

Briefing to SCoAG

14 September 2012



Integrated Annual Report Twenty 11–12

Leaving a legacy, 100 years on



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Our Mission

The Auditor-General of South Africa 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



Content

Objectives of the presentation

Report on the achieving of AGSA's commitments

- ✓ Simplicity, clarity and relevance of messages
- ✓ Visibility of leadership
- ✓ Strengthen human resources
- ✓ Lead by example
- ✓ Funding

Sustainability performance

Expected SCoAG decisions





Objectives of this document

(an Executive Summary of the AGSA
Integrated Annual Report 2011-12)

- To report on the outcomes of the predetermined objectives set out in the AGSA Strategic Plan and Budget 2011-2014
- To provide information to Parliament about the AGSA's financial performance for the year under review



Simplicity, clarity and relevance of messages in our reports

Our Commitment

Communicate the root causes for poor fiscal and delivery performance & provide recommendations for improvement in a simple, clear and relevant way

Financial management, service delivery reporting and compliance with laws & regulations are the specific areas of audit coverage on which we place greater emphasis in our engagements and reporting

Our achievements

Simplicity, clarity and relevance of messages in our reports

- ❑ Communicated clearly identified root causes for poor fiscal discipline and relevant actionable recommendations through our reports to government, oversight structures and the public
- ❑ Reported consistently on results against predetermined objectives.
- ❑ Continued integrating the work of the specialised audit units (Performance audit, Investigations and Information Systems Auditing) into regularity audits to enhance the audit efficiency and effectiveness.

A moment during the 2011-12 roadshow in Mpumalanga.



Highlights

Simplicity, clarity and relevance of messages in our reports

- The following reports were completed
 - Infrastructure at provincial departments of Health and Education was tabled
 - Oversight and governance systems of the Department of Public Enterprises at their state-owned entities completed & discussed with department.
 - Use of consultants by government departments will be tabled in this financial year

2011-12 marked the 25th anniversary of AGSA performance auditing

Visibility of our leadership

Our commitment

**Encourage the implementation of
audit recommendations through
intensive leadership visibility
programme**

“ We have been treated exceptionally well by the AGSA. Their grip on issues around audit and management of a SAI is second to none” – Constant Mayende, COO, SAI of Uganda

Our achievements

Visibility of our leadership

- ❑ Continued to share audit outcomes through AG's PFMA and MFMA annual roadshows.
- ❑ AG visited 61 municipalities in KZN
- ❑ Consistently engaged with executive authorities on their prior commitments
- ❑ Held strategic sections with the APAC / MPACs
- ❑ Fostered closer working relationships with public sector regulators and standard authors
- ❑ Played a leading role in our international engagement programme – INTOSAI
- ❑ Increased our media coverage
- ❑ Intensified internal stakeholder interactions to ensure strategic alignment and understanding of audit outcomes



The AG engaging external stakeholders at the MFMA NA NCOP meeting

Strengthening human resources

Our commitment

Strengthen AGSA's human capital by cultivating a high performance culture, motivating staff & developing competent leaders

The successful implementation of the AGSA's strategy & the achievement of our mandate are solely dependent on skilled and motivated employees.

