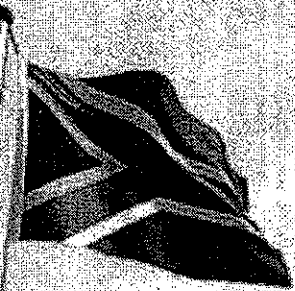


11/10/14 SCAG

AGSA Strategic Plan and Budget 2012-2015

Presentation to SCoAG

October 2011



Auditing to build public confidence



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SOUTH AFRICA

Mission

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

This is our reputation promise



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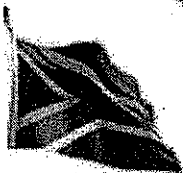
Table of contents

Strategic plan and budget 2012-2015

- Organisational Environment
- AGSA's Commitments
- Overview of each goal
- Detailed Budget
- Conclusion

Audit tariffs

Audit directive



Organisational environment - achievements

- Firmly positioned as an important player in building public confidence and defending our young democracy.
- Recorded a number of significant achievements – e.g. growth and development of the tools of analysis of audit outcomes and setting out from this analysis the core issues that require urgent attention from the executive and oversight
- Our leadership teams have developed a clear understanding of their role in remaining available to those charged with governance
- Made significant strides in the development of our own talent
- Emerged from many years of financial deficits and are on a firm footing to operate sustainably without reverting to the fiscus or needing to increase our tariffs beyond the normal recovery of costs incurred.
- Remain steadfast in our resolve to be recognised as one of the model and exemplary institutions that support constitutional democracy in South Africa



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Organisational environment - challenges

- As an increasing number of government institutions prioritise the achievement of clean audits, our challenge is to encourage improvements that extend beyond financial accountability
- International trends indicate greater demand for SAIs to provide feedback on the status of service delivery and we are also gearing to meet this challenge
- Our INTOSAI activities prepares us to meet new and emerging demands regarding what and how SAIs can contribute to society
- We remain vigilant in maintaining financial stability while also controlling costs to be charged to our auditees
- Adverse economic conditions pose a risk to us achieving the recovery of costs through timely collection of audit fees

