DEPUTY AUDITOR-GENERAL'S RESPONSIBILITIES AND APPROVAL

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

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

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

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

I have reviewed the AGSA's cash flow forecast for the year to 31 March 2022 and, in the light of this review and the current financial position, I am satisfied that the AGSA has, or has access to, adequate resources to continue operating as a going concern for the foreseeable future. The going concern basis assumes that the AGSA will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

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

The financial statements set out on pages 119 to 156, prepared on the going concern basis, were approved and signed by me on 31 July 2021 on behalf of the AGSA.

VONANI CHAUKE
Deputy Auditor-General

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

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

OPINION

We have audited the financial statements of the Auditor-General of South Africa (AGSA) as set out on pages 119 to 156, which comprise the statement of financial position as at 31 March 2021, the statement of surplus or deficit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AGSA as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Audit Act 25 of 2004 (PAA).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the AGSA in accordance with the Independent Regulatory Board for Auditors' *Code of professional conduct for registered auditors* (IRBA code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *international code of ethics for professional accountants (including international standards*). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have determined that there are no key audit matters to communicate in our report.

OTHER INFORMATION

The deputy auditor-general (DAG) is responsible for the other information. The other information comprises the annual report which includes the audit committee's report and the remuneration committee's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DEPUTY AUDITOR-GENERAL AND THE AUDIT COMMITTEE

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the DAG's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AGSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained to the date of our auditor's report. However, future events or conditions may cause the AGSA to cease to continue as a going concern.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

REPORT ON PREDETERMINED OBJECTIVES

Introduction

We have audited the report on performance against predetermined objectives of the AGSA for the year ended 31 March 2021, as set out on pages 53 to 102 of the integrated annual report 2020-2021.

The deputy auditor-general's responsibilities

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

Auditor's responsibility

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

Assurance work performed

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

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

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

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

- Value-add
- Visibility for impact
- Viability
- Vision and values driven

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

Usefulness of information

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

Consistency: Objectives, indicators and targets are consistent between the *2018-2021 Strategic plan and budget* and the 2020-2021 IAR as required by the Public Audit Act.

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

Relevance: The indicators relate logically and directly to aspects of the AGSA's mandate and the realisation of strategic goals and objectives, as required by the Public Audit Act and the *2018-2021 Strategic plan and budget* tabled in Parliament.

Reliability of information

Validity: Reported performance has occurred and relates to the AGSA.

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

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

The audit involves performing procedures to obtain audit evidence about the usefulness of the annual performance report and reliability of the objectives as set out in the annual performance report. The procedures selected depend on the auditor's judgement, including our assessment of the risks of material misstatement of the annual performance report. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the ISAE 3000 (Revised). The procedures performed include the following:

- Understanding and testing the internal policies, procedures and controls relating to the management of, and reporting on, performance information.
- Evaluating and testing processes, systems, controls and review of documentation in place at a detailed level to support the generation, collation, aggregation, monitoring and reporting of the performance indicators and targets.
- Evaluating, testing and confirmation of the existence and consistency of planned and reported performance information as well as the presentation and disclosure thereof in accordance with applicable requirements and guidance.
- Conducting detailed audit testing and obtaining sufficient appropriate audit evidence to verify the validity, accuracy and completeness of reported indicators and targets.

We believe that the evidence obtained from the work performed provides an appropriate basis for the reasonable assurance conclusions expressed below.

Conclusion

On the basis of our procedures described in this report, we conclude that in our opinion the report on performance against predetermined objectives is fairly stated, in all material respects, in accordance with the predetermined criteria.

Crowe JHB

RAAKESH KHANDOO
Partner
Registered Auditor
Sandton
31 July 2021

INDEPENDENT ASSURANCE PRACTITIONER'S LIMITED ASSURANCE REPORT TO PARLIAMENT

ON SELECTED KEY PERFORMANCE INDICATORS

REPORT ON SELECTED KEY PERFORMANCE INDICATORS

We have undertaken a limited assurance engagement on selected key sustainability indicators, as described below, and presented in the 2020-21 Integrated annual report of the Auditor-General South Africa (AGSA) for the year ended 31 March 2021 (the report).

SUBJECT MATTER

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

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

DEPUTY AUDITOR-GENERAL'S RESPONSIBILITIES

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

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

Our independence and quality control

We have complied with the independence and all other ethical requirements of the *Code of professional conduct for registered auditors*, issued by the Independent Regulatory Board for Auditors (IRBA), that is consistent with the International Ethics Standards Board for Accountants *Code of ethics for professional accountants* (Parts A and B), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT

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

OPINION

We have audited the financial statements of the Auditor-General of South Africa (AGSA) as set out on pages 119 to 156, which comprise the statement of financial position as at 31 March 2021, the statement of surplus or deficit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AGSA as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Audit Act 25 of 2004 (PAA).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the AGSA in accordance with the Independent Regulatory Board for Auditors' *Code of professional conduct for registered auditors* (IRBA code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *international code of ethics for professional accountants (including international standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have determined that there are no key audit matters to communicate in our report.

AUDITOR'S RESPONSIBILITY

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

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

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

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

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected key performance indicators;
- Performed a controls walkthrough of identified key controls;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgments made by the DAG in the preparation of the selected key performance indicators; and
- Evaluated whether the selected key performance indicators presented in the Report are consistent with our overall knowledge and experience of sustainability management and performance at AGSA.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether AGSA's selected key performance indicators have been prepared, in all material respects, in accordance with GRI G4 Standards.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected key performance indicators as set out in the subject matter paragraph above for the year ended 31 March 2021 are not prepared, in all material respects, in accordance with GRI G4 Standards.

OTHER MATTERS

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

RESTRICTION OF LIABILITY

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

Crowe JHB

RAAKESH KHANDOO
Partner
Registered Auditor
Sandton
31 July 2021

STATEMENT OF FINANCIAL POSITION

	Notes	2021 R'000	2020 R'000
ASSETS			
Non-current assets		607 470	420 556
Property, plant and equipment	2	109 916	99 889
Intangible assets	3	15 457	27 753
Right-of-use assets	4	482 097	292 914
Current assets		1 506 760	1 481 927
Trade and other receivables	5	930 508	807 490
Cash and cash equivalents	6	576 252	674 437
Total assets		**2 114 230**	**1 902 483**
RESERVES AND LIABILITIES			
Reserves		828 330	1 121 330
General reserve	7	1 116 366	926 412
Special audit services reserve	8	4 964	4 964
Accumulated (deficit)/surplus	9	(293 000)	189 954
Liabilities			
Non-current liabilities		568 008	294 072
Lease liabilities	10	494 954	251 214
Retirement benefit obligations	11	51 076	42 858
Provisions	12	21 978	–
Current liabilities		717 892	487 081
Lease liabilities	10	60 586	64 305
Retirement benefit obligations	11	2 886	2 837
Provisions	12	25 126	–
Trade and other payables	13	629 294	419 939
Total reserves and liabilities		**2 114 230**	**1 902 483**

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

	Notes	2021 R'000	2020 R'000
Revenue			
Local services rendered	14	3 394 575	3 784 043
Direct audit cost		(2 340 577)	(2 425 630)
Recoverable staff cost	15	(1 601 775)	(1 557 219)
Contract work	16	(637 723)	(685 745)
Subsistence and travel	17	(101 079)	(182 666)
Gross surplus		**1 053 998**	**1 358 413**
Government grant	18	43 478	–
Other income		822	1 168
Contribution to overheads		**1 098 298**	**1 359 581**
Non-recoverable staff cost	15	(891 633)	(773 437)
Depreciation expense – property, plant and equipment	2	(54 659)	(47 032)
Depreciation expense – right-of-use assets	4	(119 377)	(85 281)
Amortisation expense	3	(12 468)	(6 844)
Other operational expenditure	19	(315 329)	(306 834)
Retirement benefit obligations – service costs	11	(5 418)	(547)
Operating (deficit)/surplus before finance charges		**(300 586)**	**139 606**
Interest income	20	57 571	79 173
Interest expense	20	(51 067)	(40 994)
(Deficit)/surplus for the year		**(294 082)**	**177 785**
Other comprehensive income			
Items that will not be reclassified to surplus or deficit			
Retirement benefit obligations – actuarial gains	11	1 082	12 169
Total comprehensive (deficit)/surplus for the year		**(293 000)**	**189 954**

