

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

- .01 The Auditor-General of 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 2017 to 31 March 2018.
- .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 rates are calculated by dividing the monthly earnings by recoverable hours and multiplying by a factor of 2.86 (2016: 2.86) to accommodate overhead costs. The rates per category provided in the annexure are calculated using the mid-point of the earnings and the average recoverable hours.
- .04 The scale starts with an hourly rate of R71 for monthly earnings of R2 500 and includes rates for monthly earnings of up to R87 500. The hourly rate for monthly earnings of R87 500 is R2 672. The hourly rate for partners has been increased from R2 806 to R2 876 per hour. The maximum hourly rate for specialists has been increased from R2 806 to R2 876 per hour.
- .05 The AGSA's engagement manager will advise the audit firm of the budgeted cost of the audit. 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 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's engagement manager.
- .06 Members are reminded that invoices issued 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.
- .07 Professional liability of 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.
- .08 Members are exhorted to review their audit approaches to ensure that up-to-date techniques are used so as to minimise inefficiencies on audits. The audit approach should be in line with the International Standards of Auditing and take into account the AGSA's 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's engagement manager in this regard. However, auditors should carry out their duties free from any restrictions whatsoever.

- .09 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.
- .10 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 2017**

**Julius Mojapelo
Senior Executive: Public Sector**

Annexure

RATES FOR AUDITS PERFORMED ON BEHALF OF THE AUDITOR-GENERAL SOUTH AFRICA**PERIOD: 1 APRIL 2017 TO 31 MARCH 2018****RATES (excluding value-added tax)**

PARTNERS R2 876 per hour
SPECIALISTS (maximum) R2 876 per hour

STAFF

MONTHLY EARNINGS	RATE PER HOUR
R	R
2 500 and more	71
2 700 and more	76
2 900 and more	82
3 100 and more	87
3 300 and more	93
3 500 and more	99
3 800 and more	108
4 100 and more	116
4 400 and more	124
4 700 and more	132
5 000 and more	140
5 300 and more	148
5 600 and more	156
5 900 and more	165
6 200 and more	174
6 600 and more	185
7 000 and more	196
7 400 and more	207
7 800 and more	218
8 200 and more	229
8 600 and more	240
9 000 and more	250
9 400 and more	261
9 800 and more	278
10 600 and more	299
11 400 and more	321
12 200 and more	343
13 000 and more	348
13 800 and more	369
14 600 and more	390
15 400 and more	411
16 200 and more	432
17 000 and more	452
17 800 and more	473
18 600 and more	494
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MONTHLY EARNINGS	RATE PER HOUR
R	R
19 400 and more	515
20 200 and more	536
21 000 and more	556
21 800 and more	577
22 600 and more	598
23 400 and more	619
24 200 and more	644
25 000 and more	664
25 800 and more	685
26 600 and more	706
27 400 and more	727
28 200 and more	761
30 000 and more	817
32 500 and more	883
35 000 and more	948
37 500 and more	1014
40 000 and more	1079
42 500 and more	1144
45 000 and more	1210
47 500 and more	1275
50 000 and more	1434
52 500 and more	1504
55 000 and more	1574
57 500 and more	1644
60 000 and more	1714
62 500 and more	1784
65 000 and more	1854
67 500 and more	1924
70 000 and more	1994
72 500 and more	2044
75 000 and more	2094
77 500 and more	2199
80 000 and more	2309
82 500 and more	2424
85 000 and more	2545
87 500 and more	2672

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 of the use of a company vehicle (as part of the salary structure)
- Computer allowance, irrespective of whether or not it is a salary sacrifice - 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 Senior Executive for Public Sector should be contacted.