

**CIRCULAR 1/2023/24 - GUIDELINE ON FEES FOR AUDITS PERFORMED BY PRIVATE FIRMS ON BEHALF OF THE AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)****Introduction**

1. The work done by the Auditor General (AG) is governed by legal prescripts of the Republic of South Africa. Section 188 of the Constitution of the Republic of South Africa (1996), mandates to the AG to audit and report on the accounts, financial statements and financial management of national and provincial departments, national and provincial administrations, all municipalities and any other institution or accounting entity required by national or provincial legislation 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 permits the Auditor-General to make use of suitably qualified private auditors to perform public sector audits and also provide audit related services on behalf of the Auditor-General.
3. Because the Auditor-General is committed to contributing towards transformation of the Accountancy Profession, the provisions of section 12 of the PAA enable the AG to realize this commitment through building capacity of the private audit firms by outsourcing some of its work.

**Basis for the calculation of fees**

4. On an annual basis, the Auditor-General reviews the charge out rates applicable to the private audit firms and pre-issuance reviewers in line with the approved internal rates used to charge-out own hours.
5. The charge out rate is a rate that should be charged in order to meet the cost of the employment, recover overheads incurred on performing the audit and surplus to sustain the business. It is derived from cost (staff costs per band) plus mark-up factor (overhead rate), divided by the recoverable hours.

6. When calculating the fees in a form of charge-out rate, the AGSA takes cognisance of the following:-
  - state of the economy;
  - government budgetary policy; and
  - steps taken by the government to contain the rate of inflation.
7. It is without a doubt that the private firms (CWC firms) and Pre-issuance Reviewers represent the AGSA on audits where the AGSA has authorised them to assist or perform audits on its behalf. This therefore means that the CWC firms and Pre-issuance Reviewers should charge rates that are in line with those of the AGSA's own staff.
8. This process ensures that the audit fees charged by the AGSA are consistent with those charged by the private auditors. It also eliminates losses for the AGSA that may arise due to the differences between the rates charged to the auditees and the rates paid to the private auditors.
9. The rates are listed per professional level, recognized qualification, and number of years of experience as well as stage of professional training.
10. Additionally, the highest qualification, years of experience including the position held by the contracted resources have been taken into consideration when determining the rate that should be used for each resource level.
11. The overall average increase in the 2023/24 CWC and pre-issuance charge out rates is 3.4% (Prior Year: 3.5%).
12. The average increase is based on the approved AGSA auditee budgets which were set and agreed upon with the auditees in the year (2022/23) preceding the financial year to be audited.
13. The AGSA confirms that the charge-out rates set out in annexure A of this circular are considered to be appropriate for audit work performed by private firms and pre-issuance reviewers on behalf of the AGSA and that these fees are intended only for the purpose of audits conducted on behalf of the AGSA.

14. These rates apply from 1 April 2023 to 31 March 2024 for all contract-in/out audits and pre-issuance reviews including any other special AGSA projects.

#### **Application of the fees circular: 1 April 2023 to 31 March 2024**

15. The AGSA's 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 an 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 carried out. The increase in fees for these circumstances must be negotiated with the AGSA's engagement manager, who will in turn engage the auditee.
16. The fees provided to the CWC firms and pre-issuance reviewers constitute the maximum charge out rates that the auditors can use to determine the tariff rate applicable to each of their resources.
17. CWC firms and pre-issuance reviewers are obliged to review their audit approaches to ensure that up-to-date techniques are used so as to minimize inefficiencies on audits. The audit approach must 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. They 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, they should carry out their duties free from any restrictions whatsoever.
18. The rates charged by private firms are to be linked to the highest qualification obtained and not qualification in progress (i.e. resources must have completed the qualifications). The minimum qualification requirements for AGSA assignments is a Bachelor's degree (NQF Level 7).
19. The approved charge out rates commences at an entry-level rate of R278 (265- 2022/23) for a first year graduate trainee. The maximum charge out rate for partners, directors, specialists and pre-issuance reviewers is at R3 275 (R3 201 - 2022/23).
20. The fees provided in a form of charge-out rates exclude value add tax.

21. 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.

**CWC audit tools, systems and technologies**

22. The AGSA under CWC processes may procure tools, systems and technologies owned by the CWC firms to utilize within AGSA Audits at a rate or fee to be agreed upon by the AGSA and the CWC firm for that particular tool, system or technology. The fee to be agreed must relate to the use and operation of the tool, system or technology by the AGSA.

