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| **INDEPENDENT REGULATORY BOARD FOR AUDITORS** |

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| **MAFR gazetted to enhance auditor independence and protect public interest**Johannesburg / 2 June 2017The Independent Regulatory Board for Auditors (IRBA) has issued a Rule prescribing that auditors of public interest entities (PIEs) must comply with mandatory audit firm rotation (MAFR) with effect from 1 April 2023. The application of such a rule is to strengthen the independence of auditors from their clients following concerns from the regulator, including the extended lengths of audit relationships, some in excess of 100 years.The Standing Committee on Finance held public hearings on the matter of audit firm rotation during February and March this year which served to highlight concerns not only around a lack of independence, but also around the need for accelerated transformation and de-concentration in the audit profession.While mandatory audit firm rotation will address the independence concern, it might not immediately address the need to broaden capacity and increase access to opportunity, although we believe that these outcomes could be advanced in the long term. The Board has assured the Minister of Finance that it shares his concerns, around broadening access and transformation, and will work to develop complementary initiatives to address the broader transformation of the profession.The IRBA's overriding responsibility is to protect the interests of the investing public, whether it is those directly invested in the capital markets or those ordinary South Africans who are invested through mandated investments such as pension funds or retirement savings.The issuing of this Rule is aligned to global concerns expressed by other international audit regulators that the compromised independence of auditors impacts negatively on audit quality and can result in inappropriate audit opinions which may result in flawed investment decisions. Independence is the cornerstone of the profession and the independence of auditors provides investors with the assurance that the financial statements on which they rely are credible.South Africa is ranked number one in the world by the World Economic Forum for the strength of its auditing standards and has held this ranking for seven consecutive years. It is imperative that we continue to improve on standards and measures to protect investors in order to retain confidence in the credibility of our capital markets.The Rule requires that auditors must serve for a maximum of ten years before rotating off the client for a cooling off period of five years, before being eligible to audit the client again. The effective date is 1 April 2023 beyond which no audit tenure may exceed ten years.Based on recommendations made in submissions received during the consultation process, the rule has been extended beyond auditors of listed entities to incorporate auditors of Public Interest Entities (PIEs) which would include, for example, non-listed pension funds and organisations that operate in the public interest. The Rule also has transitional provisions for cases where joint auditors are appointed to ensure that both audit firms need not become ineligible at the same time at the effective date.The MAFR rule can be downloaded on [https://www.irba.co.za](https://www.irba.co.za/upload/Government%20Gazette%20with%20Final%20Rule%20-%201%20June%202017.pdf).**Chief Executive Officer****Bernard Peter Agulhas*****About the IRBA****The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.* |

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