15 %	Adhere to standards of excellence for clean administration	Achieve AGSA clean audit report	Clean audit report	Clean audit report
			Maximise the AGSA's contribution to	Achieve identified BBBEE rating level	Level 4	Level 4

Strategic Goal	Weight	Objective	Performance Measure	Target		
				2011-12	2013-14	

transformation

Continual improvement of the quality of AGSA reports	% adherence to all quality standards	Audit reports	86% (C2 and C3 rating)	87% (C2 and C3 rating)	87% (C2 and C3 rating)
		Non-audit deliverables: (qualitative top-down rating by supervisor)	3	3	3
		Strategic plan & budget; annual report; and general reports	100%	100%	100%
Timeliness of all our reports	% compliance with statutory and legislative deadlines	Performance audits and investigations	95%	95%	95%

Regularity audits
90%
90%
90%

Management structure

Our management structure is as follows:

- Deputy Auditor-General
- Seven corporate executives (CEs) and chief operations officer (COO)
- Thirty-five business unit heads

For more detail on our management structure, please source from www.agsa.co.za

Projected income statement

	Actual	Forecast	Budget	Forecast	Forecast
	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014
	Rm	Rm	Rm	Rm	Rm
AUDIT INCOME	1,644.6	1,919.5	2,087.6	2,301.2	2,496.9
Own hours	1,086.2	1,307.7	1,457.7	1,586.8	1,721.7
S&T recoverable	60.5	92.5	116.9	127.3	138.2
Contract work	497.9	519.3	513.0	587.1	637.0
DIRECT AUDIT EXPENDITURE	1,155.1	1,281.4	1,399.7	1,549.6	1,681.3
CW % of audit income excl S&T	32%	28%	26%	27%	27%
Gross profit	489.5	638.1	687.9	751.6	815.6
Own hrs gross profit	495.0	638.8	687.9	751.6	815.5
Gross margin % of audit income	30%	33%	33%	33%	33%
Other income	62.0	47.1	43.0	47.4	51.5
Contribution to overheads	551.5	685.2	730.9	799.0	867.1
Overhead expenses	419.6	572.2	611.4	664.3	721.8
Overhead as % of audit income	26%	30%	29%	29%	29%
Depreciation	26.3	38.0	41.0	42.2	43.3
Net surplus before special events	105.6	75.0	78.5	92.5	102.0
Net surplus as % of audit income	6%	4%	4%	4%	4%
Special events	6.5	36.6	-	-	-
Net surplus after special events	99.1	38.4	78.5	92.5	102.0

Projected balance sheet

	Actual	Forecast	Budget	Forecast	Forecast
	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014
	Rm	Rm	Rm	Rm	Rm
Capital employed					
Capital	208.0	246.4	324.9	417.4	519.4
- Reserves	103.9	203.0	241.4	319.9	412.4
- Special audit services fund	5.0	5.0	5.0	5.0	5.0
- Net income for the year	99.1	38.4	78.5	92.5	102.0
Long-term liabilities	74.4	82.4	89.0	89.9	87.4
Interest-bearing borrowings	15.8	15.6	17.4	13.1	4.9
Deferred income	-	-	-	-	-

Medical aid liability	58.6	66.8	71.6	76.8	82.5
Current liabilities	356.0	358.3	350.9	343.8	327.5
Trade and other payables	263.9	289.8	275.7	267.4	248.6
Leave liability	39.1	48.7	55.2	62.3	70.0
Deferred income	40.6	-	-	-	-
Current portion of long-term loan	12.4	19.8	20.0	14.1	8.9
	638.4	687.1	764.8	851.1	934.3
Employment of capital					
Fixed assets	63.7	73.2	106.5	138.6	169.7
Cash investment	124.6	132.5	138.6	145.3	152.6
Current assets	450.1	481.4	519.7	567.2	612.0
Trade and other debtors	341.3	368.1	400.4	441.3	478.9
Bank and cash	108.8	113.3	119.3	125.9	133.1
	638.4	687.1	764.8	851.1	934.3

Working capital assumptions

1. Trade and other payables are calculated on a 45-day payment period.
2. Trade debtors are calculated based on the following days outstanding:
2010: 30 days for the national and provincial departments and 90 days for local authorities
2011: 30 days for the national and provincial departments and 75 days for local authorities
2012 to 2014: 30 days for the national and provincial departments and 70 days for local authorities

Projected funding statement

Explanation of funding schedule					
The projected funding requirements schedule seeks to categorise the funding requirements that originate from the commitments reflected in the AGSA's balance sheet and those that will be funded from the expected surplus, when it occurs, in four distinct parts, namely:					
- employee liabilities and reserve for special audits			(Part 1)		
- working capital			(Part 2)		
- capital expenditure			(Part 3)		
- hosting of prestigious events.			(Part 4)		
In part 5 the sum of these items is compared to the cash and cash equivalents to determine the extent of the surplus or deficit on funding.					
Key principles					
1. This is a schedule to determine the basis of retention of surplus by the AG. To the extent that the funding position reflects a surplus, the AGSA would be in a position to return the surplus to the revenue fund. However, if the funding position reflects a deficit, the AG would opt to retain the surplus in order to fund its cash commitments.					
2. The funding deficit (part 5) is considered temporary in nature and within an acceptable norm provided that the amount thereof is less than the working capital requirements (part 2), as in this instance the cash is normally collectable on average within a period of 60 days. Additional funding is required in order for the Auditor-General to remain a going concern.					
	Actual	Forecast	Budget	Forecast	Forecast
	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014
	Rm	Rm	Rm	Rm	Rm
Part 1					
Reserves and staff liabilities					
Staff liabilities	97.7	.5 115	6.8 12	.1 139	5 152.
- Post-retirement medical aid (PRMA)	58.6	.8 66	.6 71	.8 76	5 82.
- Leave liability	39.1	.7 48	.2 55	.3 62	0 70.
Office reserves	49.0	.0 45	.9 50	.8 54	0 59.
- Special audit services fund	5.0	.0 5	.0 5	.0 5	0 5.
- Performance bonus	44.0	.0 40	.9 45	.8 49	0 54.
	46.7 1	0.5 16	7.7 17	.9 193	5 211.
Part 2					
Working capital					
Current assets (excluding bank)	41.3 3	8.1 36	0.4 40	.3 441	9 478.

		(3	(28	(27	(267	(248
Current liabilities (excluding leave liability)	04.5)	9.8)	5.7)	.4)	.6)	
Net working capital	36.8	78.3	124.7	173.9	230.3	
Part 3						
Capital expenditure						
Interest-bearing borrowing payments	13.0	12.4	19.8	20.0	14.1	
Fixed asset acquisitions	27.5	47.5	74.4	74.4	74.4	
Capital requirement of the office	40.5	59.9	94.2	94.4	88.5	
Part 4						
Prestigious events (AFROSAI/INTOSAI/INCOSAI)	6.5	36.6	-	-	-	
Part 5						
Comparison to available cash reserves						
Cash and cash equivalents	233.4	245.8	257.9	271.2	285.7	
Office funding requirements (1+2+3+4)	230.5	335.3	396.6	462.2	530.3	
Surplus/(Deficit) on funding of the office	2.9	(89.5)	(138.7)	(191.0)	(244.6)	

Based on the above projections and in relation to the key principles outlined above:

1. The AGSA would not be in a position to return the surplus to the revenue fund and
2. The funding deficit is considered to be outside an acceptable norm.

Annexure 1: Detailed budget for 2011-12

			2010-11	2010-11	Variance	Variance %	2011-12	2012-13	2013-14
	Description	Notes	Budget	Forecast	(B-A)	(B-A)/A	Budget	Forecast	Forecast
			(A)	(B)	(C)	(D)	(E)		
AUDIT INCOME	2	1,835,521,790		1,919,544,26	84,022,47	5%	2,087,635,03	2,496,881,063	
	Own hours	2.1	0 1,269,305,81	8 1,307,660,14	8 38,354,33	3%	331 1,457,697,	1,586,844,383	1,721,726,156
	Contract work	2.2	6 467,512,24	8 519,295,55	2 51,783,31	11%	764 513,001,	587,132,422	637,038,678
	S & T	2.3	5 85,596,17	3 80,531,04	2) (5,065,13	-6%	055 104,820,	114,106,758	123,805,832
	International S&T	2.3	9 13,107,55	6 12,057,51	3) (1,050,04	-8%	881 12,115,	13,189,307	14,310,398
DIRECT AUDIT COST		1,204,604,402		1,281,417,69	76,813,29	6%	1,399,690,00	1,681,326,569	
	Staff remuneration - audit business units	3.3.1	5 638,388,41	5 668,942,28	0 30,553,87	5%	308 769,752,	835,181,254	906,171,661
	Contract work - recoverable	2.2	6 467,512,24	8 519,295,55	2 51,783,31	11%	764 513,001,	587,132,422	637,038,678
	S&T: recoverable	2.3	3 85,596,18	6 81,122,33	7) (4,473,84	-5%	055 104,820,	114,106,758	123,805,832
	International S&T	2.3	9 13,107,55	6 12,057,51	3) (1,050,04	-8%	881 12,115,	13,189,307	14,310,398
GROSS PROFIT		630,917,388		638,126,57	7,209,18	1%	687,945,02	815,554,495	
GROSS PROFIT PERCENTAGE		34%		33%			33%	33%	
OTHER INCOME	2.4	21,919,425		47,027,15	25,107,72	115%	43,024,00	51,458,145	
	Interest received		1 12,941,43	6 7,850,97	5) (5,090,45	-39%	000 6,100,	6,724,243	7,295,803
	Interest received SCMB		0 2,972,48	2 4,504,77	2 1,532,29	52%	000 6,000,	6,614,009	7,176,200
	Sundry Income		4 6,005,51	5 34,671,40	1 28,665,89	477%	006 30,924,	34,088,610	36,986,142