**Pretoria**  
**31 March 2023**

**Proposed by:**



Sandile Hlatshwayo

**Acting BUL: Strategic Audit Projects**

**Recommended or ~~Not Recommended~~ by:**



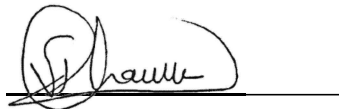
Polani Sokombela

**Chief Financial Officer**

**Approved by or ~~Not Approved~~ by:**

**Deputy Auditor General**

Date:



4 April 2023

**ANNEXURE A: RATES FOR AUDITS PERFORMED ON BEHALF OF THE AUDITOR-GENERAL SOUTH AFRICA FOR THE PERIOD 1 APRIL 2023 TO 31 MARCH 2024**

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

| <b>Five-year Programme Trainee Auditor Charge-Out Rates – 2023/24</b> |  |                         |                            |
|---|--|-------------------------|----------------------------|
| <b>PROFESSIONAL LEVEL</b>   | <b>RECOGNISED QUALIFICATION</b>  | <b>YEAR OF ARTICLES</b> | <b>AGSA Approved Rates</b> |
| GRADUATES   | B.Com. degree Advanced Diploma in Accounting Sciences (Bridging) ACCAF1 - F9 | 1st                     | R 267                      |
|   |  | 2nd                     | R 303                      |
|   |  | 3rd                     | R 365                      |
|   |  | 4th                     | R 410                      |
|   |  | 5th                     | R 445                      |
| SEMI-PROFESSIONAL   | CTA Level 1 (Postgraduate Diploma in Accounting Sciences) GASP ACCA P1 - P3  | 3rd                     | R 445                      |
|   |  | 4th                     | R 481                      |
|   |  | 5th                     | R 552                      |
|   | CTA Level 2 (Postgraduate Diploma in Applied Accounting Sciences)            | 3rd                     | R 512                      |
|   |  | 4th                     | R 548                      |
|   |  | 5th                     | R 654                      |
| PROFESSIONAL  | ITC (QE1)  | 4th                     | R 612                      |
|   |  | 5th                     | R 695                      |
|   | APC (QE2) RGA FQE (Final qualifying exam) ACCA P5 + P7                       | 4th                     | R 797                      |
|   |  | 5th                     | R 833                      |

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

| <b>Three-year Programme Trainee Auditor Charge-Out Rates – 2023/24</b> |  |                         |                            |
|--|--|-------------------------|----------------------------|
| <b>PROFESSIONAL LEVEL</b>  | <b>RECOGNISED QUALIFICATION</b>  | <b>YEAR OF ARTICLES</b> | <b>AGSA Approved Rates</b> |
| GRADUATES  | B.Com. degree Advanced Diploma in Accounting Sciences (Bridging) ACCAF1 - F9 | 1st                     | R 365                      |
|  |  | 2nd                     | R 410                      |
|  |  | 3rd                     | R 445                      |
| SEMI-PROFESSIONAL  | CTA Level 1 (Postgraduate Diploma in Accounting Sciences) GASP ACCA P1 - P3  | 1st                     | R 445                      |
|  |  | 2nd                     | R 495                      |
|  |  | 3rd                     | R 552                      |
|  | CTA Level 2 (Postgraduate Diploma in Applied Accounting Sciences)            | 1st                     | R 517                      |
|  |  | 2nd                     | R 581                      |
|  |  | 3rd                     | R 659                      |
| PROFESSIONAL   | ITC (QE1)  | 1st                     | R 552                      |
|  |  | 2nd                     | R 588                      |
|  |  | 3rd                     | R 695                      |
|  | APC (QE2) RGA FQE (Final qualifying exam) ACCA P5 + P7                       | 2nd                     | R 797                      |
|  |  | 3rd                     | R 833                      |

