

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

1. The Auditor General of South Africa (AGSA) is mandated to audit and report on the accounts, financial statements and financial management of all national, provincial state departments and all government entities. Due to capacity constraints within AGSA to service all government entities, the AGSA may authorize one or more persons (private firms) to perform or to assist in the performance of an audit.
2. In terms of Section 23 of the PAA “The AGSA determines the basis for the calculation of audit fees to be recovered from auditees in respect of audit performed.” The audit fees are charged to the auditees in a form of a charge out rate based on actual hours worked by the auditors in performing the audit.
3. When calculating the charge out rate, the AGSA takes cognisance of the state of the economy, government budgetary policy and steps taken by government to contain the rate of inflation. The Contract Work Contracting (CWC) firms (i.e private firms) represent the AGSA on audits where the AGSA has authorised the CWC firms to assist or perform an audit on its behalf.
4. The CWC firms may charge rates that are in line with those of the AGSA which take cognisance of the state of the economy, government budgetary policy and steps taken by government to contain the rate of inflation.
5. The charge out rate is derived from cost (direct staff costs per band) plus mark up (overhead rate) divided by the recoverable hours. The charge out rate is the rate that should be charged in order to meet the cost of the employment, recover overheads incurred on performing the audit and profits to sustain the business.
6. The AGSA has confirmed that the charges out rates set out in the annexure to this circular are considered to be appropriate for audit work performed by firms. These rates apply from 1 April 2018 to 31 March 2019.
7. When discussing the rates with the AGSA, representatives of the South African Institute of Chartered Accountants (SAICA) also take cognisance of the state of the economy, government’s budgetary policy and the steps taken by government to contain the rate of inflation.
8. The revised scale starts with an hourly rate of R200 (2017: R71) for an entry level trainee with a minimum qualification of matric. The maximum rate that can be charged for partners/specialists amounts to R2 876 (2017: R2 876). The R2 876 is the maximum rate that can be charged by specialists. All specialists should charge based on their hourly charge out rate which should be confirmed through relevant supporting documentation as and when required by the AGSA.
9. The AGSA’s engagement manager will advise the audit firm of the budgeted cost of the audit contracted out or in. Fees should be based on the time spent on audits. Detailed 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 who will in turn engage the auditee.

10. Firms are reminded that invoices issued to the AGSA must be accompanied by a schedule setting out time spent on the audit by each employee, the associated rate and number of hours charged in respect of that invoice. Supporting schedules setting out the qualifications of each employee in terms of the items listed in the annexure must be available for inspection by the AGSA at the CWC firms' offices.
11. Professional liability of a firms performing work on behalf of the AGSA is limited to a maximum of two (2) times the fees billed for the specific work.
12. Firms 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. Firms 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.
13. These rates are only applicable to audit work performed by firms 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.
14. This circular should be used as a guide to determine the charge out rate and firms are required to charge rates applicable to them with relevant supporting documentation provided to the AGSA as and when required. Firms are encouraged to engage the AGSA Audit Business Units should their rates exceed those prescribed by this circular as all CWC budgets are calculated and approved based on the AGSA rate.
15. Where the audit partner charges the maximum rate of R 2 876 per hour, proof of earnings will be required to support the charge out rate. Therefore, all specialists are encouraged to charge a rate applicable to them which in certain instances is not necessarily the maximum rate prescribed.

**Johannesburg  
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**ANNEXURE: RATES FOR AUDITS PERFORMED ON BEHALF OF THE AUDITOR-GENERAL SOUTH AFRICA FOR THE PERIOD 1 APRIL 2018 TO 31 MARCH 2019  
RATES (EXCLUDING VALUE-ADDED TAX)**

**PARTNERS (SPECIALISTS) (maximum)**

**R 2 876 per hour**

<b>Trainee Auditor* Charge Out Rates - 2018/19</b>			
<b>PROFESSIONAL LEVEL</b>	<b>RECOGNISED QUALIFICATION</b>	<b>YEAR OF ARTICLES</b>	<b>Approved AGSA Rates</b>
NON GRADUATES	Matric	1st	R 200
		2nd	R 200
		3rd	R 236
		4th	R 273
		5th	R 309
	National Diploma	1st	R 200
		2nd	R 236
		3rd	R 273
		4th	R 309
		5th	R 346
GRADUATES	Bcom degree Advanced Diploma in Accounting Sciences (Bridging) ACCA F1 - F9	1st	R 236
		2nd	R 273
		3rd	R 309
		4th	R 346
		5th	R 382
SEMI-PROFESSIONAL	CTA Level 1 (Postgraduate Diploma in Accounting Sciences) GASP ACCA P1 - P3	1st	R 309
		2nd	R 346
		3rd	R 382
		4th	R 418
		5th	R 491
	CTA CTA Level 2 (Postgraduate Diploma in Applied Accounting Sciences)	1st	R 382
		2nd	R 418
		3rd	R 455
		4th	R 491
		5th	R 564
PROFESSIONAL	ITC (QE1)	1st	R 418
		2nd	R 455
		3rd	R 491
		4th	R 527
		5th	R 600
	APC (QE2) RGA FQE (Final qualifying exam) ACCA P5 + P7	2nd	R 600
		3rd	R 673
		4th	R 709
		5th	R 709

Audit Supervisor* Charge Out Rates - 2018/19		
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	AGSA Approved Rate
GRADUATES	Bcom degree or ACCA F1 - F9	R 581
SEMI-PROFESSIONAL	Honours or GASP or ACCA P1 - P3	R 611

Assistant Managers Charge Out Rates - 2018/19		
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	AGSA Approved Rates
NON GRADUATES	Matric	R 679
	National Diploma	R 711
GRADUATES	Bcom degree	R 744
SEMI-PROFESSIONAL	Honours	R 792
	CTA	R 824
PROFESSIONAL	ITC (QE1) or GASP	R 857
	APC (QE2) or RGA FQE	R 938
	RGA	R 938
	CA, CISA, ACCA	R 1 018

Audit Managers* Charge Out Rates - 2018/19		
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	AGSA Approved Rates
NON GRADUATES	Matric	R 1 043
	National Diploma	R 1 076
GRADUATES	Bcom degree	R 1 076
SEMI-PROFESSIONAL	Honours	R 1 076
	CTA	R 1 177
PROFESSIONAL	ITC (QE1) or GASP	R 1 228
	APC (QE2) or RGA FQE	R 1 278
	RGA	R 1 463
	CA, CISA, ACCA	R 1 514

Audit Senior Managers* Charge Out Rates - 2018/19		
PROFESSIONAL LEVEL	RECOGNISED QUALIFICATION	AGSA Approved Rates
PROFESSIONAL	ITC (QE1) or GASP	R 1 868
	APC (QE2) or RGA FQE	R 1 975
	RGA	R 2 028
	CA, CISA, ACCA	R 2 082

\* The levels referred to in the schedules above are based on the role of the firms' staff member on the CWC work.

## **Fee increases**

Firms are requested to refer and adhere to the guidelines set out in paragraph 9 of this circular when dealing with issues of fee increases.

## **Rates Calculation**

The AGSA's rates are based on qualifications of the relevant level of the employee which drives the 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).