Dear Member

Following the announcement by the Independent Regulatory Board for Auditors (IRBA) on 29 August 2016 to begin a process to implement Mandatory Audit Firm Rotation (MAFR) for audit firms in South Africa, the IRBA has released a Consultation Paper to commence its public consultation process around the implementation of MAFR.

The IRBA has requested that Interested and Affected Parties (I&APs) submit their written comments to the questions included in the Consultation Paper to the IRBA by 20 January 2017; and it aims to issue the final requirements in March 2017.

The IRBA Consultation paper includes requirements for MAFR to occur every ten years for listed companies, effective for financial years commencing on or after 1 April 2023. It provides for a cooling off period of five years for the outgoing audit firm before that firm may be eligible to be reappointed by the particular audit client. Furthermore, there are transitional arrangements for companies with joint audits.

SAICA had previously engaged among its diverse member constituents and stakeholders through a survey aimed at establishing their views on the measures that were being considered by the IRBA, including MAFR. The survey was linked to the SAICA Discussion Paper: Considering mandatory audit firm rotation (MAFR) and other related measures as possible means of enhancing auditor independence. The Results Report of the survey was issued on 27 September 2016.

Given auditors' fundamental role in establishing confidence in capital markets, SAICA has continued its engagement with various stakeholders and the IRBA on the impact of these measures, including hosting a MAFR Indaba on 10 November 2016 with specific invitees from a broad range of affected stakeholder groups.

Throughout the lead-up to the IRBA announcement, SAICA has been encouraging its members from all constituencies to be responsive to engagements with SAICA, the IRBA and other stakeholders. Part of
what has characterised the debate so far are anxieties and uncertainty arising from an incomplete understanding of the basis for the IRBA’s decision to implement MAFR, including a concrete proposal on the MAFR requirements.

The IRBA Consultation Paper and public consultation process now allows all I&APs to provide input and share their views - among them audit firms, listed companies, audit committees, investors and shareholders, and CFOs. SAICA will also be submitting a comprehensive comment letter. SAICA encourages all of its members to make use of this opportunity to provide comments to the IRBA by **20 January 2017**.

I&APs can obtain all relevant information regarding the public consultation process on the IRBA website, including the IRBA Press Release and the Guidelines to Commentary, which allows access to the IRBA Consultation Paper.

Members can also read the original SAICA Discussion Paper, the full results report of the SAICA MAFR survey and an executive summary of the survey.

Regards

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