
INDEPENDENT REGULATORY BOARD FOR AUDITORS

EXECUTIVE DEPARTMENT

MAFR Supreme Court of Appeal Judgement

Johannesburg / 01 June 2023

The IRBA received the Supreme Court of Appeal (SCA) judgement on 31 May 2023, setting aside the Mandatory Audit Firm Rotation (MAFR) rule. We respect the judgement and appreciate that the outcome is based on a technical legal interpretation which should not bring into question the value and/or effectiveness of MAFR.

While the rule has been set aside and it is no longer mandatory to comply with MAFR, independence of registered auditors from their clients is a key principle of effective external audits and in addition to the rotation of partners every five years, the IRBA is of the view that rotation of audit firms further strengthens the independence of the auditor and the firm. Though MAFR has been set aside, the independence provisions in the IRBA Code of Professional Conduct for Registered Auditors are still in effect and must be adhered to by the auditor.

As the audit regulator, we aim to create an enabling environment for registered auditors to produce high quality audits in that investors can trust when making investment decisions. In safeguarding an auditor's independence, we still believe that firm rotation is an effective mechanism that further strengthens auditor independence.

As acknowledged by the Court in its judgment, audit firms play a pivotal role in ensuring that the representations made by companies in annual financial statements are reliable, accurate and portray a fair and balanced position of a company's financial affairs.

The IRBA commends audit firms for recognising the risks of long firm tenure and voluntarily adopting MAFR as a measure to mitigate such risks. However, while the majority of public interest entity auditors have already rotated, there are still a number of audit appointments with tenures that range between 25 and 118 years. We therefore encourage audit firms to continue to consider threats to independence and ensure that any independence threats are thoroughly identified and addressed at the outset of the audit, especially where tenure exceeds 10 years.

The IRBA will work urgently with all relevant stakeholders to address the legal issue on the basis of which MAFR was set aside.

Imre Nagy

Chief Executive Officer

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.