



INTEGRATED
**ANNUAL
REPORT**
2016



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AFROSAI-E: THE AFRICAN ORGANISATION OF ENGLISH-SPEAKING SUPREME AUDIT INSTITUTIONS

AFROSAI-E plays a facilitative, but active role in empowering its 26-member Supreme Audit Institutions (SAIs) to optimise their audit performance and to comply with INTOSAI Standards for Supreme Audit Institutions (ISSAIs). This is achieved by sharing information and supporting SAIs in their capacity building interventions, aimed at improved performance in the execution of their mandates through the following key activities:



DEVELOPING AUDIT TOOLS AND TRAINING INTERVENTIONS



PROVIDING SUPPORT AND ASSISTANCE ON REQUEST OF MEMBERS



ESTABLISHING COUNTRY AND REGIONAL QUALITY ASSURANCE PRACTICES



MONITORING COMPLIANCE WITH ISSAIs

AFROSAI-E continues to be a reputable regional organisation with a wide range of contacts and external stakeholders that provides encouragement, advice and support to its capacity building initiatives. These initiatives are ultimately designed to benefit the citizens in English-speaking Africa. We strive to lead by example by applying a robust governance structure of oversight and reporting. We are a voluntary association governed by our own Statutes and by the respective regulatory provisions. Our Governing Board is our supreme authority and has powers and responsibilities as set out in the Statutes. The Governing Board consists of the heads of member SAIs, and each Auditor-General is assigned to serve on one of the oversight subcommittees.

G4-3, 4, 6, 7 & 8



AFROSAI-E: THE AFRICAN ORGANISATION OF ENGLISH-SPEAKING SUPREME AUDIT INSTITUTIONS

OUR VISION

Making a difference in the performance of SAIs

OUR MISSION

AFROSAI-E is, through innovation, committed to cooperate with and support its member SAIs to enhance their institutional capacity to successfully fulfil their audit mandates, thereby making a difference to the lives of citizens

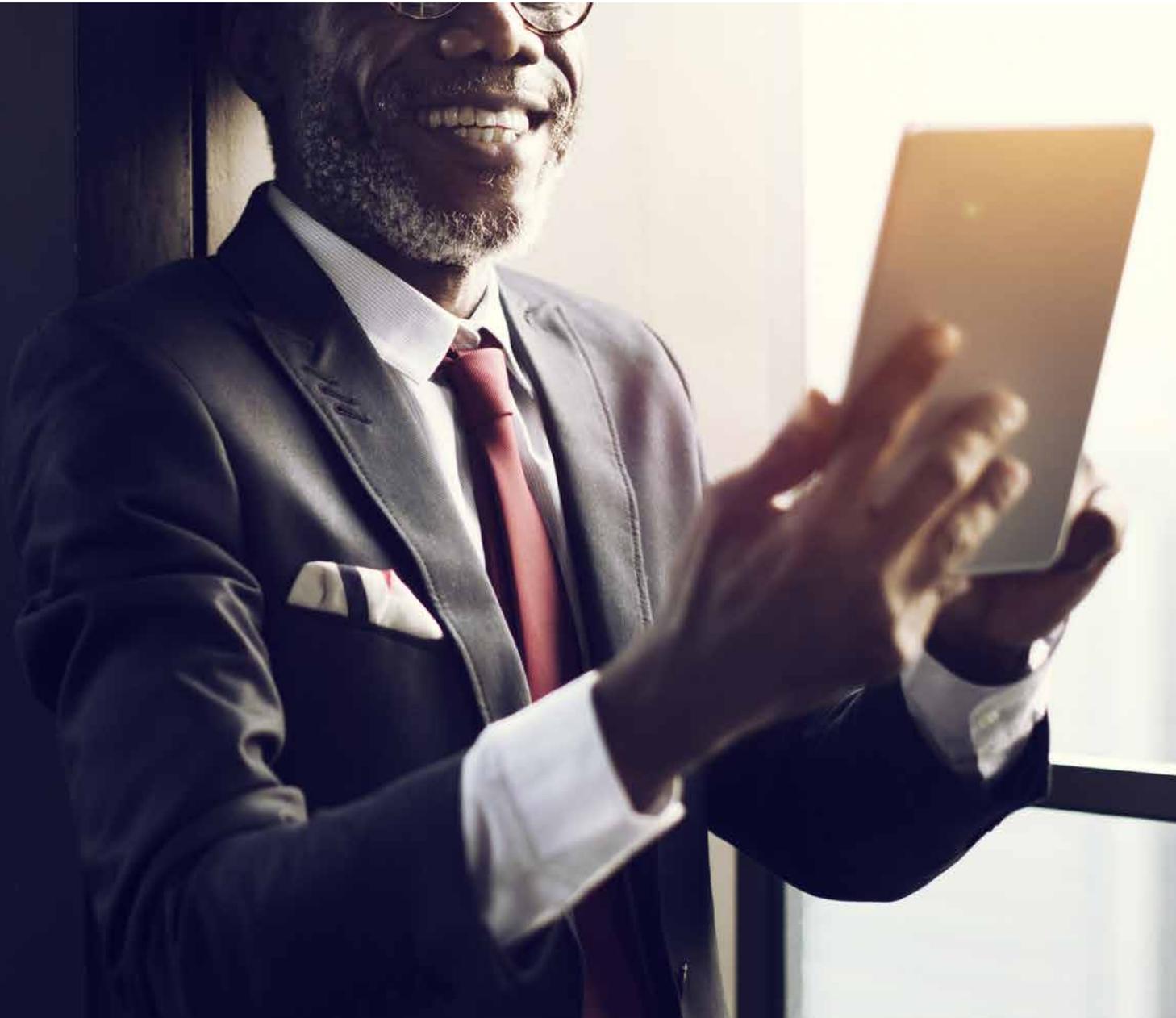
OUR VALUES

Making a difference through:

- Innovation and creativity
- Developing competence
- Enhancing confidence
- Improving credibility

OUR OBJECTIVES

- To enhance the audit performance of its members.
- To develop and share resources in the region.
- To promote professional and technical development and cooperation among its members and other international and regional bodies such as AFROSAI and INTOSAI.
- To promote and maintain relations with national, regional and international institutions specialising in issues affecting the audit of public resources.
- To support regional institutions in promoting good governance



OUR 26 MEMBER COUNTRIES



ASSOCIATE MEMBERS



The African Union
Commission



Pan African Federation
of Accounting

OUR INSTITUTIONAL AND OTHER PARTNERS



Algemene Rekenkamer

ABOUT OUR INTEGRATED REPORT

One of the Strategic Imperatives for the 2015 to 2019 Corporate Plan period is to lead by example and this is the fifth consecutive year for which AFROSAI-E compiled an annual integrated report. All previous reports are available on our website. We encourage member SAIs to follow a similar approach with respect to their own reports and to make such reports available annually.

WHY DO WE ISSUE AN INTEGRATED REPORT?

Reporting in an integrated format is an essential tool to demonstrate accountability on financial results, performance, environmental and social matters. It enables oversight in compliance with International Accountancy Standards and the Global Reporting Initiative (GRI) Standards, demonstrating the concept of leading by example as required by ISSAI 12.

REPORTING POLICIES, PRINCIPLES AND PROCEDURES

This report contains selected individual disclosures based on the GRI Standards as issued by the Global Sustainability Standards Board. These Standards, which replaces the GRI G4.1 Guidelines will be compulsory for reports published from July 2018. This report is, therefore, referred to as a GRI referenced report. A list of the Disclosures and their location in this report is provided on page 57.

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) for Small and Medium Enterprises (SMEs) as issued by the International Accounting Standards Board.

PROCESS FOR DEFINING THE CONTENT OF THIS REPORT

The content of this report is a combined result of the:

- Statutes and regulations of AFROSAI-E as amended in May 2013;
- Corporate Plan for 2015-2019; and
- Work Plan for 2016.

SCOPE AND BOUNDARY

This report includes information on the financial and non-financial performance for the period 1 January 2016 to 31 December 2016 of AFROSAI-E, of which the Secretariat is based in Pretoria, South Africa. No specific limitations were imposed on the scope and boundary of this report. It covers the activities of the Executive Secretariat established in terms of Article 7(1)(b) of the Statutes. The activities and the operations of member SAIs fell outside the boundary of this report, but are reported in an annual Institutional Capacity Building Framework (ICBF) Self-Assessment Report, which is published separately.

Article 17(1) of the Statutes requires the organisation, to the extent possible, to implement an integrated reporting approach. This report contains comprehensive information on the financial performance for AFROSAI-E based on our Corporate Plan for 2015 – 2019, the Work Plan and Budget for 2016 and; is in accordance with the Statutes and Regulations of AFROSAI-E as amended in May 2013. These documents, along with the annual ICBF Self-Assessment Report, form part of our main accountability instruments and describe the short- to medium-term organisational goals and objectives,

as well as the associated activities and interventions planned to ensure effective and efficient delivery of our organisational mandate.

SIGNIFICANT RESTATEMENTS FROM PRIOR REPORTS

There were no restatements from the previous report. However, adjustments have been made to present information relevant to our operations as provided for in the updated GRI Standards.

SIGNIFICANT CHANGES REGARDING THE ORGANISATION DURING THE REPORTING PERIOD

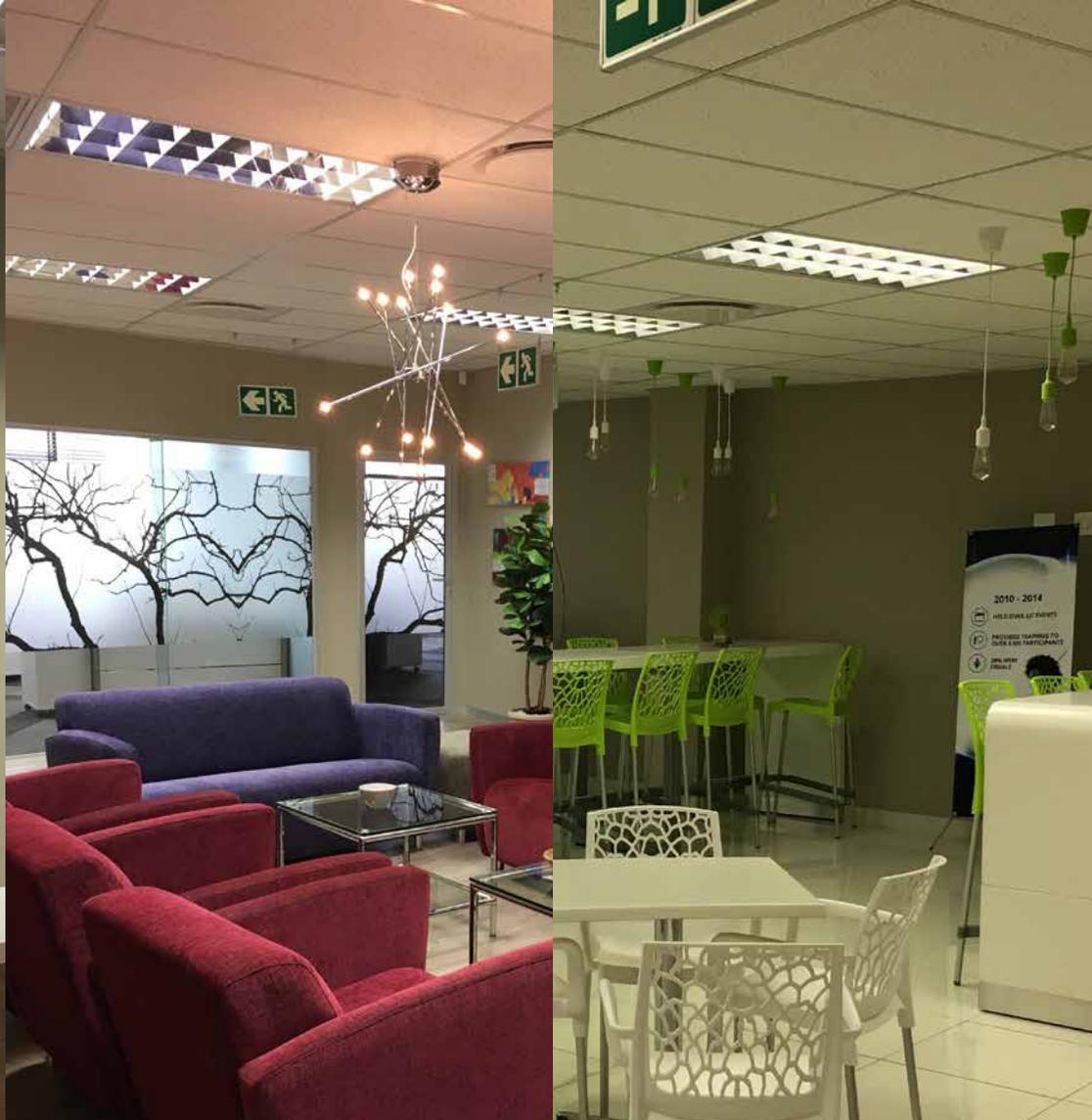
There were no significant changes during the reporting period, which are not reflected in the integrated annual report.

