



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



AUDITOR-GENERAL
SOUTH AFRICA

**JOINT SUBMISSION BY THE AUDITOR-GENERAL SOUTH AFRICA AND THE
NATIONAL TREASURY
TO THE STANDING COMMITTEE ON THE AUDITOR-GENERAL
CONCERNING PROPOSED AMENDMENTS TO AUDIT FEE RELATED PROVISIONS IN
PUBLIC AUDIT ACT, 2004 (ACT NO. 25 OF 2004)**

1. Following discussions between the Auditor-General of South Africa and the National Treasury, the following amendments to the Public Audit Act, 2004 are proposed for the Committee's consideration:

1.1 Section 13

Amend section 13(1)(b) along the following lines:

"(b) the frequency, nature and scope of such audits;"

Insert a provision in section 13 along the following lines:

"(1A) The Auditor-General must annually consult the National Treasury on the matters referred to in subsection (1)(b) to facilitate the determination of audit fees in terms of section 23."

1.2 Section 23

Amend section 23 along the following lines:

"(6) Subject to subsection (7), if—

(a) the audit fee of an auditee, other than a department as defined as in section 1 of the Public Finance Management Act, exceeds one percent of the total current and capital expenditure of such auditee for the relevant financial year;
and

(b) the National Treasury-

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- (i) was consulted, as required by subsection (1); and
- (ii) is of the opinion that the auditee has financial difficulty to pay such excess.

the excess is to be defrayed in terms of the Act that authorises the defrayment of the excess as a direct charge against the National Revenue Fund.

(7)(a) The Auditor-General and the National Treasury must agree in writing on—

- (i) the annual date of consultation contemplated in section 13(1A) and subsection (1); and
- (ii) a process to determine an estimate of the funds required annually as a direct charge for the audit fees referred to in subsection (6), read with the Act that authorises the excess as a direct charge against the National Revenue Fund.

(b) If the Auditor-General and the National Treasury do not have a written agreement within six months after the commencement of this subsection, the oversight mechanism must determine the arrangements referred to in paragraph (a).

(c) The agreement or arrangements, referred to in paragraph (a) or (b), may be amended in writing by the Auditor-General and the National Treasury.”.

1.3 It is further proposed that the Amendment Bill contains a provision that the amendments to section 23 only take effect when the Act envisaged in section 23(6) (as to be amended), takes effect. This will mean that, if the envisaged Money Bill is not enacted for any reason, the current section 23(6) will remain unchanged. In such instance, the Auditor-General and NT undertake to agree on the annual date of consultation contemplated in section 13(1A) and section 23(1), and a process to determine an estimate of the funds required annually for the excess to be defrayed from NT's vote.

2. A direct charge against the National Revenue Fund must be authorised through a Money Bill (section 77(1)(d) of the Constitution). The required Money Bill is to be tabled by the Minister of Finance (section 73(2)(a) of the Constitution). The tabling will take place as soon as possible to facilitate its consideration by Parliament in terms of the Money Bills Amendment Procedure and Related Matters Act, 2008, assent by the President and publication in the *Government Gazette* before 1 April 2019.


Mr D Mogajane
Director-General: National Treasury

Date: 25/4/2018


PP Mr T Makwetu
Auditor-General South Africa

Date: 26/04/2018