			2010-11	2010-11	Variance	Variance %	2011-12	2012-13	2013-14
	Description	Notes	Budget	Forecast	(B-A)	(B-A)/A	Budget	Forecast	Forecast
			(A)	(B)	(C)	(D)	(E)		
SURPLUS BEFORE OPERATING COST		652,836,813	3	685,153,72	0 32,316,91	5%	0 730,969,03	867,012,640	
OPERATING COST		544,895,346	7	572,232,65	1 27,337,31	5%	1 611,446,18	721,787,009	
	Staff remuneration - support business units	3.3.2	3 211,201,22	1 182,251,62	(28,949,60 2)	-14%	198,824, 673	215,724,770	234,061,376
	Staff remuneration - Africa projects		4 2,938,99	1 3,862,02	7 923,02	31%	265 4,240,	4,600,688	4,991,746
Other Personnel Expenditure		44,678,028	8	66,942,95	0 22,264,93	50%	3 69,097,68	81,575,751	
	Leave pay provision	3.1	2 6,662,23	2 9,620,03	0 2,957,80	44%	6,520, 032	7,074,235	7,675,545
	Medical aid provision	3.2	8 8,216,21	7 8,216,21	1) (	0%	4,800, 000	5,208,000	5,650,680
	Group life scheme	3.4	1 4,757,65	1 4,757,65	0	0%	7,085, 611	7,794,172	8,573,589
	Long service awards & other	3.4	-	55,00 0	55,00 0	100%	-	-	-
	Performance bonus	3.6	0 20,000,00	0 40,000,00	0 20,000,00	100%	45,862, 096	49,760,374	53,990,006
	UIF: Employer contribution	3.5	7 3,194,79	4 3,326,68	7 131,88	4%	3,619, 697	3,927,372	4,261,198
	Workmen's compensation premiums	3.5	0 1,178,99	0 600,00	0) (578,99	-49%	600, 000	651,000	706,335
	BU recognition scheme	3.4	0 668,14	4 367,37	6) (300,76	-45%	610, 247	662,117	718,397
Contract Work - Irrecoverable	4	27,036,084	4	34,033,50	0 6,997,42	26%	3 28,097,39	35,877,561	
Subsistence & Travelling - Irrecoverable	5	14,398,788	1	16,101,42	3 1,702,63	12%	3 18,969,69	22,331,597	

			2010-11	2010-11	Variance	Variance %	2011-12	2012-13	2013-14
	Description	Notes	Budget	Forecast	(B-A)	(B-A)/A	Budget	Forecast	Forecast
			(A)	(B)	(C)	(D)	(E)		
Accommodation	6	58,954,173		68,660,10	9,705,92		61,706,77	72,642,756	
	Rental	6.1	2 36,798,47	5 48,350,28	8 11,551,81	16%	3 40,811,		
	Accommodation cost recovered		3) (34,47	3) (34,47	-	31%	404	44,280,373	48,044,205
	Operating costs	6.2	4 22,190,17	8 20,344,28	6) (1,845,88	0%	-	-	-
						-8%	20,895,	22,671,475	24,598,551
							369		
Liaison	7	21,536,144		19,399,14	(2,137,00		34,218,91	40,283,363	
	Liaison	7.1.1	1 2,888,11	6 1,367,89	5) (1,520,21	-10%	6 11,725,		
	Internal stakeholder liaison	7.1.2	5 6,752,12	3 7,210,08	8 457,95	-53%	908	12,722,610	13,804,032
	External stakeholder liaison	7.1.3	5 2,306,73	7 2,146,70	8) (160,02	7%	264 6,623,	7,186,241	7,797,072
	Culture expenses		-	9 66,96	9 66,96	-7%	014 3,736,	4,053,575	4,398,129
	Constitutional liaison		0 568,24	0 599,66	0 31,42	100%	004 261,	283,189	307,260
	Non Constitutional liaison		0 495,00	-	0) (495,00	6%	944 596,	647,684	702,737
	Regional congresses	7.2	1 5,961,01	3 5,712,25	8) (248,75	-100%	000 570,	618,450	671,018
	Foreign visitors	7.3	0 187,00	3 57,89	7) (129,10	-4%	763 7,922,	8,596,198	9,326,875
	Overseas travel	7.4	2 2,377,92	9 2,237,67	3) (140,24	-69%	750 477,	518,359	562,419
						-6%	269 2,305,	2,501,217	2,713,820
Control Bodies	8	544,092		560,28	16,18		986,45	1,161,276	
	Oversight bodies		2 544,09	1 560,28	9 16,18	3%	2 986,	1,070,300	1,161,276
						3%	452		
Audit Expenses	9	6,028,750		6,028,74	(		6,128,74	7,214,911	
	Audit fees	9.1	2,928,75	2,928,75		0%	4 3,128,	3,394,687	3,683,236

			2010-11	2010-11	Variance	Variance %	2011-12	2012-13	2013-14
	Description	Notes	Budget	Forecast	(B-A)	(B-A)/A	Budget	Forecast	Forecast
			(A)	(B)	(C)	(D)	(E)		
			0	0	-		744		
	Internal audit costs	9.2	3,100,00	3,099,99	(	0%	3,000,000	3,255,000	3,531,675
Bank Charges		285,100		425,71	140,61		505,60		
			3	3	49%	0	595,205		
	Bank charges		279,60	424,48	144,88	52%	503,600	546,406	592,851
	Foreign bank charges		5,50	1,23	(4,26	-78%	2,000	2,170	2,354
Finance Charges	10	2,321,220		8,642,92	6,321,70		8,298,00		
			5	5	272%	0	8,298,000		
	Finance charges		2,321,22	8,642,92	6,321,70	272%	8,298,000	8,298,000	8,298,000
Recruitment Expenses	11	7,931,232		8,072,92	141,69		9,206,99		
			8	6	2%	3	10,838,702		
	Advertising		1,000,00	1,089,74	89,74	9%	1,325,796	1,438,489	1,560,760
	Personnel agency fees		4,500,00	4,517,68	17,68	0%	3,023,575	3,280,579	3,559,428
	Interviews		407,23	374,46	(32,76	-8%	357,622	388,020	421,002
	Transfer & relocation expenses		2,024,00	2,091,03	67,03	3%	4,500,000	4,882,500	5,297,513
Professional Assistance	12	72,647,402		83,034,51	10,387,11		85,898,08		
			4	2	14%	3	101,121,371		
	Membership fees	12.1	7,576,73	7,397,47	(179,26	-2%	10,478,503	11,369,175	12,335,555
	Internal training	12.2.1	13,738,71	14,656,47	917,76	7%	16,680,267	18,098,090	19,636,427
	External training	12.2.2	4,262,78	4,304,52	41,73	1%	2,848,941	3,091,101	3,353,845
	S&T: training		11,935,26	12,791,92	856,65	7%	12,493,000	13,554,905	14,707,072
	Study assistance: employees	12.3	14,378,45	13,411,61	(966,84	-7%	14,482,503	15,713,515	17,049,164
	I&L development	12.4	2,200,00	9,502,29	7,302,29	332%	7,041,	7,639,750	8,289,128

			2010-11	2010-11	Variance	Variance %	2011-12	2012-13	2013-14
	Description	Notes	Budget	Forecast	(B-A)	(B-A)/A	Budget	Forecast	Forecast
			(A)	(B)	(C)	(D)	(E)		
	projects		0	3	3		244		
	Bursaries	12.5	13,341,12	13,380,51	39,39	0%	15,529,	16,849,858	18,282,096
	Skills development levy		2	7	5		823		
	Skills dev. levy - recovered		7,714,32	8,226,62	512,30	0%	9,343,	10,138,026	10,999,758
			5	5	0	7%	803	(3,255,000	(3,531,675)
			(2,500,00	(636,92	1,863,07	-75%	(3,000,		
			0)	6)	4		000)		
Employee Wellness Programmes (EWP fees to independent service provider)									
	13	3,542,400		3,544,78	2,38	0%	8,701,58	10,243,726	
	Employee wellness programmes	13.1	1,500,00	1,502,38	2,38	0%	3,366,	3,652,313	3,962,759
	Employee social responsibility		0	3	3	100%	187	120,	
	AG Social Responsibility (General)		-	-	-		000	130,200	141,267
	Corporate social Investment	13.2	1,585,0	1,585,0	-	0%	2,07	1,954,96	2,060,705
			00	00	-		6,440	5	
			457,40	457,40	-	0%	3,138,	3,703,744	4,078,995
			0	0	-		960		
Technological Services	14	38,212,805		40,409,03	2,196,22	6%	38,683,95	45,539,719	
	Computer services	14.1	33,503,91	35,867,59	2,363,67	7%	32,939,	35,739,593	38,777,459
	Hiring of equipment - Rental	14.2	2	4	8)	-6%	717	4,089,	4,437,184
	Hiring of equipment - copy charges		3,482,16	3,261,65	(220,50		570		4,814,344
			1,226,73	1,279,78	53,05	4%	1,654,	1,795,314	1,947,916
			1	9	8		667		
Insurance & Legal Fees	15	2,450,000		1,411,81	(1,038,18	-42%	2,980,00	3,923,184	
	Insurance		1,250,00	1,250,00	0	0%	1,300,	1,410,500	1,530,393
	Legal costs		0	6	4)	-87%	000	2,015,400	2,392,791
			1,200,00	161,81	(1,038,18		1,680,		
			0	6	4)		000		