EXTERNAL ASSURANCE

The external audit firm O.M.A Chartered Accountants Inc. audited our financial statements that were prepared in accordance with the IFRS for SMEs.

THE GOVERNING BOARD REMAINS ACCOUNTABLE

The Governing Board acknowledges its responsibility to ensure the integrity of this report and believes that it addresses all material issues, and fairly presents the integrated performance of the organisation.



IN OCTOBER 2016, THE AFROSAI-E EXECUTIVE SECRETARIAT MOVED TO ITS OWN OFFICES IN MENLYN MAINE, PRETORIA. OUR NEW FACILITIES INCLUDE STATE OF THE ART TRAINING ROOMS, ENABLING US TO HOST ALL OUR REGIONAL WORKSHOPS IN-HOUSE. THE MOVE WILL ENSURE A SIGNIFICANT TIME AND COST SAVING FOR THE SECRETARIAT AND WILL PROVIDE OUR MEMBERS WITH A CONDUSIVE AND PRODUCTIVE TRAINING ENVIRONMENT. THE SECRETARIAT OFFICES ALSO INCLUDE A BRAND-NEW IT INFRASTRUCTURE, LAYING THE FOUNDATIONS FOR IMPROVED SUPPORT TO OUR MEMBERS THROUGH ONLINE E-LEARNING SUPPORT INTERVENTIONS.

CHAIRPERSON'S REVIEW



As I reflect upon the past year of progress and development in our region, it is very gratifying to note that the significant range of technical advancements, programmes and initiatives developed by the Secretariat have been enthusiastically matched by our members in terms of their active participation and dedication to implement the guidance. The contents of this report provide insight on the key activities that were rolled out in 2016 and the impact that AFROSAI-E has had in the region. There are however a number of interventions that I would like to highlight that are aimed directly at driving sustainable and continuous improvement of our member-SAIs and good financial governance in our region.

One of Agenda 2063's aspirations relate to An Africa of Good Governance, Democracy, Respect for Human Rights, Justice and the Rule of Law. It focuses on having capable institutions and transformative leadership in place at all levels where the institutions are at the service of its people. Within our region, we have addressed these challenges with initiatives to develop executive-level leaders and, with a strategy to professionalise public sector auditors and accountants.

The development of strong and capable leaders to meet the growing demand for innovative approaches to address the challenge of ensuring good financial governance in the continent and to drive positive change is critical to the long-term sustainability of public sector auditing. To address this demand, an Executive Leadership Development Programme

(ELDP) was rolled out over the course of five intensive workshops in 2015 and 2016. The programme, which concluded in April 2016, provided the 24 executive leaders from six SAIs with the skills, knowledge and support to turn their capacity into true leadership capability. The results have been very promising and will inform continued programmes and efforts to develop leaders that will ultimately be responsible for driving sustainable improvement at their SAIs.

Our view is that competent, professional and performance driven public sector institutions are essential to deliver effective, efficient and accountable services and, we therefore desire to professionalise public sector accounting and auditing in order to facilitate broader sustainable public financial management. Our approach on professionalisation is focused on finding regional solutions to address regional challenges and engagements with professional accountancy organisations and key role-players in Africa. This has already resulted in relationships that are poised to sustain the momentum on this initiative.

Great strides were taken this year to address our strategic priorities for 2015-2019. One of the innovative initiatives which I believe directly contributes to our ability to make a direct impact on the achievement of the Sustainability Development Goals, is the integration of environmental audit risks in the standard audit procedures at Local Government. Seven SAIs, including my SAI of Sierra Leone, participated in

G4-1

CHAIRPERSON'S REVIEW (CONTINUED)

the pilot to roll-out these procedures as part of their normal audits at a selected cities/districts. I can therefore attest to the substantial impact we've already witnessed because of this initiative. In addition to the low-resource requirements to implement the working papers during the audit, the training itself was done through e-learning and remote support by the Secretariat, which therefore meant a minimal investment for a significant impact.

Finally, it gave me great pride to represent AFROSAI-E at the 2016 INCOSAI where I had the opportunity to give a presentation in plenary on our ICBF as a cost-effective regional solution to measure own performance and take ownership of own development, while maintaining alignment with the SAI Performance Measurement Framework (PMF).

I am confident that through initiatives and interventions like these, we will continue to strengthen our ability to meet the demands and expectations for effective, capable and sustainable public sector audit institutions in English-speaking Africa.

LARA TAYLOR-PEARCE
CHAIRPERSON



OVERSIGHT BY THE AUDITOR-GENERAL OF SOUTH AFRICA

OVERSIGHT RESPONSIBILITY IN TERMS OF ARTICLE 11(3) OF THE STATUTES OF AFROSAI-E



In terms of article 11(3) of the Statutes, of AFROSAI-E the head of the SAI that hosts the Executive Secretariat has an oversight responsibility over the Executive Secretariat.

This oversight responsibility has been exercised monthly, as agreed in a memorandum of understanding (MoU) signed between me and the Chairperson in terms of article 11 of the Statutes. The MoU, which came into effect in early 2016 involved several structural and operational changes, including securing office accommodation and financial support for the Secretariat, and I believe the agreements and spirit of the MoU is fulfilled.

This report, which includes the audited financial statements deals with the most relevant matters affecting the affairs of the organisation. I am satisfied with the results achieved

and can confirm that, based on the activities reviewed, our organisation plays a pivotal role in the capacity building of our members.

The report is submitted simultaneously to the subcommittees established by the Governing Board in terms of article 7(2) of the Statutes, for scrutiny and recommendation to the Governing Board where necessary.

Yours faithfully,

A handwritten signature in black ink, dated 11/05/2017. The signature is stylized and appears to be 'K. Makwetu'.

MR K MAKWETU
AUDITOR-GENERAL OF SOUTH AFRICA

REPORT BY CHIEF EXECUTIVE OFFICER



It gives me great pleasure to submit our Integrated Annual Report for the year ended 31 December 2016 to the Governing Board for their consideration and approval as per the AFROSAI-E Statutes.

This is the second year of our 2015 – 2019 Corporate Plan period and as I reflect on the progress we have made thus far on our strategic imperatives, I am satisfied that we are on track to meeting our five-year goals. As with previous years, our team again demonstrated exceptional professionalism and commitment to execute our ambitious Work Plan that included almost 100 different workshops, interventions and meetings for the year. I want to express my sincere appreciation to the team for their unwavering dedication to making a difference in the performance of the SAIs in our region. We often underestimate the strain such a small team takes, especially the travelling involved. However, this gives us an opportunity to focus on innovative initiatives such as e-learning and using a learning management systems, to reach more personnel at our member SAIs.

In addition to a very busy year on the technical front, the Secretariat also embraced the challenge of procuring, designing and moving into a new office space, all in the space of four months. This was a mammoth task and I must thank the responsible team within the Secretariat for their hard work and sacrifice to translate our vision of a world-class office and training facility, into a reality in such a short period of time. Our new facilities were designed with our active training schedule as the main priority. As a result, we now have flexible and innovative training facilities that can

accommodate single large groups or several simultaneous small group workshops. We are very proud of our new offices and excited for our members to benefit from these facilities going forward.

This move and converting our dream into a reality, was only possible because of the tremendous support we've received from the Auditor-General of South Africa (AGSA), for which we are very grateful. A new MoU was signed with the AGSA in April 2016, in terms of which they will continue to host the Secretariat until 2022. In terms of this MoU, the 2013 Statutes and, the legal opinion we obtained in 2016, we have put in place processes to strengthen our identity as a separate legal entity. These steps, along with our strategic focus to be relevant and responsive to the needs and expectations of our members and stakeholders through proactive and innovative developments, are crucial to our long-term financial sustainability as referred to in more detail in the report. The facilities will also reduce overheads such as the hiring of external training venues.

The launch of our Financial and Compliance Audit Manual exposure drafts at the 11th Technical Update, is a testament to our drive to be proactive. These manuals were developed with the support of our institutional partners, the Swedish National Audit Office and the Office of the Auditor-General of Norway, incorporating the new and updated ISSAIs which were presented a month later at the 2016 INCOSAI in Abu Dhabi. These up-to-date, ISSAI-compliant and customisable audit manuals, directly support our members in their efforts to produce credible reports and, it reduces the financial

REPORT BY CHIEF EXECUTIVE OFFICER (CONTINUED)

and human resources required to develop individual SAI guidance. These exposure drafts are currently being tested by many of our members and their feedback will assist us to further enhance the manuals that will be finally released during the 2017 Technical Update.

This past year also saw the first serious steps taken to activate our strategic imperative on the Professionalisation of Public Sector Auditors and Accountants in our region. This focus area, echoed by a similar theme discussion during 2016 INCOSAI again speaks to the relevance of the topic and the challenge that most of our Governments face, namely the relevance and importance of good financial governance. If we, through our engagements with our Governments, can be a catalyst to professionalise the skills, enhance work ethics and competencies of the broader public sector employee, we will be able to improve service delivery, pro-actively address the challenge relating to fraud and corruption and achieve the Sustainable Development Goals and Agenda 2063.

We are immensely grateful for the incredible support we've received from our institutional and other partners in this past year. Your continued commitment to our organisation was instrumental in the impact we've made in our region.

I wish you all the best for the remainder of 2017 and commit to support you to the best of our ability.



WESSEL PRETORIUS
CHIEF EXECUTIVE OFFICER



OUR ORGANISATION

THE GOVERNING BOARD AND SUBCOMMITTEES

As an autonomous, independent and non-political organisation, we are governed by a Governing Board that consists of the heads of member SAs who meets annually. A non-executive Chairperson heads the Governing Board, supported by a Vice-chairperson, and is appointed for a term of three years (once-off renewable). The Governing Board is currently under the Chairmanship of the Auditor-General of Sierra Leone, Mrs L Taylor-Pearce and the Vice Chairman is the President of the Tribunal de Administrativo from Mozambique, Mr M Mungambe.

Each Auditor-General also served on one of the four oversight subcommittees, which are regulated by an approved Terms of Reference. The Governing Board and its four subcommittees met from 8 – 11 May 2016 to oversee the main activities of the organisation on its behalf. The subcommittees are the:

- Capacity Building Subcommittee
- Human Resources Subcommittee
- Finance Subcommittee
- Audit Subcommittee

The main outcomes of the 2016 Governing Board and Subcommittee meetings are included on page 30 and captured in a summary document: 2016 Governing Board Meeting Key Outcomes, which is available on our website.