STATEMENT OF CHANGES IN EQUITY

	General reserve R'000	Special audit services reserve R'000	Accumulated surplus R'000	Total R'000
Balance at 31 March 2019 as published	**831 318**	**4 964**	**71 453**	**907 735**
Decrease in straight-lining of lease liabilities due to application of IFRS 16			23 641	23 641
Restated balance at 31 March 2019	**831 318**	**4 964**	**95 094**	**931 376**
Transfer of accumulated surplus to reserves	95 094		(95 094)	–
Total comprehensive surplus			189 954	189 954
Surplus for the year			177 785	177 785
Other comprehensive income				
– Actuarial gains			12 169	12 169
Balance at 31 March 2020	**926 412**	**4 964**	**189 954**	**1 121 330**
Transfer of accumulated surplus to reserves	189 954		(189 954)	–
Total comprehensive deficit			(293 000)	(293 000)
Deficit for the year			(294 082)	(294 082)
Other comprehensive income				
– Actuarial gains			1 082	1 082
Balance at 31 March 2021	**1 116 366**	**4 964**	**(293 000)**	**828 330**
Notes	7	8	9	

STATEMENT OF CASH FLOWS

	Notes	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash receipts from auditees	21.1	3 254 597	3 603 532
Total direct audit cost payments	21.2	(2 291 889)	(2 382 039)
Operational expenditure payments	21.3	(936 369)	(1 204 488)
Interest received	20	36 892	60 401
Interest paid	20	(44 428)	(35 336)
Net cash inflow from operating activities		**18 803**	**42 070**
Cash flows from investing activities			
Additions to property, plant and equipment	2	(59 556)	(30 545)
Additions to intangible assets	3	(172)	(11)
Proceeds from sale of property, plant and equipment	2	1 223	2 146
Net cash outflow from investing activities		**(58 505)**	**(28 410)**
Cash flow from financing activities			
Payment of lease liabilities	10	(58 483)	(62 677)
Net cash outflow from financing activities		**(58 483)**	**(62 677)**
Net decrease in cash and cash equivalents		**(98 185)**	**(49 017)**
Cash and cash equivalents at the beginning of the year		674 437	723 454
Cash and cash equivalents at the end of the year	6	**576 252**	**674 437**

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the going concern basis in accordance with the IFRS issued by the International Accounting Standards Board (IASB), and in line with the requirements of the PAA. The financial statements are presented in South African rand, which is the AGSA's functional currency. All financial information has been rounded to the nearest thousand unless stated otherwise. The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at amortised cost or unless stated otherwise, and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous year, unless otherwise stated.

Standards, amendments and interpretations relevant to the AGSA's operations not yet effective and not early adopted:

Standard/ interpretation	Effective date	Details	Impact
IAS 1 – Presentation of financial statements	1 Jan 2023	Classification of liabilities as current or non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	No impact on the AGSA financial statements
	1 Jan 2023	Disclosure of accounting policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	Impact on the AGSA financial statements to be determined
IAS 8 – Accounting policies, changes in accounting estimates and errors	1 Jan 2023	Definition of accounting estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	No impact on the AGSA financial statements
IFRS 16 – Leases	1 Apr 2021	Covid-19-related rent concessions: Amendment providing lessees with an exemption from assessing whether a covid-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2022) is a lease modification.	No impact on the AGSA financial statements

1.1 SIGNIFICANT JUDGEMENTS AND ACCOUNTING ESTIMATES

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. In addition, management is required to exercise its judgement in the process of applying the AGSA's accounting policies. Using available information and applying judgement is inherent in forming estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgements include:

Revenue recognition

In accordance with IFRS 15, management is required to make an assessment of the collectability of amounts recorded as revenue. When management identifies that there is doubt on the collectability of revenue, that portion of revenue is only recognised when the amount is received by the AGSA. This adjustment does not affect the legal nature of the transaction; any amounts invoiced to auditees remain due and payable in the ordinary course of business and payable in terms of the PAA within 30 days of invoice. The AGSA is entitled under law to pursue the collection of any debts owed and due to the AGSA.

In determining the collectability of amounts recorded as revenue, management has taken into account the payment history of the related auditees over the past 2 – 3 years when no payments have been received, or whether current circumstances suggest that an auditee will not be able to meet its obligation to the AGSA. These amounts will only be recognised as revenue once they have been received by the AGSA.

Post-employment medical care benefits

The costs and liabilities of the post-employment medical care benefits are determined using methods relying on actuarial estimates and assumptions. Advice on the appropriateness of the assumptions is taken from independent actuaries. Changes in the assumptions used may have a significant effect on the statement of surplus or deficit and other comprehensive income, and statement of financial position (refer to note 1.7).

Allowance for impairment of receivables

An allowance for impairment of trade receivables accounts for expected credit losses, and changes thereto, to reflect changes in credit risk since initial recognition of financial assets. The calculation of the amount to be allowed for impairment of receivables requires the use of estimates and judgements (refer to note 1.5).

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

1.1 SIGNIFICANT JUDGEMENTS AND ACCOUNTING ESTIMATES (CONTINUED)

Allowance for impairment of receivables (continued)

AGSA expected credit loss rates 2020-21:

	Current	30 days	60 days	90 days	120 days	150 days	180 days	181+ days
National	0%	0%	0%	0%	0%	0%	0%	100%
Provincial	0%	1%	3%	9%	14%	17%	20%	100%
Local								
Local municipality	12%	21%	30%	36%	37%	42%	51%	100%
District	2%	3%	8%	14%	19%	26%	29%	100%
Metro	0%	0%	0%	0%	0%	0%	0%	100%
Statutory	2%	6%	15%	23%	25%	27%	30%	100%
Other debtors	4%	11%	27%	39%	39%	45%	53%	100%
Non-audit debtors	37%	56%	75%	75%	75%	76%	76%	100%

AGSA expected credit loss rates 2019-20:

	Current	30 days	60 days	90 days	120 days	150 days	180 days	181+ days
National	0%	0%	0%	0%	0%	0%	0%	100%
Provincial	0%	0%	1%	4%	8%	11%	13%	100%
Local								
Local municipality	10%	17%	23%	26%	32%	38%	49%	100%
District	1%	2%	4%	7%	13%	19%	25%	100%
Metro	0%	0%	0%	0%	0%	0%	0%	100%
Statutory	1%	2%	5%	7%	9%	10%	12%	100%
Other debtors	4%	9%	20%	27%	32%	40%	48%	100%
Non-audit debtors	29%	44%	61%	67%	72%	73%	73%	100%

Fair value of ring-fenced debtors

The fair value of ring-fenced debtors is calculated using the prescribed interest rate and the remaining periods of the outstanding ring-fenced agreements. Since the amount was insignificant and considered immaterial, no adjustment was made to the amount owed by ring-fenced debtors.

Annual evaluation of property, plant and equipment and intangibles

To review property, plant and equipment and intangibles for possible impairment, changes in useful lives and changes in residual values at the end of each financial year, reference is made to historical information and the intended use of assets (refer to notes 1.2 and 1.3).

