

GUIDELINE ON FEES FOR AUDITS DONE ON BEHALF OF THE AUDITOR-GENERAL

The Auditor-General 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 Auditor-General. These rates apply from 1 April 2007 to 31 March 2008. .01

The Auditor-General determined these rates after consultation with the Standing Committee on the Auditor-General (SCoAG). In addition, when discussing the rates with the Auditor-General, 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. .02

The revised scale starts with an hourly rate of R69 (2006: R66) for monthly earnings of R2 500 (2006: R2 500) and includes rates for monthly earnings of up to R50 000 (2006: R50 000). The rate for monthly earnings of R50 000 is R1 308 (2006: R1 258) The rate for partners has been increased from R1 321 to R1 374 per hour and for specialists from R1 387 to R1 442 per hour. .03

Rates are calculated by dividing the monthly earnings by recoverable hours and multiplying by a factor of 2.75 (2006: 2.75) to accommodate overhead costs. The recoverable hours factor in the increasing training requirements. The rate per category continues to be calculated using the midpoint of the earnings. .04

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. Where fee estimates are given to a client, such estimates should be based on time expected to be spent on audits, on the basis of past experience. 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 Auditor-General should be advised prior to any work being carried out. The increase in fees for these circumstances should be negotiated with the Audit Controller. In the absence of such exceptional .05

circumstances, the increase in fees for the current year as compared to the fees for the previous year, is limited to 10% (2006: 10%).

- .06 Members are reminded that invoices to the Auditor-General 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 Auditor-General, at members' offices.
- .07 Professional liability for a member performing work on behalf of the Auditor-General 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 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 Auditor-General guidelines as indicated in Directive 1 Notice 544 of 2006, issued 10 April 2006, in terms of the Public Audit Act. 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 Auditor-General, as they are based on factors existing in this environment. Fees for other work performed for government departments should be negotiated directly with the department concerned.

Johannesburg
February 2007

I S Schoole
Executive President

Annexure

RATES FOR AUDITS DONE ON BEHALF OF THE AUDITOR-GENERAL

PERIOD: 1 APRIL 2007 TO 31 MARCH 2008

RATES (excluding Value Added Tax)

PARTNERS

R1 374 per hour

SPECIALISTS (maximum)

R1 442 per hour

STAFF

MONTHLY EARNINGS		RATE PER HOUR
R		R
2 500	and more	69
2 700	and more	74
2 900	and more	79
3 100	and more	84
3 300	and more	89
3 500	and more	97
3 800	and more	104
4 100	and more	112
4 400	and more	121
4 700	and more	128
5 000	and more	136
5 300	and more	144
5 600	and more	152
5 900	and more	160
6 200	and more	168
6 600	and more	180
7 000	and more	190
7 400	and more	192
7 800	and more	199
8 200	and more	209
8 600	and more	218
9 000	and more	229
9 400	and more	239
9 800	and more	254

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MONTHLY EARNINGS	RATE PER HOUR
R	R
10 600 and more	274
11 400 and more	293
12 200 and more	313
13 000 and more	333
13 800 and more	355
14 600 and more	374
15 400 and more	394
16 200 and more	414
17 000 and more	434
17 800 and more	453
18 600 and more	474
19 400 and more	494
20 200 and more	514
21 000 and more	534
21 800 and more	553
22 600 and more	574
23 400 and more	594
24 200 and more	614
25 000 and more	633
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	1 014
40 000 and more	1 080
42 500 and more	1 144
45 000 and more	1 210
47 500 and more	1 275
50 000 and more	1 308

Fee increases

In the absence of exceptional circumstances, the fees should be in line with the economic indicators and should not exceed the previous year's fee for comparative work by more than 10% (2006: 10%). Before the commencement of the audit, auditors should perform the normal risk assessment to determine whether there have been any changes in the risk profile of the client. Where there is a change in the circumstances that might affect the audit fee, this change should be discussed with the

Auditor-General. All audit fees should be motivated and negotiated with the Auditor-General prior to any additional work being performed.

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.

Reimbursement of expenses

Claims should comply with the requirements as stipulated in the *Guideline on audits conducted on behalf of the Auditor-General*. The Guideline can be obtained from the Auditor-General.

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GUIDELINE ON FEES FOR AUDITS DONE ON BEHALF OF THE AUDITOR-GENERAL

The Auditor-General has confirmed that the charge out rates set out in the .01
annexure to this circular are considered to be appropriate for audit work
performed by members on behalf of the Auditor-General for 2006/7.

These rates apply from 1 April 2006 to 31 March 2007. Members should .02
invoice the Auditor-General for the difference between the charge out
rates in the annexure and the interim rates in Circular 6/2006 for the work
done and billed for the period from 1 April 2006 to the date of issuance of
this circular.