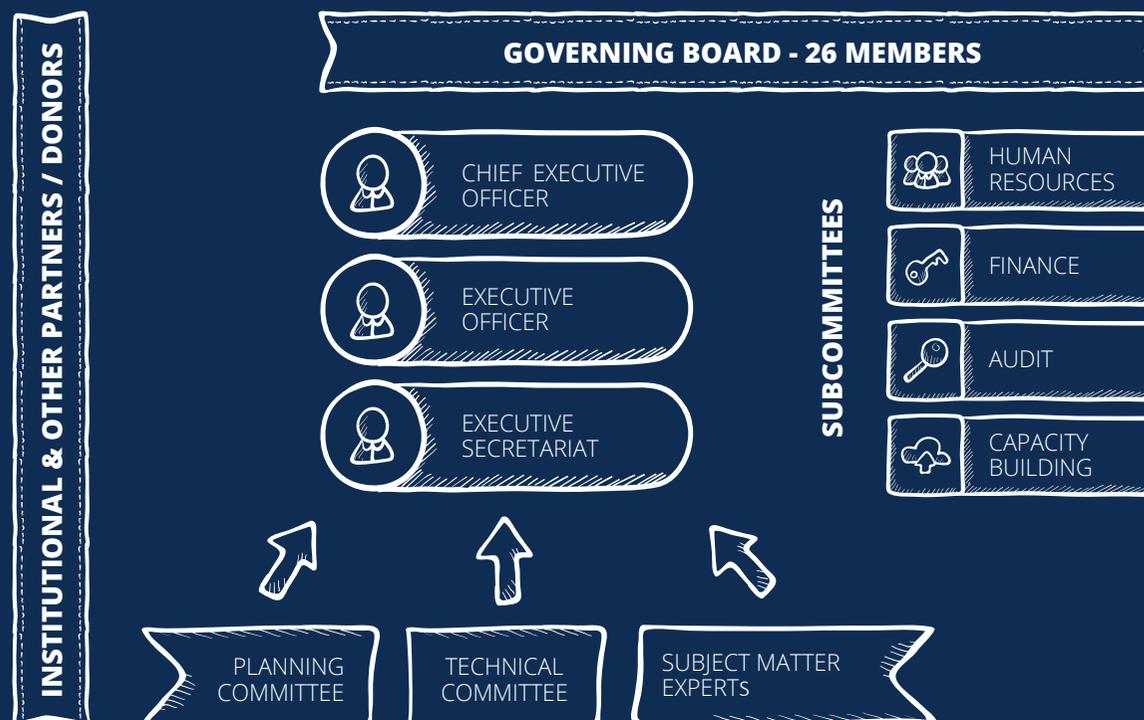
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THE EXECUTIVE SECRETARIAT

The Auditor-General of South Africa continues to host the Executive Secretariat of AFROSAI-E and this arrangement is in place until 31 December 2022. The Secretariat is subject to the law of South Africa, which was confirmed by an independent legal opinion from the AGSA in 2016, and is furthermore governed by the Statutes and Regulations.

For the period under review the Secretariat was headed by Mr Wessel Pretorius as Chief Executive Officer, on appointment by the Governing Board.

AFROSAI-E GOVERNANCE STRUCTURE



OUR ORGANISATION (CONTINUED)

To live our vision of making a difference in the performance of our members, we continued with the processes to set the annual work plan which was approved by the Governing Board. This Integrated Annual Report and the annual ICBF Self-Assessment Report on the SAI's performance together present a multi-dimensional overview of our performance against the targets set in the work plan and; it highlights our intent to be a leading organisation in terms of enhancing accountability practices.

CAPACITY BUILDING PROCESS



SAI PERFORMANCE



HIGHLIGHTS OF 2016

The Corporate Plan (2015 – 2019) includes four strategic imperatives and four operational interventions. The following are some of the 2016 highlights.

PROFESSIONALISING PUBLIC SECTOR AUDITING & ACCOUNTING



1st Meeting of the Interim Oversight Board on Professionalisation

Development of Competency Framework for audit and non-audit professionals

Professionalisation strategy affirmed

BEING A CREDIBLE VOICE FOR BENEFICIAL CHANGE



AFROSAI-E Induction e-learning programme launched

Active website & social media presence

AFROSAI-E exhibition booth at XII INCOSAI

11th Technical Update attended by 140 participants, PASAI, AFROSAI & Portuguese SAIs

IntoSAINT implemented at SAI Sudan

Presentation at 2016 INCOSAI on ICBF

TURNING LEADERSHIP FROM CAPACITY INTO CAPABILITY



Executive Leadership Development Programme concludes

Intensive leadership workshop facilitated for AGs at GB meeting

Article featuring AFROSAI-E ELDP featured in international publication "GO DDI"

REGULARITY AUDIT INNOVATION



Integration of environmental audit risks in standard audit procedures

First IT Audit Self-Assessment conducted at SAI Liberia

In-depth training on extractive industries risk assessments and audits

Specialised training workshop on Network Security

Draft Financial Audit Manual & Compliance Audit Manual launched at 11th Technical Update

BUILDING PERFORMANCE AUDIT CAPACITY



SAI Rwanda awarded the 2015 Best Performance Audit Report prize. SAI gains valuable visibility and support by legislature

Advanced training on quantitative analysis in performance audit

90 SAI employees complete the 3-Module Performance Audit Course in 2016

Updated Performance Audit Manual

STATE OF THE REGION: 2016 ICBF SELF-ASSESSMENT REPORT

The Institutional Capacity Building Framework (ICBF) was developed by AFROSAI-E in 2005 and implemented in 2006. It laid the foundation for monitoring SAI performance in the region using a cost-effective self-assessment approach and was used as a primary source for the development of the SAI Performance Measurement Framework (PMF) that was adopted at the XXII INCOSAI in December 2016. It has been endorsed and accepted as a working tool in our region, creating a comprehensive understanding of the expectations and deliverables of a well-performing SAI. We believe in

strong SAI ownership of AFROSAI-E practices and tools that is effectively encouraged by this self-assessment approach.

ICBF DOMAIN AVERAGES SCORES

A complete summary of the outcomes of the 2016 ICBF survey is published in the ICBF Self-Assessment Report. This section includes a short summary of the key outcomes for 2016. The regional target is to achieve level three and above on the ICBF. Within the ICBF, the responsibility of prioritising and driving the SAI to higher development levels lies with the

leadership of each SAI and, the ability of the SAI to implement sound management practices and controls.

At the regional level, capacity building support is provided to SAIs in the form of bilateral support visits, training workshops, development of audit guidance materials and other interventions, as contributions towards efficient and effective ISSAI implementation at the SAI level. The challenge remains for SAIs to use such information and materials developed at the regional level, to identify and close gaps within the framework of their individual resource constraints.



INDEPENDENCE AND LEGAL FRAMEWORK

A substantial number of SAIs, i.e. 16 (64%), have reached level 3 and above in the Independence and Legal Framework.



ORGANISATION AND MANAGEMENT

On the other hand, there are no significant improvements in the number of SAIs who reported that they were now at a level 3 on the Organisation and Management domain. The numbers increased from 6 (24%) in 2015 to 8 (30.8%) in 2016.



HUMAN RESOURCES

The Human Resources domain experienced an increase in the number of SAIs at level 3 and above – from 6 to 7. This can partly be explained by the increase in the hiring by SAIs of qualified human resources practitioners. It is expected that in the coming years this domain may experience improved scoring levels.



AUDIT STANDARDS AND METHODOLOGY

The Audit Standards and Methodology domain saw a marginal decrease in the number of SAIs on level 3 and above, from 10 (40%) in 2015 to 8 (26.9%) in 2016. The low scores on the questions relating to the development and implementation of the SAI overall annual audit plans indicate a planning challenge being encountered by SAIs during this reporting period.



COMMUNICATION AND STAKEHOLDER MANAGEMENT

The number of SAIs at level 3 and above in the Communication and Stakeholder Management domain remained static at 5 in 2015 and 2016 respectively. The decrease in aggregate scores point to the need for implementing institutional capacity development interventions that would ensure sustainable ISSAI implementation by SAIs.

A SUSTAINABLE AFROSAI-E

To demonstrate good governance practice, AFROSAI-E maintains a risk register which is reviewed monthly and updated as needed. We have prioritised these risks in terms of their impact and probability. Based on this analysis, the following internal and external risks are highlighted along with the mitigation steps that have been taken:

LONG-TERM SUSTAINABILITY

Since its inception several external evaluations have been done on the effectiveness of the Organisation and the Executive Secretariat. Although the results have been positive in general, the long-term sustainability of the organisation is often questioned, given the slow-down in the world economic growth rate and political uneasiness, the long-term stability is now regarded as a medium to high probability with high impact. To mitigate this risk a research project was initiated in early 2017. The results of this will be made available at the 2018 Governing Board meeting.

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INTERNAL RISK

INADEQUATE CAPACITY AT THE SECRETARIAT

 Medium probability
High impact

MITIGATING ACTIONS TAKEN

- Increased the use of regional subject matter experts as trainers and facilitators
- Minimum vacancy level
- Regular review of capacity needed
- Conducive working environment

FINANCIAL SUSTAINABILITY

 Medium probability
High impact

- The annual membership fees were increased with effect from 1 January 2017
- The new training facilities will reduce cost for external facilities
- Reducing cost of events by optimising technology e.g. e-learning
- Travel and accommodation costs of participants carried by SAIs

OPERATIONAL RISKS RESULTING FROM OFFICE RELOCATION

 Low probability
Medium impact

- Monthly review and action taken when needed

EXTERNAL RISKS

OPTIMAL UTILISATION OF MANUALS AND GUIDANCE MATERIALS BY SAIs

 High probability
High impact

MITIGATING ACTIONS TAKEN

- Quality reviews, country training and support
- Self-assessment (ICBF annually)
- Customisation assistance
- Strong drive encouraging members to take ownership of products

ACCEPTANCE OF PROFESSIONALISATION STRATEGY BY PARTNERS AND PARTICIPANTS

 Medium probability
High impact

- Engage on high level to promote the strategy
- Effective communication with target groups
- Partnerships with PAO and regulating authorities

ABILITY OF SAIs TO RESPOND TO EXPECTATIONS RESULTING FROM AGENDA 2063, GOOD FINANCIAL GOVERNANCE AND PUBLIC FINANCE MANAGEMENT REFORMS

 Medium probability
High impact

- Participation on high-level forums that aim to address these challenges i.e. the collaborative forum on Illicit Financial Flows
- Inputs on 2016 INCOSAI XXII theme papers on SDG's and Professionalisation
- Incorporating critical Public Financial Management concepts and discussions in the Governing Board meeting agendas for debate and discussion among member Auditors-General

OVERVIEW OF OUR ACHIEVEMENTS

AFROSAI-E completed 99 events / activities⁸ during 2016 which involved 1411 participants from across the region. Approximately 40% of participants were female, a figure which has been maintained for the last number of years⁹. The activities and events ranged from customising manuals to be SAI or country specific, development work on new thematic areas and updating existing material, to the provision of training, conducting quality assurance reviews and support visits.