Renewal options of leases

For lease contracts that include an option to renew the lease for a further period, management considers all facts and circumstances to determine whether it is likely that an extension option will be exercised. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The AGSA applies judgement in assessing whether it is reasonably likely that extension options will be exercised. Factors considered include past history of renewing leases, how far in the future an option occurs and the AGSA's business plan.

The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the AGSA.

Government grant

Grants are recognised in the sstatement of surplus or deficit and other comprehensive income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants receivable as a compensation for costs already incurred or for immediate financial support with no future-related costs are recognised as income in the period in which they are receivable.

1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and adjustment for any impairments. Costs include costs incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it if it is probable that future economic benefits associated with the replacement will flow to the AGSA and the cost can be measured reliably. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Estimates are mainly based on historical information relating to use, and the intended use, of the asset. Depreciation is calculated on the straight-line method to write off the cost, less residual value, of each asset over its estimated useful life as follows:

Item	Useful life (current and comparative period)
Computer equipment	8 years
Notebooks	3 years
Motor vehicles	7 to 10 years
Furniture and fittings	6 to 19 years
Office equipment	5 years
Leasehold improvements	Over the period of the lease

The depreciation charge for each period is recognised in surplus or deficit.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any changes to residual values, useful lives and depreciation methods are accounted for on a prospective basis.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 INTANGIBLE ASSETS

Computer software

Acquired computer software licences are carried at cost less any accumulated amortisation and any impairment losses. Estimates relating to useful lives are mainly based on historical information relating to the use of the assets. Amortisation on these costs is provided to write down the intangible assets, on a straight-line basis, over their useful lives as follows:

Item	Useful life (current and comparative period)
Enterprise resource management system – PeopleSoft	14 years
Other software	8 years

The amortisation charge for each period is recognised in surplus or deficit.

1.3 INTANGIBLE ASSETS (CONTINUED)

Computer software (continued)

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the AGSA and that will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and overheads directly attributed to preparing the asset for use. Other development expenditures are recognised as an expense as incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any changes to residual values, useful lives and amortisation methods are accounted for on a prospective basis.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are assessed at the end of each reporting period for any indication that they may be impaired. If indications exist, the recoverable amount of the asset is estimated. An impairment loss is recognised, in surplus or deficit, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The AGSA assesses, at each reporting date, whether there is an indication that an impairment loss recognised in previous periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.5 FINANCIAL INSTRUMENTS

Financial instruments are recognised when the AGSA becomes party to the contractual provisions of the instrument. Financial instruments carried in the statement of financial position include cash and bank balances, trade and other receivables, and trade and other payables. These instruments are carried at their amortised cost.

Financial assets

The AGSA classifies its financial assets into one of the categories discussed below, depending on the business model assessment, which centres on whether financial assets are held to collect contractual cash flows. The AGSA has not classified any of its financial assets as fair value through profit and loss. The accounting policy for each category is as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand and deposits held at call. They are initially recognised at fair value, and are subsequently carried at amortised cost using the effective interest method.

Receivables measured at amortised cost

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through providing services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less allowance for impairment.

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

Impairment

IFRS 9 requires an expected credit loss model to be used in impairing financial assets. This model requires the AGSA to account for expected credit losses and changes thereto at each reporting date, to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit loss event to have occurred before impairments are recognised. The AGSA has elected to apply the simplified approach for measuring the loss allowance at an amount equal to lifetime credit losses for trade receivables. For trade receivables, which are reported net, such amounts are recorded in a separate allowance account with the loss being recognised within operational expenditure in surplus or deficit. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the allowance. Reversals of impairment losses are recognised in surplus or deficit.

Financial liabilities

Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derecognition

Gains or losses arising from changes in financial assets or financial liabilities carried at amortised cost are recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.6 LEASES

At inception of a contract, the AGSA assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the AGSA assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified
- the AGSA has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use, and
- the AGSA has the right to direct the use of the asset. The AGSA has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the AGSA has the right to direct the use of the asset if either:
    - the AGSA has the right to operate the asset, or
    - the AGSA designed the asset in a way that predetermined how and for what purpose it will be used.

The AGSA elected the practical expedient that permits an entity not to reassess whether a contract is, or contains, a lease at the date of initial application.

Some lease contracts include both lease and non-lease components. The AGSA has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in surplus or deficit as they are incurred.

For the leases of land and buildings, the AGSA has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The AGSA recognises a right-of-use asset and a lease liability at the lease commencement date for most leases. However, the AGSA has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (e.g. office equipment) and for short-term leases (leases that at commencement date have lease terms of 12 months or less). The AGSA recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.6 LEASES (CONTINUED)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the AGSA's incremental borrowing rate. The incremental borrowing rate is the rate that the AGSA would have to pay to borrow the funds to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the AGSA uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the fixed payments specified in the lease contracts.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate or if the AGSA changes its assessment of whether it will exercise a renewal option.

Interest costs are charged to the statement of surplus or deficit and other comprehensive income over the lease period so as to produce a constant periodic interest on the remaining balance of the liability for each period.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

The right-of-use assets are presented as a separate line in the statement of financial position. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The AGSA has elected to exclude initial direct costs from measuring of the right-of-use asset at the date of initial application.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The depreciation charge for each period is recognised in surplus or deficit.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any changes to residual values, useful lives and depreciation methods are accounted for on a prospective basis.

The gain or loss arising from the derecognition of a right-of-use asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of a right-of-use asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.7 EMPLOYEE BENEFITS (CONTINUED)

Pension plan – defined contribution plan

Contributions to a pension plan of the employee's choice, in respect of service in a particular period, are included in the employee's total cost of employment and are charged to surplus or deficit in the year to which they relate as part of the cost of employment. Certain employees on the staff rules terms and conditions, who transitioned under the Audit Arrangements Act 122 of 1992, chose to retain membership of the Government Employees Pension Fund (GEPF). The AGSA has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and previous periods. With respect to early retirements, the AGSA is required to incur the cost of early retirement penalties.

Post-employment medical care benefits – defined benefit plan

The AGSA provides post-retirement medical care benefits to certain employees and their legally recognised spouse (and/or dependants) at time of death. The entitlement to post-retirement medical benefits is based on the employee being on the staff rules terms and conditions, remaining in service up to retirement age of 65 (or when reaching 50 in the case of early retirement) and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Actuarial gains and losses arising from experience adjustments are recognised in other comprehensive income in the statement of surplus or deficit and other comprehensive income in the period in which they occur. Interest cost and service cost are recognised in surplus or deficit in the period in which they occur. The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation. Valuations of these obligations are carried out annually by independent qualified actuaries.

Leave liability

The AGSA calculates the value of leave not taken at year-end based on the guaranteed package or basic salary, dependent on the category of leave. The value of leave is recognised in the statement of financial position as a short-term employee benefit.

1.8 PROVISIONS

Provisions are recognised when the AGSA has a present obligation (legal or constructive) as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure taking risks and uncertainties into account. Provisions are discounted where the time value of money is material using a rate that reflects current market assessments of the time value of money.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provision will be reversed.

1.9 REVENUE

IFRS 15 establishes a single, comprehensive and robust framework for the recognition, measurement and disclosure of revenue. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

1.9 REVENUE (CONTINUED)

The AGSA generates revenue by rendering audit services to the public sector. The AGSA has three main revenue streams:

- Own hours – audit services performed by the AGSA
- Contracted work recoverable – audit services contracted out to third parties and performed on behalf of the AGSA
- Subsistence and travel – amounts recovered from auditees for the costs of the AGSA audit staff's subsistence and travelling while performing their duties.

Revenue is recognised for all the revenue streams above over time as the services are rendered and is measured based on the consideration specified in a contract with an auditee to the extent that the amounts are collectable. Revenue consists of amounts net of value-added tax. In terms of the PAA, amounts are due and payable within 30 days of the invoice date.