			2010-11	2010-11	Variance	Variance %	2011-12	2012-13	2013-14
	Description	Notes	Budget	Forecast	(B-A)	(B-A)/A	Budget	Forecast	Forecast
			(A)	(B)	(C)	(D)	(E)		
Auxiliary Services	16	18,753,735	0	17,948,27	5) (805,46	-4%	9 21,257,74	25,025,154	
	Cleaning: contracts/services		9 2,005,79	7 1,697,45	2) (308,34	-15%	068 2,360,	2,560,673	2,778,331
	Cleaning: materials		5 326,65	3 379,74	8 53,08	16%	520 444,	482,304	523,300
	Office improvements		0 726,05	6 1,533,90	6 807,85	111%	971 1,045,	1,134,878	1,231,343
	Refreshments		1 1,146,72	7 1,469,53	6 322,81	28%	526 1,749,	1,898,235	2,059,585
	Publications		6 1,532,59	5 2,042,58	0 509,99	33%	695 1,786,	1,938,564	2,103,342
	R&M: computer equipment & software		0 680,60	5 661,83	5) (18,76	-3%	079 740,	802,986	871,239
	R&M: furniture and equipment		0 333,49	1 379,32	1 45,83	14%	109 364,	395,059	428,639
	R&M: site and buildings		2 841,94	2 863,39	0 21,45	3%	829 1,190,	1,292,049	1,401,874
	R&M: office vehicles		6 452,84	8 537,35	2 84,51	19%	783 420,	456,550	495,357
	Printing of audit reports		0 1,970,92	7 711,28	3) (1,259,63	-64%	089 2,397,	2,600,842	2,821,913
	Stationery and printing		7 8,269,02	5 7,333,61	2) (935,41	-11%	419 8,274,	8,977,745	9,740,853
	Artwork & design		0 80,00	-	0) (80,00	-100%	000 150,	162,750	176,584
	Medical examinations		0 220,00	0 220,00	0	0%	000 200,	217,000	235,445
	Freight and removal		0 167,09	5 118,23	5) (48,85	-29%	661 133,	145,022	157,349
Communication	17	8,435,178	4	7,759,55	4) (675,62	-8%	2 9,443,62	11,117,268	
	Cellphone charges	17.2	4 2,229,89	0 2,218,90	4) (10,99	0%	982 2,734,	2,967,455	3,219,689
	Postage & courier services		1 1,498,55	5 1,213,57	6) (284,97	-19%	918 1,617,	1,755,441	1,904,653
	Telephone charges	17.1	3 4,706,73	9 4,327,07	3) (379,65	-8%	723 5,090,	5,523,434	5,992,926

			2010-11	2010-11	Variance	Variance %	2011-12	2012-13	2013-14
	Description	Notes	Budget	Forecast	(B-A)	(B-A)/A	Budget	Forecast	Forecast
			(A)	(B)	(C)	(D)	(E)		
Other Expenses		3,000,000		3,143,32			4,200,00		
	Bad debts provision		0 3,000,00	8 3,143,32	8 143,32	5%	0 4,200,000	4,944,345	4,944,345
SURPLUS BEFORE DEPRECIATION		107,941,467		112,921,06	9 4,979,59	5%	9 119,522,84	145,225,631	
Depreciation	18	38,778,858		38,026,56	2) (752,29	-2%	4 41,048,84	43,250,753	
	Depr. motor vehicles		3 526,19	6 500,16	7) (26,02	-5%	844 472,	487,843	500,393
	Depr. furniture & equipment		0 4,075,57	2 4,456,19	2 380,62	9%	636 4,632,	4,817,986	4,963,843
	Depr. computer equipment		8 27,240,52	9 23,624,29	9) (3,616,22	-13%	764 30,058,	30,801,659	31,459,504
	Depr. computer software		9 3,459,50	9 5,847,30	0 2,387,80	69%	362 3,837,	4,020,229	4,197,012
	Depr. leasehold improvements		7 3,477,05	0 3,598,60	3 121,54	3%	238 2,047,	2,091,625	2,130,001
NET SURPLUS		69,162,609		74,894,50	0 5,731,89	8%	5 78,474,00	101,974,878	
Net surplus ratio before special events and capital expenditure			4%	4%			4%		4%
Special events		513,337		36,561,38	9 36,048,04	7022%	-	-	
	AFROSAI		-	-	-	100%	-	-	-
	INTOSAI		-	3 274,37	3 274,37	100%	-	-	-
	INCOSAI		7 513,33	3 36,287,01	6 35,773,67			-	-
NET SURPLUS AFTER SPECIAL		68,649,272		38,333,11	8) (30,316,15	-44%	5 78,474,00	101,974,878	

			2010-11	2010-11	Variance	Variance %	2011-12	2012-13	2013-14
	Description	Notes	Budget	Forecast	(B-A)	(B-A)/A	Budget	Forecast	Forecast
			(A)	(B)	(C)	(D)	(E)		
EVENTS									
Net surplus ratio before capital expenditure			4%	2%			4%		4%
CAPITAL	19	65,552,226		47,526,969	(18,025,257)	-27%	74,368,892	74,368,892	
	Motor vehicles - cost	19.1	0 1,544,380	0 1,892,200	0 347,820	23%	000 1,279,000	1,279,000	1,279,000
	Furniture & equipment	19.2	3 20,456,780	3 9,997,720	0 (10,459,060)	-51%	546 12,016,546	12,016,546	12,016,546
	Computer equipment - cost	19.4	0 19,766,600	2 20,828,240	2 1,061,640	5%	882 45,533,882	45,533,882	45,533,882
	Computer software - cost	19.5	0 3,988,100	8 8,492,420	8 4,504,320	113%	464 4,402,464	4,402,464	4,402,464
	Leasehold improvements - cost	19.3	4 19,796,360	6 6,316,370	8 (13,479,980)	-68%	000 11,137,000	11,137,000	11,137,000
CAPEX AS % OF TOTAL INCOME			4%	2%			4%		
TOTAL BUDGET		3,097,046		5) (9,193,851)	(12,290,901)	-397%	3 4,105,110	27,605,986	

Annexure 2: Notes on the budget

2 Income

Budget item	Ref.	2010-11 Budget		Variance		2011-12 Budget		Change	
		Forecast							
		'000		'000		%		'000	
		(1)		(2)-(1)		(2)-(1)		(3)-(1)	
Own hours	2.1	1,2	69,306	1	38,354	3.0%	1	188	14.8%
				,			,		

			3 0 7 , 6 6 0			4 5 7 , 6 9 7			
			5 1 9 , 2 9 6			5 1 3 , 0 0 2			
Contract work	2.2	67,512	4	51,783	11.1%	45,490	9.7%		
			8 0 , 5 3 1			1 0 4 , 8 2 0			
Subsistence and travelling	2.3	85,596		(5,065)	-5.9%	19,224	22.5%		
International subsistence and		13,108	1 2	(1,050)	-8.0%	(992)	-7.6%		

		,		,	
		0		1	
		5		1	
		8		6	
travelling					
Total audit income	1,835,522	1,919,544	4.6%	2,087,635	13.7%

EFFECT OF THE ESTIMATES OF THE OFFICE FOR 2011-12 ON TOTAL STATE EXPENDITURE

The total estimated audit costs of R 2.09 billion for 2011-12 (2010-11: R 1.83 billion) when compared with the estimate of state expenditure for 2011-12 of approximately R907 billion amounts to only 0.23 per cent (2010-11: 0.23 per cent). The estimate of the office represent a 13.7% increase over 2010-11 budget and has no material effect on the total state expenditure.

2.1 Calculation of own hours income

The calculation of own hours income takes into account three variables, namely number of staff (including vacancies to be filled), recoverable hours and tariffs. The 2011-12 revenue budget has been compiled utilising the same tariff formula which was implemented in the 2009-10 budget.

In April 2008 SCoAG agreed to a revised tariff approach which would effectively align revenue generation with underlying costs. This approach is aligned with the method of determining hourly rates for contract work, whereby recoverable staff costs are marked up by a fixed factor per band, and rates are determined with reference to standard recoverable hours. This approach has been adopted by the AGSA and has been included in the budget preparation.

The tables below reflect the AGSA's analysis of own hours income by category of employees:

2 .1.1 Number of staff

The staff numbers constitutes a critical variable and thus a logical starting point in the computation of audit revenue for the office.

Audit staff	Budget 2010-11	Budget 2011-12	Change		Comments
	Staff numbers	Staff numbers	Staff numbers	%	
	(1)	(2)			
- Business executives	19	19	0	0%	
- Operational leaders	7	16	9	129%	Additional heads due to a policy to have at least one Operational Leader per province. This is also part of the AGSA succession planning
- Senior managers	141	153	12	9%	Increase due to additional centres and planned growth to largely reduce audit work contracted to audit firms
- Audit managers	400	411	11	3%	
- Auditors	509	604	95	19%	

- Trainee accountants	1,056	1,120	64	6%	Increase due to additional centres and planned growth
Total recoverable audit staff	2,132	2,323	191	9%	
- Admin : Non recoverable audit staff	181	200	19	10%	
Total audit staff	2,313	2,523	210	9%	

2.1.1A Own hours - recoverable hours and ratios

The next logical variable in the computation of audit income is the recoverable hours. This variable is influenced solely by the recovery rate that is determined for each staff band within the audit business units. The level of these recovery rates is arrived at after providing for sufficient time for essential non-recoverable activities such as annual leave, study leave, sick leave, training, management and supervision. These are in line with the norms in the profession. For 2011-12 the targeted recovery ratios have been revised slightly downward.

The calculation of recoverable hours is based on the total available hours which is equal to 2042 hours multiplied by (X) the recovery rate per band multiplied by (X) number of staff per band per 2.1.1 above.