Overview of all 2016 events and activities

SAI SUPPORT VISITS, QA REVIEWS & IN-COUNTRY TRAINING



TRAINING AND CUSTOMISATION



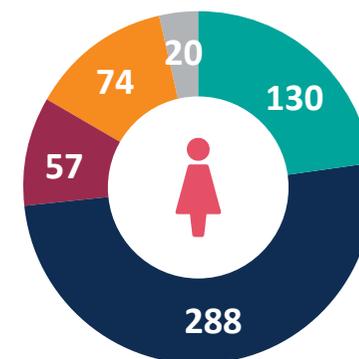
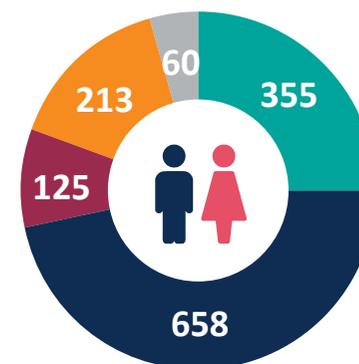
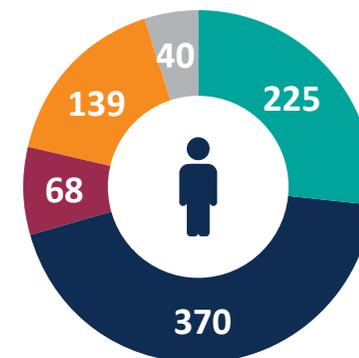
DEVELOPMENT WORK UPDATING & NEW RESEARCH



STAKEHOLDER ENGAGEMENTS



MANAGEMENT DEVELOPMENT PROGRAMME



⁸ Events / activities refer to training workshops, development workshops, QA reviews, MDP and ELDP sessions etc. while work plan projects refer to planned outputs which may also include events.

⁹ Figures are based on all available data captured during the period

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

OUTCOMES OF 2016 WORK PLAN

The Work Plan for 2016 included 91 projects (2015: 82), of which 74 (81%) were finalised (achieved), 6 (7%) were work in progress (partially achieved) at year-end and 11 (12%) were postponed or had not commenced.

STRATEGIC IMPERATIVE 1:

Professionalising public sector auditing and accounting

STRATEGIC IMPERATIVE 2:

Being a credible voice for beneficial change

STRATEGIC IMPERATIVE 3:

Turning leadership from capacity into capability

STRATEGIC IMPERATIVE 4:

Driving innovation and creativity

OPERATIONAL INTERVENTION 1:

Technical Capacity Building - Regularity Auditing

OPERATIONAL INTERVENTION 2:

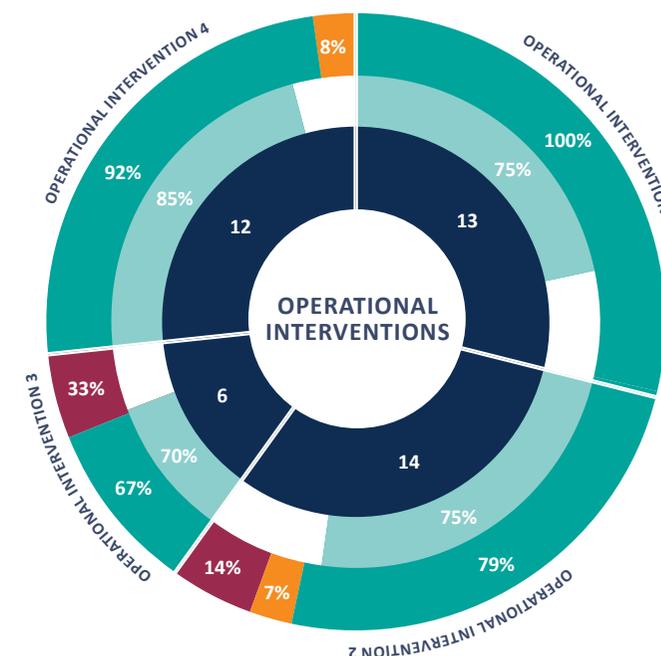
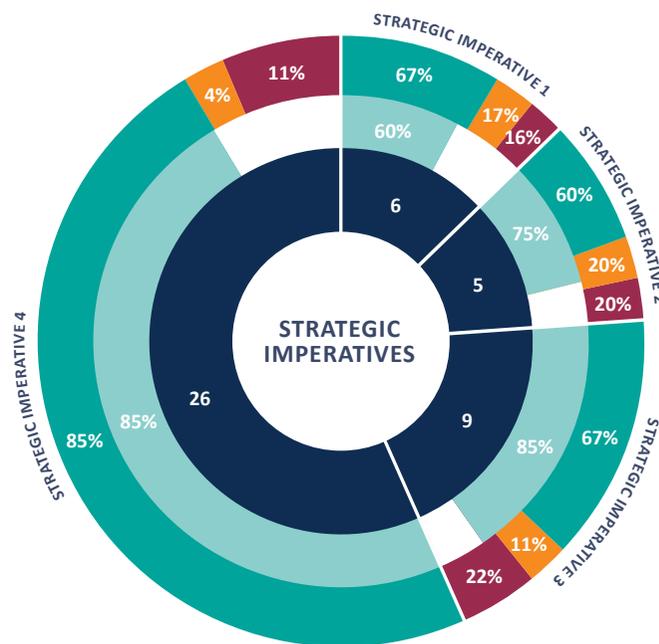
Technical Capacity Building - Performance Auditing

OPERATIONAL INTERVENTION 3:

Institutional Level - SAls

OPERATIONAL INTERVENTION 4:

Executive Secretariat



	STRATEGIC IMPERATIVES	OPERATIONAL INTERVENTIONS	OVERALL TOTAL
Total Measurable Targets 2016	46	45	91
Performance Target % 2016	76%	76%	76%
Achieved	76%	87%	81%
Partially Achieved	9%	4%	7%
Postponed	15%	9%	12%

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

PROFESSIONALISING PUBLIC SECTOR AUDITING AND ACCOUNTING

The African public sector experiences a severe shortage of professional accountants and auditors. Typically, professional accountants and auditors in governments have only been exposed to private sector theory during their initial professional development and they therefore often lack an understanding of public sector challenges and expectations relating to their position. Our professionalisation strategy seeks to put in place coordinating structures in collaboration with key stakeholders at a regional level to support and direct the professionalisation of public sector accounting and auditing in Africa.

The strategy was activated in 2016 after funding was secured for the project. In August 2016, the Interim Oversight Board (IOB) on Professionalisation met for the first time, in Nairobi, Kenya. At this meeting the objectives of the strategy were affirmed and initial terms of reference for the IOB were established. The round table discussions that took place ushered in the next phase of the strategy, which was to start actively engaging a variety of stakeholders to create awareness of this initiative and to come up with a practical solution for Africa.

A full-time resource was appointed in October 2016 to manage this important programme. Presentations have been made at the Professional Accounting Organisation Development Committee (PAODC) of the International Federation of Accountants (IFAC), the annual conference of the African Organisation of Public Accounts Committees (AFROPAC), and at our annual Technical Update.



The strategy was also shared with a variety of stakeholders in Zimbabwe where a fully-funded professionalisation initiative through IFAC is being implemented which closely aligns to our strategy. AFROSAI-E has partnered with the Public Accountants and Auditors Board (PAAB) in Zimbabwe to share knowledge, resources and experiences as they embark on their professionalisation drive. The Zimbabwe PAAB insisted that the AFROSAI-E competency framework for auditors and accountants be used as a baseline. The inputs and comments that we've received from them, have now been incorporated into the framework.

In addition, the Pan African Federation of Accountants (PAFA) have agreed to partner with us on the strategy and will nominate five heads of professional accounting organisations (PAOs) to participate in the IOB. In 2017, in partnership with PAFA and GIZ, we will focus efforts on securing support for the professionalisation strategy from key role players including the African Union, IFAC and regional groupings of accountant generals. We also commenced the process to apply for associate membership at IFAC and nominated Mr Bruce Vivian to serve on the International Accounting and Education Standards Board (IAESB). Development work will focus on communications resources, curricula and an accelerated learning programme. Country visits will take place to continue to create awareness at a local level and to obtain inputs from interested stakeholders.

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

TURNING LEADERSHIP FROM CAPACITY INTO CAPABILITY

While efforts to develop managers within the SAIs have been underway since 2009 through initiatives such as the Management Develop Programme (MDP), the development of executives was identified to be a critical missing link. The Executive Leadership Development Programme (ELDP) was developed with the support of the Swedish National Audit Office (SNAO) with the express purpose of enabling SAIs to create ambitious top executive teams to lead their organisations in attaining higher levels of proficiency and effectiveness.

The ELDP, which involved 24 participants from six SAIs was developed and facilitated by internal and external subject matter experts from the Secretariat and SNAO. It commenced in 2015 and concluded with its fifth and final workshop during March 2016. During the closing session, Mr Magnus Lindell from SNAO, Mr Kimi Makwetu from the AGSA and Mr Wessel Pretorius from the Secretariat were present as two teams were presented with awards of recognition in acknowledgement of their consistently high level of achievement throughout the workshop. The team from SAI Sudan received the award for *best all-round working team* and the team from SAI Sierra Leone for *best project work*. During the workshop, the team from SAI South Africa was also recognised for the best project presentation. Following the conclusion of the programme, the Development Dimensions International (DDI) magazine entitled GO, also published an article on the ELDP entitled: A stick in the bundle is unbreakable.

“The program was extremely useful as it afforded me the opportunity to critically look into my own behaviours as a leader and at the way I interact with my peers, subordinates, and superiors. It gave me valuable insight and guidance as to how I can adjust my behaviour to become more effective.”

ABDALLA HAMID
SAI SUDAN

“It’s not just a generic program for SAIs. It’s things that you need to know as a leader.”

SIBONGILE LUBAMBO
SAI SOUTH AFRICA

“We have seen a positive change in technical skills and capacity in African SAIs over the last couple of years. The next challenge will be to turn developed skills and capacities into institutional capability. That’s where professional leadership and change management comes in and; that’s also why the Swedish NAO together with its partners, support SAIs through leadership initiatives such as the Executive Leadership Development Program.”

MAGNUS LINDELL
DEPUTY AUDITOR-GENERAL OF SNAO

On the fourth day of the 2016 Governing Board meeting, a full programme on the topic of Leadership was scheduled to reaffirm the critical importance of making leadership an ongoing priority for SAIs and to expose all member countries to the broad outline of the ELDP.



OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

STAYING RELEVANT THROUGH EFFECTIVE INFORMATION TECHNOLOGY DEVELOPMENTS

The innovative application of IT systems is essential for the effective use of limited resources in the audit process. An action plan was developed to guide the way forward with audit software development and electronic working papers. The 2012 IT Audit Manual was also updated and an exposure draft was released at the 2016 Technical Update. Of particular significance, was the first-time inclusion of template Working Papers to be used in IT Audits.

In March 2016, SAI Liberia became the first member in the AFROSAI-E region to conduct an Information Technology Audit Self-Assessment (ITASA). They were supported in this endeavour by moderators from the Secretariat and the Netherlands Court of Audit (NCA). The ITASA enables a SAI to conduct a detailed analysis of the current state of its IT Audit capacity and is an invaluable tool for future planning.

With the support of the Secretariat, more SAIs have since conducted ITASA's which has been instrumental in the development and/or amendment of their IT Audit strategies and reconsideration of their audit processes.

The audit of Integrated Financial Management Information Systems (IFMIS) is fast becoming of fundamental importance for SAIs. In response to this need, we implemented a collaborative IT audit on IFMIS security which provided



participating SAIs with new insights of elements not currently being audited in IFMIS audits. To further enhance our impact in this area, we also engaged with other key stakeholders on the topic. This culminated in membership of the World Bank Community of Practice early in 2017. The area of IFMIS audit will be prioritised for more collaboration and developments going forward.

To address the need for more specialised audits, training was provided for IT Auditors on Network Security which empowered them with the relevant tools and techniques



to conduct security audits. In addition, a specific training intervention was held for regularity auditors to demystify IT Audit and understanding the impact of IT findings on regularity auditing, was one of the key outcomes of training that was conducted on IT for Regularity Auditors.

Building the capacity of SAI ICT staff is another ongoing concern that was addressed this year with a dedicated workshop focused on internal process assessment. The workshop was attended by 16 ICT professionals who have all committed to conducting IT self-assessments in their SAIs.

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

DRIVING PROACTIVE REGULARITY AUDIT INNOVATION

AFROSAI-E was the first region to fully adopt the ISSAIs back in 2010 through the roll-out of its Regularity Audit Manual (RAM). The RAM has since become a cornerstone of building audit capacity and strengthening the application of ISSAI-compliant audit processes at our member-SAIs. We have also been closely involved with new developments of the ISSAI framework through our participation in the Forum for INTOSAI Professional Pronouncements (FIPP).