1.10 INTEREST INCOME

Interest is recognised based on the effective interest rate, which takes into account the effective yield on the asset over the period it is expected to be held.

1.11 GOVERNMENT GRANTS

Government grants are accounted for through the statement of financial position and statement of surplus or deficit and other comprehensive income. The grants received in relation to compensation for expenses or losses already incurred are recognised through the statement of surplus or deficit and other comprehensive income in the period in which they become receivable. Grants related to future obligations are presented as deferred income in the statement of financial position. This will be amortised as and when the expenses are incurred.

1.12 LOSSES THROUGH CRIMINAL CONDUCT

Losses through criminal conduct, and any amounts recovered, are disclosed separately.

1.13 RELATED PARTIES

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the AGSA. All individuals from the executive management are regarded as key management according to the IFRS definition.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by, key management individuals in their dealings with the AGSA.

As discussed in note 1.9, the AGSA generates revenue by rendering audit services to the public sector. These revenue streams are not considered to be related party transactions.

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

	2021		
	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Computer equipment	161 125	(126 869)	34 256
Motor vehicles	7 705	(3 231)	4 474
Office equipment	5 752	(4 191)	1 561
Furniture and fittings	65 797	(56 634)	9 163
Leasehold improvements	68 339	(7 877)	60 462
	308 718	**(198 802)**	**109 916**

The carrying amounts are reconciled as follows:

	Opening carrying amount R'000	Additions [1] R'000	Disposals R'000	Depreciation charge R'000	Closing carrying amount R'000
Computer equipment	67 261	5 749	(747)	(38 007)	34 256
Motor vehicles	2 466	1 306	(287)	989	4 474
Office equipment	408	2 459	(8)	(1 298)	1 561
Furniture and fittings	19 425	1 685	–	(11 947)	9 163
Leasehold improvements	10 329	54 890	(361)	(4 396)	60 462
	99 889	**66 089**	**(1 403)**	**(54 659)**	**109 916**

	2021 R'000
Proceeds on disposal of property, plant and equipment	**1 223**

	2020		
	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
Computer equipment	163 441	(96 180)	67 261
Motor vehicles	6 975	(4 509)	2 466
Office equipment	3 353	(2 945)	408
Furniture and fittings	64 225	(44 800)	19 425
Leasehold improvements	44 654	(34 325)	10 329
	282 648	**(182 759)**	**99 889**

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying amounts are reconciled as follows:

	2020				
	Opening carrying amount R'000	Additions [1] R'000	Disposals R'000	Depreciation charge R'000	Closing carrying amount R'000
Computer equipment	62 325	45 028	(2 824)	(37 268)	67 261
Motor vehicles	2 615	40	–	(189)	2 466
Office equipment	939	224	(264)	(491)	408
Furniture and fittings	22 075	1 060	(133)	(3 577)	19 425
Leasehold improvements	14 891	947	(2)	(5 507)	10 329
	102 845	**47 299**	**(3 223)**	**(47 032)**	**99 889**

[1] Included in additions is R4 183 000 (2020: R16 754 000) accrued at year end but not yet paid.

	2020 R'000
Proceeds on disposal of property, plant and equipment	**2 146**

3. INTANGIBLE ASSETS

Computer software – purchased	2021		
	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Enterprise resource management system – PeopleSoft	17 288	(6 822)	10 466
Other software	54 231	(49 240)	4 991
	71 519	**(56 062)**	**15 457**

The carrying amounts are reconciled as follows:

Computer software – purchased	Opening carrying amount R'000	Additions R'000	Disposals R'000	Amortisation charge R'000	Closing carrying amount R'000
Enterprise resource management system – PeopleSoft	11 561	–	–	(1 095)	10 466
Other software	16 192	172	–	(11 373)	4 991
	27 753	**172**	**–**	**(12 468)**	**15 457**

3. INTANGIBLE ASSETS (CONTINUED)

Computer software – purchased	2020 Cost R'000	2020 Accumulated amortisation R'000	2020 Carrying amount R'000
Enterprise resource management system – PeopleSoft	17 288	(5 727)	11 561
Other software	54 059	(37 867)	16 192
	71 347	**(43 594)**	**27 753**

The carrying amounts are reconciled as follows:

Computer software – purchased	Opening carrying amount R'000	Additions R'000	Disposals R'000	Amortisation charge R'000	Closing carrying amount R'000
Enterprise resource management system – PeopleSoft	12 655	–	–	(1 094)	11 561
Other software	21 931	11	–	(5 750)	16 192
	34 586	**11**	**–**	**(6 844)**	**27 753**

4. RIGHT-OF-USE ASSETS

	2021 R'000	2020 R'000
Carrying amount at the beginning of the year	292 914	–
Additions	282 840	378 195
Adjustments for lease modifications	25 720	–
Depreciation for the year	(119 377)	(85 281)
Carrying amount at the end of the year	**482 097**	**292 914**

The AGSA leases all the premises occupied by its head office and regionally-based staff in the major centres of the country.

The AGSA leases multifunctional devices that are deemed to be low-value assets. The lease payments are recognised in surplus or deficit on a straight-line basis over the period of the lease (refer to note 10).

5. TRADE AND OTHER RECEIVABLES

	2021 R'000	2020 R'000
Trade receivables (refer to note 26.2)	1 084 836	931 023
Allowance for impairment of receivables [2]	(198 079)	(160 180)
Net trade receivables	886 757	770 843
Staff debtors	11 547	12 362
Prepayments	31 986	24 072
Other debtors	218	213
Balance at the end of the year (refer to note 26.3)	**930 508**	**807 490**
[2] Allowance for impairment of receivables		
Balance at the beginning of the year	(160 180)	(137 959)
Used during the year	6 844	12 583
Adjustment of allowance for impairment of receivables (refer to notes 19 and 21.3)	(44 743)	(34 804)
Balance at the end of the year (refer to note 25.2)	**(198 079)**	**(160 180)**

In determining the recoverability of trade receivables, the AGSA considered any change in quality of the trade receivables from the date that the credit was initially granted to the reporting date.

6. CASH AND CASH EQUIVALENTS

	2020 R'000	2019 R'000
Investment reserved for specific liabilities [3]	203 902	181 813
Overnight call account	95 493	6 234
Notice deposits	120 847	250 734
Current bank account	156 010	235 656
Balance at the end of the year (refer to note 26.4)	**576 252**	**674 437**

6. CASH AND CASH EQUIVALENTS (CONTINUED)

	2021 R'000	2020 R'000
[3] Investment reserved for specific liabilities		
The liabilities covered by this investment include the following:		
Post-retirement benefits: medical care contributions (refer to note 11) [4]	53 962	45 695
13th cheque accrual (refer to note 13) [5]	8 758	9 501
Leave pay accrual (refer to note 13) [6]	192 283	154 916
Repayment to former TBVC states employees – deductions of salary over-payments	195	195
	255 198	**210 307**

[4] The future service liability for post-retirement benefit: medical care contributions totalling R4 003 000 (2020: R2 626 355) is not included in the investment reserved for specific liabilities. Future service costs are recognised when the services are delivered by the employees during the employment terms.

[5] Employees have the option to structure their packages to include a 13th cheque (equal to one month's basic salary) that is paid in their birthday month. The accrual relates to the bonus portion of the packages due to employees at 31 March 2021.

[6] Only R139 521 597 (2020: R105 721 469) of the leave pay accrual is ring-fenced through the investment reserved for specific liabilities. The balance of R52 761 751 (2020: R49 194 389) is covered through the current account as this can be encashed within the current year.

