



AUDITOR - GENERAL  
SOUTH AFRICA

The South African Institute of Chartered Accountants  
17 Fricker Road  
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Sandton  
2196

By email: #

26 July 2022

Dear Mr M Segal and Ms N Soopal

**RE: IMPACT OF 2017 PREFERENTIAL PROCUREMENT REGULATIONS CONSTITUTIONAL COURT JUDGMENT**

1. I refer to the above matter and your letter dated 12 July 2022.
2. In the letter you have requested the following from the AGSA:

The AGSA to “*provide guidance and/or its approach based on its interpretation of National Treasury’s communication and Court judgements and its audit methodology to assist organs of state to comply and fairly disclose irregular expenditure in their financial statements.*”

3. In line with the above request, the purpose of this letter is to share the AGSA’s position in respect of the audit of supply chain management, with specific reference to procurement processes subjected to the impugned Preferential Procurement Regulations, 2017 (PPR 2017). In light of the fact that the issues that the Constitutional Court pronounced on are common cause and also for the sake of brevity, this letter will not delve into the background and finer details of the Constitutional judgment.
4. Following the Constitutional Court judgment, the AGSA technical team embarked on an exercise to assess the judgment and its impact on the audits of the PPR 2017 from a legal perspective, the audit standard that we apply on the audit of compliance (i.e. ISAE 3000) and our audit methodology. This exercise included consultation with the office of Chief Procurement Officer within the National Treasury. The outcome of the assessment by the technical team was that the PPR 2017 remains valid and applicable till early next year, unless repealed sooner. Furthermore, all the audit findings that were raised in the past on the non-compliance with PPR 2017 remain valid.
5. In view of the aforesaid, our feedback is as follows on the requested guidance and/or AGSA

audit approach on the matter:

- i) The AGSA is unfortunately not in a position to provide guidance to the organs of state on the compliance with the PPR 2017 beyond the guidance that has already been provided by National Treasury in its correspondence of 30 May 2022. A copy of National Treasury's correspondence is attached hereto for your consideration. It is important to note that guidance and communications to the organs of state on this matter should only come from the National Treasury as the custodian of the legislation.
- ii) On the AGSA audit approach, the testing of compliance with the requirements of the PPR 2017 by the organs of state in their procurement processes will be assessed to determine whether it remains suitable for scoping in to our audits until such time when the period of validity expires or the PPR 2017 being repealed by the Minister of Finance, whichever comes first. This will be done in line with the requirements of ISAE 3000 and the AGSA audit methodology on suitable criteria. Further clarity on this may be made available to auditees at each audit engagement level.

6. We trust you find the above to be in order. Please do not hesitate to contact me for further clarity.

Yours sincerely



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