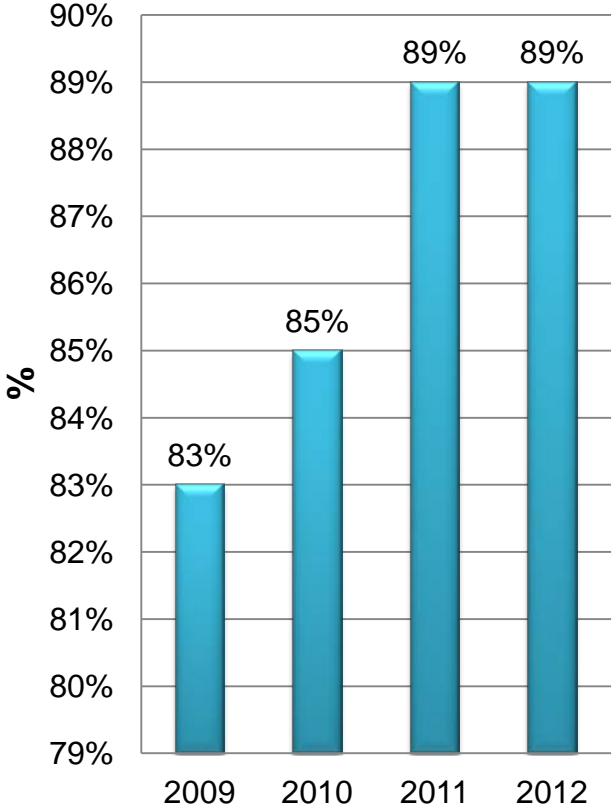
Our achievements

Strengthening human resources

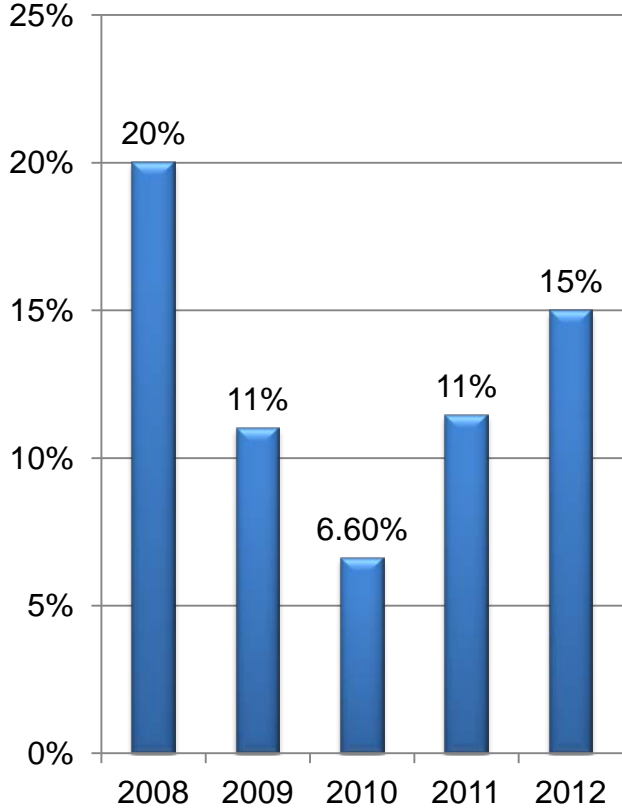
Achieved good occupancy level for two consecutive years.

Staff turnover increased since 2010 but remains below the industry average of 17%

Occupancy level



Staff turnover profile



Highlights

Strengthening human resources

Enhancing the effectiveness of our leaders

- Maintained the development of Leadership pipeline
- Intensified Executive coaching to equip line managers to coach others effectively
- Continued building effective teams
- Automated the Executive performance management

Employee wellness

- Assisted 778 individual employees with legal, financial, health- and wellness-related issues
- Encouraged employees participation in other life-enhancing activities such as sports competitions, relays, charity events, etc

Talent management, recruitment and retention

- Established a talent board for effective monitoring of the implementation of the talent management framework

Highlights

Strengthening human resources

Continuous learning and development

- Invested R58 million in study support
- 100% pass rate in SAIGA exams
- Increased number of professionals in our organisation

TA Scheme

- 259 TAs successfully completed their technical training
- Our recruitment of TAs is focused on graduates, but a small number of undergraduates are also appointed
- TAs' pass rate is of concern - 11.8% (2010:15.5%)

Partnerships with other stakeholders

- Sponsored 40 students (R1.6 million) through the Thutuka bursary fund
- Have a funding agreement with University of Fort Hare

Leading by Example

Our commitment

Lead by example by delivering audit products of a consistently high standard, maintaining effective internal controls & following our transformation agenda

The AGSA is one of the few SAIs that fully implemented the international standards of auditing

Our achievements

Leading by example

Audit standards and Methodology

- we are one of the few SAI that has implemented the clarified ISA standards

Auditing of pre determined objectives

- Our AOPO methodology has matured to the level that will enable us to express an audit opinion.

Audit services Management information system

- Enhanced our AS:MIS to track audits progress, capturing and analysis of audit outcomes and assessments of the key drivers for quarterly reporting.