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

Budget item	2010-11 Expected recovery ratio per band	2011-12 Expected recovery ratio per band	2010-11 Budget	2011-12 Budget	Change		Comments
			Hours	Hours	Hours	%	
			(1)	(2)	(2)-(1)	(2)-(1)	
Audit staff							
- Business executives	35%	34%	13,386	12,558	(828)	-6.2%	The increase is mainly attributable to the increase in number of audit staff 2010-11
- Operational leaders	45%	44%	6,353	13,199	6,846	107.8%	
- Senior managers	60%	59%	162,167	167,053	4,886	3.0%	

- Audit managers	66%	65%	531,689	527,166	(4,522)	-0.9%	(2132) and 2011-12 (2323)
- Auditors	66%	65%	660,261	797,237	136,976	20.7%	
- Trainee accountants	66%	65%	1,477,218	1,463,520	(13,699)	-0.9%	
Total			2,851,074	129,659			

Refer 2.1.4 for calculation of total own hours income

2.1.2 B Non-recoverable ratios (before flexing):

Budget item	2011-12 Ratios						2010-11 Budget		
	Annual leave	Sick leave	Study & other	Training	Management & supervision	Total %	Hours Per capita	Total Hours	Per capita
- Business executives	8%	4%	4%	5%	45%	66%	1,348	2 4,796	1,305
- Operational leaders	8%	4%	4%	5%	35%	56%	1,144	7,729	1,104
- Senior managers	8%	4%	4%	5%	20%	41%	837	11 3,081	802
- Audit managers	8%	4%	5%	5%	13%	35%	715	25 6,226	681
- Auditors	8%	4%	5%	5%	13%	35%	715	34 7,882	683
- Trainee accountant	8%	4%	10%	8%	5%	35%	715	720,251	682

s									
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Note 1: The non-recovery ratios for all levels were revised based on the detailed work study that confirmed a need for additional administration, supervision and strategic initiatives. The reconsidered non-chargeable hours are in line with the norms in practice and actual achieved chargeable hours to be realistic.

2.1.3 Recommended tariffs

In April 2008 SCoAG agreed to a revised tariff approach which would effectively align revenue generation with underlying costs. This approach is aligned with the method of determining hourly rates for contract work, whereby recoverable staff costs are marked up by a fixed factor per band, and rates are determined with reference to standard recoverable hours. This approach has been adopted by the AGSA and has been included in the budget preparation.

Budget item	2010-11 Budget	2011-12 Budget	Change		
	Rand / hour	Rand / hour	Rand / hour	%	
	(1)	(2)	(2)-(1)	(2)-(1)	
Audit staff					
- Business executives	2,109	2,289	180	8.5%	The increase is due to staff movement in salary intervals.
- Operational leaders	1,480	1,463	(17)	-1.1%	The decrease is due to the new operational leaders being appointed at lower salary intervals.
- Senior managers	1,228	1,290	62	5.1%	The increase is due to staff movement in salary intervals.
- Audit managers	940	1,018	78	8.3%	The increase is due to staff movement in salary intervals.
- Auditors	451	501	50	11.0%	

- Trainee accountants	168	177	9	5.3%	The increase is due to staff movement in salary intervals.
Average	445	489	44	9.8%	

Refer 2.1.4 for calculation of total own hours income. Refer also to annexure 3 for the detailed internal tariff schedule for 2011-12.

2.1.4 Calculation of own hours income

Own hours income is based on the recoverable hours calculated in 2.1.2 above multiplied by (X) the average charge out tariff in 2.1.3.

Budget item	2010-11 Budget (1)	2011-12 Budget (2)	% (2)-(1)	
Recoverable hours	2,851,074	2,980,732	4.5%	
Average tariff	445	489	9.8%	
Total own hours income	1,269,306	1,457,697	14.8%	
Own hours income (R'000)	1,269,306	1,457,697	14.8%	Note 2

Note 2

The increase in own hours income is due to additional recoverable hours resulting from increase audit staff and the marginal increase in average charge out rate.

2.2 Contract work movement

Given the importance of audit firms in contributing strategic resources towards the audit process, it is the AGSA's practice to allocate a certain amount of audit work to the firms, in addition to contributing to the profession's transformation by allocating work partially on the private audit firms' BBBEE score. In keeping with the previous year's practice, specific provision has been made for additional contract work to accommodate employee vacancies as well as staff working on international audit assignments.

Budget item	2010-11 Budget '000	2011-12 Budget '000	Comments
Contract work	355,958	387,700	This is in line with the AGSA practice of awarding work to private audit firms.
Pre-issuance	38,441	36,417	Review of audit files before the finalisation of audit reports for presentation to auditees.
Vacancies	70,611	87,977	Provision for additional contract work to accommodate our vacancies.
International	2,502	908	This includes pulling staff from other Business Units for International Audit Assignments.
Total	467 ,512	513,002	

2.3 Subsistence and travelling recoverable

Budget item	2010-11 Budget	Variance		2011-12 Budget	
	'000	'000	%	'000	
	(1)	(2)-(1)	(2)-(1)	(3)-(1)	
Subsistence and travelling recoverable	85,596	(5,065)	-5.9%	19,224	Ref. 2.3.1
International S&T	13,108	(1,050)	-8.0%	(992)	Ref. 2.3.2
Total	98,704	(6,115)	-6.2%	18,231	

2.3.1 Budget 2010-11 to budget 2011-12 change

From 2009-10 S&T is calculated as a percentage of recoverable hours based on historical trends. The increase from 2010-11 to 2011-12 is attributable to an increase in both recoverable hours and the average S&T rate.

2.3.2 Budget 2010-11 to budget 2011-12 change

The increase in international S&T is based on the latest trends in travelling cost.

2.4 Other income

Budget item	Ref	2010-11 Forecast	Variance		Change
		'000	'000	'000	%

		(2)	(2)-(1)	(3)	(3)-(1)
				(6,841)	
Interest received :PIC	2.4.1	7,851	(5,090)	6,100	-52.9%
				3,028	
Interest received :Current account		4,505	1,532	6,000	101.9%
				24,918	
Sundry Income		34,671	28,666	30,924	414.9%
Total		21,919	25,108	114.5%	21,105 96.3%

2.4.1 Interest received

The increase between budget 2010-11 and 2011-12 on interest received in the current account is due to the expected improvement in collections after the implementation of the debt collection strategy currently taking place. Included in sundry income for 2011-12 is a Circular 9 of 2006 adjustment of R27.5 million, which is the net movement for present value adjustment on revenue and trade receivables - deemed interest portion as well as surplus on foreign contract of R3.5 million.

3. PERSONNEL EXPENDITURE

Budget item	Note	2010-11 Budget	Variance		2011-12 Budget	Change
		'000	'000	%	'000	%
		(1)	(2)-(1)	(2)-(1)	(3)-(1)	(3)-(1)
Leave pay provision	3.1	6,662	2,958	44.4%	(142)	-2.1%
Medical aid provision	3.2	8,216	(0)	0.0%	(3,416)	-41.6%
Normal salary and benefits ***	3.3	852,521	2,535	0.3%	120,297	14.1%
Other incentives	3.4	5,426	(246)	-4.5%	2,270	41.8%

UIF & WCA	3.5	4,376	(449)	-10.3%	(156)	-3.6%
Total		877,201	881,999	0.5%	996,053	13.5%
% of total income		47.8%	45.9%		47.7%	

*** A more detailed analysis is shown in the tables below

3. 1 Leave pay provision

Leave pay provision is influenced by the accumulation of leave days allowed in terms of the policy as well as pay increase levels for staff. The level of accumulated leave is not expected to deviate from last year, as employees on new conditions of employment are not entitled to accumulate leave.

3. 2 Post-retirement medical aid provision

The PRMA estimates were based on actuarial projections for the 2010-11 forecast. The 2011-12 budget follows the trend of 2010-11.

3. 3 Normal salary

3. 3.1 Audit staff

Employee group	Total		Average salary per band	Comments	
	No	'000			
Business executives	19	23,807	1,253	1064-1381	
Operational leaders	16	15,407	963	754-1130	
Senior managers	153	129,897	849	646-970	
Managers	411	257,947	628	476-713	In line with the Deloitte salary survey benchmark.
Auditors	604	189,413	314	300-450	
Trainee accountants	1,120	106,116	95	63-257	
Admin Staff	200	47,165	236	167-250	
Total	2,523	769,752	305		

Note: The total audit staff cost includes overtime and staff contracted in.

3. 3.2 Support staff

Employee group	Total		Average	Positioning	Comments
	No	'000			

	No.	'000	salary per band '000	against benchmark - range '000	
Corporate executive group	10	20, 197	2,020		Includes salaries of the AG and DAG
Business executives	12	17, 500	1,458	1059-1381	
Senior managers	38	33, 507	882	565-847	In line with the Deloitte
Managers	154	90, 082	585	484-727	
Specialists and practitioners	148	38, 218	258	226-339	
Admin staff	27	3,560	132	167-250	
Total Support Staff	389	203,064			

3. 3.3 Total staff

Business focus areas	2010-11 Total		2011-12 Total		Comments
	No.	'000	No.	'000	
Total audit staff	2,313	638,388	2,523	769,752	The increase is influenced by

Total Support staff	344	214,140	389	203,064	a projected salary increase rate of 8.5% and additional staff.
Total	2,657	852,528	2,912	972,817	

From the above analysis it is clear that the average salary levels are in line with the industry norm that was established in the previous year, hence the rate increase of 8.5% is in line with budget.

3. 4 Other incentives

Budget item	2010-11 Budget	2010-11 Forecast		2011-12 Budget	Change		%	Comments
	'000	000		'000	'000		Comments	
	(1)	(2)	(2-1)	(3)	(3)-(1)	(3)-(1)	(3)-(1)	
Group life scheme	4,758	4,758	0	0.0%	7,086	2,328	48.9%	The increase is line with salary increase and the increase in number of staff.
Long service awards	0	55	55	100.0%	-	-	0.0%	

								This is used for team excellence recognition initiatives and is driven by the number of staff. Average cost per head has been reduced as part of cost saving initiatives.
Business unit recognition scheme	668	367	(301)	-45.1%	610	(58)	-8.7%	
			-					
Total	5,426	5,180	246	4.5%	7,696	2,270	41.8%	

3. 5 UIF & WCA

					Comments
	2010-11 Budget		2011-12 Budget	Change	
	'000		'000	'000	%
Budget item	(1)		(2)	(2)-(1)	(2)-(1)

UIF employer's contribution	3,195	3,620	425	13.3%	Increase is due to increase in number of staff as well as salary increase.
Workmen's compensation premiums	1,179	600	(579)	- 49.1%	Budget 2011-12 is based on the last assessment.
Total	4,374	4,220	(154)	-3.5%	

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

3. 6 PERFORMANCE BONUS

Performance bonus budget R46 million for 2011-12 (2010-11 R20 million) - Performance bonuses are paid when the AGSA has achieved and realised its required financial stretch targets as established in the balance scorecard.