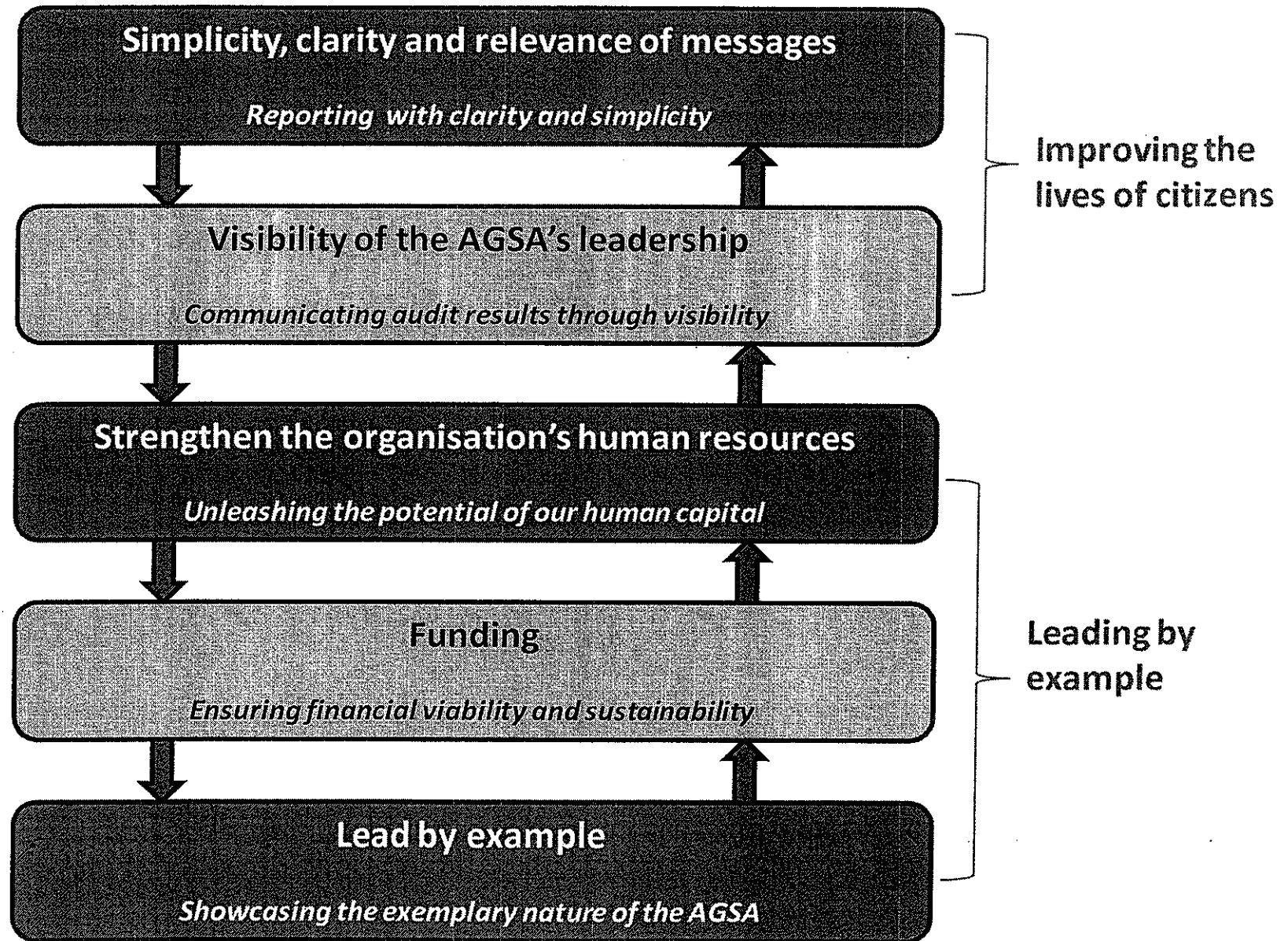


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AGSA's Commitments



Simplicity, clarity and relevance of our reports

Objective: Identify root causes and make recommendations

Initiatives and key activities

- Ongoing focus on root cause analysis highlights key control areas
 - Proactive leadership, governance structures, financial and performance management
- Integration of our specialised service lines with regularity audits amplifies the value we provide to our stakeholders
 - Emphasis on reporting against predetermined objectives encourages service delivery
 - Performance audits encompassing research, development and execution of high impact and relevant audits. These cover specific themes ranging from infrastructure, education, consultants and provision of water to under-serviced areas



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Simplicity, clarity and relevance of our reports

Objective: Identify root causes and make recommendations

Initiatives and key activities – cont.

- More timely assessment and communication regarding transversal risks to enable proactive responses by relevant stakeholders
- Auditing of ICT controls is linked to the growth in the use of information technologies within the public sector
- Provision of fraud risk assessments and identification of high risk control deficiencies. Our investigation unit will undertake such resource-intensive tasks on the basis of prioritised stakeholder requirements
- Ensuring that our simplicity focus permeates all communication with our:
 - external stakeholders whether directly or through various media platforms
 - internal stakeholders, including our staff and private practitioners



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Simplicity, clarity and relevance of our reports