It should be noted that the Auditor-General determines these rates in .03
consultation with its Oversight Mechanism. In addition, when discussing
the rates with the Auditor-General, 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.

The revised scale starts with an hourly rate of R66 (2005: R62) for .04
monthly earnings of R2 500 (2005: R2 500) and includes rates for
monthly earnings of up to R50 000 (2005: R40 000). The rate for
monthly earnings of R50 000 is R1 258 (2005: R988 for monthly
earnings of R40 000). The rate for partners has been increased from
R1 037 to R1 321 per hour and for specialists from R1 089 to R1 387 per
hour.

Rates are calculated by dividing the monthly earnings by recoverable .05
hours and multiplying by a factor of 2,75 (2005: 2,70) to accommodate
overhead costs. The recoverable hours have been revised owing to the
impact of the training requirements. The rate per category continues to be
calculated with the midpoint of the earnings.

Fees should be based on the time spent on audits. Time records should be .06
kept for individual staff or grades of staff and should indicate the actual
time spent on the audit. Where fee estimates are given to a client, such
estimates should be based on time expected to be spent on audits, on the
basis of past experience. 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 enable the auditor to express an opinion, the Auditor-General should be advised prior to any work being carried out. The increase in fees for these circumstances should be negotiated with the Audit Controller. In the absence of such exceptional circumstances, the increase in fees for the current year including the impact of the International Standards of Auditing, as compared to the fees for the previous year, is limited to 10% (2005: 10%).

- .07 Members are reminded that invoices to the Auditor-General 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 Auditor-General, at members' offices.
- .08 Professional liability for a member performing work on behalf of the Auditor-General is limited to a maximum of two (2) times the fees billed for the specific work.
- .09 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 Auditor-General guidelines as indicated in Directive 1 Notice 544 of 2006, issued 10 April 2006, in terms of the Public Audit Act. However, auditors should carry out their duties free from any restrictions whatsoever.
- .10 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 Auditor-General, as they are based on factors existing in this environment. Fees for other work performed for government departments should be negotiated directly with the department concerned.

Johannesburg
July 2006

I S Schoole
Executive President

Annexure

RATES FOR AUDITS DONE ON BEHALF OF THE AUDITOR-GENERAL

PERIOD: 1 APRIL 2006 TO 31 MARCH 2007

RATES (excluding Value Added Tax)

PARTNERS

R 1 321 per hour

SPECIALISTS (maximum)

R 1 387 per hour

STAFF

MONTHLY EARNINGS	RATE PER HOUR
R	R
2 500 and more	66
2 700 and more	71
2 900 and more	76
3 100 and more	81
3 300 and more	86
3 500 and more	93
3 800 and more	100
4 100 and more	108
4 400 and more	116
4 700 and more	123
5 000 and more	131
5 300 and more	138
5 600 and more	146
5 900 and more	154
6 200 and more	162
6 600 and more	173
7 000 and more	183
7 400 and more	185
7 800 and more	191
8 200 and more	201
8 600 and more	210
9 000 and more	220
9 400 and more	230
9 800 and more	244

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MONTHLY EARNINGS	RATE PER HOUR
R	R
10 600 and more	263
11 400 and more	282
12 200 and more	301
13 000 and more	320
13 800 and more	341
14 600 and more	360
15 400 and more	379
16 200 and more	398
17 000 and more	417
17 800 and more	436
18 600 and more	456
19 400 and more	475
20 200 and more	494
21 000 and more	513
21 800 and more	532
22 600 and more	552
23 400 and more	571
24 200 and more	590
25 000 and more	609
25 800 and more	659
26 600 and more	679
27 400 and more	699
28 200 and more	732
30 000 and more	786
32 500 and more	849
35 000 and more	912
37 500 and more	975
40 000 and more	1038
42 500 and more	1100
45 000 and more	1163
47 500 and more	1226
50 000 and more	1258

Fee increases

In the absence of exceptional circumstances, the fees should be in line with the economic indicators and should not exceed the previous year's fee for comparative work by more than 10% (2005: 10%). Before the commencement of the audit, auditors should perform the normal risk assessment to determine whether there have been any changes in the risk profile of the client. Where there is a change in the circumstances that might affect the audit fee, this change should be discussed with the

Auditor-General. All audit fees should be motivated and negotiated with the Auditor-General prior to any additional work being performed.

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.

Reimbursement of expenses

Claims should comply with the requirements as stipulated in the *Guideline on Audits Conducted on Behalf of the Auditor-General*. The Guideline was updated by the Auditor-General in September 2003 and can be obtained from the Auditor-General.