4. CONTRACT WORK - IRRECOVERABLE

Budget item	2010-11 Budget	2010-11 Forecast		Variance		2011-12 Budget	Change
	'000	'000	'000	%		'000	%
	(1)	(2)	(2)-(1)	(2)-(1)		(3)-(1)	(3)-(1)
- Ongoing	19,225	24,201	4,976	25.9%		1,319)	-6.9%
- Once-off	7,811	9,833	2,022	25.9%		2,380	30.5%
Total	27,036	34,034	6,998	25.9%		1,061	3.9%
% of total income	1.5%	1.8%					

The analysis below reflects details of the nature of expenditure. As these activities are by nature not repetitive, the comparatives and commentary for the previous year is not provided.

Budget item	2011-12 Budget	Comments
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	Ongoing	Once-off	Total	
	'000	'000	'000	
Quality Control	1,150		1,150	External firm level review by Independent Regulatory Board of Auditors (IRBA). Annual mandatory quality control reviews by IRBA. Experts for Mandatory Quality control eg. ISA audit. Experts for firm level reviews performed by internal QC component. Assistance with risk assessment for Occupational Health and IT related risks.
Finance		2,364	2,364	Architect fees for evaluation of new buildings for rental purposes
Corporate Secretariat	224	-	224	Contracting in of report writer to assist with the Annual Report and strategic and budget plan.
Reputation and Stakeholder Management				
Branding	531	-	531	Visual and content audit to be done by independent brand specialist.
Reporting	100	-	100	Researcher/ writer to work on AG history book for Centenary year in 2011.
AGSA Website Design	40		40	Graphic designer costs
Information Communication & Technology				

New version of Audit Software	10	175	185	Contract work to support New Audit Software.
People Soft	1,512	1,416	2,928	Helpdesk, Finance optimisation, implementation of Balance Scorecard, Budgeting, E-Billing, E-Recruitment, Mobile integration and HC & Finance Integration
Teammate	368	600	968	Content update and upgrades of Teammate audit management software.
Regional ICT support	116	475	591	Regional Servers upgrade, UPS commissioning & Riverbed upgrade
Software support	633		633	Support for FIM,MS Desktop, SCCM , SharePoint, Network, Notebook backup etc
ARD application	344	1,000	1,344	Application installation costs
Blackberry RIM		20	20	Installation costs
Notebook	200		200	Contract for notebooks setups
Mimecast		20	20	Implementation costs
Desktop Virtualisation	40		40	Pilot project for Desktop Virtualisation.
ECM SharePoint		672	672	Implementation costs for Phase 2 of the Electronic Content Management tool. This is the tool that manages electronic content e.g. online forms, routing of the forms and intelligent searching of

				documents.
Other	192	15	207	Telephone Billing software UPK implementation
Information systems audit	250		250	Research information acquisition
Free State		503	503	Peer Reviews
Research and Development	804	812	1,616	Consultant's fees in respect of AOPI specialist, MIS programmer, continuity and legal costs.
Performance audit	850		850	Provision made for scarce skills
Investigations	1,000		1,000	Provision made for scarce skills
Human Capital projects				
Training and development	5,000		5,000	Leadership and development programme nationally
AGSA survey		967	967	Climate survey
Job Evaluations	2,500		2,500	Evaluations per paying job and position changes
Graduate recruitment	449		449	Trainee accountants recruitment costs, external marketing costs, banners etc
Strategic Organizational Development &				CE executive development programme, executive pipeline building and

Leadership	1,593	782	2,375	job evaluations
Other		370	370	Provision for consultants fees for Ethics and Stakeholder management.
Total	17,906	10,191	28,097	

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

5. S&T IRRECOVERABLE

Budget item	2010-11 Budget	2010-11 Foreca st		Variance		2011-12 Budget	Change
	'000	'000	'000	%		'000	%
	(1)	(2)	(2)-(1)	(2)-(1)		(3)-(1)	(3)-(1)
S&T irrecoverable		14,399	16,101	1,703	11.8%	4,571	31.7%
Total		14,399	16,101	1,703	11.8%	4,571	31.7%
% of total income		0.8%	0.8%				

The 31% increase is due to an initiative that has been implemented by the office to improve relations between external & internal stakeholders by becoming more visible.

6. ACCOMMODATION

6.1. Rentals

The 11% increase in rentals from 2010-11 budget to 2011-12 is as a result of Limpopo and Eastern Cape acquiring new office space.

Location	Monthly cost per square metre: 2010-11	Square metres occupied	Total staff establishment	Annual cost; 2011-12	AGSA - square metres per staff member	Industry benchmark square metres per staff member	Monthly cost per square metre: 2011-12	Industry benchmark monthly cost per square metre	Comments
Western Cape	75	1,839	217	1,410,402	8.5	15.6	64	124	
Eastern Cape	138	4,539	268	4,926,653	16.9	15.6	90	99	Below
Mpumalanga	85	1,010	114	1,129,004	8.9	15.6	93	109	Benchmark:
KwaZulu-Natal	83	2,245	219	2,361,602	10.3	15.6	88	99	Source Rode Property Publication. Rode is the South African

North West	96	1,340	106	1,421,170	12.6	15.6	88	109	property researcher and value of real estate.
Limpopo	115	2,010	132	3,497,400	15.2	15.6	145	123	
Northern Cape	65	1,022	121	1,194,070	8.4	15.6	97	83	
Johannesburg	83	2,671	156	2,605,747	17.1	15.6	81	101	
Free State	73	2,000	157	2,040,000	12.7	15.6	85	91	
Pretoria	96	14,832	1,422	20,225,356	10.4	15.6	114	132	
Total	95	33,508	2,912	40,811,404	11.4	15.6	102	107	
% of total income	2011-12 budget			2.0%					
	2010-11 budget			2.0%					

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6.2. Operating costs

The operating costs for the 2011-12 budget are based on service agreements, most of which are linked to the rental agreements.

7. LIAISON

Budget item	Ref.	2010-11 Budget	Va ri an ce	2011-12 Budget	Change		
		'000	'0 00	%	'000	'000	%
		(1)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Liaison	7.1.1	2,888	(1,520)	-52.6%	11,726	8,838	306.0%
Internal stakeholder	7.1.2	6,752	458	6.8%	6,623	(129)	-1.9%
External stakeholder	7.1.3	2,307	(160)	-6.9%	3,736	1,429	61.9%

)

Total	11,947	10,725	22,085	10,138	84.9%
% of total income	0.6%	0.6%	1.1%		

7. 1 STAKEHOLDER RELATIONSHIP

7. 1 .1 Liaison

Contained in liaison are employee communication, media management, events management and brand & visibility. The increase is due to the provision for the AGSA Centenary Celebration which has a budget of R7 million.

7. 1 .2 Internal stakeholder

Budget item	No	2010-11 Budget	Variance				V o l u m e	Comments
		A m o u n t	Total	No	Amoun t	Total		
		'000	'000		'000	'000		
	(1)	(2)	(1)x(2)	(3)	(4)	(3)x(4)		

		2						These are activities that occur every year and are integrated into the CE's' strategic alignment in order to achieve maximum impact and cost effectiveness. A maximum of R3000 per employee for all activities was allowed to be budgeted.
		,5						
BU team interventions/CE-led strategic alignment interventions		4						
		1	6				58	
	2,657		,752	2,912	2,274	6,623	0	
Total			6				58	
			,752			6,623	0	

7. 1 .3 External stakeholder

Budget item	No	2010-11 Budget		No	2011-12 Budget		Variance
		Allowance	Total		Allowance	Total	
		'000	'000		'000	'000	
	(1)	(2)	(3)	(4)	(5)	(6)	(6)-(3)
BE - National	23	12	27 6	22	24	528	2 52
BE - Provincial	9	12	10 8	9	24	216	1 08
SM	197	3.5	69 0	191	6	1, 146	4 57
Exco	9	1	1,23	10		1,	6

		37	3		185	846	13
Total	238	165	2,307	232	239	3,736	1,430

The cost relates to improvement of relationship and communication with all stakeholders.

2. 2. Regional congresses (strategic alignment workshops (VA/OA))

Budget item	No	2010-11 Budget	Total '000	No	Variance		Comments	
		Amo unt			Amount	Total		
						'000		
		(1)			(2)	(3)		(4)	(5)	(6)	(6) - (3)
BU / CE workshop	2,657	1,261	3,350	2,912	1,500	4,368	1,018	The increase in cost is due to growth in the number of staff and a slight increase in cost per person.
Senior Management Workshop	238	10,965	2,610	232	15,322	3,555	945	The cost per person has slightly increased due to planned change in venue.

		12,22					
Total	2,895	6	5,960	3,144	16,822	7,923	1,963

7. 3. Foreign visitors

Budget item	2010-11 Budget	2010-11 Forecast			Variance	2011-12 Budget	Change
	'000	'000	'000		%	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(2)-(1)	(3)-(1)	(3)-(1)
Foreign visitors	187	58	(129)	(129)	-69.0%	291	155.5%
Total		187	58	(129)	-69.0%	291	155.5%

These expenses relate to foreign visitors from Supreme Audit Institutions and are based on expected number of visitors for the following year. The increase is attributable to AG taking presidency of INCOSAI for the next 3 years.

