

**NATIONAL ASSEMBLY**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER: 3058 [NW3422E]**  
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**3058. Mr A R McLoughlin (DA) to ask the Minister of Finance:**

- (1) With reference to the Auditor-General's latest Annual Report, how does the National Treasury intend to cover the budgetary shortfall that will be created by the proposed writing off of R58 million in unpaid audit fees;
- (2) does the National Treasury intend to obtain a refund of the sum of R150 million assistance to be provided to the Auditor-General (AG), from those municipalities who have failed to settle their audit accounts and which have caused the need for such assistance to be given to the AG;
- (3) whether he intends to set up some form of mediation committee to attempt to find resolutions in the cases where disputes arise between the AG and his auditees to prevent the unacceptable situation that ensues when two government departments or entities employ the services of private legal practitioners to argue their respective cases before the courts of the country, such as recently happened between the SA Revenue Service and the AG and the Department of Water and Sanitation and the AG;
- (4) (a) what has so far been the total cost to the AG's office for all legal fees and disbursements relating to litigation conducted by auditees against the AG in each of the past five financial years and (b) to which firms of attorneys were these costs paid;
- (5) (a) on what legislative basis did he rely to settle the accounts of municipalities who owe the AG's office unpaid audit fees and (b) does he intend to now also pay other debts owed by municipalities to other debtors from the National Revenue Fund?

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**REPLY:**

- (1) The Auditor-General (AGSA) accepted the National Treasury's offer for a full and final settlement of the accumulated outstanding fees in terms of section 23(6) of the Public Audit Act (PAA), Act no.25 of 2004, as at 2017/18. The AGSA does not receive direct funding from the National Treasury and as such, the National Treasury will not cover any budgetary shortfall arising from the write-off of unpaid audit fees.
- (2) In terms of section 23(6) of PAA, if the audit fee exceeds one percent of the total current and capital expenditure of such an auditee for the financial year, such excess must be defrayed from the National Treasury's vote, provided that, the National Treasury is of the view that the auditee has financial difficulty to settle the cost. This excludes national and provincial departments. Therefore, based on these provisions PAA above, the National Treasury does not intend obtaining a refund for the R150 million assistance given to the AGSA on behalf of the municipalities.

- (3) The National Treasury (NT) and AGSA has well documented dispute resolution mechanisms in place to deal with technical and accounting cases where an entity disagrees with an audit finding of the AGSA. A situation that is occurring more frequently is where the AG and NT agrees on a case, but the auditee refuses to accept the final resolution and continues to challenge both the final opinion of AGSA and NT. The NT agrees that in most cases, state funds should not be used to litigate against the audit opinions of the AGSA, as these cases can be solved in the normal process.
- (4) The National Treasury does not have the information available, these costs and legal firms used must be obtained from the individual departments and public entities that have pursued the legal action.
- (5) The National Treasury has since the effective date of the approval of the Public Audit Act, Act No. 25 of 2004 (PAA), been assisting with the payment of audit fees of applicable entities and municipalities that, based on the view of National Treasury, are in financial difficulty. These payments are done in accordance with section 23(6) of the PAA, and are only done for audit fees that exceeds one percent of the total current and capital expenditure of auditees in financial distress. It must be mentioned that National Treasury has a specific amount appropriated in the budget for settling audit fees of struggling entities. Unfortunately, the budgeted amount is not always adequate to cover all the amounts owed to the AGSA. For this reason, the National Treasury has put forward measures to improve the payment of outstanding audit fees for auditees in financial distress in the amendments to the Public Audit Act.