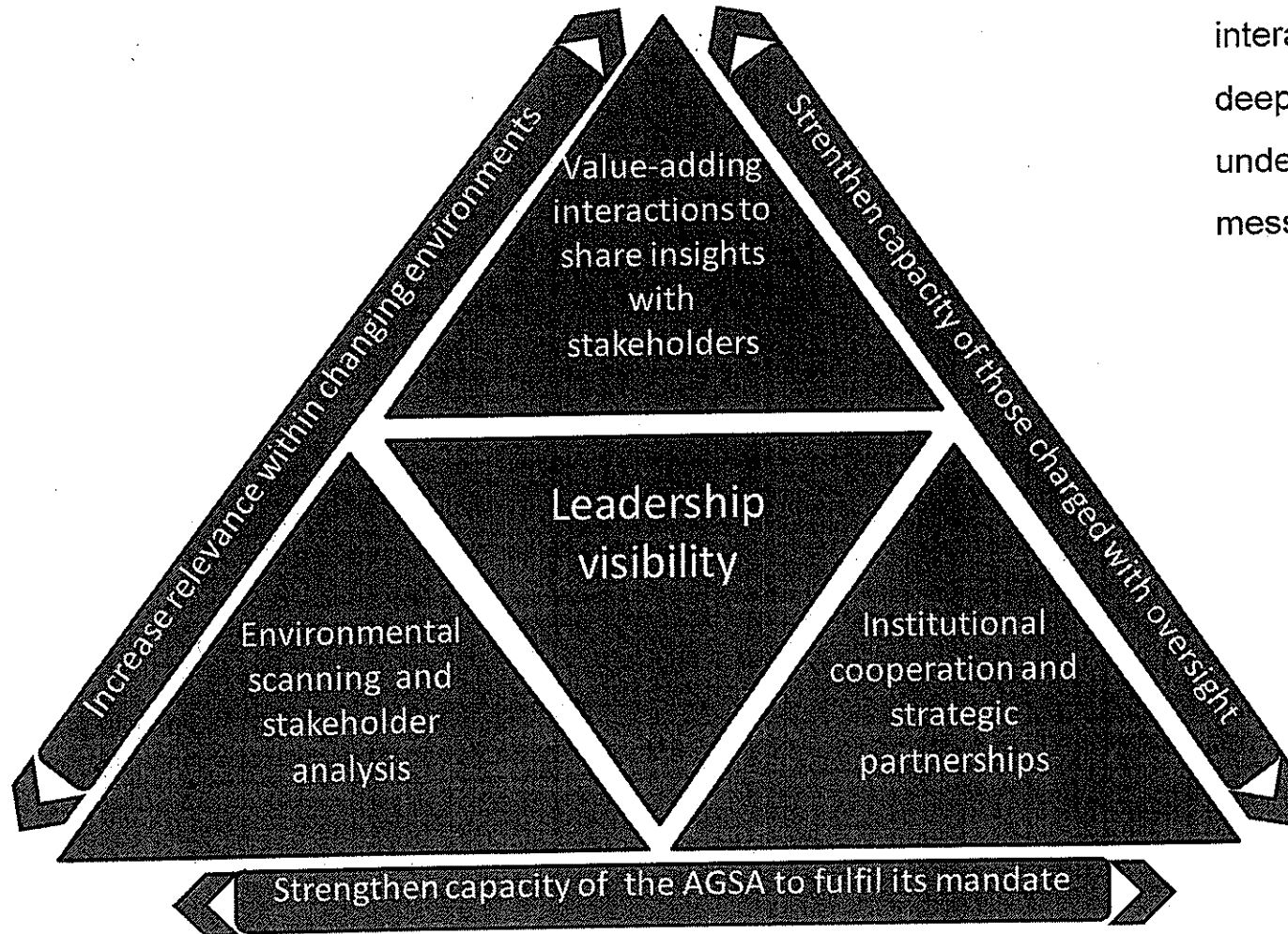
Objective: Identify root causes and make recommendations

Performance measure	Target 2012-13	Target 2013-14	Target 2014-15
Clear communication of relevant root causes and recommendations	3	3	3
Tool	<ul style="list-style-type: none"> • Qualitative top-down rating by immediate supervisor on communication to the auditee, the executive and oversight whether through reports (audit reports, management reports, dashboard report, general reports) or other communication (presentations, briefings, etc.). Our targets are based on a 4-point rating scale (1-4). • Source of information: Reports and presentation experience 		

Visibility of our leadership

Objective: Develop stakeholder relationships so as to encourage clean administration

Initiatives and key activities



We engage in purposeful interactions in order to deepen stakeholder understanding of our audit messages

Visibility of our leadership

Objective: Develop stakeholder relationships so as to encourage clean administration

Performance measure	Target 2012-13	Target 2013-14	Target 2014-15
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 interactions, roadshow and presentation experience. 		

