22 April 2026
Council for Medical Schemes
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Dear Sir/Madam

SAICA SUBMISSION ON CIRCULAR 44 OF 2025 – PROPOSED AUDITOR ROTATION REQUIREMENTS

In response to your request for comments on Circular 44 of 2025: Proposed Auditor Rotation Requirements, attached is the comment letter prepared by the South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of SAICA's Medical Schemes Project Group (MSPG), which comprises members from medical schemes, medical schemes' administrators and auditors of medical schemes.

We thank you for the opportunity to provide comments on this Circular.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Shaun Osner
Chairperson: MSPG

Kedibone Sono
Head: Financial Reporting

SAICA SUBMISSION ON CIRCULAR 44 OF 2025 – PROPOSED AUDITOR ROTATION REQUIREMENTS

Overall, members support the principle of mandatory auditor rotation as a good corporate governance practice. However, members recommended that the Council for Medical Schemes (CMS) align with the Independent Regulatory Board for Auditors (IRBA), as the IRBA Rule on Mandatory Audit Firm Rotation (MAFR) is likely to be reinstated in the near future for Public Interest Entities (PIEs), and would also apply to medical schemes that meet the PIE definition.

Members further recommended that mandatory firm rotation should apply only to PIEs, while smaller or less complex schemes (non-PIEs) should instead continue to rely on board and audit committee oversight, together with partner rotation due to cost and capacity constraints.

Members cautioned against a total prohibition on non-assurance services, noting that the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code) already provides robust principles and safeguards to manage threats to auditor independence. They emphasised that decisions regarding the approval of permissible non-assurance services should remain scheme-specific and within the oversight of the audit committee.

Overall, members recommend alignment with the IRBA Code and MAFR requirements, proportionality based on scheme size, complexity and risk, and reliance on board and audit committees' oversight, Audit Quality Indicators (AQIs) and the CMS review processes.

Rotation Requirements

Our members support the principle of mandatory auditor rotation as a governance measure that strengthens auditor independence and aligns with broader industry and regulatory trends. It was noted that a number of larger medical schemes are already implementing auditor rotation as part of good governance practices.

Members further highlighted the importance of distinguishing between **audit partner rotation** and **audit firm rotation**, noting that partner rotation alone may be more appropriate and practical for smaller or closed schemes, given the significant cost implications and capacity constraints associated with audit firm rotation.

Members raised concerns about the already limited — and further shrinking — pool of audit firms available to audit medical schemes. For example, the CMS list of accredited audit firms currently includes only 15 firms, which makes the rotation process challenging. Members cautioned that this may result in schemes being compelled to appoint audit firms with limited sector-specific expertise, particularly in specialised areas such as information technology (IT) audits, due to the limited options available.

Members noted that, as not-for-profit entities, medical schemes do not have surplus funds to absorb audit inefficiencies, which ultimately erode medical schemes members' funds. Mandatory auditor firm rotation would introduce additional costs, including first-year inefficiencies, which are often more pronounced where smaller audit firms are appointed.

Members further raised concerns that, particularly in smaller and closed medical schemes, board members are often drawn from audit firms, which creates governance constraints when sourcing trustees and board members. This further reduces the pool of audit firms with the necessary experience and resources to audit such schemes, especially when certain audit firms are excluded due to board representation. As a result, the auditor rotation process becomes even more difficult.

In addition, members highlighted that the AQI's together with strengthened CMS review processes and active audit committee oversight, already provide effective mechanisms to enhance auditor independence and audit quality. These measures were viewed as more appropriate and risk-based than imposing mandatory firm rotation on all schemes regardless of their size, complexity and/or risk profile.

While recognising the importance of auditor independence safeguards, members recommended that mandatory firm rotation be limited to medical schemes that are PIEs. This approach is consistent with the IRBA Rule on MAFR which members noted is likely to be reintroduced for PIEs in the near future. Members therefore recommended that the CMS not set a precedent by introducing requirements, rules, or practices that differ from those of the IRBA or the International Ethics Standards Board for Accountants (IESBA).

