

CIRCULAR 1/2021 - GUIDELINE ON FEES FOR AUDITS PERFORMED BY PRIVATE FIRMS ON BEHALF OF THE AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)

Introduction

1. Section 188 of the Constitution of the Republic of South Africa, 1996 mandates the Auditor-General to audit and report on the accounts, financial statements and financial management of national and provincial departments, national and provincial administrations, all municipalities and all other institutions required by law to be audited by the Auditor-General. This mandate is further described in section 4 and 5 of the Public Audit Act 25 of 2004 (the "PAA").
2. The Auditor-General performs his or her functions with the assistance of an administration established in terms of section 30(1) of the PAA. Section 12 of the PAA authorises the Auditor-General to supplement the available capacity in the administration with authorised auditors who are suitably qualified to perform public sector audits and audit related services on behalf of the Auditor-General. The contracting of qualified auditors in private practice not only provides additional capacity to execute the Auditor-General's mandate, but also serves as a mechanism to support transformation and capacity building in the accountancy profession.

Basis for the calculation of audit fees

3. The Auditor-General is an independent supreme audit institution (SAI). As such it defines the basis for the calculation of its audit fees, after having consulted the National Treasury and the Standing Committee on the Auditor-General as per section 23(1) of the PAA. This funding model authorises the Auditor-General to charge a professional fee for the audits conducted and audit related services rendered to its public sector clients. These fees are based on predetermined charge-out rates for actual hours worked. The rates for audits and related services do not differentiate between services rendered by the Auditor-General's own resources and services rendered by auditors in private practice on behalf of the Auditor-General.
4. The determination of charge-out rates is done annually and is based on the following:
 - 4.1 The general state of the South African economy;

- 4.2 Government's budgetary policy and steps taken to contain the rate of inflation;
- 4.3 Salary cost of staff per band (cost + overhead rate);
- 4.4 Number of recoverable hours available for the relevant year; and
- 4.5 Request from auditees for the AGSA to reconsider the fees charged given the state of the economy.

Determination of charge-out rates: 1 April 2021 to 31 March 2022

5. The institution applied the factors and considerations referred to in subparagraphs 4.1 to 4.5 and determined the charge-out rates. These rates are considered appropriate and intended to apply only to services rendered on behalf of the Auditor-General. Fees for other work performed by private auditors for public sector institutions must be negotiated with those institutions directly utilising this circular as a guide.
6. The approved charge-out rates for 2021/22 remain the same as 2020/21 due to the state of the economy due to the pandemic. The rates commence at an entry-level rate of R256 (R256 - 2020/21) for a first year graduate trainee. The maximum charge out rate for partners, director, specialists and pre-issuance is at R3 119 (R3 119 - 2020/21).
7. In the event that a partner, director, specialist or pre-issuance reviewer charges the maximum charge out rate, the AGSA reserves the right to request proof of income to support the rate charged.
8. Charge-out rates are strictly linked to the highest qualification obtained by authorised auditors in private practice. Qualification still in progress will not be considered in the determination of an appropriate charge-out rate.
9. The rates so determined exclude value added tax
10. The annexure to the circular guides the users of the Auditor-General's tariff scale on the application of the approved charge out rates from 1 April 2021 to 31 March 2022. These rates are listed per resource grouping, professional level and recognised qualification.

11. Fee and payment related matters are further governed by the terms and conditions contained in the memorandum of agreement signed following the acceptance of an audit or related services assignment.
12. The audit fee budgets for 2021 were set and agreed with auditees in 2020. The AGSA did not have an internal staff salary increase in August 2020 and as such, the 2021 audit fees do not factor increases into account.
13. Keeping rates constant stems from the AGSA's consideration that the AGSA client, which is the South African Government institutions, may not be fully capable to carry the increased cost of auditing which comes through the increased audit fee. This consideration was made after the observation of the current economic conditions, which resulted from the effect of the COVID-19 pandemic including several complaints from auditees regarding the higher audit fees charged by the AGSA

Pretoria

1 April 2021

Proposed by:



Bongani Habile

HoU: Strategic Audit Projects

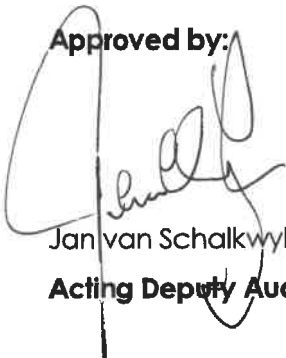
Recommended by:



Bonggi Ngoma

Chief Financial Officer

Approved by:



Jan van Schalkwyk

Acting Deputy Auditor General

ANNEXURE: RATES FOR AUDITS PERFORMED ON BEHALF OF THE AUDITOR-GENERAL SOUTH AFRICA FOR THE PERIOD 1 APRIL 2021 TO 31 MARCH 2022 (EXCLUDING VALUE-ADDED TAX)