The RAM has been regularly updated and in 2015 our team, with the support of SNAO embarked on an ambitious project to completely revise the manual. This work led to:

- a clearer methodology,
- streamlined content,
- working paper templates with more guidance,
- incorporation of all the latest changes within the ISSAI Framework and,
- a separation of financial and compliance audits as per the ISSAIs.

The result of intensive development and pilot workshops was the launch of the new Financial Audit Manual (FAM) and Compliance Audit Manual (CAM) exposure drafts at the Technical Update in November 2016. A subsequent Regularity Audit Refresher workshop was conducted to present the changes in the manuals and working papers. The in-country pilot workshops leading up to the launch were held at the SAIs of Seychelles, Malawi, Swaziland and Botswana and assisted them in preparing to sustainably



pursue pilot audits by investing in audit team development rather than individuals and addressing immediate concerns from the pilot teams in the use of the FAM. Regional and sub-regional workshops are planned for 2017 to obtain feedback on the user friendly, technical appropriateness of the FAM and to further entrench the methodology principles.

These innovative initiatives, the active participation in our regional workshops and, the overall adoption of the FAM by our member SAIs, has significantly increased the knowledge in the use of ISSAs in our region resulting in greater compliance with their provisions, and increased credibility of the work of our member-SAIs. Through the peer review of the pilot audit files during our country visits, evidence has shown that the regional problem of over auditing is being addressed.

A continuation in such a trajectory is poised to save our members financial and other resources in the provision of financial audits.

The CAM was proactively developed to incorporate the new exposure draft of ISSAI 4000 that was adopted at the INCOSAI in December 2016. A training workshop was held in cooperation with a facilitator from the INTOSAI Compliance Audit Subcommittee (CAS), for teams from six member-SAIs to support them in piloting this methodology, which is completely new to the region. The participating SAIs have progressed well with the planning stage and SAI Kenya has already reached reporting stage on their pilot audit. The SAIs of Namibia and Eritrea have since also established dedicated Compliance Audit divisions.

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)



It has been noted that there is a worldwide increase in the notion of SAIs doing more compliance audits as a sure way of enhancing the value and benefits of a SAI to its citizens as per ISSAI 12. A direct impact of this audit innovation in our region is that our member SAIs are now able to perform pure compliance audits, using a credible methodology which is in line with the requirements of the ISSAs. It is a significant step forward in closing the technical void that existed due to the lack of separation between financial and compliance audit matters, with the former being given more attention at the expense of the later in audit reporting.

Continued work on the area of extractive industries risk assessments and audits resulted in two in-country support visits to Zimbabwe and Sierra Leone, as well as a successful workshop to provide in-depth training to participants from seven SAIs. Working in collaboration with the INTOSAI Working Group on Extractive Industries (WGEI) community of practice as well as the Office of the Auditor General of Norway, participating SAIs were provided training on the basic concepts of extractive industries, risks assessments along the extractive industries value chains and transfer pricing. They were also expected to carry our risks assessments related

to the sector in their respective countries, the results of which enabled them to perform relevant audits. The SAIs of Botswana and Zimbabwe have since become members of the WGEI, which will go a long way in increasing the regional contribution to global debates and discussions on the area of extractive industries. Eleven WGEI members are from the AFROSAI-E region and the working group is chaired by the SAI of Uganda.

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

ENVIRONMENTAL AUDIT RELATED MATTERS INTEGRATED INTO REGULARITY AUDIT

Local governments are primarily responsible to provide basic services and to protect and improve the lives of citizens, while playing a major role in conserving the environment that will enhance and protect the sustainability of natural resources and in turn ensure the health and safety of its citizens.

During the Governing Board and Technical Update Meetings in 2015, the role of SAIs in addressing critical environmental challenges through their day-day audit activities was discussed. In response, we designed a simplistic way to use SAIs' existing financial and human resources to identify possible areas of improvement supported by solution-driven planning towards environmental focus. Strategically the system presents the opportunity for SAIs to use current audit resources, processes, procedures and working-papers and, to rotate selected risks on an annual basis, to improve environmental management, through audit reports and recommendations.

In collaboration with the GIZ, we developed a comprehensive and informative e-learning programme to prepare participating SAIs' audit teams for the audit. Regular and continuous interaction between the teams ensured that all uncertainties were resolved as soon as possible. Seven SAIs participated in this pilot initiative, the results of which will be published in a joint publication in 2017. To share the value and benefit of this approach a short film was produced, which was shared at the 2016 INCOSAI and was made available on our website.



OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

ADVANCING PERFORMANCE AUDIT CAPACITY ACROSS THE REGION

In response to the increasing interest in the focus area of quantitative analysis, we developed an advanced training programme that included theoretical training as well as practical application on real audits. This programme has enabled participants from Botswana, Namibia, Seychelles, South Africa, Tanzania, Uganda and Zambia to add value to their SAIs through an enhanced understanding of audits that include comprehensive statistical calculations and analysis. This is however an extremely complex field which will require continued development and support from experts.

In staying relevant with recent updates on the Performance Audit ISSAIs, the Performance Audit Manual and Handbook were updated and all SAIs that are actively engaged in doing performance audits have either customised the Template Performance Audit Manual or are in the process of doing so. The experiences of SAI Botswana, Kenya and Tanzania in customising the Performance Audit Flow all demonstrated an improvement in the documentation of audit process and procedures, resulting in raised quality. The PA Manual and working papers were also translated into Arabic for implementation by SAI Sudan. They have since tabled their first performance audit report in Parliament which has been very valuable to raise interest in this focus area. In addition, there is interest by ARABOSAI to implement the Arabic version in 2017 with the support of trainers from SAI Sudan.

The demand for the AFROSAI-E 3-Module Performance Audit Course remained undiminished in 2016. A regional course hosted by the SAIs of Kenya and Tanzania attracted participants



from Kenya, Tanzania, Rwanda, Uganda, Sudan and Ghana with another 3-Module course presented in South Africa. In total, over 90 performance audits auditors completed the entire course while SAI Mozambique commenced with the course for staff involved with both performance and regularity audits. As a follow-up to the 3-Module course, SAI Malawi was provided with in-country support to introduce the basic concepts of data analysis working with real audits.

Through Bilateral Agreements we started an initiative where one SAI directly supports another in our region by sharing synergies in specific performance audit matters as mutually determined by the two SAIs. This has proven to be an effective transfer of knowledge and skills as it is demand driven. SAIs involved in this initiative in 2016 included Rwanda, Tanzania, Liberia, Uganda, Sudan, Kenya, Malawi, and The Gambia.

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

PRIZE FOR BEST PERFORMANCE AUDIT REPORT FOR 2015

At the 13th AFROSAI-E Governing Board meeting, the winner of the 2015 Best Performance Audit Prize was announced as being the team from the Office of the Auditor General of Rwanda for their report: *Utilization and maintenance of irrigation and mechanization equipment*. The prize was handed over by the Deputy Auditor General of SNAO, Mr Magnus Lindell to the Auditor-General of Rwanda, Mr Obadiah Biraro and the Director of Performance Audit, Ms Ingabire Goretti.

In the week following the announcement at the Governing Board meeting, SAI Rwanda celebrated their achievement by inviting the winning team, staff and special guests including the Ambassador of Sweden, members of the donor community, Members of the Rwanda Parliament and the former Auditor General of Rwanda, to attend a special function in Kigali. The award contributed to acknowledgement of Performance audit in Rwanda, acknowledgement both in public and internally in the SAI and was even mentioned by the Rwandan president in public speeches.



OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

CONTINUED STRONG FOCUS ON QUALITY ASSURANCE



AFROSAI-E conducted independent quality assurance reviews at eight SAIs in 2016, of which seven were full reviews and one was a follow-up review. The reviews were carried out by teams consisting of between two to six resources from member SAIs, institutional partners and the Secretariat. For the first time, two of the reviews also included an IT Audit review.

These independent reviews have had a very positive impact for members as we've observed the increased use of the audit manuals and working papers. For regularity audit the improvement are particularly evident when it comes to

planning. The reviews also revealed that performance audit reports are being issued annually and that to a large extent, SAIs have been steadily incorporating the overall planning for performance audits in their strategic planning process. On an institutional level, we've observed that independence of SAIs have seen improvement, although financial autonomy remains a challenge. The outcomes of the reviews substantiate the results of the ICBF survey and therefore adds to the credibility of the regional capacity building approach. However, the challenge remains on how to reach all SAI staff and not only the teams that participate in workshops.

AFROSAI-E plans to further improve the quality assurance capacity in the region as well as the quality of the independent reviews event further in 2017 through the implementation of a Quality Assurance Certification course. This course will standardise the approach used by review teams and ensure a common understanding of our methodology on quality assurance reviews, the ISSAIs and the ICBF. It will also include guidance on report writing.

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

STRENGTHENING SYSTEMS TO COMBAT ILLICIT FINANCIAL FLOWS

The enormous outflow of money as Illicit Financial Flows (IFF) is of global concern and is therefore also a high priority on the African agenda. To effectively combat IFF in the continent will require a concerted effort from both an external audit and an oversight perspective. In support of this aim, we participated in a collaborative workshop arranged by the GIZ to discuss the strengthening of systems that can address this critical concern in the African continent. Participants in the workshop included representatives from the Collaborative Africa Budget Reform Initiative (CABRI), the African Organisation of Public Accounts Committees (AFROPAC), the African Tax Administration Forum (ATAF), AFROSAI-E and the GIZ.

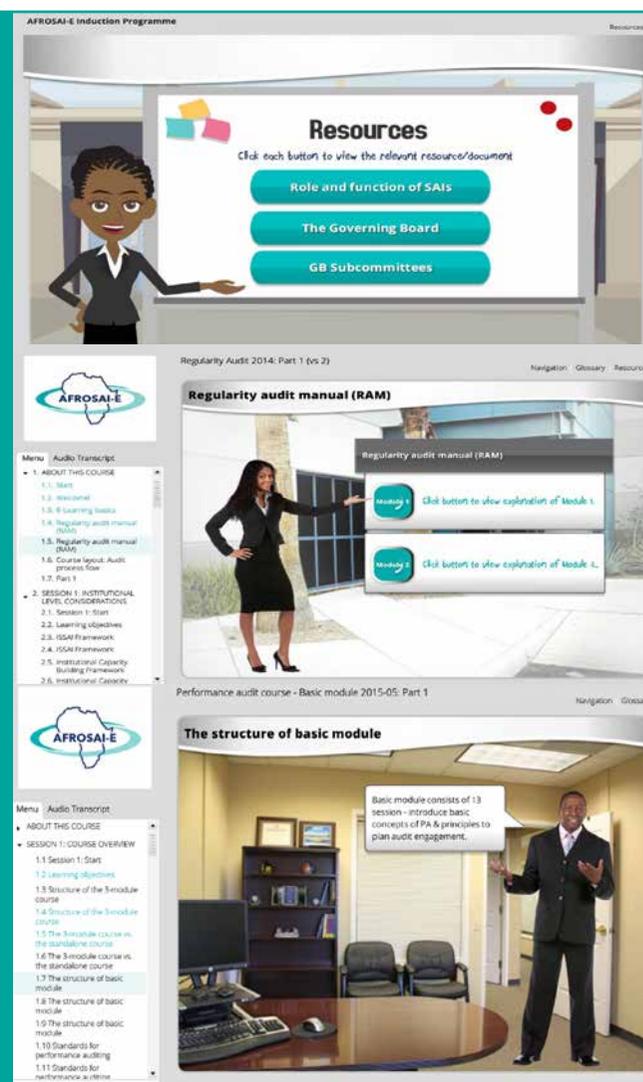
In the past year, AFROSAI-E introduced guidelines and manuals on Forensic Audit, the Audit of Fiscal Governance Issues, the Audit of Fraud and Corruption (which includes IFF related issues such as money laundering), and Extractive Industries Audit. The topic of IFF also featured strongly at the 2015 and 2016 Governing Board meetings where the Board resolved to:

- Audit the policies and procedures implemented by Governments to cover the areas that are most vulnerable to IFFs.
- Make a meaningful contribution to improve current systems in place to combat illicit financial flows, by auditing the systems – that is the regulators and other stakeholders involved and the way they cooperate.
- With regards to the taxation of multinational corporations, look at how tax incentives are designed evaluated and monitored and whether intended benefits have been received.