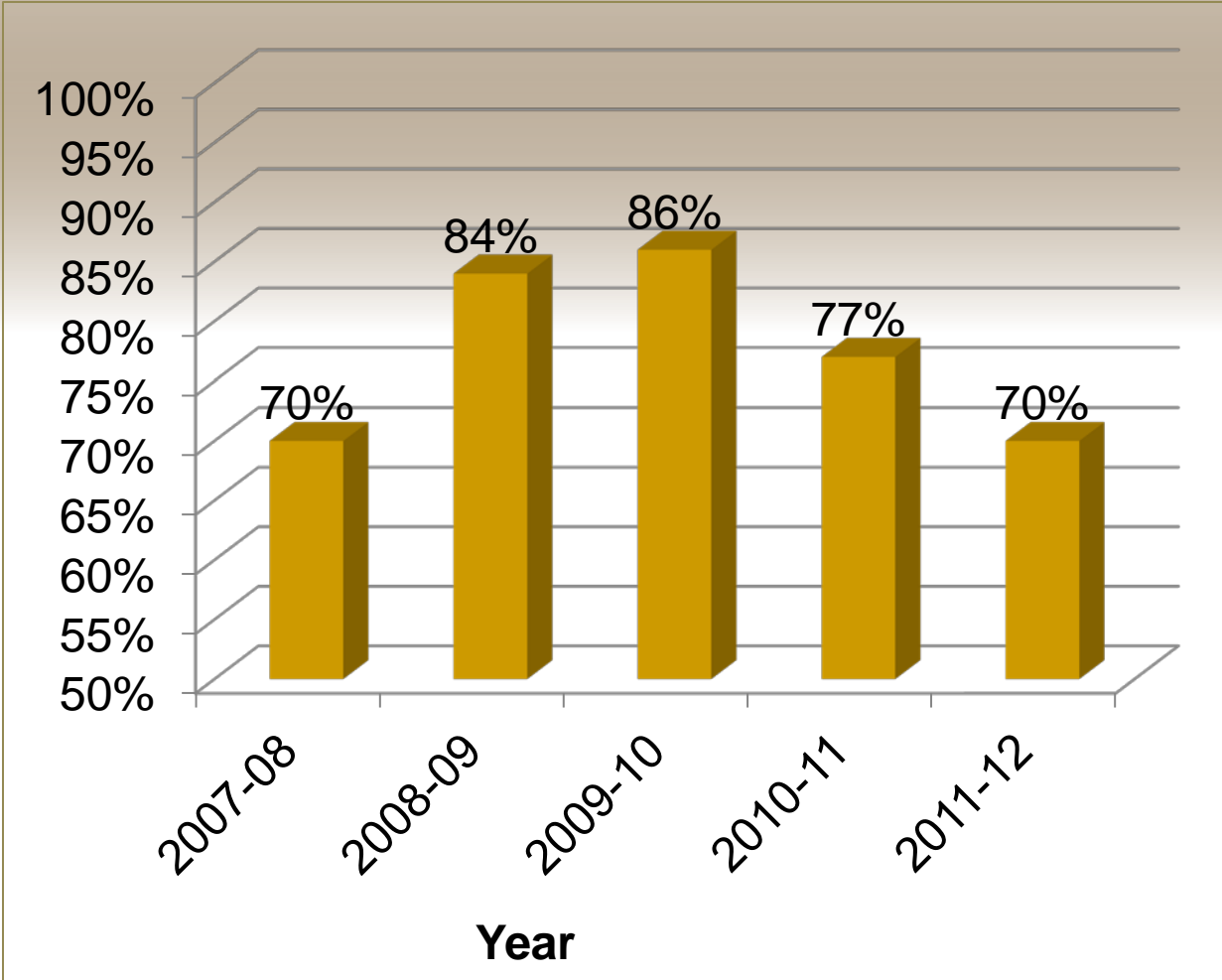
Highlights

Leading by Example

Experienced a drop in our quality score.

Contributing to this is:

- the continued increase of audit scope in supporting our auditees
- reduction of the supervision and review time on various components of the audit