Cooling Off Period

Members recommended that the proposed five-year cooling-off period be reduced to two years, in line with the recent amendments to Section 92(2) of the Companies Act, 2008, as introduced by the Companies Amendment Act 2024. This alignment would ensure regulatory consistency and avoid imposing more stringent auditor independence requirements on medical schemes than those applicable to other regulated entities.

Members considered a two-year cooling-off period to be sufficient to safeguard auditor independence and audit quality, while also mitigating unintended consequences such as increased costs, first year inefficiencies and reduced access to audit firms with relevant medical scheme experience.

Prohibition of Non-Audit Services

While acknowledging the intention to strengthen auditor independence and public confidence, members expressed concern that a blanket prohibition on non-assurance services would extend significantly beyond both local regulatory requirements and international norms. Members noted that the IRBA Code allows audit firms to provide permissible non-assurance services, provided that auditor independence is maintained and appropriate safeguards are applied.

Members were of the view that the total prohibition on non-assurance services would be inconsistent with the IRBA Code and could lead to several unintended consequences, including the following:

- **Increased costs and complexity:** Schemes may be required to engage multiple service providers for services that could be performed by the auditor, resulting in higher costs and complexity.
- **Reduced participation of audit firms:** Some audit firms may choose not to continue auditing schemes if they are prohibited from offering permissible non-assurance services, particularly where audit-only engagements are not commercially viable.
- **Loss of efficiency and expertise:** Schemes often benefit from the auditor's accumulated scheme knowledge and sector-specific expertise when providing permissible non-assurance services. A total prohibition would remove access to this expertise and reduce overall efficiency.

Members therefore recommended the adoption of a balanced approach aligned with the IRBA Code. Under this approach, certain non-assurance services would be permitted where they do not create a self-review, advocacy, or other threats to independence and where appropriate safeguards can be applied. Approval of such permissible services should remain subject to audit committee oversight, based on a clear assessment of independence considerations and scheme-specific risks, governance and internal controls. For example, Section 601 of the IRBA Code prohibits audit firms from providing accounting and bookkeeping services to PIE audit clients, while allowing these services for non-PIEs only when they are routine and do not give rise to self-review threats. Similarly, tax advisory and tax planning services under Section 604 may be permitted provided they do not create self-review or advocacy threats, and appropriate safeguards can be applied.

To ensure transparency and accountability, members further recommended that audit committees be required to disclose approved non-assurance services in the scheme's financial statements.

Appointment of joint and shared auditors

Members noted that the proposed requirement for joint or shared auditors would be operationally impractical, costly and not suited to the medical schemes' environment. They highlighted that, in the absence of a regulatory requirement mandating joint auditor appointments, it is highly unlikely that schemes would voluntarily appoint joint auditors, as doing so would significantly increase audit costs without improving audit quality and introduce substantial coordination and operational challenges, particularly in areas such as IT audits and consolidation.

Members further expressed the view that joint audits do not offer additional assurance or value commensurate with the associated administrative burden and increased audit fees. Accordingly, members cautioned that the costs and complexities of joint audits would outweigh any potential benefits.

Members therefore recommended that the CMS reconsider the appropriateness of joint auditor requirements and, if pursued, provide clarity on how the requirements would be implemented and enforced without imposing unreasonable burdens on schemes or their auditors.

Other comments

Members expressed concern about the absence of a clear and objective definition of what constitutes a "large" or "bigger" medical scheme. They recommended that CMS develop clear criteria or thresholds if differing rules for larger schemes are intended, to ensure regulatory certainty and consistent application across the industry.

Members further recommended that CMS align its terminology with that used in the IRBA Code of Professional Conduct by using the term "non-assurance services" instead of "non-audit services" to ensure consistency.