7. GENERAL RESERVE

	2021 R'000	2020 R'000
Balance at the beginning of the year	926 412	831 318
Transfer of accumulated surplus to general reserve (refer to note 9)	189 954	95 094
Balance at the end of the year	**1 116 366**	**926 412**

Accumulated surplus that was recommended by the Standing Committee on the Auditor-General (Scoag) and approved by Parliament (in terms of section 38(4) of the PAA) to be retained for working capital and general reserve requirements of the AGSA.

8. SPECIAL AUDIT SERVICES RESERVE

	2021 R'000	2020 R'000
Balance at the beginning and end of the year	**4 964**	**4 964**

A fund set aside to finance special investigations or audits whose costs the AGSA may not be able to recover from a specific auditee. The former audit commission instructed that the reserve should not be increased before further guidance is provided by Scoag, established in terms of section 55(2)(b)(ii) of the Constitution.

9. ACCUMULATED (DEFICIT)/SURPLUS

	2021 R'000	2020 R'000
Balance at the beginning of the year	189 954	71 453
Adjustment of opening balance due to IFRS 16	–	23 641
Restated balance at the beginning of the year	189 954	95 094
Transfer of accumulated surplus to general reserve (refer to note 7)	(189 954)	(95 094)
Total comprehensive (deficit)/surplus for the year	(293 000)	189 954
Balance at the end of the year	**(293 000)**	**189 954**

10. LEASE LIABILITIES

Maturity analysis of future lease payments (undiscounted)	2021 R'000	2020 R'000
Due within one year	116 535	96 069
Between one and five years	505 763	189 868
More than five years	163 909	203 978
Total future lease payments	**786 207**	**489 915**
Total future finance costs	(230 667)	(174 396)
Lease liabilities	**555 540**	**315 519**
Non-current portion	494 954	251 214
Current portion	60 586	64 305

Expenses related to leases	2021 R'000	2020 R'000
Low-value lease expense – recognition exemption	**146**	**3 741**

The AGSA elected the recognition exemption on low-value leases of office equipment (refer to note 4).

Total cash outflows relating to leases	2021 R'000	2020 R'000
Presented under financing activities		
Cash payments for capital portion of lease liabilities	58 483	62 677
Presented under operating activities		
Cash payments for interest portion of lease liabilities	44 412	35 336
Cash payments for low-value leases	146	3 741
Total cash outflow relating to leases	**103 041**	**101 754**

The AGSA elected to use the practical expedient of applying a single discount rate to a portfolio of leases with reasonably similar characteristics. The incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 11,15%. The incremental borrowing rate for new leases and lease modifications entered into in the 2020-21 financial year is between 6,95% and 10,16%.

11. RETIREMENT BENEFIT OBLIGATIONS

	2021 R'000	2020 R'000
Post-retirement benefits: medical care contribution	**53 962**	**45 695**
The liability is reconciled as follows:		
Balance at the beginning of the year	45 695	54 429
Current year provision	10 975	(5 964)
Past service cost	4 839	–
Current service costs	579	547
Actuarial gain	(1 082)	(12 169)
Remeasurements due to experience adjustments	(5 743)	(2 995)
Remeasurements due to financial assumptions	4 661	(9 174)
Interest expense adjustment on retirement benefit obligations (refer to note 20)	6 639	5 658
Less: Payments made	(2 708)	(2 770)
Balance at the end of the year (refer to note 6)	**53 962**	**45 695**
Non-current portion	51 076	42 858
Current portion	2 886	2 837
	53 962	**45 695**

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed as at 31 March 2021 by Independent Actuaries & Consultants (Pty) Ltd using the projected unit credit method.

In the current year, 46 additional members that qualify for the benefit but are currently on the spousal medical aid, are now included in the liability. This is to show the full impact of the liability. Had these members been included in the previous year, the liability would have increased by R4 839 000 to R50 534 000.

	2021	2020
The valuation is based on the following principal actuarial assumptions:		
The discount rate reflects the timing of benefit payments and is based on market bond yields	12,7%	13,5%
Subsidy increase rate (based on the inflation rate)	8,0%	8,0%
Expected retirement age	63/65	63/65
Number of continuation members	224	222
Average age of continuation members	71,4	70,7
Percentage continuation members married	74%	75%
Number of in-service members	157	121
Average age of in-service members	54,9	54,5
Average years of past service of in-service members	30,0	29,7

11. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Sensitivity analysis

The value of the liability could be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.

Below is the recalculated liability showing the effect of:

- A one percentage point decrease or increase in the discount rate
- A one percentage point decrease or increase in the subsidy increase rate
- A one-year decrease or increase in the expected retirement age

	2021		
Discount rate	**Assumption 12,66%**	**-1%**	**+1%**
Accrued liability 31 March 2021 (R'000)	53 962	60 623	48 431
% change		12,3%	-10,2%
Subsidy increase rate	**Assumption 8,00%**	**+1%**	**-1%**
Accrued liability 31 March 2021 (R'000)	53 962	60 872	48 164
% change		12,8%	-10,7%
Expected retirement age	**Assumption 63/65 years**	**1 year younger**	**1 year older**
Accrued liability 31 March 2021 (R'000)	53 962	55 288	52 722
% change		2,5%	-2,3%

	2020		
Discount rate	**Assumption 13,50%**	**-1%**	**+1%**
Accrued liability 31 March 2020 (R'000)	45 695	50 848	41 373
% change		11,3%	-9,5%
Subsidy increase rate		**Assumption 8,00%**	**0%**
Accrued liability 31 March 2020 (R'000)		45 695	22 710
% change			-50,3%
Expected retirement age	**Assumption 63/65 years**	**1 year younger**	**1 year older**
Accrued liability 31 March 2020 (R'000)	45 695	46 684	44 685
% change		2,2%	-2,2%

12. PROVISIONS

	2021 R'000	2020 R'000
Reinstatement cost [7]		
Provision raised	29 160	–
Leasehold improvements [8]		
Provision raised	17 944	–
Closing balance	**47 104**	**–**
Non-current portion	21 978	–
Current portion	25 126	–
	47 104	**–**

[7] Provision for reinstatement costs relating to the AGSA's leased premises (refer to note 30).

[8] Provision for leasehold improvements finalised by year-end, but final invoices not yet received.

13. TRADE AND OTHER PAYABLES

	2021 R'000	2020 R'000
Trade payables	112 969	102 506
Accruals	85 229	59 277
13th cheque accrual (refer to note 6)	8 758	9 501
Leave pay accrual (refer to note 6)	192 283	154 916
Performance bonus accrual	132 963	–
Staff creditors	6 909	7 726
VAT and PAYE	90 183	86 013
Balance at the end of the year (refer to note 26.3)	**629 294**	**419 939**

Ageing of trade payables:

	2021					
	Total R'000	Current R'000	30-60 R'000	60-90 R'000	90-120 R'000	120+ R'000
Trade payables	**112 969**	**59 441**	**32 868**	**8 987**	**2 191**	**9 482**

	2020					
	Total R'000	Current R'000	30-60 R'000	60-90 R'000	90-120 R'000	120+ R'000
Trade payables	**102 506**	**36 796**	**37 421**	**12 651**	**1 926**	**13 712**

14. REVENUE [9]

	2021 R'000	2020 R'000
Local services rendered		
Own hours	2 669 219	2 932 266
Contract work recoverable (refer to note 16)	624 401	669 781
Subsistence and travel recoverable (refer to note 17)	100 955	181 996
	3 394 575	**3 784 043**

[9] The amount of revenue invoiced but not recognised for the current period is R36 717 000 (2020: R40 855 000), and R2 559 000 (2020: R20 018 000) income previously not recognised was recovered and included in the revenue in the current period.