E-LEARNING INNOVATION

With our eyes firmly focused on the future and the next chapter of our journey, innovation is the operative word. Since 2014 we have actively embraced e-learning as a cost-effective method of training to reach more people within our region more often. The AFROSAI-E Induction Programme was launched at the 2016 Governing Board, joining the existing Regularity Audit Manual and the Performance Audit Manual programmes on our e-learning roster. The Programme gives a quick overview of AFROSAI-E, our capacity building approach and our ICBF.

Shortly after the meeting in Nigeria, a pilot audit to integrate environmental audit risks in a regularity audit at Local Government level was also rolled-out as an e-learning programme. The Environmental Risk Management e-learning programme was developed with the support of the GIZ and it has enabled seven SAIs to participate in the pilot audit without the need on an on-site briefing session. In another first, the basic (first) module of the Performance Audit 3-Module course was rolled out exclusively using the e-learning platform in 2016. We will be taking this approach online in 2017 with the launch of our Learning Management System.



OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

LEADERSHIP DRIVING ACTION AT THE 2016 GOVERNING BOARD MEETING

This year, for the first time ever, the opening ceremony of the annual AFROSAI-E Governing Board meeting, which took place in Nigeria, could be followed around the world via live-stream. The opening ceremony included a warm welcome by the Auditor-General of Nigeria, Mr Samuel Ukura, inspiring remarks by the Chairperson of AFROSAI-E, Mrs Lara Taylor-Pearce and a key note address by the Speaker of the House of Representatives of Nigeria, the Honourable O. Kingsley Chinda.

The occasion was also used to officially unveil and present the 10-Year book of AFROSAI-E to the assembled Auditors-General, institutional and other partners. The book captures the major highlights and achievements of the last decade that we have together achieved as an organisation. During this memorable occasion, each recipient signed a commemorative plaque as a fitting tribute to close the chapter on our first 10 years.

“Leadership Driving Action” was the overarching theme of the 2016 Governing Board Meeting and two days were dedicated to deliberations on the supporting topics of Audit Innovation and Strategic Leadership. Discussions on Audit Innovation centred on the focus areas:

- **Fraud / Risk Management process:** The relevant and critical fraud risks affecting SAIs in specific audit areas such as extractive industries, fiscal governance and Illicit Financial Flows (IFFs).



- **Sustainable Development Goals:** The relevant and critical sectors for SAIs to audit government systems to monitor implementation and reporting on the UN Sustainability Goals.
- **Audit Reporting:** Strengthening the relationship with the Public Accounts Committee through effective reporting and; the importance of relevant reporting in changing times i.e. knowledge of government operations and its impact on the SAIs strategic plan.
- **Quality Control:** Cultivating a level of professional scepticism in the quality control process; as well as: effective quality assurance systems; use of performance management systems to address quality issues; leadership action to ensure implementation of quality audits and compliance with quality assurance processes and; top leaders responsibility to encourage professional supervision and review practices.

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

On day four, the topic of *Leadership* took centre stage, with sessions aimed at three different aspects of leadership: emotional intelligence, talent management and strategic leadership.

The main observations and outcomes of the sessions on Audit Innovation and Leadership were captured in the *2016 Governing Board Meeting: Summary of Key Outcomes*. This summary was developed to be utilised as a 'roadmap' tool for member SAIs to link their own strategic plans with the initiatives identified to address the strategic matters discussed during the sessions. It was also used to update our work plans for 2016 and 2017.



OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

11TH TECHNICAL UPDATE AND REFRESHER WORKSHOPS

SHARED EXPERIENCES OF TAKING OWNERSHIP OF AFROSAI-E GUIDANCE

Once a year, we gather with representatives from across the region to share the outcomes on collective efforts, discuss the challenges, opportunities and successes experienced in implementing manuals and guidance and, to recognise the achievements and advancements made by members. The Update is an invaluable opportunity to engage directly on the matter of SAIs taking ownership of the guidance provided and is considered an exemplary regional event to make a difference in the performance of SAIs.

140 Participants representing most of the AFROSAI-E member-SAIs and our institutional and other partners attended the 11th Technical Update in November 2016. We also welcomed the participation by representatives from the Portuguese-speaking SAIs of Cape Verde and Sao Tome and Principe as well as representatives from the AFROSAI and PASAI General Secretariats and SAI Fiji.

Opportunity was provided to share with participants the major developments that took place over the preceding 12-month period and; to hear from SAIs, how these developments impacted them. The stars of this year's Update were undoubtedly the new exposure draft Financial Audit and Compliance Audit Manuals with their launch at the Update taking place a month prior to the adoption of the new applicable ISSAIs at the XXII INCOSAI. In addition to discussions on these new manuals, we created opportunities to discuss



the 2016 regularity audit interventions to support ISSAI implementation in the region. These included presentations and SAI feedback on the supervision and review workshops; the independent quality assurance reviews as well as on the guidance and workshops related to fiscal governance, extractive industries, the audit of local government, the audit of performance information and, fraud and corruption. Feedback was also given by participants on the collaborative

audit on integrating environmental audit risks in an audit at local government level.

For performance audit, the updated Performance Audit Manual was introduced as well as greater emphasis on fraud and corruption in performance audit. The IT Audit Manual was also reviewed and updated in 2016 and feedback on the changes and implications for SAIs was provided. The eye-

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

opening IT Audit session also included a live demonstration of world-wide systems vulnerabilities. SAI participants provided feedback on how they have implemented guidance and developed their own strategies for effective internal and external communication.

Barbara Dutzler from the GIZ gave a presentation on the Sustainable Development, pointing out that auditing the SDGs can make an impact on the lives of citizens, but it will require SAIs to innovate, transform and be relevant. This sentiment was also echoed during the 2016 INCOSAI during which the SDGs were discussed in-depth as part of the Theme I deliberations.

The programme concluded with feedback on matters discussed at the 10th Technical Update in 2015 as well as an outline of the programmes, workshops and initiatives planned for 2017.

IMPLEMENTATION OF GUIDANCE

The refresher workshops that followed provided more detailed and in-depth discussions and training on the latest developments on Regularity Audit, Performance Audit and IT Audit to support participants to activate the knowledge and skills gained at their own SAIs.

The Regularity Audit refresher included an intensive look at the new Financial and Compliance Audit Manuals while the Performance Audit refresher focused on report writing and the interface between compliance audit and performance audit. The IT Audit refresher primarily address the changes in the new IT Audit manual as well as the area of forensics in IT audit.



OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

RECOGNITION FOR IMPLEMENTING AFROSAI-E GUIDANCE

At the 11th Technical Update, the following SAIs were recognised for their commendable work in implementing the AFROSAI-E guidance on regularity and IT audit.

ZAMBIA:

for implementation of the regularity audit manual and programmes and setting a good example and reference point for extractive industries risk assessment

NAMIBIA:

for demonstrating excellence in the practical implementing of guidance and methodologies following the extractive industries workshop

MAURITIUS:

for staying relevant in changing times by implementing exemplary operational changes in their approach to implementing regularity audit methodologies

LIBERIA:

for being the first SAI in the region to conduct the IT Audit self-assessment and consistently prioritising IT Audit development



OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

A CREDIBLE VOICE FOR THE REGION

Throughout the year, we met with a wide variety of stakeholders to strengthen the reputation of our region; to provide subject matter expertise on technical issues; to garner support for strategic and operational initiatives and; to collaborate on specific interventions e.g. our the professionalisation strategy. Our interactions were guided by our stakeholder map, our stakeholder engagement strategy and responsiveness to new developments.

Our participation in INTOSAI Committees and Working Groups have been of great benefit to ensure that developments that take place on an international level are incorporated into the working methods of the region and; to influence the international developments by incorporating requirements that may be specifically relevant to the English-speaking SAIs in Africa. We participated in the Compliance Audit Subcommittee (CAS), the Performance Audit Subcommittee (PAS), the Professional Standards Committee (PSC), the Working Group on Extractive Industries (WGEI) and the Financial Audit and Accounting Subcommittee (FAAS). We've actively contributed to the debates and discussions on new / amended ISSAIs, enabling us to proactively incorporate the changes into our own guidance. As a participating member of the Working Group on IT Audit (WGITA) resulted in an invitation to share knowledge at the African Information Audit and Security Control seminar. Although we could not participate in the 2016 event, we envisage to give a presentation in 2017 on IFMIS implementation in Africa.



The Secretariat also attended in the joint INTOSAI Capacity Building Committee / Donor Steering Committee meeting in October 2016.

As a full member of the Forum for INTOSAI Professional Pronouncements (FIPP), Mrs Josephine Mukomba from the Secretariat represented the interest of our member-SAIs in the topical debate of the separation of Financial and Compliance Audits. Ms Mukomba was also assigned the responsibility of FIPP liaison professional to the FIPP Strategic

Development Project on providing guidance on compliance audit. This puts us in a unique position to monitor the interests of our members in compliance audit.

The Secretariat continued to maintain an active online presence through its website, www.afrosai-e.org.za as well as through our official Twitter (@AFROSAIE) and LinkedIn accounts. Regular updates on the latest news and publication were posted online to keep members and interested stakeholders updated on the latest developments.

OVERVIEW OF OUR ACHIEVEMENTS (CONTINUED)

22ND INCOSAI IN ABU DHABI, UAE

The 2016 INCOSAI was hosted by the SAI of the United Arab Emirates from 5 – 11 December.

As rapporteurs for Theme I: *Sustainable Development Goals, approach 4: Being models of transparency and accountability in their own operations, including auditing and reporting*, the AFROSAI-E Chairperson, Mrs Lara Taylor-Pearce gave a presentation on the performance measurement tool used within our region, namely the ICBF. Following robust group discussions on the approach, Mr Wynand Wentzel from the Secretariat, provided feedback during the general plenary session on the last day of the Congress which was incorporated in the Abu Dhabi Accords.

The AFROSAI-E exhibition booth garnered a great deal of positive attention and provided excellent opportunities for productive discussions on current and potential future collaborations with other regional working groups, professional bodies and individual SAIs. The INTOSAI Journal also featured our booth and an interview with our communication manager in the special INCOSAI edition. The 2016 INCOSAI was an invaluable opportunity for AFROSAI-E to share with the INTOSAI community the innovative approaches being developed and implemented in the region, the significant achievements already made and; the challenges that we continue to work towards overcoming. It also resulted in follow-up engagements with IFAC, the Institute of Internal Auditors (IIA) as well as a MoU with ARABOSAI which was signed early in 2017.

