
INDEPENDENT REGULATORY BOARD FOR AUDITORS

EXECUTIVE DEPARTMENT

Minister of Finance Publishes Maximum Monetary Fines

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On Thursday, 15 June 2023, the Minister of Finance, Enoch Godongwana, gazetted the Maximum Monetary Fines, in terms of Section 51(2) and 51B(3)(b) of the Auditing Profession Act 26 of 2005 (as amended in 2021), which empowers the Minister to set maximum monetary sanctions. The publication follows a period during which the proposed sanctions were issued for public comments.

The change relating to the maximum fines, which were previously linked to the Adjustment of Fines Act, was necessitated by a number of concerns from the public and the regulator on the effectiveness of monetary sanctions in appropriately dealing with improper conduct. These concerns emanated from business failures that have tainted the auditing profession; the resultant substantial losses to investors; continuous negative publicity relating to errant auditors; and fines that the public viewed as too lenient.

The Independent Regulatory Board for Auditors (IRBA) subscribes to international best practice, in line with the International Forum of Independent Audit Regulators (IFIAR) core principles. One of these principles requires audit regulators to have at their disposal, a comprehensive and impactful range of disciplinary measures/sanctions against transgressing auditors and audit firms. This includes the requirement for "any legal limits on the maximum amounts of fines should allow them to be effective instruments of deterrence, especially if imposed on audit firms".

The maximum fine that the Enforcement Committee may impose on an individual auditor who concludes an admission of guilt process, is now set at R5 million, while it is R15 million for an audit firm. Where the Enforcement Committee refers a matter to the Disciplinary Committee for a hearing, the maximum fine that the latter may impose following a disciplinary hearing process resulting in a finding of guilt is R10 million for an individual auditor and R25 million for an audit firm.

The new maximum fines are applicable to all improper conduct committed after the amendment to the Act i.e., after 26 April 2021.

While the IRBA welcomes the publication of the new maximum fines, it is important to note that these are the maximum fine limits, and they are not fixed. As in the past, the Enforcement Committee and the Disciplinary Committee continue to have, within their respective scopes, a variety of other sanctions that may be imposed for improper conduct, including non-monetary sanctions. Also, the committees still have the power to scale monetary sanctions; therefore, not every charge of improper conduct will attract the maximum fine.

In addition, the IRBA will now finalise the implementation framework that will ensure that relevant considerations (including proportionality) are deliberated on prior to determining an appropriate fine.

The Government Gazette published by the Minister of Finance is available on the [IRBA website](#).

Imre Nagy

Chief Executive Officer

About the IRBA

The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.