15. STAFF COST

	2021 R'000	2020 R'000
Management salaries (refer to note 25.1)	43 442	40 930
Other non-recoverable staff salaries	523 796	497 820
Other staff expenditure	174 142	42 511
Performance bonus	129 583	(2 090)
Group life scheme	36 025	34 290
Other employer contributions	8 534	10 311
Course fees and study assistance	84 214	108 734
Adjustment of leave pay accrual	66 039	83 442
Total non-recoverable staff cost	**891 633**	**773 437**
Recoverable staff cost (part of direct audit cost)	1 601 775	1 557 219
Total staff cost	**2 493 408**	**2 330 656**
Average number of staff	**3 685**	**3 612**

16. CONTRACT WORK

	2021 R'000	2020 R'000
Contract work recoverable (refer to note 14)	624 401	669 781
Contract work non-recoverable	13 322	15 964
	637 723	**685 745**

This represents work done by external audit firms on behalf of the AGSA. Work is allocated to audit firms based on a tender process. No mark-up is applied to contract work.

17. SUBSISTENCE AND TRAVEL

	2021 R'000	2020 R'000
Subsistence and travelling recoverable (refer to note 14)	100 955	181 996
Subsistence and travelling non-recoverable	124	670
	101 079	**182 666**

This represents subsistence and travel cost of AGSA staff while performing their duties. No mark-up is applied to subsistence and travel.

18. GOVERNMENT GRANT

	2021 R'000	2020 R'000
Government grant received	**43 478**	–

Non-refundable grant received from National Treasury to assist with the implementation cost of the revised PAA.

19. OTHER OPERATIONAL EXPENDITURE

	2021 R'000	2020 R'000
Auditors' remuneration – statutory audit services	4 847	4 896
Adjustment of allowance for impairment of receivables (refer to notes 5 and 21.3)	44 743	34 804
Governance costs	887	1 323
ICT services	91 440	68 626
Internal audit fees	3 652	2 067
Legal costs	13 834	7 004
Loss on disposal of property, plant and equipment (refer to note 21.3)	179	836
Service costs – land and buildings	37 152	36 025
Operating leases – equipment	1 063	4 865
Other operational expenses (excluding staff cost)	18 544	21 473
Publications	2 717	2 411
Refreshments	1 419	3 965
Repairs and maintenance	11 167	10 474
Other	3 241	4 623
Outsourced services	45 097	19 512
Recruitment costs	12 034	22 393
Stakeholder relations	15 504	26 684
Stationery and printing	3 428	6 952
Subsistence and travelling non-audit	10 308	37 373
Telephone and postage	12 617	12 001
	315 329	**306 834**

20. INTEREST

	2021 R'000	2020 R'000
Interest income		
Interest income on bank and investments	25 398	49 468
Interest on overdue debtors accounts – received	11 494	10 933
	36 892	60 401
Interest on overdue debtors accounts – accrued	20 679	18 772
	57 571	**79 173**
Interest expense		
Interest on lease liabilities	(44 412)	(35 336)
Interest on staff debt	(16)	–
Interest expense adjustment on retirement benefit obligations (refer to note 11)	(6 639)	(5 658)
	(51 067)	**(40 994)**

21. NOTES TO THE CASH FLOW STATEMENT

	2021 R'000	2020 R'000
21.1 Cash receipts from auditees		
Revenue	3 394 575	3 784 043
Net increase in trade receivables	(139 978)	(180 511)
	3 254 597	**3 603 532**
21.2 Total direct audit cost payments		
Direct audit cost	(2 340 577)	(2 425 630)
Net increase in trade payables	48 688	43 591
	(2 291 889)	**(2 382 039)**

21.3 Operational expenditure payments

	2021 R'000	2020 R'000
Operational expenditure	(1 346 998)	(1 168 459)
Adjusted for:		
Interest income	(57 571)	(79 173)
Interest expense	51 067	40 994
Depreciation – property, plant and equipment	54 659	47 032
Depreciation – right-of-use assets	119 377	85 281
Amortisation	12 468	6 844
Increase in allowance for impairment of receivables (refer to notes 5 and 19)	44 743	34 804
(Decrease)/increase in 13th cheque accrual	(743)	709
Increase in leave pay accrual	37 367	39 063
Increase/(decrease) in performance bonus accrual	132 963	(192 918)
Increase/(decrease) in liability for post-retirement medical aid benefits	1 628	(14 392)
Increase/(decrease) in accruals	189	(12 157)
Loss on the disposal of property, plant and equipment (refer to note 19)	179	836
Increase in provisions	17 944	–
	(932 728)	(1 211 536)
Other working capital changes	(3 641)	7 048
Increase in other receivables	(7 104)	(30)
Increase in other payables	3 463	7 078
	(936 369)	**(1 204 488)**

22. NOTEBOOK LOSSES

	2021 R'000	2020 R'000
37 (2020: 141) notebook computers stolen and written off at the carrying amount	**230**	**943**

The AGSA policy is to self-insure notebook computers as this has proven to be more economically effective.

23. COMMITMENTS

	2021 R'000	2020 R'000
23.1 Operating lease commitments		
The future minimum commitments are as follows:		
Due within one year		
Office equipment	**–**	**2 609**

The current lease contract came to an end in March 2021 and the new contract is still being finalised. In 2020, certain items of office equipment were leased for a period of one year. The average lease payments were R217 400 per month. The lease agreement was not renewable at the end of the lease term and the AGSA did not have the option to acquire the office equipment.

23. COMMITMENTS (CONTINUED)

23.2 Other commitments

Thuthuka

The AGSA has committed to fund 120 undergraduate students for a period of three years while they complete their studies, at a rate per student that is determined every year by the Thuthuka Bursary Fund trustees and on condition that the AGSA can stop its financial contribution by written notice. As the rate per student is determined yearly, the commitment cannot be quantified; however, the yearly commitment at current rates is R11 108 400 (120 students x R92 570 per student).

External bursaries

External bursaries are awarded annually to full-time students for undergraduate and postgraduate studies until they complete the qualification and on condition that all subjects are passed. Failed subjects are repeated at the student's own expense. If a student fails repeatedly, the bursary agreement is terminated and the amounts advanced must be repaid to the AGSA, or in certain instances redeemed through employment at the AGSA if the student already has a degree. Due to the uncertainties around the varying costs of studies across the universities and the pass rate, the amount cannot be quantified, but will be managed within the budgeted R6 052 000 for approximately 58 students for the 2021-22 financial year.

	2021 R'000	2020 R'000
23.3 Capital commitments		
Approved and contracted [10]	77 146	76 282
Approved but not yet contracted	30 110	53 005
Total approved	**107 256**	**129 287**
Source of funding		
Internal financing	107 256	129 287
	107 256	**129 287**

[10] Property, plant and equipment approved and contracted for in the 2020-21 but for 2021-22 financial year.

24. CONTINGENT LIABILITIES

Legal claim

During the 2017 financial year, a review application was brought against the AGSA in the High Court of South Africa. In 2018, the presiding judge converted the application into a trial, given the numerous disputes of facts and opinions in the matter. The trial was partly heard from 10 to 19 August 2020. The trial resumed on 3 May 2021 and concluded on 21 May 2021, when judgement was reserved.

The AGSA engaged in several attempts to settle the matter, with a final offer based on the net present value of the post-retirement benefit plus 20% as an incentive. The intention was to extend this offer to all retired and in-service beneficiaries if the offer was accepted. Unfortunately, the plaintiffs did not accept the offer prior to conclusion of the trial and, as a result, the intended offer to other retired and in-service beneficiaries lapsed. At the time of concluding the financial statements, the AGSA still awaits the judgement.

25. RELATED PARTIES

Transactions with related parties are on an arm's length basis at market-related prices.

25.1 Key management personnel compensation

Total short-term, long-term and termination benefits paid to management.