Funding

Objective: Execute the AGSA mandate economically, efficiently & effectively

Initiatives and key activities

- Implementing interventions to collect debt and improve cash flow
- Generating sufficient surplus for reinvestment in our business, for example funding performance audit in the investment phase
- Investigating the scope for limiting the increases in tariffs to ensure balance between the organisation's needs and the ability of the auditees to afford our services
- Establishing the CWC centre in order to improve coordination of tenders and allocation of outsourced services
- Evaluating and testing the appropriateness of implementing the planning and budgeting tool in PeopleSoft ERP



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Funding

Objective: Execute the AGSA mandate economically, efficiently & effectively

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

Funding

Objective: Execute the AGSA mandate economically, efficiently & effectively

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

Funding

Objective: Execute the AGSA mandate economically, efficiently & effectively

Performance measure	Target 2012-13	Target 2013-14	Target 2014-15
% debt collected within 30 days (National depts, Gauteng & W. Cape)	75% - 80%	75% - 80%	75% - 80%
% debt collected within 30 days (Limpopo & KwaZulu-Natal)	65% - 70%	65% - 70%	65% - 70%
% debt collected within 30 days (N.West, Free State, N.Cape, E. Cape and Mpumalanga)	55% - 60%	55% - 60%	55% - 60%
Tool	Analysis of the debtors ageing report		

Funding

Objective: Execute the AGSA mandate economically, efficiently & effectively

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

Strengthen human resources

Objective: Have a motivated, high-performing and diverse workforce

Initiatives and key activities

- Comprehensive review of the AGSA structure, the required skills and the matching competencies
- Implementation of a learning and development unit to close knowledge and skills gaps for all employees
- Executive development through appropriate development programmes and relevant secondments
- Institutionalising leadership pipeline development and succession planning
- Enhancement of the total performance management system
- Continue to grow own talent through the Trainee Auditor scheme
- Deepening public sector insights and knowledge



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Strengthen human resources

Objective: Have a motivated, high-performing and diverse workforce

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

Lead by example

Objectives:

- Continual improvement of the quality and timeliness of AGSA reports
- Adhere to standards of excellence for clean administration
- Maximise the AGSA's contribution to transformation

Initiatives and key activities

- Align our organisation with the king III guidelines on risk management
- Modernise our environment, including our technology and process
- Engagement sessions with all relevant stakeholders on AGSA BBBEE strategy
- CSI plan focusing on rural schools programme
- Implementation of a level 3 year plan on enterprise development
- Implementation of the BBBEE plan
- Focus on preferential procurement, employment, management control and skills development



Accounting to build public confidence



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Lead by example

Objective: Continual improvement of the quality of AGSA reports

Performance measure		Target 2012-13	Target 2013-14	Target 2014-15
% adherence to all quality standards	Audit reports	87% (C2 and C3 rating)	87% (C2 and C3 rating)	87% (C2 and C3 rating)
Tool	Quality control assessment			
% adherence to all quality standards	Non-audit deliverables	3	3	3
Tool	<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: Non-audit deliverables 			

Lead by example

Objective: Timeliness of all our reports

Performance measure		Target 2012-13	Target 2013-14	Target 2014-15
% 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"> Performance audits, investigations 	95%	95%	95%
	<ul style="list-style-type: none"> Regularity audits 	90%	90%	90%
Tool	Project Tracking Tool			



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Lead by example

Objective: Adhere to standards of excellence for clean administration

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



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Lead by example

Objective: Maximise the AGSA's contribution to transformation

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

Initiatives

- Engagement sessions with all relevant stakeholders on AGSA BBBEE strategy
- CSI plan focusing on rural schools programme
- Implementation of a high –level 3 year plan on enterprise development
- Implementation of the BBBEE plan
- Focus on preferential procurement, employment, management control and skills development

