



Reference: Auditor independence and economic inclusion
Contact person: Mr Louis Rikhotso
E-mail: l.rikhotso@medicalschemes.co.za
Date: 17 September 2026

Auditor Independence and Economic Inclusion Response Analysis

The Council for Medical Schemes (CMS) issued [Circular 44 of 2025](#) to solicit inputs on the proposed implementation of auditor rotation and the restriction of non-audit services on medical schemes auditors. The closing date for input was 30 April 2026.

Inputs were received from nine participants, including the Independent Regulatory Board for Auditors (IRBA) and the South African Institute of Chartered Accountants (SAICA) Medical Schemes Project Group (MSPG), which consists of representatives from auditors and medical schemes. The feedback received will help shape the CMS' auditor reform in the medical schemes industry. This addendum summarises the comments received and the CMS' response thereto.

Subject	Consultation feedback	CMS response
Joint and shared audit arrangements - proposal	<u>The Independent Regulatory Board of Auditors (IRBA)</u> In respect of joint auditor arrangements, IRBA notes the pragmatic approach that allows only one audit firm to rotate initially, with limited relief afforded to the remaining firm. This strikes an appropriate balance between strengthening independence and maintaining operational stability. IRBA supports CMS's encouragement of joint auditing arrangements to promote transformation, skills transfer, and broader market participation. IRBA recommends that CMS explicitly distinguish between: • Joint audits, where audit firms share joint and several responsibilities for the audit opinion; and • Shared or subcontracted audits, where the primary audit firm retains overall responsibility while subcontracting defined audit areas. Explicit recognition of shared or subcontracted audit models would provide greater flexibility for medical schemes, while still advancing transformation objectives, subject always to prudent management of scheme funds.	The CMS appreciates the recommendation and will provide a distinction between the joint audit arrangements.
Joint and shared audit arrangements - proposal	<u>PricewaterhouseCoopers Inc. (PwC)</u> Joint audits would offer several benefits relevant to the medical schemes' environment. However, joint audits also introduce practical challenges: - Higher costs, driven by overlapping responsibilities (risk management, financial statement reviews, template preparation) and cross-review requirements, which would result in increased costs for the medical schemes and additional time needed to complete audits. - Restrictions on independence management, reducing the pool of firms available for advisory or non-audit services, as potential joint audit firms must maintain independence at all times. If the prohibition of non-audit services (as proposed) is implemented coupled with joint auditor requirements, it may have the unintended consequence of reducing the number of available market participants to provide audit and non-audit services to medical schemes.	The CMS notes and appreciates the concerns raised on the joint and shared audit arrangements and will consider them carefully. The reference to bigger medical schemes has been removed.

	- Introducing joint audits would potentially reduce the overall capacity of audit firms available to service other medical schemes. Joint audits require the involvement of multiple audit firms on a single engagement, which increases resource demands and limits the number of firms that are able to take on additional clients due to the joint responsibility of the appointed firms in relation to the audit of the financial statements. This could unintentionally constrain the audit market and reduce the number of suitably qualified auditors with sufficient capacity to service medical schemes across the industry. In addition to the above, we have the following comments: - The CMS' suggestion refers to 'bigger medical schemes'. We recommend that the CMS clearly define what is meant by 'bigger medical schemes', or alternatively indicate an objective benchmark or threshold that can consistently be applied to determine which schemes fall within this category. - Systemically Important Financial Institutions (SIFIs) and certain insurers regulated by the Prudential Authority (PA) are currently required to appoint joint auditors. We recommend that the CMS engage with the PA to assess the impact of these joint audit arrangements on both the banking and insurance industries, including lessons learnt and any implications for extending similar requirements to medical schemes. - We note that entities in other industries have previously attempted to appoint joint auditors on a voluntary basis. However, a number of these initiatives were ultimately abandoned due to the practical challenges associated with joint audit arrangements, including increased resource demands, coordination complexities, and the limited availability of suitably qualified audit firms to provide audit and non-audit services. These challenges mirror those highlighted above, and further demonstrate the potential unintended consequences of introducing joint audits in sectors with constrained audit capacity.	
Joint and shared audit arrangements – proposal	<u>SAICA MSPG</u> 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	The CMS notes and appreciates the concerns raised on the joint and shared audit arrangements and will consider them carefully.

	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.	
Joint and shared audit arrangements - proposal	<u>Deloitte & Touche</u> In the absence of a regulatory requirement mandating firms to appoint joint auditors, it is highly unlikely that medical schemes will voluntarily appoint joint auditors as doing so would increase costs and complexity. Deloitte recommends that the CMS reconsider whether joint audits is the appropriate mechanism to achieve skills and knowledge transfer, and if so, how best to enforce this in a way that will not place unreasonable burdens on medical schemes or their auditors.	The CMS encourages joint arrangements but will not enforce them on schemes. The CMS will reflect on the comment raised.
Joint and shared audit arrangements	<u>BDO</u> We support the CMS' objective of promoting skills transfer, transformation and broader market participation; however, we note concern with respect to the practicality of such an approach in the medical schemes environment. We submit that the circular would benefit from more detailed, practical guidance to support consistent application of its inclusion objectives. In particular, it would be helpful for CMS to clarify what it considers to constitute meaningful and sustainable economic inclusion, and to set out the governance practices and safeguards expected where medical schemes appoint smaller or emerging audit firms, including how independence threats and audit-quality risks should be identified, evaluated and appropriately mitigated. We further recommend that the circular outline acceptable implementation models that advance inclusion without compromising audit quality, for example through appropriately structured joint audits or shared engagements, phased transition arrangements between audit firms, and structured capacity-	The CMS notes and appreciates the concerns raised and will consider them carefully.

	building initiatives, supported by clear delineation of responsibilities and effective oversight mechanisms. We submit that these measures should be positioned as principles-based guidance rather than prescriptive requirements, recognising that medical schemes must also take into account cost implications, operational complexity and the need for efficient audit execution.	
--	--	--