				2021			
				Short-term benefits		Long-term benefits	
Position	Name	Appointment date	Termination date	Gross remuneration R'000	Performance bonus R'000	Deferred compensation R'000	Total remuneration R'000
Auditor-General [11]	T Makwetu	1 Dec 2013	11 Nov 2020	3 489		1 054	4 543
Auditor-General	T Maluleke	1 Dec 2020		1 722		508	2 230
Deputy Auditor-General	T Maluleke	1 Apr 2014		2 885	432	–	3 317
Deputy Auditor-General	JH v Schalkwyk (acting)	1 Mar 2021		262			262
National Leader	AH Muller (acting)	1 Feb 2019		3 418	315	–	3 733
Corporate Executive	OH Duda (acting)	1 Feb 2019		2 470	222	–	2 692
Corporate Executive	JH v Schalkwyk	1 Nov 2010		2 882	315	–	3 197
Chief Financial Officer	SS Ngoma	1 Nov 2012		3 145	314	–	3 459
Corporate Executive	MS Segooa	1 Aug 2014		3 144	315	–	3 459
Corporate Executive	MM Sedikela	1 Jan 2016		3 144	315	–	3 459
Chief People Officer	MM Mabaso	1 Aug 2016		2 893	289	–	3 182
Corporate Executive	SL Lubambo	1 Aug 2017		2 873	287	–	3 160
Corporate Executive	V Maharaj	1 Aug 2017		2 873	287	–	3 160
Corporate Executive	SL Ndaba	1 Jul 2018		3 263	326	–	3 589
Total management compensation (refer to note 15)				**38 463**	**3 417**	**1 562**	**43 442**

25.1 Key management personnel compensation (continued)

				2020			
				Short-term benefits		Long-term benefits	
Position	Name	Appointment date	Termination date	Gross remuneration R'000	Performance bonus R'000	Deferred compensation R'000	Total remuneration R'000
Auditor-General [11]	T Makwetu	1 Dec 2013		5 233	–	1 570	6 803
Deputy Auditor-General	T Maluleke	1 Apr 2014		4 259	–	–	4 259
National Leader	AH Muller (acting)	1 Feb 2019		3 363	–	–	3 363
Corporate Executive	OH Duda (acting)	1 Feb 2019		2 445	–	–	2 445
Corporate Executive	JH v Schalkwyk	1 Nov 2010		3 094	–	–	3 094
Chief Financial Officer	SS Ngoma	1 Nov 2012		3 095	–	–	3 095
Corporate Executive	MS Segooa	1 Aug 2014		3 094	–	–	3 094
Corporate Executive	MM Sedikela	1 Jan 2016		3 094	–	–	3 094
Chief People Officer	MM Mabaso	1 Aug 2016		2 848	–	–	2 848
Corporate Executive	SL Lubambo	1 Aug 2017		2 814	–	–	2 814
Corporate Executive	V Maharaj	1 Aug 2017		2 810	–	–	2 810
Corporate Executive	SL Ndaba	1 Jul 2018		3 211	–	–	3 211
Total management compensation (refer to note 15)				**39 360**	**–**	**1 570**	**40 930**

[11] The remuneration and conditions of employment provide that the auditor-general is not entitled to an annual performance bonus, but shall receive a termination bonus/deferred compensation on successful completion of his term. During the 2019 financial year, the auditor-general received an interest free loan of R860 000. This loan was granted with the understanding that the auditor-general had already served five of the seven-year term, representing around 70% of the envisaged deferred compensation the auditor-general will be entitled to at the end of the term. The auditor-general's final year of his seven-year term was in 2020 and the loan was recovered from the deferred compensation payment.

26. FINANCIAL INSTRUMENTS

The carrying amount of financial assets and liabilities reasonably approximate their fair value due to the short-term nature of the financial instruments.

26.1 Market risk

26.1.1 Interest rate risk management

The exposure to changes in interest rates relates primarily to the AGSA's current and investment accounts.

Interest rate sensitivity

Below are the recalculated financial assets and liabilities showing the effect of:

A one percentage point decrease or increase in the current account interest rate

A one percentage point decrease or increase in the investment account interest rates

	2021		
Current and investment accounts interest rates	Current balance	+1%	-1%
Net deficit (R'000)	(293 000)	(286 465)	(299 058)
% change		2,2%	-2,1%
Current bank and investment accounts balances (R'000)	576 252	582 623	570 465
% change		1,1%	-1,0%

	2020		
Current and investment accounts interest rates	Current balance	+1%	-1%
Net surplus (R'000)	189 954	197 392	182,514
% change		3,9%	-3,9%
Current bank and investment accounts balances (R'000)	674 437	681 288	667 581
% change		1,0%	-1,0%

26.2 Credit risk

Financial assets that potentially subject the AGSA to concentrations of credit risk consist principally of cash and short-term deposits placed with financial institutions that have the following national short-term credit ratings (in the previous year the short-term bank deposit credit ratings were used for some institutions):

	2021 (2020)		
Financial institution	Fitch	Moody's	S&P
Standard Bank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
Investec	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
Nedbank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
First National Bank	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)
ABSA	F1+ (F1+)	P-1 (P-1)	A-1+ (A-1+)

26.2 Credit risk (continued)

Trade receivables are presented net of the allowance for impairment. Credit risk with respect to trade receivables is limited to some degree due to the AGSA's constitutionally conferred audit mandate. However, the AGSA has a significant concentration of credit risk with local government debtors.

All financial assets are unsecured. The carrying amount of financial assets included in the statement of financial position represents the AGSA's exposure to credit risk in relation to these assets.

An analysis of the ageing of trade receivables that are 30 days and over is as follows:

	2021				
Debtor type	**Total R'000**	**Current R'000**	**30 – 120 R'000**	**120 – 180 R'000**	**180+ R'000**
National	61 849	61 126	723	–	–
Provincial	35 085	27 347	1 640	5 355	743
Local	721 882	466 693	108 030	7 345	139 814
Statutory	56 642	19 931	12 187	240	24 284
Other [12]	209 378	72 545	23 861	6 167	106 805
Total trade receivables (refer to note 5)	**1 084 836**	**647 642**	**146 441**	**19 107**	**271 646**

	2020				
Debtor type	**Total R'000**	**Current R'000**	**30 – 120 R'000**	**120 –180 R'000**	**180+ R'000**
National	74 558	74 558	–	–	–
Provincial	163 473	156 043	3 354	1 817	2 259
Local	425 174	77 567	181 679	63 654	102 274
Statutory	71 158	48 387	3 691	3 635	15 445
Other [12]	196 660	127 922	9 082	18 748	40 908
Total trade receivables (refer to note 5)	**931 023**	**484 477**	**197 806**	**87 854**	**160 886**

R437 194 000 (2020: R446 546 000) of receivables, comprising 40,3% (2020: 48,0%) of total receivables, are in arrears. Local government debtors' arrears is R255 189 000 (2020: R347 607 000), which is 58,4% (2020: 77,8%) of total arrears and 23,5% (2020: 37,3%) of total receivables.

26.2 Credit risk (continued)

Financial assets subject to credit risk

Debtor type	2021 Trade receivables R'000	2021 Allowance for impairment of receivables R'000	2021 Net trade receivables R'000
National	61 849	(13)	61 836
Provincial	35 085	(2 361)	32 724
Local	721 882	(129 810)	592 072
Statutory	56 642	(19 274)	37 368
Other [12]	209 378	(46 621)	162 757
	1 084 836	**(198 079)**	**886 757**

Debtor type	2020 Trade receivables R'000	2020 Allowance for impairment of receivables R'000	2020 Net trade receivables R'000
National	74 558	(49)	74 509
Provincial	163 473	(2 578)	160 895
Local	425 174	(91 398)	333 776
Statutory	71 158	(15 159)	55 999
Other [12]	196 660	(50 996)	145 664
	931 023	**(160 180)**	**770 843**

[12] Other receivables include unlisted public entities, municipal entities and utility agency corporations.

