

Proposed Amendments to the JSE Listings Requirements & JSE Debt Listings Requirements

Auditor Accreditation

May 2023

Introduction

In 2009 the JSE introduced a mechanism dealing with the accreditation for audit firms, individual auditors, reporting accountants, reporting accountant specialists and IFRS Advisers (the “**Auditor Accreditation Model**”).

As part of the market consultation through the JSE Consultation Paper (JSE Listings Review) issued in May 2022 (the “**JSE Consultation Paper**”), the JSE proposed the removal of the Auditor Accreditation Model. The outcome of the JSE Consultation Paper evidenced overwhelming majority support from market commentators that the Auditor Accreditation Model should be removed. In line with this support from the market, the JSE consulted with the Independent Regulatory Board for Auditors (“**IRBA**”)¹ and formulated these proposed amendments to the JSE Listings Requirements and JSE Debt Listings Requirements.

The majority of the accredited audit firms responsible for the audit of listed issuers are firms within South Africa. In South Africa, the regulatory body for auditors is the IRBA. Registered auditors in South Africa are subject to the provisions of the Auditing Profession Act No. 26 of 2005 and the IRBA Code of Professional Conduct for Registered Auditors. The IRBA’s role is to protect the financial interests of the investment public through effective regulation of assurance activities conducted by registered assurance providers in accordance with International Auditing Standards and applicable legislation. The regulatory body’s mandate includes competence requirements to qualify as an auditor, the auditing framework to be used by auditors, inspection of auditors’ work to ensure compliance with the relevant auditing frameworks and discipline of auditors who are not compliant with laws and regulations.

During the period since the introduction of the Auditor Accreditation Model, significant changes and improvements have occurred within areas of governance, auditing standards, the Companies Act, regulatory oversight by audit regulators, improvements in audit quality and the Listings Requirements which play a significant role in enhancing the credibility of financial reporting. A non-exhaustive list of these changes includes the following:

- Introduction of quality management standard, International Standard on Quality Control 1 in 2009 by the International Auditing and Assurance Standards Board and adoption of the same in South Africa by the IRBA;

¹ IRBA is the Independent Regulatory Board for Auditors, the statutory body controlling part of the accountancy profession involved with public accountancy in South Africa. Their strategic focus is to protect the financial interests of the public by ensuring that only suitably qualified individuals are admitted to the auditing profession and that registered auditors deliver services of the highest quality and adhere to the highest ethics standards.

- Revision of the quality management standard through the introduction of International Standard on Quality Management 1,2 and International Standard on Auditing (ISA 220 Revised) effective 2022;
- Significant improvements made to areas affecting financial reporting and assurance in the Companies Act and Companies Regulations in 2011 through the adoption of the Companies Act;
- Various improvements and initiatives undertaken by audit regulators to improve audit quality, transparency, revise ethical and training requirements and codes applicable to registered auditors. The JSE participates in the IRBA processes through a membership position on the Committee for Auditing Standards and Inspections Committee of the IRBA;
- Introduction of the proactive monitoring of financial statements by the JSE in 2010 with various improvements to this process since introduction;
- Introduction of additional specific responsibilities, over and above those contained within the Companies Act for audit committees through the amendment of the Listings Requirements in 2017; and
- Introduction and monitoring of a specific management responsibility for the internal financial control environment and related accountability for the preparation of financial statements through a CEO and FD sign off effective in 2020.

(the “**Financial Reporting Improvements**”)

Considering the Financial Reporting Improvements, the JSE is proposing to remove the Auditor Accreditation Model, which includes the accreditation of audit firms, reporting accountants, reporting accountant specialists and IFRS advisors.

Proposed Amendments

Kindly find attached the amendment schedules for both the JSE Listings Requirements and the JSE Debt Listings Requirements dealing with the removal of the Auditor Accreditation Model.

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