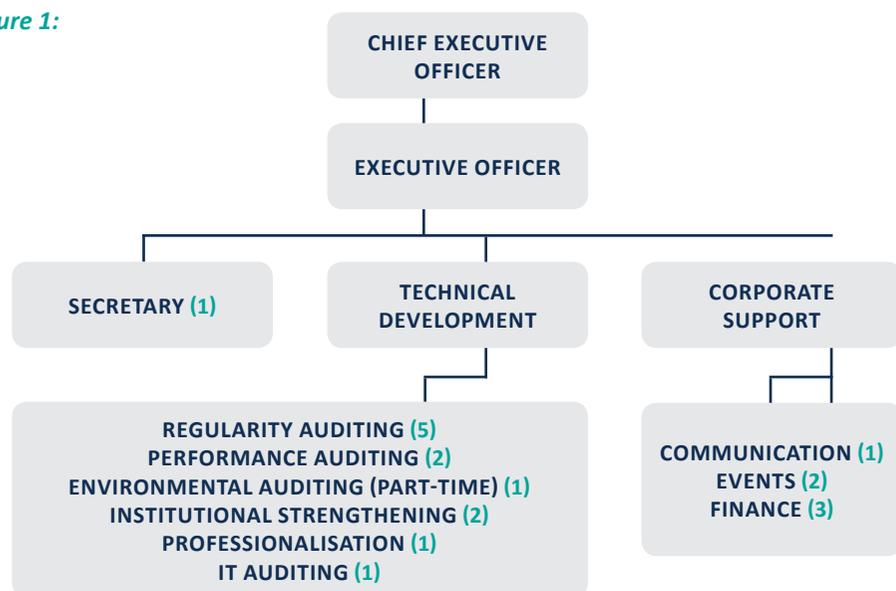


OUR EXECUTIVE SECRETARIAT TEAM

The staff establishment as at 31 December 2016 included 20 full-time positions and one resource from the AGSA that assists us on a part-time basis on environmental auditing. Eighteen of the full-time positions were filled, of which 7 (39%) were male and 11 (61%) female. The regional representation of these positions includes twelve people from South Africa, four people from other African countries and two people from Europe.

During the transition to the new office facilities, secondment agreements were entered into with all AGSA staff members. As a result, two finance staff members remained at the AGSA and their functions were outsourced. This proved to be more cost effective and efficient.

Figure 1:



The employment arrangements of the Secretariat personnel is a mixture of staff seconded from other SAIs, staff appointed and funded directly by AFROSAI-E and staff funded by the AGSA. (Table 1)

G4-9, 10; LA1, 12
G4-56

Table 1: Position funded by / seconded from:

STAFF CAPACITY	
AFROSAI-E directly contracted	5
AGSA	8
Funded by SNAO	3
	16

SECONDMENTS FROM:	
OAGN	1
SNAO	1
	2

In 2015, the Governing Board recommended that the current Chief Executive Officer's contract be renewed until December 2017. A process to recruit a CEO was activated at the 2016 Governing Board meeting and it is expected that the new CEO will be appointed following the 2017 Governing Board meeting.

The Secretariat welcomed five new staff members:

- Bruce Vivian was appointed as Senior Technical Manager: Professionalisation.
- Christina Sand was appointed as Senior Technical Manager: Performance Audit, on secondment from the Swedish National Audit Office.
- Nonhlanhla Ndaba was appointed as Regularity Audit Manager, and Nikeziwe Khanyile as Assistant Audit Manager, as part of the Office of the Auditor-General of South Africa contribution.
- Marianna van Niekerk was appointed as Capacity Building Manager (Human Resources).

Code of conduct

AFROSAI-E abides by a code of conduct, which is based on the INTOSAI code of ethics. All Secretariat staff members annually sign the code of conduct.

FINANCIAL OVERVIEW OF 2016

As referred to in the section on “A Sustainable AFROSAI-E” a research project was initiated to, amongst other things, analyse the impact on members if the AFROSAI-E Executive Secretariat is unable to function optimally. As in the case of many member-based organisations, we function on a cost equalisation principle and the Secretariat is dependent on membership fees and other financial support from donors to fund its operations.

We create value through centralised research, development training and bilateral support programmes to its members, thereby capacitating them to provide a professional public sector audit service. In adding value, the Secretariat strives for efficiencies in our processes while being committed to provide quality services and subscribe to high ethical business practices and standards.

According to the value-added statement (Table 2), membership fees contributed 6% towards the total value added in 2016, with an additional 21% from the AGSA as host of the Secretariat. The contribution from AGSA increased from US\$282 928 in 2015 to US\$485 909 as result of the implementation of the MoU.

The majority of funding still came from donor support which accounted for 71% of the available funding. It was received from the Royal Norwegian Embassy (RNE) (US\$646 420) in South Africa, the Swedish International Cooperation Agency (SIDA) (US\$578 313) and SNAO (US\$438 657). A new agreement was entered with SIDA, according to which 19 million Swedish Krone will be funded from 2016 to 2019.

Compared to 2015, the cost of training and technical development increased by 14% from US\$607 762 to US\$691 893 in 2016, approximately US\$490 per participant; while operational expenditure increased by 14% from US\$915 468 to US\$1 037 809. The increase in the operational expenditure can be attributed to the costs incurred for the new office accommodation which was occupied on 1 October 2016.

The nett result for the year was an inflow of US\$601 029 (25%) which was carried over to 2017.

Table 2: Summary value-added statement for 2016 and 2015

	2016		2015	
	%	US\$	%	US\$
Membership fees*	6	135 000	11	138 000
Donor funds*	71	1 663 390	66	828 656
Support from AGSA	21	485 909	22	282 928
Other income	2	46 432	1	15 772
Total value added	100	2 330 731	100	1 265 356

Applied as follows:

Capacity building (training and development) costs	30	691 893	48	607 762
Operational expenditure	45	1 037 808	72	915 468
Retained /(outflow) in the organisation	25	601 030	(20)	(257 874)
Total value added	100	2 330 731	100	1 265 356

* Membership fees and donor funding does not include all assistance received in the form of salaries, subsistence and travel expenditure and accommodation from institutional partners, donors and member countries.

FINANCIAL OVERVIEW OF 2016 (CONTINUED)

There were also financial contributions which are not reflected in the annual financial statements. These contributions amounted to US\$1 903 433 in 2016 (2015: US\$1 854 015) (Table 3).

Information was requested from members on the financial contributions made by them towards AFROSAI-E activities in 2016. The direct costs incurred included:

- Hosting of events, meetings or workshops where the SAI pays for conference costs etc.;
- Subsistence and travel costs incurred to send participants to training events or to attend AFROSAI-E related events.

Nine SAIs provided information regarding the costs incurred. The average per SAI was US\$77 013 or approximately US\$2 002 352 (2015: US\$1 763 412) in total if extrapolated to all 26 members.

Table 3: Contributions not reflected in the annual financial statements

Organisation	2016 US\$	2015 US\$
Swedish National Audit Office*	882 009	933,990
Office of the Auditor-General of Norway*	328 302	366,312
Member SAIs (2016: 9 respondents; 2015: 7 SAIs)**	693 122	474 765
Total	1 903 433	1 854 015

* Converted using the US\$ exchange rate as at 31 December 2016

** As per information received from member SAIs



FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

GOVERNING BOARD'S RESPONSIBILITIES AND APPROVAL

Our Statutes require the Governing Board to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of AFROSAI-E as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditor's is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the IFRS for SMEs and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Governing Board acknowledges that they are ultimately responsible for the system of internal financial control and place considerable importance on maintaining a strong control environment. To enable the Governing Board to meet these responsibilities, it sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout AFROSAI-E and all employees are required to maintain the highest ethical standards in ensuring our business

is conducted in a manner that in all reasonable circumstances is above reproach. Our focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risks cannot be fully eliminated, we endeavour to minimise it by ensuring the appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Governing Board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Governing Board has reviewed the cash flow forecast for the year up to 31 December 2017 and, in the light of this review and the current financial position, they are satisfied that AFROSAI-E has access to adequate resources to continue in operational existence for the foreseeable future. The Board is not aware of any material event which occurred after the reporting date and up to the date of this report.

In terms of Article 15.4 of the Statutes and Regulations these financial statements are signed on behalf of the Governing

Board by the Head of Supreme Audit Institutions (SAIs) hosting the Secretariat and the Chief Executive Officer.

The external auditors are responsible for independently auditing and reporting on AFROSAI-E's financial statements. The financial statements have been examined by the external auditors and their report is presented on page 42 to 43. The financial statements set out on pages 44 to 55, which have been prepared on the going concern basis, were approved by the Governing Board on 11 May 2017 and were signed on its behalf.



MR MW PRETORIUS
CHIEF EXECUTIVE OFFICER



MR K MAKWETU
AUDITOR-GENERAL OF SOUTH AFRICA

On behalf of the Governing Board in his capacity as Head of the SAI hosting the Secretariat.

AUDIT REPORT



REPORT OF THE INDEPENDENT AUDITOR TO THE BOARD MEMBERS OF THE AFRICAN ORGANISATION OF ENGLISH-SPEAKING SUPREME AUDIT INSTITUTIONS (AFROSAI-E)

We have audited the financial statements of African Organisation of English-speaking Supreme Audit Institutions set out on pages 44 to 55, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss 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 financial statements present fairly, in all material respects, the financial position of African Organisation of English-speaking Supreme Audit Institutions as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Statutes and Regulations of AFROSAI-E.

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 company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The members are responsible for the other information. The other information comprises the Members' Report as required by the Statutes and Regulations of AFROSAI-E. 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 MEMBERS FOR THE FINANCIAL STATEMENTS

The members are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Statutes and Regulations of AFROSAI-E, and for such internal control as the members determine is 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 members are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always

AUDIT REPORT (CONTINUED)

detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

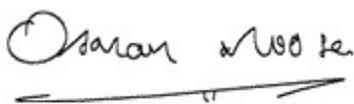
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' 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 company'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 up to the date of our auditor's report. However, future events or conditions may cause the company 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 members 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.



**O.M.A CHARTERED ACCOUNTANTS
INCORPORATED**
OSMAN MOOSA CA (S.A.)
DIRECTOR

Registered Auditor
29 May 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		2016	2015
	NOTE(S)	\$	\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	119 747	19 436
Intangible assets	3	-	273
		119 747	19 709
CURRENT ASSETS			
Trade and other receivables	4	103 287	63 305
Cash and cash equivalents	5	959 410	439 255
		1 062 697	502 560
TOTAL ASSETS		1 182 444	522 269
RESERVES AND LIABILITIES			
Reserve			
Reserves		99 091	45 318
Retained income		922 433	360 920
		1 021 524	406 238
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	95 985	82 653
Deferred income	8	64 935	33 378
		160 920	116 031
TOTAL RESERVES AND LIABILITIES		1 182 444	522 269

STATEMENT OF COMPREHENSIVE INCOME

		2016	2015
	NOTE(S)	\$	\$
Revenue	10	2 284 299	1 249 584
Other income		37 191	8 630
Operating expenses		(1 728 718)	(1 523 230)
OPERATING PROFIT (LOSS)		592 772	(265 016)
Investment revenue		9 241	7 142
PROFIT (LOSS) FOR THE YEAR		602 013	(257 874)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		602 013	(257 874)

STATEMENT OF CHANGES IN EQUITY

	Foreign currency translation reserve	Distributable Reserves (Insurance)	AFROSAI-E Membership fees	Total Reserves	Retained Income	Total Reserves
	\$	\$	\$	\$	\$	\$
BALANCE AT 01 JANUARY 2015	(216 548)	-	277 464	60 916	660 194	721 110
Loss for the year	-	-	-	-	(257 874)	(257 874)
Other comprehensive income	(56 998)	-	41 400	(15 598)	-	(15 598)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(56 998)	-	41 400	(15 598)	(257 874)	(273 472)
Transfer between reserves	-	-	-	-	(41 400)	(41 400)
TOTAL CHANGES	-	-	-	-	(41 400)	(41 400)
BALANCE AT 01 JANUARY 2016	(273 546)	-	318 864	45 318	360 920	406 238
Profit for the year	-	-	-	-	602 013	602 013
Other comprehensive income	12 440	833	40 500	53 773	-	53 773
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	12 440	833	40 500	53 773	602 013	655 786
Transfer between reserves	-	-	-	-	(40 500)	(40 500)
TOTAL CHANGES	-	-	-	-	(40 500)	(40 500)
BALANCE AT 31 DECEMBER 2016	(261 106)	833	359 364	99 091	922 433	1 021 524

STATEMENT OF CASH FLOWS

		2016	2015
	NOTE(S)	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from (used in) operations	13	617 976	(253 612)
Interest income		9 241	7 142
Distributable Reserves (Insurance)		833	-
Foreign currency translation reserves		12 440	(56 998)
NET CASH FROM OPERATING ACTIVITIES		640 490	(303 468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	2	(120 333)	(156)
Sale of property, plant and equipment	2	-	3
NET CASH FROM INVESTING ACTIVITIES		(120 333)	(153)
TOTAL CASH MOVEMENT FOR THE YEAR			
		520 157	(303 621)
Cash at the beginning of the year		439 255	742 875
TOTAL CASH AT END OF THE YEAR	5	959 412	439 254

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the IFRS for SMEs, and the Statutes of AFROSAI-E. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in US Dollars.

