GUIDELINE ON FEES FOR AUDITS DONE ON BEHALF OF THE AUDITOR-GENERAL SOUTH AFRICA (AGSA)

.01 The Auditor-General South Africa (AGSA) has confirmed that the charge out rates set out in the annexure to this circular are considered to be appropriate for audit work performed by members on behalf of the AGSA. These rates apply from 1 April 2014 to 31 March 2015.

.02 When discussing the rates with the AGSA, representatives of the South African Institute of Chartered Accountants (SAICA) take cognisance of the state of the economy, Government’s Budgetary Policy, and the steps taken by Government to contain the rate of inflation.

.03 The revised scale starts with an hourly rate of R71 (2013: R71) for monthly earnings of R2 500 (2013: R2 500) and includes rates for monthly earnings of up to R82 500 (2013: R80 000). The hourly rate for monthly earnings of R82 500 is R2 424. The hourly rate for partners has been increased from R2 424 to R2 545 per hour and for specialists from R2 424 to R2 545 per hour.

.04 Rates are calculated by dividing the monthly earnings by recoverable hours and multiplying by a factor of 2.86 (2013: 2.86) to accommodate overhead costs. The rate per category continues to be calculated using the mid-point of the earnings.

.05 The AGSA Engagement Manager will advise the audit firm of the budgeted cost of the audit contracted out. Fees should be based on the time spent on audits. Time records should be kept for individual staff or grades of staff and should indicate the actual time spent on the audit. Should it be necessary to spend more time than expected as a result of exceptional circumstances, such as unforeseen problems requiring additional work to be performed to express an opinion, the AGSA should be advised in writing prior to any work being carried out. The increase in fees for these circumstances should be negotiated with the AGSA Engagement Manager.
Members are reminded that invoices to the AGSA must be accompanied by a schedule setting out the monthly earnings category for each employee, the associated rate and number of hours charged in respect of that invoice. Supporting schedules setting out the composition of the monthly earnings category of each employee, in terms of the items listed in the annexure, must be available for inspection by the AGSA, at members’ offices.

Professional liability for a member performing work on behalf of the AGSA is limited to a maximum of two (2) times the fees billed for the specific work.

Members are exhorted to review their audit approaches to ensure that up-to-date techniques are used so as to reduce to a minimum the time spent on audits. The audit approach should be in line with the International Standards of Auditing and take into account the AGSA guidelines as indicated in Directives issued from time to time, in terms of the Public Audit Act. Members should also consider any other directives that may be issued during the period covered by the circular and should consult with the AGSA Engagement Manager in this regard. However, auditors should carry out their duties free from any restrictions whatsoever.

It is acceptable practice for public sector clients to make interim payments on account of fees. Such interim fees should not exceed the total fees for time spent up to the date of rendering the account.

These rates are only applicable to audit work performed by members on behalf of the AGSA, as they are based on factors existing in this environment. Fees for other work performed for government entities should be negotiated directly with the entities concerned.

Johannesburg
March 2014

T M Nomzembe
Chief Executive Officer
Annexure

RATES FOR AUDITS DONE ON BEHALF OF THE AUDITOR-GENERAL SOUTH AFRICA
PERIOD: 1 APRIL 2014 TO 31 MARCH 2015
RATES (excluding Value Added Tax)

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### STAFF

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Fee increases
Members are requested to refer and adhere to the guidelines set out in paragraph 5 of this Circular when dealing with issues of fee increases.

Monthly earnings
Monthly earnings include the total cost of the employee’s remuneration package and are limited to the following:

- Basic salary;
- Travel allowance (as part of the salary structure);
- Housing allowance/subsidy (as part of the salary structure);
- Annual bonus (guaranteed portion only);
- Fringe benefit on the use of a company vehicle (as part of the salary structure);
- Computer allowance, irrespective of whether it is a salary sacrifice or not. The allowance should not necessarily be included in payslip;
- Proportionate amount of annual subscriptions payable to SAICA and/or the Independent Regulatory Board for Auditors;
- Company contributions to medical aid fund, pension fund, provident fund, group life insurance and unemployment insurance fund;
- Entertainment allowance (as part of the salary structure).

Should any uncertainty exist in respect of the composition of employees’ packages, the SAICA Project Director – Public Sector should be contacted.