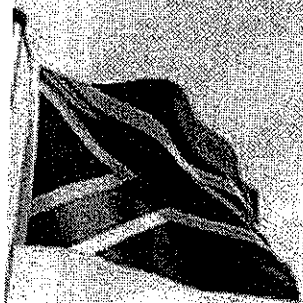


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Detailed Budget 2011/12

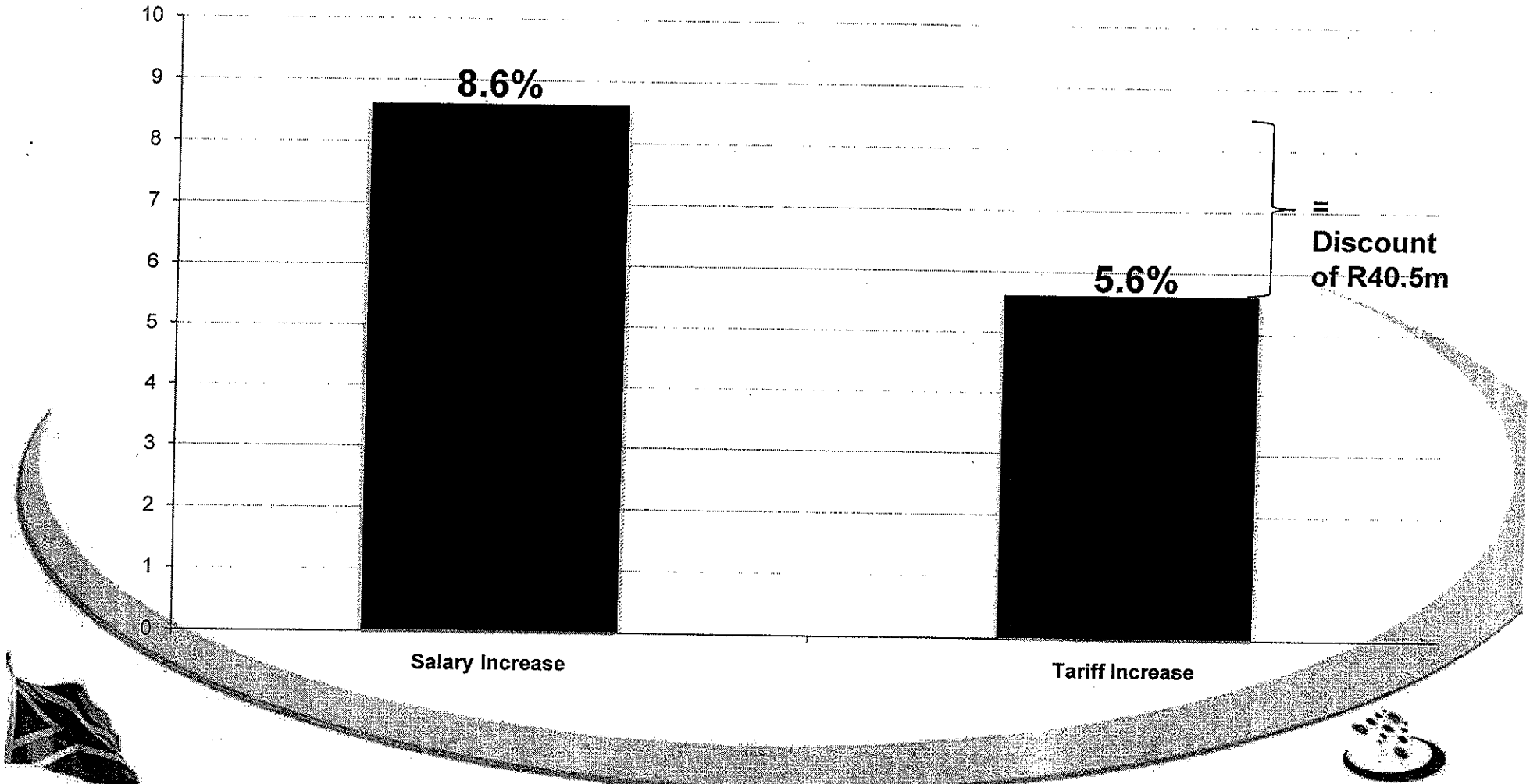


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Determination of Audit Tariffs