**Regulatory Audit (RA) Charge-Out Rates – Other Professionals**

| <b>Audit Supervisor Charge-Out Rates – 2023/24</b> |                                 |                            |
|--|---------------------------------|----------------------------|
| <b>PROFESSIONAL LEVEL</b>                          | <b>RECOGNISED QUALIFICATION</b> | <b>AGSA Approved Rates</b> |
| GRADUATES  | B.Com. degree or ACCA F1 - F9   | R684                       |
| SEMI-PROFESSIONAL                                  | Honours or GASP or ACCA P1 - P3 | R722                       |

| <b>Assistant Manager Charge-Out Rates – 2023/24</b> |   |                            |
|---|---|----------------------------|
| <b>PROFESSIONAL LEVEL</b>                           | <b>RECOGNISED QUALIFICATION</b>           | <b>AGSA Approved Rates</b> |
| GRADUATES   | B.Com. degree                             | R839                       |
| SEMI-PROFESSIONAL                                   | Honours                                   | R902                       |
|   | CTA                                       | R934                       |
| PROFESSIONAL  | ITC (QE1) or RGA FQE                      | R966                       |
|   | APC (QE2) RGA FQE (Final qualifying exam) | R1 061                     |
|   | RGA                                       | R1 124                     |
|   | CA, ACCA                                  | R1 201                     |

| <b>Audit Manager Charge-Out Rates – 2023/24</b> |   |                            |
|---|---|----------------------------|
| <b>PROFESSIONAL LEVEL</b>                       | <b>RECOGNISED QUALIFICATION</b>           | <b>AGSA Approved Rates</b> |
| GRADUATES                                       | Bcom degree                               | R1 243                     |
| SEMI-PROFESSIONAL                               | Honours                                   | R1 276                     |
|   | CTA                                       | R1 343                     |
| PROFESSIONAL                                    | ITC (QE1) or RGA FQE                      | R1 409                     |
|   | APC (QE2) RGA FQE (Final qualifying exam) | R1 442                     |
|   | RGA                                       | R1 674                     |
|   | CA, ACCA                                  | R1 707                     |

| <b>Senior Manager /Specialist Charge-Out Rates – 2023/24</b> |   |                            |
|--|---|----------------------------|
| <b>PROFESSIONAL LEVEL</b>                                    | <b>RECOGNISED QUALIFICATION</b>           | <b>AGSA Approved Rates</b> |
| PROFESSIONAL   | ITC (QE1) or RGA FQE                      | R2 131                     |
|  | APC (QE2) RGA FQE (Final qualifying exam) | R2 235                     |
|  | RGA                                       | R2 269                     |
|  | CA, ACCA                                  | R2 373                     |

**Information Systems Audit (ISA) Charge-Out Rates**

| <b>Information Systems Audit (ISA) Charge-Out Rates – 2023/24</b> |                                 |                            |
|---|---------------------------------|----------------------------|
| <b>PROFESSIONAL LEVEL</b>   | <b>RECOGNISED QUALIFICATION</b> | <b>AGSA Approved Rates</b> |
| Senior Manager (ISA)  | CISA                            | R2 248                     |
| Manager (ISA)   | CISA                            | R1 555                     |
| Assistant Manager (ISA)   | CISA                            | R976                       |
| Assistant Manager (ISA)   | Bcom degree                     |                            |
| Senior IT Auditor   | CISA                            | R615                       |
| Senior IT Auditor   | Bcom degree                     |                            |
| IT Auditor  | CISA                            | R296                       |
| IT Auditor  | Bcom degree                     |                            |

**Investigations Audit Charge-Out Rates**

| <b>Investigations Charge-Out Rates – 2022/23</b> |   |   |                            |
|--|---|---|----------------------------|
| <b>PROFESSIONAL LEVEL</b>                        | <b>RECOGNISED QUALIFICATION</b>                             | <b>NUMBER OF YEARS OF EXPERIENCE POST QUALIFICATION</b> | <b>AGSA Approved Rates</b> |
| Director/Partner                                 | CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications     | >12 years   | R3 375                     |
| Associate Director                               | CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications     | >10 years   | R3 178                     |
| Senior Manager (Investigations)                  | CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications     | >8 years  | R2 627                     |
| Manager (Investigations)                         | CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications     | 7-8 years   | R2 125                     |
| Assistant Manager (Investigations)               | CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications     | 5-6 years   | R1 479                     |
| Senior Associate                                 | Bachelor degree with articles or relevant forensic training | 4 years   | R1 073                     |
| Associate  | Bachelor degree with articles or relevant forensic training | 1-3 years   | R735                       |
| Support staff                                    | Bachelor degree or diploma                                  | None  | R351                       |

**Pre-Issuance Review and Special Projects Charge-Out Rates- Directors, Partners and Other Specialists**

Partners, Directors, Pre-issuance reviewers and Other Specialists must charge a maximum AGSA approved rate of R3 275 per hour (2022/23: R3 201)