



Reference: Auditor independence and economic inclusion  
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Date: 18 December 2025

## **Fostering independence and greater auditor inclusion in the audit of medical schemes**

The Council for Medical Schemes (CMS) proposes the introduction of auditor rotation requirements for the audit of medical schemes, along with restrictions on the provision of non-audit services by external assurance providers. These proposed requirements are meant to take effect for financial years beginning 1 January 2027.

The Registrar is empowered by Section 36(2) of the Medical Schemes Act (MSA), which states: “The appointment of an auditor shall not take effect unless it has been approved by the Registrar, subject to such conditions as he or she may deem fit.”

### ***Rotation requirements***

The Registrar is of the opinion that rotation requirements will promote independence and increase market competition within the medical scheme audit environment, resulting in enhanced audit quality, economic inclusion and drive transformation. The Registrar, therefore, proposes rotation requirements as per Section 36(2) of the MSA.

Proposed requirements:

1. An audit firm, including a network firm as defined in the Independent Regulatory Board for Auditors (IRBA) Code of Professional Conduct for Registered Auditors (Code), shall not serve as the appointed auditor of a medical scheme for more than 10 consecutive financial years. Thereafter, the audit firm will only be eligible for reappointment as the auditor after the expiry of at least five financial years.
2. The requirement applies to all audits of medical schemes, PIE and non-PIE and applies from the audit firm's earliest date of appointment. The earliest date of appointment is determined in line with the [IRBA audit tenure disclosure](#) requirements.

### Proposed transitional arrangements

3. If, at the effective date, the medical scheme has appointed an audit firm for a tenure of ten years or more, the firm will be required to rotate. For joint auditors who both have an audit tenure of ten years or more, only one audit firm is required to rotate at the effective date, and the remaining audit firm will be granted an additional two years before rotation is required.

### **Prohibition of non-audit services**

The Registrar is also of the opinion that a prohibition on the external assurance provider providing non-audit services to the medical scheme will also promote independence and increase market competition. The Registrar, therefore, proposes the restriction of the provision of non-audit services by audit firms providing assurance services to a client as per Section 36(2) of the MSA.

As per the *Revised Guide for Registered Auditors: Assurance Engagements on the Annual Financial Statements and Annual Statutory Returns of a Medical Scheme* (Guide) issued by the IRBA, the engagement on a medical scheme includes:

1. ISA 700 (Revised) engagement – reporting on the financial statements;
2. ISAE 3000 (Revised) engagement – reporting on compliance with Sections 36(5) and 36(8) of the Act;
3. ISA 800 (Revised) engagement – reporting on Parts 4 to 6.1 and 6.3 to 10 of the annual statutory return; and ISRE 2410 engagement – reporting on Part 6.2 of the annual statutory return; and
4. ISA 810 (Revised) engagement, if summary financial statements are required to be prepared by the Rules of a medical scheme.

### Proposed requirements:

1. Section 600.7 A1 of the IRBA CPC states that “*if there are laws and regulations in a jurisdiction relating to the provision of non-assurance services to audit clients that differ from or go beyond those set out in this section, firms providing non-assurance services to which such provisions apply need to be aware of those differences and comply with the more stringent provisions.*”
2. An audit firm, including a network firm as defined in the IRBA Code, engaged by a medical scheme to provide the services as envisaged in the IRBA Guide (with reference to the ISA 700, ISAE 3000, ISA 800 and ISA 800 reports) shall not be appointed by a medical scheme to provide non-audit services as contained in section 600, subsection 601 - 610 of the [IRBA CPC](#) (i.e. accounting/bookkeeping, administration, tax, etc.).
3. An exception applies as it relates to inspections and reports that the Registrar may require in terms of Section 44 of the MSA.
4. The provisions contained herein, therefore, provide for a more stringent approach than that included in the IRBA CPC in that it prohibits the provision of non-audit services by assurance providers.

5. This requirement applies to all medical schemes, both PIE and non-PIE.

### ***Suggested appointment of joint and shared auditors***

With reference to acceptance and continuance decisions, audit firms are required by the International Standard on Quality Management (ISQM) 1 to make judgments about the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements. This includes *inter alia* the availability of individuals with knowledge of the relevant industry (paragraph A72). In order to ensure the appropriate transfer of skills and knowledge, the Registrar urges bigger medical schemes to consider the appointment of joint or shared auditors. This request should, however, be considered in the context of the prudential management of scheme funds.

**Compiled by:** The Financial Supervision Unit, Council for Medical Schemes