26.3 Liquidity risk

Liquidity risk is the risk that the AGSA will not be able to meet its financial obligations as they fall due.

The AGSA has adequate cash balances at its disposal and minimal long-term debt, which limits liquidity risk. Nevertheless, budgets and cash flow forecasts are prepared annually to ensure liquidity risks are monitored and controlled.

26.3 Liquidity risk (continued)

Maturity profile of financial instruments	2021 R'000 1 year or less	2020 R'000 1 year or less
Assets		
Trade and other receivables (refer to note 26.4)	898 522	783 418
Total trade and other receivables (refer to note 5)	930 508	807 490
Prepayments	(31 986)	(24 072)
Cash	576 252	674 437
Current account	156 010	235 656
Overnight call account	95 493	6 234
Notice deposits	324 749	432 547
Total financial assets	**1 474 774**	**1 457 855**
Liabilities		
Trade and other payables (refer to note 26.4)	346 828	179 010
Total trade and other payables (refer to note 13)	629 294	419 939
Leave pay accrual	(192 283)	(154 916)
VAT and PAYE	(90 183)	(86 013)
Total financial liabilities	**346 828**	**179 010**
Net financial assets	**1 127 946**	**1 278 845**

All financial assets and liabilities mature in less than one year.

26.4 Classification of financial instruments

Line items presented in the statement of financial position summarised per category of financial instrument

	2021		
Financial assets	**Loans and receivables R'000**	**Non-financial assets R'000**	**Total R'000**
Financial assets measured at amortised cost			
Trade and other receivables (refer to note 26.3)	898 522	31 986	930 508
Cash and cash equivalents (refer to note 6)	576 252	–	576 252
	1 474 774	**31 986**	**1 506 760**

Financial liabilities	**Financial liabilities R'000**	**Non-financial liabilities R'000**	**Total R'000**
Financial liabilities measured at amortised cost			
Trade and other payables (refer to note 26.3)	346 828	282 466	629 294
	346 828	**282 466**	**629 294**

	2020		
Financial assets	**Loans and receivables R'000**	**Non-financial assets R'000**	**Total R'000**
Financial assets measured at amortised cost			
Trade and other receivables (refer to note 26.3)	783 418	24 072	807 490
Cash and cash equivalents (refer to note 6)	674 437	–	674 437
	1 457 855	**24 072**	**1 481 927**

Financial liabilities	**Financial liabilities R'000**	**Non-financial liabilities R'000**	**Total R'000**
Financial liabilities measured at amortised cost			
Trade and other payables (refer to note 26.3)	179 010	240 929	419 939
	179 010	**240 929**	**419 939**

27. TAXATION

No provision is made for income tax as the AGSA is exempt in terms of section 10(1)(cA)(i) of the Income Tax Act 58 of 1962.

28. PROFESSIONAL INDEMNITY INSURANCE

It is not the policy of the AGSA to take professional indemnity insurance cover.

29. EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances arose after the end of the financial year that will materially affect these financial statements.

30. CHANGE IN ACCOUNTING ESTIMATES

Under the new IFRS 16 (leases) implemented from 1 April 2019, reinstatement costs must be included in the cost of the right-of-use assets if an obligation exists. On 1 March 2021, the AGSA head office relocated to a new premises and, subsequently, incurred reinstatement costs for the old head office of R5,7 million. Management is of the opinion that a constructive obligation now exists for all the leases and, therefore, decided to provide for reinstatement costs for the AGSA leased premises.

The quantitative impact of the changes are set out below.

Impact on financial statements

The following tables summarise the impacts of providing for reinstatement costs on the AGSA's financial statements for the year ending 31 March 2020.

Statement of financial position	As reported 31 March 2020 R'000	Adjustments R'000	Restated R'000
ASSETS			
Non-current assets	420 556	10 774	431 330
Property, plant and equipment	99 889	–	99 889
Intangible assets	27 753	–	27 753
Right-of-use assets	292 914	10 774	303 688
Current assets	1 481 927	–	1 481 927
Trade and other receivables	807 490	–	807 490
Cash and cash equivalents	674 437	–	674 437
Total assets	**1 902 483**	**10 774**	**1 913 257**
RESERVES AND LIABILITIES			
Reserves	1 121 330	(5 645)	1 115 685
General reserve	926 412	–	926 412
Special audit services reserve	4 964	–	4 964
Accumulated surplus	189 954	(5 645)	184 309
Liabilities			
Non-current liabilities	294 072	16 419	310 491
Lease liabilities	251 214	–	251 214
Retirement benefit obligations	42 858	–	42 858
Provisions	–	16 419	16 419
Current liabilities	487 081	–	487 081
Lease liabilities	64 305	–	64 305
Retirement benefit obligations	2 837	–	2 837
Trade and other payables	419 939	–	419 939
Total reserves and liabilities	**1 902 483**	**10 774**	**1 913 257**

30. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Statement of surplus or deficit and other comprehensive income	As reported 31 March 2020 R'000	Adjustments R'000	Restated R'000
Revenue			
Local services rendered	3 784 043	–	3 784 043
Direct audit cost	(2 425 630)	–	(2 425 630)
Recoverable staff cost	(1 557 219)	–	(1 557 219)
Contract work	(685 745)	–	(685 745)
Subsistence and travel	(182 666)	–	(182 666)
Gross surplus	**1 358 413**	**–**	**1 358 413**
Other income	1 168	–	1 168
Contribution to overheads	**1 359 581**	**–**	**1 359 581**
Non-recoverable staff cost	(773 437)	–	(773 437)
Depreciation expense	(47 032)	–	(47 032)
Depreciation expense – right-of-use assets	(85 281)	(5 645)	(90 926)
Amortisation expense	(6 844)	–	(6 844)
Other operational expenditure	(306 834)	–	(306 834)
Retirement benefit obligations – current service costs	(547)	–	(547)
Operating surplus before finance charges	**139 606**	**(5 645)**	**133 961**
Interest income	79 173	–	79 173
Interest expense	(40 994)	–	(40 994)
Surplus for the year	**177 785**	**(5 645)**	**172 140**
Other comprehensive income			
Items that will not be reclassified to surplus or deficit			
Retirement benefit obligations – actuarial gains	12 169	–	12 169
Total comprehensive surplus for the year	**189 954**	**(5 645)**	**184 309**

31. IMPACT OF COVID-19

As reported in the previous financial year, the crisis nerve centre (CNC) was established to coordinate compliance with all covid-19 laws, regulations and directives, and to ensure the AGSA's sustainability and viability during and after the covid-19 pandemic.

The CNC has worked hard to preserve the organisation's productivity level and sustainability, which includes a positive cash position. It also established and implemented measures to ensure the safety and wellbeing of our staff, contractors and visitors to our premises. These plans include monitoring the status of our employees and infection rates to ensure that we are able to assess the availability of our staff and manage potential risks.

One of the lessons learnt from the pandemic was to find positives within the unsettling and challenging circumstances. While the lockdown regulations brought about the need to practice social distancing, the organisation had to continue to operate with most of the employees working away from the office, in alternative locations. It is against this, that the AGSA developed a proposed alternative work location policy (AWL). This policy provides the organisation with interesting options, considering the reduced numbers of staff in the office and the alignment of these with the size of buildings. In all probability, this will yield a reduction in rental costs in future.

We have no indicators of a prolonged negative financial impact as debtors have not requested extended payment terms or discounts as a result of covid-19 in this financial year. However, we notice that the local government debt and other debtors over 180 days have slightly deteriorated from the previous year. This has been taken into account when calculating the revised credit risk ratings for the impairment provision (refer to note 1.1).