Mandatory Audit Firm Rotation

Progression to March 2019
Background

• Announced MAFR 2 June 2017 and gazetted 5 June 2017
• Marked pre- and post-rule change of rotation activity – number of rotations increased significantly, with JSE being the first rotation to comply with MAFR
• Initial increase in rotation of auditors cannot be definitively linked to KPMG
• IRBA tracking SENS notification of change of auditor on listed entities (JSE Main Board)
• Statistics are measured against the number of listed entities (365) as at June 2017 (excluding subsequent listings and de-listings)
• Tracking where possible announcements of private company and SOE change of auditors
Current status of rotation

Rotations of JSE-listed entities
January 2017 - March 2019

17% of JSE-listed entities have rotated audit firms (issuer list as at 2017, excluding subsequent listing and delisting)
MAFR leading reason for rotation

38% of entities which changed their audit firm cited MAFR compliance
Balance gave other reasons:
- 24% Tender or Cost
- 21% Termination
- 8% Resignation of Auditor
- 5% Audit Firm Merger

Only 1 entity gave the reason for changing as KPMG
Number of rotations per year

Number of Rotations 2017 -19 to date

94% increase in rotations of JSE-listed entities in year 2 over 2017, almost doubling from 18 to 35 rotations.
Had the non-traded SOE been included it would have been 100% (36)
Increase in activity after MAFR

Pre- and Post-MAFR Rule
(rule issued June 2017)

Commencing with the period in which MAFR rule was issued, voluntary rotation in 2019 is maintaining pace in comparison with 2018, with 9 rotations occurring during Q1 of 2019. Attributed as follows: MAFR (3), Tender (5), KPMG (1)