Regulatory Audit (RA) Charge Out Rates- 5-year Training Programme

Five-year Programme Trainee Auditor Charge-out Rates – 2021-22			
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	YEAR OF ARTICLES	AGSA Approved Rates
GRADUATES	B.Com. degree Advanced Diploma in Accounting Sciences (Bridging) ACCA F1 - F9	1st	R 256
		2nd	R 296
		3rd	R 335
		4th	R 375
		5th	R 414
SEMI-PROFESSIONAL	CTA Level 1 (Postgraduate Diploma in Accounting Sciences) GASP ACCA P1 - P3	3rd	R 414
		4th	R 453
		5th	R 532
	CTA Level 2 (Postgraduate Diploma in Applied Accounting Sciences)	3rd	R 493
		4th	R 532
		5th	R 612
PROFESSIONAL	ITC (QE1)	4th	R 571
		5th	R 651
	APC (QE2) RGA FQE (Final qualifying exam) ACCA P5 + P7	4th	R 730
		5th	R 769

Regulatory Audit Charge (RA) Out Rates- 3-year Training Programme

Three-year Programme Trainee Auditor Charge-out Rates – 2021-22			
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	YEAR OF ARTICLES	AGSA Approved Rates
GRADUATES	B.Com. degree Advanced Diploma in Accounting Sciences (Bridging) ACCA F1 - F9	1st	R 335
		2nd	R 375
		3rd	R 414
SEMI-PROFESSIONAL	CTA Level 1 (Postgraduate Diploma in Accounting Sciences) GASP ACCA P1 - P3	1st	R 414
		2nd	R 453
		3rd	R 532
	CTA Level 2 (Postgraduate Diploma in Applied Accounting Sciences)	1st	R 493
		2nd	R 532
		3rd	R 612
PROFESSIONAL	ITC (QE1)	1st	R 532
		2nd	R 571

Three-year Programme Trainee Auditor Charge-out Rates – 2021-22			
		3rd	R 651
	APC (QE2) RGA FQE (Final qualifying exam) ACCA P5 + P7	2nd	R 730
		3rd	R 769

Regulatory Audit (RA) Charge Out Rates- Other Professionals

Audit Supervisor Charge-out Rates – 2021-22		
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	AGSA Approved Rates
GRADUATES	B.Com. degree or ACCA F1 - F9	R 630
SEMI-PROFESSIONAL	Honours or GASP or ACCA P1 - P3	R 662

Assistant Manager Charge-out Rates – 2021-22		
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	AGSA Approved Rates
GRADUATES	B.Com. degree	R 806
SEMI-PROFESSIONAL	Honours	R 859
	CTA	R 893
PROFESSIONAL	ITC (QE1) or RGA FQE	R 929
	APC (QE2) RGA FQE (Final qualifying exam)	R 1 017
	RGA	R 1 072
	CA, ACCA	R 1 104

Audit Manager Charge-out Rates – 2021-22		
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	AGSA Approved Rates
GRADUATES	Bcom degree	R 1 167
SEMI-PROFESSIONAL	Honours	R 1 207
	CTA	R 1 276
PROFESSIONAL	ITC (QE1) or RGA FQE	R 1 331
	APC (QE2) RGA FQE (Final qualifying exam)	R 1 385
	RGA	R 1 586
	CA, ACCA	R 1 641

Senior Manager /Specialist Charge-out Rates – 2021-22		
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	AGSA Approved Rates
PROFESSIONAL	ITC (QE1) or RGA FQE	R 2 025
	APC (QE2) RGA FQE (Final qualifying exam)	R 2 141
	RGA	R 2 199
	CA, ACCA	R 2 257

Information Systems Audit (ISA) Charge Out Rates

Information Systems Audit (ISA) Charge-out Rates – 2021-22		
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	Average AGSA Rates
Senior Manager (ISA)	CISA	R 2 126
Manager (ISA)	CISA	R 1 483
Assistant Manager (ISA)	CISA	R 918
Assistant Manager (ISA)	Bcom degree	
Senior IT Auditor	CISA	R 563
Senior IT Auditor	Bcom degree	
IT Auditor	CISA	R 271
IT Auditor	Bcom degree	

Investigations Audit Charge Out Rates

Investigations Charge-out Rates - 2021-22			
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	NUMBER OF YEARS OF EXPERIENCE POST QUALIFICATION	Average AGSA Rates
Director/Partner	CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications	>12 years	R 3 119
Associate Director	CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications	>10 years	R 3 027
Senior Manager (Investigations)	CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications	>8 years	R 2 430
Manager (Investigations)	CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications	7-8 years	R 1 983
Assistant Manager (Investigations)	CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications	5-6 years	R 1 355
Senior Associate	Bachelor degree with articles or relevant forensic training	4 years	R 983
Associate	Bachelor degree with articles or relevant forensic training	1-3 years	R 673
Support staff	Bachelor degree or diploma	None	R 340

Pre-Issuance (PIR) Charge Out Rates- Directors/Partners/Specialists

PARTNERS/DIRECTORS/PRE-ISSUANCE REVIEWERS (maximum) R3 119 per hour
(2020/21: R3 119)