Highlights

Leading by example



Achieved clean audit report



We are certified Level 3 BBBEE contributor

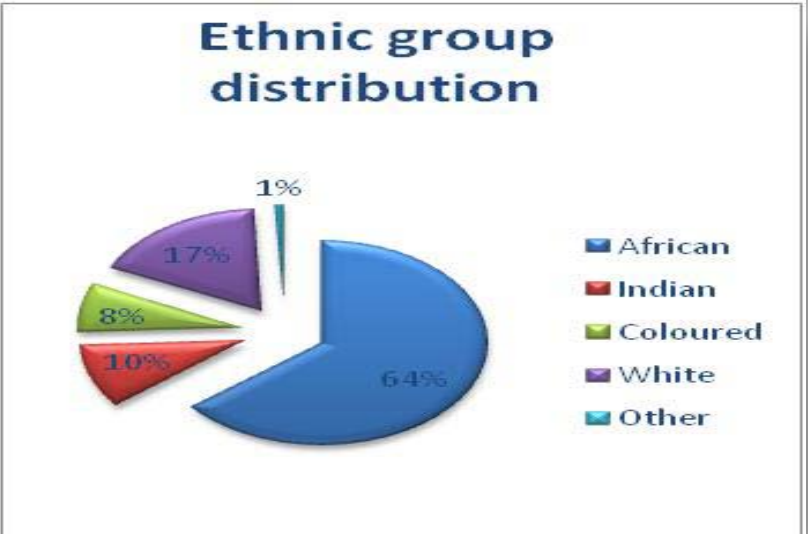
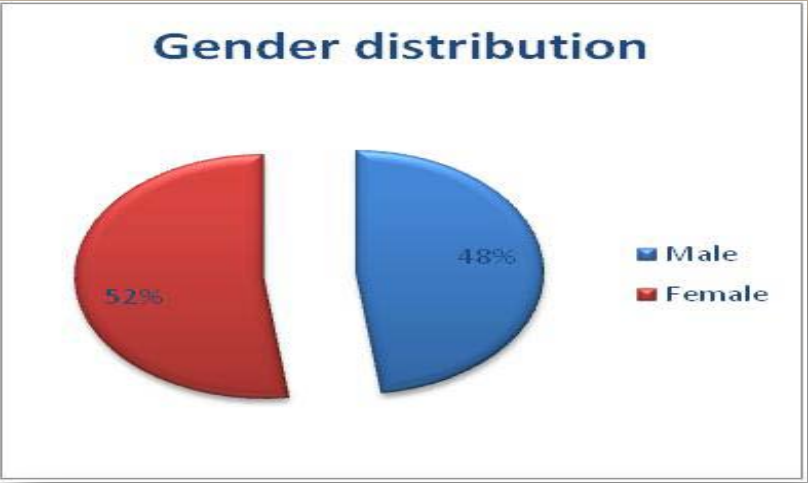
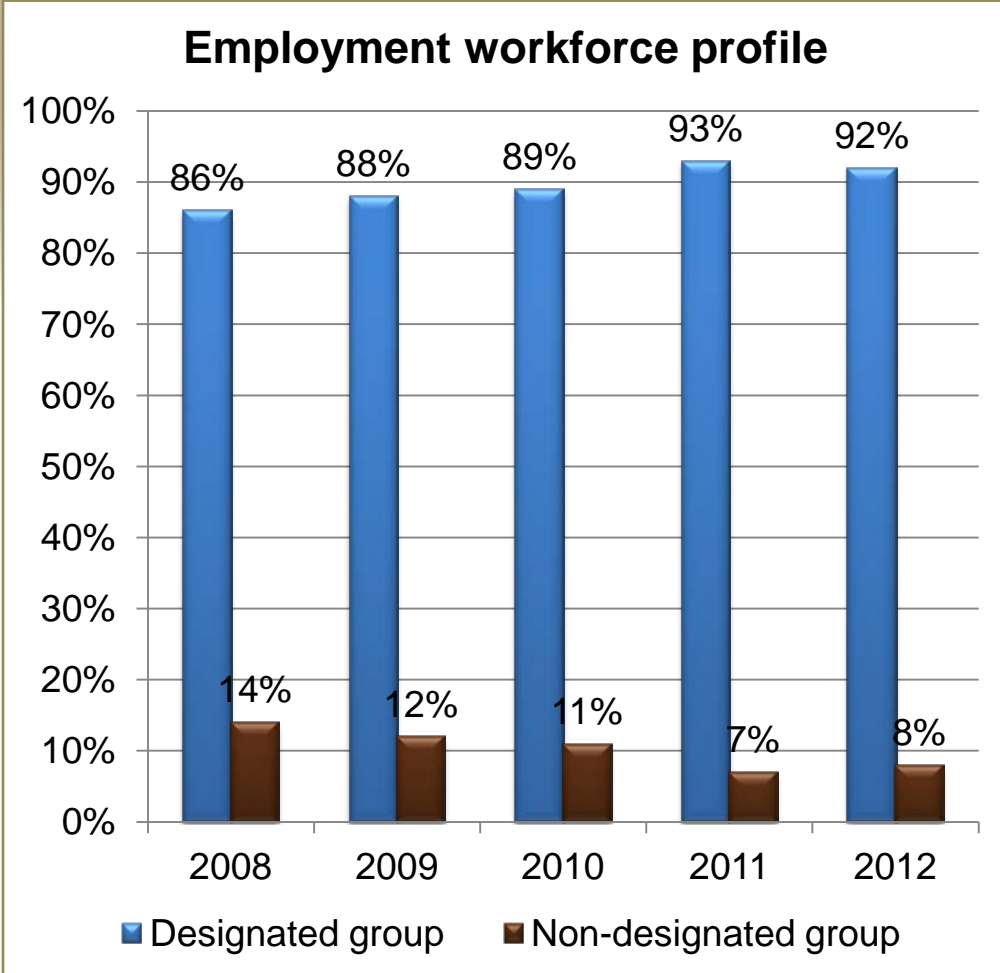


