

CIRCULAR 1/2024/25 - GUIDELINE ON FEES FOR AUDITS PERFORMED BY PRIVATE FIRMS ON BEHALF OF THE AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)**Introduction**

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 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").

1. 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 provide audit related services on behalf of the Auditor-General.
2. 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

3. 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.
4. The charge out rate is a rate that should be charged to meet the cost of 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.
5. When calculating the fees in a form of charge-out rate, the AGSA takes cognizance of the following: -
 - state of the economy.
 - government budgetary policy; and
 - steps taken by the government to contain the rate of inflation.
6. It is without a doubt that the private firms (CWC firms) and Pre-issuance Reviewers represent the AGSA on audits where the AGSA has authorized 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.
7. 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 AGSA that may arise due to the differences between the rates charged to the auditees and the rates paid to the private auditors.
8. The rates are listed per professional level, recognized qualification, and number of years of experience as well as stage of professional training.

9. 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.
10. The overall charge-out rates in the 2024/25 CWC and pre-issuance charge out rates have increased by 2% compared to prior year which is in line with the organizational increase in charge out rates.
11. The AGSA confirms that the charge-out rates set out in annexure A of this circular are 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.
12. These rates apply from 1 April 2024 to 31 March 2025 for all contract-in/out assignments and pre-issuance reviews including any other special AGSA projects.

Application of the fee's circular: 1 April 2024 to 31 March 2025

13. 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 because 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.
14. 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.
15. CWC firms and pre-issuance reviewers are obliged to review their audit approaches to ensure that up-to-date techniques are used to minimize inefficiencies in audits. The audit approach must be in line with the International Standards of Auditing and consider 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.
16. 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 are a bachelor's degree (NQF Level 7).
17. The approved charge out rates commence at an entry-level rate of R272 (R267 - 2023/24) for a first-year graduate trainee. The maximum charge out rate for partners, directors, specialists, and pre-issuance reviewers is at R3 341 (R3 275 - 2023/24).
18. The fees provided in a form of charge-out rates exclude value add tax.
19. 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

20. 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 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 2024

Proposed by:

Recommended ~~or Not Recommended~~ by:

S. Mphakathi

Solomon Mphakathi

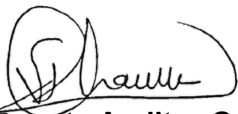
BUL: Finance

Polani

Polani Sokombela

Chief Financial Officer

Approved by ~~or Not Approved by:~~



Deputy Auditor General

Date: 5 April 2024

ANNEXURE A: RATES FOR AUDITS PERFORMED ON BEHALF OF THE AUDITOR- GENERAL SOUTH AFRICA FOR THE PERIOD 1 APRIL 2024 TO 31 MARCH 2025

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

Five-year Programme Trainee Auditor Charge-Out Rates – 2024/25			
Professional Level	Recognized Qualification	Year Of Articles	AGSA Approved Rates
Graduates	B.Com. degree Advanced Diploma in Accounting Sciences (Bridging) ACCA F1 - F9	1st	R 272
		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

Three-year Programme Trainee Auditor Charge-Out Rates – 2024/25			
Professional Level	Recognized Qualification	Year Of Articles	AGSA Approved Rates
Graduates	B.Com. degree in accounting or equivalent Bachelor of Accounting Science Advanced Diploma in Accounting Sciences ACCA F1 - F9	1st	R 372
		2nd	R 418
		3rd	R 454
Semi-Professional	CTA Level 1 (Postgraduate Diploma in Accounting Sciences) GASP ACCA P1 - P3	1st	R 454
		2nd	R 505
		3rd	R 563
	CTA Level 2 (Postgraduate Diploma in Applied Accounting Sciences)	1st	R 527
		2nd	R 593
		3rd	R 672
Professional	ITC (QE1)	1st	R 563
		2nd	R 600
		3rd	R 709
	APC (QE2) RGA FQE (Final qualifying exam) ACCA P5 + P7	2nd	R 813
		3rd	R 850

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

Audit Supervisor Charge-Out Rates – 2024/25		
Professional Level	Recognized Qualification	AGSA Approved Rates
Graduates	B.Com. degree or ACCA F1 - F9	R698
Semi-Professional	Honors or GASP or ACCA P1 - P3	R736

Assistant Manager Charge-Out Rates – 2024/25		
Professional Level	Recognized Qualification	AGSA Approved Rates
Graduates	B.Com. degree	R856
Semi-Professional	Honors	R920
	CTA	R953
Professional	ITC (QE1) or RGA FQE	R985
	APC (QE2) RGA FQE (Final qualifying exam)	R1 082
	RGA	R1 146
	CA, ACCA	R1 225

Audit Manager Charge-Out Rates – 2024/25		
Professional Level	Recognized Qualification	AGSA Approved Rates
Graduates	BCom degree	R1 268
Semi-Professional	Honors	R1 302
	CTA	R1 370
Professional	ITC (QE1) or RGA FQE	R1 437
	APC (QE2) RGA FQE (Final qualifying exam)	R1 471
	RGA	R1 707
	CA, ACCA	R1 741

Senior Manager /Specialist Charge-Out Rates – 2024/25		
Professional Level	Recognized Qualification	AGSA Approved Rates
Professional	ITC (QE1) or RGA FQE	R2 174
	APC (QE2) RGA FQE (Final qualifying exam)	R2 280
	RGA	R2 314
	CA, ACCA	R2 420

Information Systems Audit (ISA) Charge-Out Rates

Information Systems Audit (ISA) Charge-Out Rates – 2024/25		
Professional Level	Recognized Qualification	AGSA Approved Rates
Senior Manager (ISA)	CISA	R2 293
Manager (ISA)	CISA	R1 586
Assistant Manager (ISA)	CISA	R996
Assistant Manager (ISA)	BCom degree	
Senior IT Auditor	CISA	R627
Senior IT Auditor	BCom degree	
IT Auditor	CISA	R302
IT Auditor	BCom degree	

Investigations Audit Charge-Out Rates

Investigations Charge-Out Rates – 2024/25			
Professional Level	Recognized Qualification	No. Years of Experience Post Qualification	AGSA Approved Rates
Director/Partner	CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications	>12 years	R3 341
Associate Director	CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications	>10 years	R3 242
Senior Manager (Investigations)	CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications	>8 years	R2 680
Manager (Investigations)	CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications	7-8 years	R2 168
Assistant Manager (Investigations)	CA (SA)/LLB/ACFE/ ICFP or other relevant qualifications	5-6 years	R1 509
Senior Associate	Bachelor's degree with articles or relevant forensic training	4 years	R1 094
Associate	Bachelor's degree with articles or relevant forensic training	1-3 years	R750
Support staff	Bachelor's degree or diploma	None	R358

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 341 per hour (2023/24: R3 275)