Financial Highlights (1 of 2)

	Budget 2012 R'000	Budget 2013 R'000
Revenue	2,087,635	2,226,031
Direct audit cost	(1,399,690)	(1,545,969)
Gross profit	687,945	680,062
Other Income	43,024	73,546
Expenses	(652,495)	(707,609)
Net surplus for the year	78,474	45,999



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Financial Highlights (2 of 2)

	Budget 2012 R'000	Budget 2013 R'000
Own hours revenue (Excluding present value adjustment)	1,574,633	1,714,416
Contract work revenue	513,002	554,097
Accounting adjustment		(42,482)
Total revenue	2,087,635	2,226,031
Less direct cost	(1,399,690)	(1,545,969)
Gross profit	687,945	680,062
Gross profit % on own hours revenue	43.7%	42.1%
Gross profit % on total revenue	33%	31%



Net Surplus as % of Audit Income

	Budget 2012	Budget 2013	Forecast 2014	Forecast 2015
Net surplus	R78 million	R46 million	R84 million	R93 million
Net surplus as % of audit income	3.76%	2.07%	3.33%	3.37%



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Overhead Analysis

Operating costs	Budget	Budget	Movement	%
	2012 R'000	2013 R'000		
Staff remuneration - support	198,825	213,247	14,422	7%
Other personnel costs (<i>note 1</i>)	69,098	99,610	30,512	44%
Consultant fees	28,097	26,929	(1,168)	4%
Accommodation	61,707	80,586	18,879	31%
Liaison	34,219	36,125	1,906	6%
Professional assistance	85,898	82,668	(3,230)	4%
Technological services	38,684	39,058	374	1%
Cleaning, Office improvements, Refreshments, Repairs and maintenance and Printing and stationery	21,257	22,114	857	4%
Other (see next slide)	73,661	67,220	(6,441)	9%
Total	611,446	667,557	56,111	9.1%

Note 1: Increase in - bonus provision R22,58m; leave provision R2,5m; group life cover R0,5m; UIF R0,4m; long service award R4,2m

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Other Expenses Analysis

Operating costs	Budget	Budget	Movement R'000	%
	2012 R'000	2013 R'000		
Control bodies	986	1,443	457	46%
Audit Expenses	6,129	4,959	(1,170)	
Bank Charges	506	355	(151)	
Finance Charges	8,298	1,686	(6,612)	
Recruitment Expenses	9,207	8,878	(329)	
Employee Wellness Programmes	8,702	10,232	1,530	18%
Insurance & Legal Fees	2,980	2,573	(407)	
Communication	9,444	10,149	706	7%
Bad debts provision	4,200	5,128	928	22%
S&T Irrecoverable	18,969	17,295	(1,673)	
Africa Projects	4,240	4,521	280	7%
Total	73,661	67,220	(6,441)	

Conclusions



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Conclusions

- This strategic plan and budget outlines the entire AGSA leadership's commitment to realising our mission and vision
- We are confident that we will achieve the set targets



Anytime to build public confidence

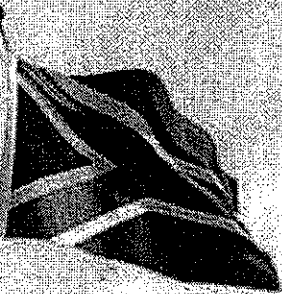


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Audit Tariffs

(provided in detail in the Strategic plan
and budget document

AGSA proposed tariffs p.80-84 ; SAICA proposed tariffs p.85-87)



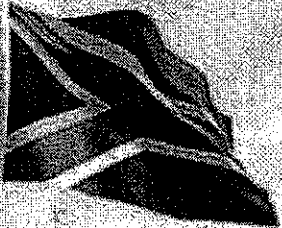
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Audit Directive

(is accompanying this presentation as a separate document)



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