7. 4. Overseas travel

Budget item	Ref.	2010-11 Budget	2010-11 Forecast	Variance	2011-12 Budget		Change		Comments
		'000	'000	'000	%	'000	'000	%	
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	

Auditor-General & DAG	7.4.1	855	-	(855)	-100.0%	913	58	6.8%	Planned trips for the AG and Dig's participation in the Commonwealth and AG to accompany SCoAG on overseas oversight study trip.
Research & Development and Other	7.4.2	1,523	2,238	715	46.9%	1,392	(131)	-8.6%	This is in respect of Corporate Services trips abroad for training, conferences and research. These are however subject to approval by the DAG.
Total		2,378	2,238	(140)		2,305	(73)	-3.1%	

7. 4.1 AG and DAG

- Commonwealth Conference in Namibia
- SCoAG overseas study trips.

7. 4.2 IACC conference and ASTD conference to be attended by AGSA officials during the 2011-12 financial year

All overseas travel will be supported by a detailed motivation and approval will be in accordance with the Management Approval Framework. The amount is allocated in equal amounts to people management, product (audit) and process improvements.

8. CONTROL BODIES

Budget item	2010-11 Budget	2010-11 Forecast	Variance		2011-12 Budget	Change		Comments
	'000	'000	'000	%	'000	'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Parliamentary Oversight Mechanism	100	100	-	0.00%	386	286	285.84%	
Corporate Governance Boards (AG Advisory Board, Audit Committee and Quality Control Assessment Committee)	444	413	(31)	-6.9%	601	157	35.2%	This is a provision for expenses relating to various Advisory Committees of the AGSA.
Total	544	560	16	3.0%	986	442	81.3%	
% of total income	0%	0.03%			0.05%			

9. AUDIT FEES

9. 1 External audit fees

Budget item	2010-11	2010-11	Variance		2011-12	Change		Comments
	Budget	Forecast			Budget			
	'000	'000	'000	%	'000	'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Financial audit	1,737	1,737	(0)	0.0%	1,855	118	6.8%	The audit costs are based on historical costs as there have been no indications of costs due to the imminent change of auditors.
Performance information audit (balanced scorecard)	752	752	(0)	0.0%	803	51	6.8%	
Salary review and other	440	440	(0)	0.0%	470	30	6.8%	
Total	2,929	2,929	(0)	0.0%	3,129	200	6.8%	
% of total income	0.2%	0.2%			0.1%			

9. 2 Internal audit fees

Budget item	2010-11	2010-11		Variance	2011-12	Change
	Budget	Forecast			Budget	
	'000	'000	'000	%	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)-(1)	(3)-(1)

2022							
Routine financial audits	645	645	(0)	0.0%	(21)	-3.2%	
Routine human capital related audits	220	220	(0)	0.0%	(7)	-3.2%	
Routine internal controls audits	625	625	(0)	0.0%	(20)	-3.2%	
Business unit visits	375	375	(0)	0.0%	(12)	-3.2%	
Ad hoc assignments and system queries (CAATS application)	310	310	(0)	0.0%	(10)	-3.2%	
Project management and attendance of Audit Committee meetings	589	589	(0)	0.0%	(19)	-3.2%	
Risk management meetings and strategic risk	260	260	(0)	0.0%	(8)	-3.2%	

assessment

Disbursements	76	76	(0)	0.0%	(2)	-3.2%
Total	3,100	3,100	(0)	0.0%	(100)	-3.2%
% of total income	0.2%	0.2%				

The forecast 2010-11 and budget 2011-12 are a reflection of the internal audit costs based on the audit coverage plan.

10. FINANCE CHARGES

Budget item	2010-11 Budget	2010-11 Forecast	Variance		2011-12 Budget	Change
	'000	'000	'000	%	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)-(1)	(3)-(1)
Finance charge	2,321	8,643	6,322	272.3%	5,977	257.5%
Total	2,321	8,643	6,322	272.3%	5,977	257.5%
% of total income	0.1%	0.5%				

Included in finance charges is R6.3 million which is the present value of expenses and trade payables - deemed interest portion as per CIRC 9 of 2006.

11. RECRUITMENT EXPENSES

Budget item	2010-11 Budget	2010-11 Forecast	Variance	2011-12 Budget	Change	COMMENTS	
	'000	'000	'000	%	'000		%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)		(3)-(1)
					32.6%		
Advertisements	1,000	1,090	90	9.0%	1,326	6%	The increase is based on the number of vacancies to be filled.
Personnel agency fees	4,500	4,518	18	0.4%	3,024	-33.8%	The decrease is due to the use of E-recruitment resulting in less agencies being used.

						-	
						1	
						2	
						.	
						2	
Interviews	407	374	(33)	-8.0%	358	%	
						1	
						2	
						2	
						.	
Transfer and relocation expenses	2,024	2,091	67	3.3%	4,500	3 The increase is mainly due to the relocation % of staff for the Eastern Cape Office.	
						1	
						6	
						.	
						1	
Total	7,931	8,073	142	1.8%	9,207	%	.
% of total income	0.4%	0.4%			0.4%		

12. PROFESSIONAL ASSISTANCE

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

Budget item	Ref.	2010-11 Budget	V a r i a	2011-12 Budget	Change
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			n c e					
			'000	'000	%	'000	'000	%
			(1)	(2) - (1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
				(179)				
Membership fees	12.1	7,577			-2.4%	10,479	2,902	38.3%
Internal training				91				
	12.2	13,739	8		6.7%	16,680	2,942	21.4%
External training	12.2	4,263	42		1.0%	2,849	(1,414)	-33.2%
S&T: training		11,935	857		7.2%	12,493	558	4.7%
Study assistance: employees	12.3	14,378	(967)		-6.7%	14,483	104	0.7%
HC development projects	12.4				331.9%	7,041		220.1%
		2,200	7,					

				30 2			4,841	
Bursaries	12.5	13,341	39	0.3%		15,530	2,189	16.4%
Skills development levy		7,714	51 2	6.6%		9,344	1,629	21.1%
Skills dev. levy – recovered		(2,500)	1, 86 3	-74.5%		(3,000)	(500)	20.0%
	Total	72,647		85, 898			13,251	18.2%
% of total income		3.8%		4.5%	4.1 %			

12.1 Membership fees

The budget 2010-11 to budget 2011-12 increase (of 18.5%) is based on the increase in the number of qualified staff and trainee accountants and the normal increase in membership rates by the various professional bodies. The increase is further influenced by the growth in the number of RGA's.

12.2 Training

Type of expense	2010-11 Budget		2010-11 Forecast		Variance		2011-12 Budget		Change	
	'000		'000		'000	%	'000		%	
	(1)		(2)		(2)-(1)	(2)-(1)	(3)-(1)		(3)-(1)	
Internal		13,739	14,656		918	6.7%	2,942		21.4%	
External		4,263	4,305		42	1.0%	1,414	(	-33.2%	
Total		18,001	18,961		960	5.3%	1,528		8.5%	

12.2.1 Internal training

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

Type of expense	2010-11 Budget		2011-12 Budget		Change		Comments
	%	'000	% breakdown	'000	'000	%	
Meals	60%		58%			17.4%	Increase is

		8,243		9,675	1,431		
Internal presenters - S&T cost to region	8%	1,099	7%	1,168	69	6.2%	mainly due to emphasis on technical training and the growth in the number of staff to be trained.
Venue costs	22%	3,023	32%	5,338	2,315	76.6%	
Other	10%	1,374	3%	500	(873)	-63.6%	
Total internal training	100%	3,739	100.0%	16,680	2,942	21.4%	

12.2.2 External training

Type of expense	2010-11 Budget	2010-11 Forecast	Variance		2011-12 Budget	Change		COMMENTS
	'000	'000	'000	%	'000	'000	%	
	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Non-audit related	562	567	5	1.0%	2,431	1,869	332.6%	
Audit related				1.0%		(	-80.9%	

	2,191	2,212	21		418	1,773)	
Audit study support (ATCOR courses for trainee accountants)	855	863	8	1.0%	-	(855)	-100.0%
Other	655	661	6	0.0%	-	(655)	-100.0%
Total	4,263	4,305	42	1.0%	2,849	1,414)	(-33.2%

12.3 Study assistance: employees

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

Course of study	2010-11 Budget '000	2011-12 Budget '000	Comments
Diploma	203	204	In line with the AGSA's preference to focus on graduate students. The bulk of the amount budgeted relates to 1,120 trainee auditors.
Degree	3,213	3,236	
CTA / Honours	5,411	5,450	
FQE support courses	4,186	4,216	

Other	533	537
MBA	128	129
Post-graduate	705	710
Total	14,378	14,483

12.4 I&L development projects

Type of project	2010-11 Budget '000	2011-12 Budget '000	Comments
Development of technical courses	1,166	2,541	Development of courses is focusing on improving audit efficiencies and quality, which is intended to train audit staff at all levels in the enhanced and standardised audit methodology. The other focus area relates to the development of leadership effectiveness programmes. Increased investment is planned as a result of increased needs for quality and efficiency in the audit business.
Development of non-technical courses	823	4,500	
Competency development	211	-	
Total	2,200	7,041	

12.5 External student bursaries

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

	Budget 2010-11	Forecast 2010-11	Budget 2011-12
	'000	'000	'000
Fort Hare	3,850	3,861	3,766
Thuthuka	1,431	1,435	1,400
External Bursaries	6,560	6,579	10,364
NSOA Process management	1,500	1,504	0
TOTAL	13,341	13,381	15,530

Fort Hare

The agreement relating to the 2011-12 amount has not been signed yet. It relates to the lecturer support and material cost that the AGSA is assisting Fort Hare with.

Thuthuka

This amount is per the signed agreement. It relates to +- 25 students that we sponsor on the Thuthuka program.

External bursaries

This refers to the cost of our 120 external bursary holders commitment that we have.