Celebrated our centenary year in 2011 and launched legacy projects

Highlights

Leading by example

Employment equity profile of our organisation



Highlights

Leading by Example

Timeliness of reports

Performance Measure		Target 2011-12	Actual 2011-12
Compliance with statutory deadlines	PFMA reports	90%	96%
	MFMA report	90%	94%
	Performance audit	95%	100%
	Investigations	95%	*66%
	Annual Report	100%	100%
	Strategic Plan	100%	100%

*Contributing factors:

- Non availability of interviewees
- Change in leadership at the auditees
- Failure of auditees to meet deadlines for submitting management reports.

Sustainability performance review



This is our first
integrated report.

We acknowledge
the importance
of environmental
and sustainable
development
issues

Our social and environmental achievements

Sustainability performance review

- ❑ We implemented environmental initiatives for electricity & water initiatives, paper recycling & waste minimisation
- ❑ Invested R369 million (60% of outsourced audit work) into small and medium sized firms
- ❑ Sponsored 119 bursaries for previously disadvantaged students
- ❑ Donated to Thuthuka Bursary Fund for CA students in collaboration with Limpopo and Fort Hare University
- ❑ Our CSI spending increased from R0.6 million to R2 million

Integrated reporting provides a clear and concise representation of how the organisation demonstrates stewardship and how it creates and sustain value

Funding

Our commitment

Ensure our financial stability and sustainability

We are committed to running our organisation economically, efficiently and effectively

Financial highlights - 31 March 2012

Funding

- ❑ Audit income increased by 12.06% from R1,850 billion to R2,074 billion
- ❑ Achieved surplus of R99,30 million, 4.79% of revenue
- ❑ Gross profit remained at target of 30%
- ❑ Indirect overhead cost: 28.51% of audit income (2010-11 27.58%)
- ❑ Cash balance increased from R352 million to R415 million
- ❑ Creditors payment days at 31 days vs target 45 days