These accounting policies are consistent with the previous period, except that assets with a cost price of USD500 or less is expensed on acquisition and not capitalised. See paragraph 1.3.

1.1 FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency in which transactions are recorded is South African Rand (ZAR). The presentation currency of the Annual Financial Statements is United States Dollar (USD).

1.2 TRANSACTIONS AND BALANCES

Foreign currency transactions are translated to the functional currency using the average spot rate applicable for the month. Gains and losses from settlement and translation of the monetary liabilities and assets translated at closing rates are reported in the Foreign Currency Translation Reserve (FCTR), in the Statement of Financial Performance (SFP).

1.3 PROPERTY, PLANT AND EQUIPMENT

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economic benefits is depreciated separately over its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in

profit or loss and is calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the item at the date of derecognition.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

Item	Depreciation method	Average useful life
Motor vehicles	Straight line	4 years
Office equipment	Straight line	6 years
IT equipment	Straight line	3 years

The residual value, depreciation method and useful life of each asset are renewed only when there is an indication that there has been a significant change from the previous estimate.

Property, plant and equipment are included at historical cost basis. Assets including intangible assets with a cost price of less than USD 500 are fully expensed on acquisition. These assets are also recorded in the Asset register.

There was no change in the nature of the property, plant and equipment of the AFROSAI-E or in the policy regarding their use.

ACCOUNTING POLICIES (CONTINUED)

1.4 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

Research and development costs are recognised as an expense in the period incurred.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight-line basis, as follows:

Item	Useful life
Computer software	2 years

1.5 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset/(liability) is:

A contractual right/(obligation) to receive/(pay) cash to another entity, or exchange financial assets or liabilities with another entity under conditions that are potentially favourable/(unfavourable).

Financial assets/(liabilities) are recognised on the entity's statement of financial position when the entity becomes party to the contractual provisions of the instrument.

Classification depends on the purpose for which the financial instrument was obtained/ incurred and takes place at initial recognition.

The entity classifies financial assets and financial liabilities as follows:

TRADE AND OTHER RECEIVABLES

Trade receivables are amounts claimable from another party owing to contractual or legal rights, other than investments. Trade receivables are recognised when it is probable that economic benefits will flow to the entity and the amount can be measured reliably. Trade receivables are carried at original invoice amount less allowance for any uncollectable amounts. An allowance for estimated irrecoverable amounts is recognised in profit or loss when there is objective evidence that the asset is impaired.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, 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.

TRADE AND OTHER PAYABLES

Trade payables are amounts owing to another party due to contractual or legal rights and are recognised when it is probable that economic benefits will flow from the entity and the amount can be measured reliably. Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

DERECOGNITION OF FINANCIAL ASSETS (LIABILITIES)

Financial assets (liabilities) are de-recognised when the contractual rights to the cash flows from the asset/(liability) expire, or when it transfers the financial asset (liability) and substantially all the risks and rewards of ownership of the asset (liability) to another entity.

ACCOUNTING POLICIES (CONTINUED)

1.6 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

MEMBERSHIP FEES

Revenue from membership fees is recognised when fees become due.

DONOR FUNDING

Donor funding is accounted for through the Statement of Financial Position and the Statement of Comprehensive Income.

Donor funding with no conditions attached is recognised in the Statement of Comprehensive Income when they become receivable.

Donor funding with conditions attached is presented as deferred Income in the Statement of Financial Position. This will be recognised as revenue as and when the conditions are met.

INVESTMENT INCOME

Interest income is accrued on a time proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

1.7 TAXATION

No provision has been made for taxation, as AFROSAI-E is exempt from income tax in terms of section 10 of the Income Tax Act, 1962 (Act 58 of 1962)

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Motor vehicles	40 710	(14 325)	26 385	19 838	(9 978)	9 860
Office equipment	62 301	(12 441)	49 860	24 756	(15 288)	9 468
IT equipment	52 958	(9 456)	43 502	11 811	(11 703)	108
TOTAL	155 969	(36 222)	119 747	56 405	(36 969)	19 436

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2016

	Opening balance	Additions	Disposals	Foreign exchange movements	Depreciation	Closing balance
Motor vehicles	9 860	26 211	-	(4 727)	(4 959)	26 385
Office equipment	9 468	46 791	(289)	(2 164)	(3 946)	49 860
IT equipment	108	47 331	-	(266)	(3 671)	43 502
	19 436	120 333	(289)	(7 157)	(12 576)	119 747

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2015

	Opening balance	Additions	Disposals	Foreign exchange movements	Depreciation	Closing balance
Motor vehicles	13 064	-	-	-	(3 204)	9 860
Office equipment	10 936	66	-	-	(1 534)	9 468
IT equipment	165	90	(3)	-	(144)	108
	24 165	156	(3)	-	(4 882)	19 436

OTHER INFORMATION

At 31 December 2016, the AFROSAI-E's investment in property, plant and equipment amounted to a cost of \$155 969 (2015: \$56 405), of which \$120 333 (2015: \$156) was added in the current year through additions due to the relocation and the implementation of the MOU with AGSA. The carrying value of investment in property, plant and equipment is \$119 747 (2015 : \$19 436).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INTANGIBLE ASSETS

	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	564	(564)	-	669	(396)	273

RECONCILIATION OF INTANGIBLE ASSETS - 2016

	Opening balance	Foreign exchange movement	Amortisation	Total
Computer software	273	(124)	(149)	-

RECONCILIATION OF INTANGIBLE ASSETS - 2015

	Opening balance	Foreign exchange movement	Amortisation	Total
Computer software	522	-	(249)	273

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Trade receivables	17 721	8 817
Prepayments	63 565	37 458
SAI Angola	14 000	7 000
SAI Namibia	-	7 000
SAI Somalia	3 000	-
SAI Nigeria	5 000	-
SAI Malawi	-	3 030
	103 287	63 305

TRADE AND OTHER RECEIVABLES PAST DUE BUT NOT IMPAIRED

At 31 December 2016, trade and other receivables amounting to USD22 000 were past due but not impaired. The ageing of amounts past due but not impaired is as follows:

	2016	2015
	\$	\$
SAI Angola	14 000	7 000
SAI Malawi	-	3 030
SAI Namibia	-	7 000
SAI Somalia	3 000	-
SAI Nigeria	5 000	-
	22 000	17 030

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2016	2015
	\$	\$
Cash on hand	1 839	516
Bank balances	957 571	438 739
	959 410	439 255

BASKET ACCOUNTS

US Dollar Account	582 289	37 948
ZAR Current Account	2 108	27 861
ZAR Call Account	9 335	12 290

MEMBERSHIP ACCOUNTS

US Dollar Account	148 308	255 497
ZAR Investment Account	215 509	105 121

OTHER ACCOUNTS

US Dollar Account (IDI)	20	20
US Dollar Account (World Bank)	2	2
Cash on hand	1 839	516
	959 410	439 255

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Trade payables	66 338	65 655
Accrued leave pay	29 647	16 998
	95 985	82 653

7. RETAINED INCOME

An amount of USD 40 500 (30%) of membership fees has been retained as per decision taken on 11 October 2004 by the Governing Board, and as disclosed in the Statement of Changes in Equity. The amount of USD 94 500 (70%) has been transferred to the USD Donor account.

8. DEFERRED INCOME

	2016	2015
	\$	\$
Membership Fees prepaid	27 512	28 000
Long term experts	36 995	5 378
	64 507	33 378

Breakdown of the prepaid value for the year ended is as follows.

	2016	2015
	\$	\$
SAI Eritrea	-	3 000
SAI Ghana	7 700	7 000
SAI Kenya	-	7 000
SAI Rwanda	3 300	3 000
SAI Sierra Leone	3 300	3 000
SAI Uganda	5 500	5 000
SAI Sudan	2 712	-
SAI Zambia	5 000	-
	27 512	28 000

9. CONTRIBUTION FROM THE AUDITOR-GENERAL SOUTH AFRICA

	2016	2015
	\$	\$
Secretariat support		
Seconded AGSA staff - Salaries refunded to AGSA	(53 660)	(137 146)
Staff remuneration	294 708	336 600
Contributions towards other expenses	244 861	83 474
	485 909	282 928

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. REVENUE

	2016	2015
	\$	\$
Donor contributions (including support from AGSA and SNAO)	2 149 299	1 111 584
Membership fees	135 000	138 000
	2 284 299	1 249 584

11. OPERATING PROFIT (LOSS)

Operating profit / (loss) for the year is stated after accounting for the following:

Loss on disposal of property, plant and equipment	(289)	-
Loss on exchange differences	(1 095)	(709)
Amortisation on intangible assets	149	249
Depreciation on property, plant and equipment	12 576	4 880

12. AUDITOR'S REMUNERATION

Fees	7 072	8 349
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13. CASH GENERATED FROM (USED IN) OPERATIONS

	2016	2015
	\$	\$
Profit (loss) before taxation	602 013	(257 874)
ADJUSTMENTS FOR:		
Depreciation and amortisation	12 725	5 129
Loss on disposal of assets	289	-
Interest received	(9 241)	(7 142)
Foreign exchange movements on property, plant and equipment	7 281	-
CHANGES IN WORKING CAPITAL:		
Trade and other receivables	(39 980)	(37 108)
Trade and other payables	13 332	26 076
Deferred income	31 557	17 307
	617 976	(253 612)

14. COMMITMENTS

OPERATING LEASE – AS LESSEE (EXPENSE)

MINIMUM LEASE PAYMENTS DUE

• within one year	(194 402)	-
• in second to fifth year inclusive	(777 610)	-
• later than five years	(194 402)	-
	(1 166 414)	-

Operating lease payments represent rentals payable by the organisation for its office properties. The term of the lease was agreed to be for six years until 31 December 2022. No contingent rent is payable.

DETAILED INCOME STATEMENT

		2016	2015
	Note(s)	\$	\$
REVENUE			
Donor contributions		1 224 733	368 310
Support from AGSA		485 909	282 928
Support from SNAO		438 657	460 346
Membership fees		135 000	138 000
	10	2 284 299	1 249 584
OTHER INCOME			
Interest received		9 241	7 142
Profit and loss on exchange differences		1 095	709
Sundry income		31 339	-
Vehicle rent		4 757	7 921
		46 432	15 772
OPERATING EXPENSES			
Auditors remuneration	12	(7 072)	(8 349)
Depreciation, amortisation and impairments		(12 725)	(5 129)
Minor asset write off		(2 989)	-
Operating expenses - secretariat		(96 300)	(35 848)
Printing and stationery		(3 811)	-
Professional fees - secretariat		(913 639)	(866 142)
Profit and loss on sale of assets and liabilities		(289)	-
Project expenses		(691 893)	(607 762)
		(1 728 718)	(1 523 230)
PROFIT (LOSS) FOR THE YEAR		602 013	(257 874)

GRI INDEX

GRI G4 guidelines were used as a reference. This index refers the reader to the page(s) where information relating to GRI parameters and performance indicators can be found. Only parameters and performance indicators on which information is disclosed are included in this index.

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