Name of University	No. of Students
Johannesburg	14

Wits	9
Pretoria	15
UNISA	15
Free State	8
KwaZulu Natal	5
Cape Town	5
Stellenbosch	4
Nelson Mandela Metro	5
North West	5
Fort Hare	34
Rhodes	1
Total	120

13. EMPLOYEE WELLNESS PROGRAMMES

Budget item	Ref.	2010-11 Budget	2010-11 Forecast	Variance		Change		
		'000	'000	'000	%	'000	'000	%
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)
Employee	13.1	1,500	1,502	2	0.13%	3,366	1,866	124,4%

Wellness Programmes								
Employee Social Responsibility		-	-	-	-	120	120	100%
AG Social Responsibility		1,585	1,585	-	-	2,076	491	31%
Corporate Social Investment	13.2	457	457	-	-	3,139	2,682	586.9%
Total		3,542	3,544	2	0.06%	5,159		145.6%

13.1 Employee wellness programmes: This relates to fees paid to external service provider for various services which include employee assistance, executive wellness, lifestyle management and HIV/AIDS programmes.

13.2 Corporate Social investment relates to the AGSA's contribution for enterprise development and social responsibility for community involvement programmes

14. TECHNOLOGICAL SERVICES

Budget item	Ref.	2010-11 Budget	2010-11 Forecast	Variance		Change		
		'000	'000	'000	%	'000	'000	%
		(1)	(2)	(2)-(1)	(	(3)	(3)-(1)	(3)-(1)
Computer	14.1	33,504	35,8	7		3	(	-1.7%

services			68	2,364	2,940	564)	
Hiring of equipment - rental	14.2	3,482	3,262	(221)	4,090	607	17.4%
Hiring of equipment - copy charges		1,227	1,280	53	1,655	428	34.9%
Total	38,213		40,409	2,196	5.7%	471	1.2%
% of total income		2.0%	2.2%		1.9%		

14. 1 COMPUTER SERVICES

Budget item	2010-11 Budget	2010-11 Forecast	Variance		2011-12 Budget	Comments
	'000	'000	'000	%	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)-(1)	(3)-(1)
IT maintenance and support	18,226	19,512	1,286	7.1%	1,144	6.3%

Networks	11 ,863	12,700	837	7.1%	(2, 143)	-18.1%
Security	2 ,616	2,801	185	7.1%	(306)	-11.7%
Telecommuni cations	799	855	56	7.1%	741	92.7%
	33 ,504	35,868	2,364	7.1%	(564)	-1.7%
% of total income	1.8%	1.9%				0.0%

14. 2 Hiring of equipment – rental

The increase of 17.4% from R3 482 (2010-11) to R4 090 (2011-12) is due to an increase in the number of multi-functional devices

15. INSURANCE AND LEGAL FEES

Budget item	2010-11 Budget	2010-11 Forecast	Vari anc e	2011-12 Budget	Change	Comments
	'000	'000	'000	%	'000	%

	(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)	
Insurance premiums	1,250	1,250	0	0.0%	1,300	50	4.0%	
Legal fees and contingency	1,200	162	(1,038)	-86.5%	1,680	480	40.0%	The budget is in line with the AGSA's legal costs incurred in the previous years.
Total	2,450	1,412	(1,038)	-42.4%	2,980	530	21.6%	
% of total income	0.1%	0.1%			0.1%			

16. AUXILIARY SERVICES

Budget item	2010-11 Budget	Variance	Change	
	'000	'000	'000	' %

	(1)	(2)-(1)	(3)	(3)-(1)
Auxiliary services	18,754	(805)	21,258	13.4%
Total	18,754	(805)	21,258	13.4%
% of total income	1.0%		1.0%	

The increase of 13.4% in auxiliary services is mainly due to the establishment of new centres, which has resulted in increases in auxiliary services costs.

17. COMMUNICATION

Budget item	2010-11 Budget	2010-11 Forecast	Variance		2011-12 Budget	Change
	'000	'000	'000	%	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)-(1)	(3)-(1)
Telephone charges	4,707	4,327	(380)	-8.1%	384	8.2%
Cellphone	2,230			-0.5%		22.7%

charges		2,219	(11)		505	
Postage and courier services	1,499	1,214	(285)	-19.0%	119	8.0%
Total	8,435	7,760	(676)	-8.0%	1,008	12.0%
% of total income	0.4%	0.4%				

17. 1 Telephone charges

The costs are mainly influenced by the number of staff, the nature of the job and the unit cost.

17. 2 Cell phone charges

The increase is due to the growth in the number of users with allowance being kept at a maximum of R700 per month.

18. DEPRECIATION

Budget item	2010-11 Budget	2010-11 Forecast	Variance		2011-12 Budget	Change
	'000	'000	'000	%	'000	%
	(1)	(2)	(2)-(1)	(2)-(1)	(3)-(1)	(3)-(1)
Motor vehicles	526	5		-4.9%		-10.1%

		00	(26)		(53)	
Furniture & equipment	4,076	4,456	381	9.3%	557	13.7%
Computer equipment	27,241	23,624	(3,616)	-13.3%	2,818	10.3%
Computer software	3,460	5,847	2,388	69.0%	378	10.9%
Leasehold improvements	3,477	3,599	122	3.5%	(1,430)	-41.1%
Total	38,779	38,027	(752)	-1.9%	2,270	5.9%
% of total income	2.1%	2.0%				

The depreciation expense budget is based on existing assets and the expected capital expenditure using the current depreciation policy. This is in line with capital expenditure movements.

19. CAPITAL EXPENDITURE BUDGET

19.1 Motor vehicles

Description	2010-11 Forecast	Acquisitions	Depreciation	2011-12 Budget
-------------	---------------------	--------------	--------------	-------------------

	NCV			NCV
	'000	'000	'000	'000
Motor vehicles	3,620	1,279	473	4,426
Total	3,620	1,279	473	4,426

Location	2010-11 Budget	2010-11 Forecast	2011-12 Budget
	'000	'000	'000
Replacement of pool cars for Head Office, North West and Africa Projects.	1,544	1,892	1,279
Contingency for the insurance excess	-	-	-
Total	1,544	1,892	1,279

19.2 Office furniture and equipment

Description	2010-11	Acquisitions	Depreciation	2011-12
	Forecast			Budget
	NCV			NCV
	'000			'000
Furniture and equipment	28,518	12,017	4,633	35,902
Total	28,518	12,017	4,633	35,902

Location	2010-11 Budget	2010-11 Forecast	2011-12 Budget	Comments
	'000	'000	'000	
Pretoria	20,457	9,998	12,017	New furniture acquisition is budgeted for centrally in Pretoria to accommodate

growth in staff.

	20,457	9,998	12,017
Total			

19.3 Leasehold improvements

Description	2010-11 Forecast	Acquisitions	Depreciation	2011-12 Budget
	NCV			NCV
	'000	'000	'000	'000
Leasehold improvements	12,574	11,137	2,047	21,663
Total	12,574	11,137	2,047	21,663

Location	2010-11 Budget	2010-11 Forecast	2011-12 Budget	Comments
	'000	'000	'000	

				New Leasehold Improvements is budgeted centrally in Pretoria
Pretoria	19,796	6,316	11,137	
Total	19,796	6,316	11,137	

19.4 Computer hardware

Description	2010-11 Forecast	Acquisitions	Depreciation	2011-12 Budget
	NCV			NCV
	'000	'000	'000	'000
Computer hardware	6,154	45,534	30,059	21,630
Total	6,154	45,534	30,059	21,630

Budget item	Ref.	2010-11 Budget	2010-11 Forecast	Variance		Change		
		'000	'000	'000	%	'000	'000	%
		(1)	(2)	(2)-(1)	(2)-(1)	(3)	(3)-(1)	(3)-(1)

Regional equipment	19.4.1	5,897	6,214	317	5.4%	13,602	7,705	130.7%
Networks	19.4.2	1,483	1,562	80	5.4%	3,413	1,931	130.2%
Security		1,101	1,160	59	5.4%	2,535	1,434	130.2%
Notebooks	19.4.3	1,286	11,892	606	5.4%	5,984	14,698	130.2%
Total	19	,767	20,828	1,062	5.4%	25,768		130.4%

19.4.1 Regional equipment

These are critical requirements to replace out-of-date regional servers, printers and other equipment which are well beyond their 3-year life cycle.

19.4.2 Networks

The network equipment budgeted for is to ensure the upgrade and replacement of old and dated equipment at the provincial offices and Pretoria to improve the speed and response times over the wide area network.

19.4.2 Notebooks

Replacement and acquisition of notebooks. The increase is in line with the trend of the office to replace approximately a third of the total notebooks annually.