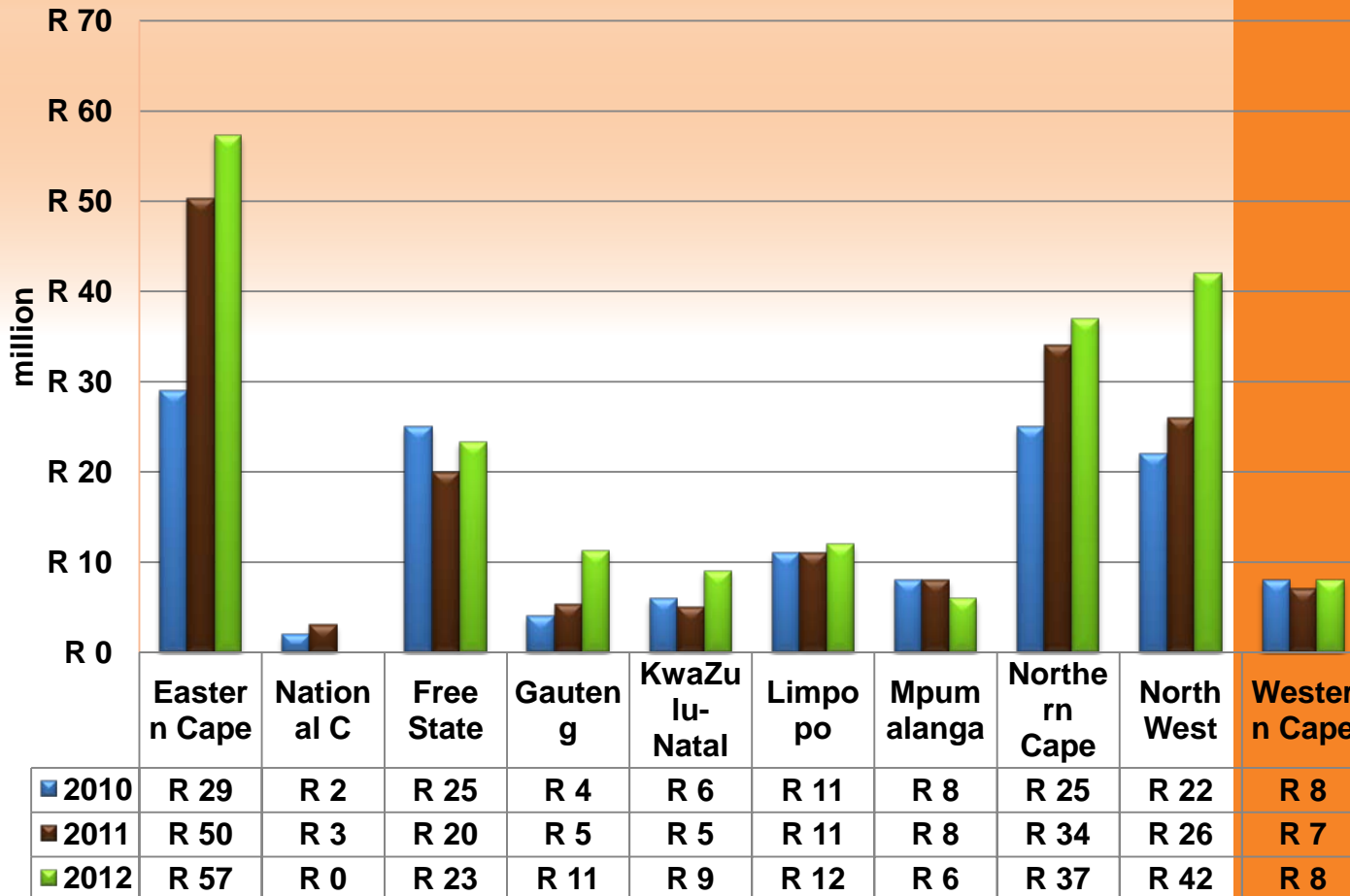
- ❑ Total debtors increased from R399 million to R480 million
- ❑ Local government debt collection remains a challenge, debt increased from R170 million to R206 million
- ❑ Local government debtors' days outstanding increased from 204 days to 233 days

We have set a net surplus target of 2,07% (R45.99 million) for 2012-13, which we believe will be adequate for re-investment in the organisation through capital projects and human capital development.

Local government debt by province - 2010 to 2012

Funding

Local debtors per province 2010 - 2012



Local debtors balance have doubled over the five years from R101 million to R206 million



Local government debt – steps to address the issue

Funding

- ❑ Received 1% assistance from National Treasury towards debt payment of some of the low capacity municipalities. During 2011/2012 our request to NT was for R87,4million while NT allocated budget of R30,2 million.
- ❑ Charging interest on overdue accounts improved debt collection in all debtor categories except in the local government category.
- ❑ Where we have invested time in building relationships with our auditees, debt collection has proven to be more successful (Gauteng, WC, KZN, Free State and Mpumalanga).
- ❑ It has been noticed that collections increased after the quarterly visits by our leadership to our auditees where they engaged on the issue of non-payment.
- ❑ Sending reminders to the municipalities just before they receive their equitable share has ensured that payment for audit is a priority (Free State).



sustainability performance review

End of IAR summary



Decisions to be made by SCoAG

- ❑ Decisions on retaining the net surplus by the AGSA: section 38(4) of PAA, 2004**
- ❑ Confirm the appointment of External auditors: section 39 (1) of PAA, 2004**
- ❑ Initiating the process for appointment of the next Auditor-General due to assume duties in Nov 2013**



Thank you