19.5 Computer software

Description	2010-11 Forecast	Acquisitions	Depreciation	2011-12 Budget
	NCV			NCV
	'000			'000
Computer software	13,459	4,402	3,837	14,024
Total	13,459	4,402	3,837	14,024

Budget item	Ref.	2010-11 Budget	2010-11 Forecast	Variance		Change		
		'000	'000	'000	%	'000	'	%
							0	
							0	
							0	
		(1)	(2)	(2)-(1)	(2)	(3)	(	(3)-(1)
					-		3	
					(1))	
							-	

(1)									
)									
Regional systems	19.5.1	1,822	3,880	2,058	112.9%	2,011	18	10.4%	
Systems	19.5.2	2,166	4,612	2,446	112.9%	2,391	22	10.4%	
Security		-	-	-	0.0%	-	-	0.0%	
Total		3,988		4,504	112.9%		414	10.4%	

19.5 .1 Regional systems

Budget item	2010-11 Budget	2010-11 Forecast	2011-12 Budget
	'000	'000	'000
Scheduling and process software	-	-	-

			-	-
		77		
Various software upgrades		7	1,655	858
Desktop publishing software		187	398	206
Monitoring software (event logs)		112	239	124
Network monitoring (HP)		746	1,589	824
Total		1,822	3,880	2,011

19.5 .2 Systems

Budget item	2010-11 Budget	2010-11 Forecast	2011-12 Budget
	'000	'000	'000
ADOBE Acrobat Reader	11	2 3	12
E-Learning Software	536	1,14	592

		1	
		2	
FrontPage upgrade	11	3	12
		2,28	
Ghost Software	1,072	3	1,183
Purchase of PS budget module if feasibility study is successful	536	1,14	
		1	592
		4,61	
Total	2,166	2	2,391

Annexure 3: Proposed internal rates for 2011-12

CATEGORIES	SALARY INTERVAL		TARIFF
	LOWER	UPPER	Budget 2011-12
Business executives	1,160,950	1,509,235	2,289
Operational Leaders	1,005,800	1,027,600	1,558
	984,400	1,005,800	1,537
	963,000	984,400	1,504
	941,600	963,000	1,471
-	920,200	941,600	1,438

	898,800	920,200	1,405
Senior Managers	984,400	1,005,800	1,544
	963,000	984,400	1,517
	941,600	963,000	1,484
	920,200	941,600	1,451
	898,800	920,200	1,417
	877,400	898,800	1,384
	856,000	877,400	1,351
	834,600	856,000	1,317
	813,200	834,600	1,284
	791,800	813,200	1,251
	770,400	791,800	1,217
	749,000	770,400	1,184
	727,600	749,000	1,151
	706,200	727,600	1,117
	684,800	706,200	1,084
	663,400	684,800	1,050
	642,000	663,400	1,017
	620,600	642,000	984
	599,200	620,600	950
	577,800	599,200	917
	556,400	577,800	884
Audit Managers	845,300	866,700	1,414
	823,900	845,300	1,378
	802,500	823,900	1,343
	781,100	802,500	1,308
	759,700	781,100	1,272
	738,300	759,700	1,237
	716,900	738,300	1,202
	695,500	716,900	1,166
	674,100	695,500	1,131
	652,700	674,100	1,096
	631,300	652,700	1,060
	609,900	631,300	1,025

	588,500	609,900	990
	567,100	588,500	954
	545,700	567,100	919
	524,300	545,700	884
	502,900	524,300	848
	481,500	502,900	813
	460,100	481,500	778
	438,700	460,100	742
	417,300	438,700	707
	395,900	417,300	672
	374,500	395,900	636
	353,100	374,500	601
Auditors	502,900	524,300	837
	481,500	502,900	802
	460,100	481,500	767
	438,700	460,100	732
	417,300	438,700	697
	395,900	417,300	662
	374,500	395,900	627
	353,100	374,500	593
	331,700	353,100	558
	310,300	331,700	523
	288,900	310,300	488
	267,500	288,900	453
	246,100	267,500	418
	224,700	246,100	383
	203,300	224,700	349
	181,900	203,300	314
	160,500	181,900	279
	139,100	160,500	244
	117,700	139,100	209
	107,000	117,700	183
	96,300	107,000	166
	85,600	96,300	148

Trainee Accountants	363,800	374,500	696
	353,100	363,800	676
	342,400	353,100	656
	331,700	342,400	636
	321,000	331,700	616
	310,300	321,000	595
	299,600	310,300	575
	288,900	299,600	555
	278,200	288,900	535
	267,500	278,200	515
	256,800	267,500	495
	246,100	256,800	474
	235,400	246,100	454
	224,700	235,400	434
	214,000	224,700	414
	203,300	214,000	394
	192,600	203,300	373
	181,900	192,600	353
	171,200	181,900	333
	160,500	171,200	313
	149,800	160,500	293
	139,100	149,800	272
	128,400	139,100	252
	117,700	128,400	232
	107,000	117,700	212
	96,300	107,000	192
	85,600	96,300	172
	74,900	85,600	151
	64,200	74,900	131
	53,500	64,200	111

Annexure 4: Performance auditing initiatives for 2011 – 2012

Performance auditing is one of the specialised business units within AGSA and form part of the specialised services portfolio. The portfolio's strategic imperatives are as follow:

- To position it to provide specialist insights into systemic issues/sector issues/thematic issues (big picture focus)
- To share specialists insights externally and internally (research and development as well as advocacy roles)
- To undertake specialist audits
- To cover all three spheres of government throughout South Africa

In response to the elevated expectations from performance auditing, capacity and skills will be enhanced to ensure that Performance Auditing:

- specialise in the areas of government strategic objectives, sectoral, thematic and/or systemic issues
- increase the width and depth of research of government programs with the aim to influence and direct key role players
- increase knowledge sharing and consultation with internal and external stakeholders
- monitor and influence corrective action in areas where deficiencies were identified.

The following performance audit themes have been approved and will be researched, developed, executed and reported on:

- Infrastructure delivery, with the focus on the transport sector
- Use of consultants by government entities
- Basic and higher education and training initiatives
- Oversight of state-owned entities
- Readiness by government to report on predetermined objectives

Sanitation and water

Annexure 5: Annual AGSA visibility calendar

The *annual AGSA visibility calendar* below, aligned to the PFMA, illustrates the key interactions within the national and provincial spheres of government. (A similar cycle exists with respect to the local government audit and reporting timelines provided for in the MFMA.)

	April	May	June	Aug	Oct	Dec	Jan	Feb	Marc h
<i>End of financial year</i>									
Those charged with governance (TCwG) interaction #1: Pre-audit									
Submission of financial statements									
TCwG interaction #2: During the audit									
TCwG interaction #3: Post sign-off									
TCwG Interaction #4: PFMA road show									
TCWo interaction #1: PCs chairpersons – before tabling of annual reports									
TCWo interaction #2: PAC and PCs – based on tabled annual reports									

Annexure 6: BBBEE Plan for the AGSA 2011-2014

BBBEE components	Strategic objective	Key performance indicators	Performance targets				
			2011	2012	2	2014	
Ownership	Not applicable to the AGSA						
Management control	Encourage proper representation of black people on company boards in an executive and non-executive capacity	Guiding and providing assistance to the Governance BU in respect of representation targets for governance structures and top management	50%	60%	6	70%	
		Setting of numerical goals that are aligned with the EAP					
		Black disabled employees as a percentage of all employees	2%	3%	4	5%	
		Black employees in senior management as a percentage of all employees using the adjusted recognition for gender	43%	50%	6	70%	
Employment equity		Strive towards an equitable workforce	Black employees in middle management as a percentage of all employees using the ARG	63%	67%	7	75%
			Black employees in junior management as a percentage of all employees using the ARG	70%	75%	8	85%

BBBEE components	Strategic objective	Key performance indicators	Performance targets			
			2011	2012	2	2014
Preferential procurement	Promote use of preferential (including targeted) procurement schemes to achieve BBBEE within the overall procurement spend.	Achieve a BEE procurement spend on all suppliers based on the BEE procurement recognition levels as a percentage of the total procurement spend	60%	63%	6	70%
	% reserved for all the black audit firms that are willing to consolidate	Ensure BEE expenditure as % of total auditing contract work expenditure	60%	63%	6	70%
		Ensure BEE expenditure as % of total provisioning (non-core) expenditure	60%	63%	6	70%
Skills development	Promote a diverse and skilled workforce which is representative of national demographics	Skills development expenditure on learning programmes for black employees as a percentage of leviable amount	3%	3,5%	4	5%
	Skills development expenditure on learning programmes	Adjusted skills development expenditure on learning programmes for black people with disabilities as a percentage of leviable amount	0.3%	1%	2	3%
	Learning programmes	Adjusted number of black employees participating in learning programmes as a percentage of total employees	50%	57%	6	70%
Enterprise development	Support and implement initiatives to assist black audit firms to grow and develop	Percentage of black audit firms that will be developed to capacitate a larger amount of audit work	5%	6%	8	10%

BBBEE components	Strategic objective	Key performance indicators	Performance targets			
			2011	2012	2	2014
Socio- economic development Corporate Social Investment	The objective is to ensure that beneficiaries have sustainable access to the economy – Add value via schools poverty eradication programme.	Implementation and facilitation of support for the schools poverty eradication programme	5%	6%	8	10%

Glossary of terms

ACCA	Association of Chartered Certified Accountants
AFROSAI	African Organisation of Supreme Audit Institutions
AFROSAI–E	African Organisation of English-Speaking Supreme Audit Institutions
AG	The Auditor-General (the person)
AGSA	Auditor-General of South Africa (the institution)
ASB	Accounting Standards Board
BEE	Black economic empowerment
BBBEE	Broad-based black economic empowerment
CA	Chartered accountant
CAATs	Computer-assisted auditing techniques
CISA	Certified Information Systems Auditor
CMM	Capability maturity model
CTA	Certificate in the Theory of Accounting
CPD	Continuing professional development
CSA	Control Self-Assessment
CW	Contract work
DAG	Deputy Auditor-General
EE	Employment equity
ERP	Enterprise resource planning
Exco	Executive committee
FMCM	Financial management capability model
FTE	Full-time equivalent
GP	Gross profit margin
HC	Human Capital
ICT	Information and Communications Technology
IFAC	International Federation of Accountants
IPFA	Institute for Public Finance and Auditing

INCOSAI	International Congress of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
ISQC1	International Standard on Quality Control
ISSAI	International Standards of Supreme Audit Institutions
MFMA	Municipal Finance Management Act
MQF	Minimum Qualifications Framework
NT	National Treasury
OHSA	Occupational Health and Safety Act
OM	Oversight mechanism
PAA	Public Audit Act
PAM	Public Audit Manual
PFMA	Public Finance Management Act
Rol	Return on investment
RPL	Recognition of prior learning
SADC	Southern African Development Community
SAI	Supreme Audit Institution
SAICA	South African Institute of Chartered Accountants
SAIGA	Southern African Institute of Registered Government Auditors
SCoAG	Standing Committee on the Auditor-General
SCOPA	Standing Committee on Public Accounts
UNBoA	United Nations Board of Auditors
UN	United Nations
UNDP	United Nations Development Programme

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