

Proposed Guide for Registered Auditors

Joint Audit Engagements (Revised XX 202X)

WARNING TO READERS

The content of this proposed Guide should under no circumstances be used or relied upon, until the Independent Regulatory Board for Auditors issues the final pronouncement.

REQUEST FOR COMMENTS

The Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) approved this proposed Guide for Registered Auditors: Joint Audit Engagements (Revised XXX 202X) (proposed Guide (Revised)), in November 2023 for exposure and comment, for a period of 90 days. Before the pronouncement is finalised, this proposed Guide (Revised) may be modified in light of comments received.

This proposed Guide (Revised) has been prepared by a CFAS Task Group that comprised representatives of large, medium and small audit practices, the South African Institute of Chartered Accountants and the Auditor-General South Africa. It may be downloaded free-of-charge from the IRBA website's [Exposure Drafts and Comment Letters](#) webpage.

Respondents are requested to submit their comments electronically in Word and PDF formats to standards@irba.co.za. All comments will be considered as a matter of public record and will be posted on the IRBA website.

Comments should be submitted by 29 February 2024.

Should you have any queries, or experience technical difficulties in downloading the document, please email the Standards Department at standards@irba.co.za.

The IRBA's mission is to endeavour to protect the financial interests of the investing community by creating and enhancing regulatory tools and principles to empower registered auditors to carry out their duties competently, independently and in good faith.

One of its functions is to help create an ethical, value-driven financial sector that encourages investment, creates confidence in the financial markets and promotes sound practices. To achieve this, it develops and maintains auditing and ethics standards that are internationally comparable, among other obligations.

The statutory responsibility of the CFAS is to assist the IRBA to:

1. Develop, maintain, adopt, issue or prescribe auditing pronouncements;
2. Consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and
3. Promote and ensure the relevance of auditing pronouncements by:
 - 3.1. Considering the needs of users of audit reports;
 - 3.2. Liaising with the other committees of the Regulatory Board on standards to be maintained by registered auditors and by receiving feedback from such committees on areas where auditing pronouncements are needed;
 - 3.3. Ensuring the greatest possible consistency between auditing pronouncements and accepted international pronouncements; and
 - 3.4. Consulting with professional bodies on the direction and appropriateness of auditing pronouncements.

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EXPLANATORY MEMORANDUM

SECTION 1: INTRODUCTION

1. This memorandum provides the background to, and an explanation of, this proposed Guide for Registered Auditors: Joint Audit Engagements (Revised XXX 202X) (proposed Guide (Revised)).
2. The Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) approved this proposed Guide (Revised) for exposure in November 2023, for a period of 90 days.

Background

3. In August 2020, the CFAS approved the release of the *Guide for Registered Auditors: Joint Audit Engagements (the Guide)* for issue.
4. The Guide provides guidance to registered auditors (auditors) on the application of International Standards on Auditing (ISAs) and the IRBA pronouncements in circumstances where auditors or firms perform a joint audit engagement.
5. South African Guides are authoritative pronouncements and their authority is set out in the [Status and Authority of Auditing Pronouncements](#). Guides do not impose requirements on auditors beyond those included in the International or South African Standards on Quality Control, Auditing, Review, Other Assurance and Related Services or South African regulatory requirements. Also, they do not change an auditor's responsibility to comply, in all material respects, with the requirements of the International or South African Standards or with South African regulatory requirements relevant to the audit, review, other assurance or related services engagement.
6. In March 2021, the IRBA Board approved the adoption and issue of the [Quality Management standards¹](#), with early adoption permitted. The effective date has provided for a wide-scale transition of systems; the development of policies and procedures; an assessment of service providers; an establishment of network level controls and responses; and the preparation of resources to support the systems of quality management.

Scope of the Amendments

7. This proposed Guide (Revised) has been updated to incorporate guidance to joint auditors on aspects to understand in respect of each other's systems of quality management arising from the International Auditing and Assurance Standards Board's (IAASB) issue of the following Quality Management (QM) Standards:
 - 7.1. International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*;
 - 7.2. ISQM 2, *Engagement Quality Reviews*; and

¹ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISQM 2, *Engagement Quality Reviews*; and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.

- 7.3. ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.
8. The IRBA's Staff Audit Practice Alert 7: Content of a Transparency Report provides non-authoritative guidance on how auditors may compile a transparency report, including how to detail a firm's System of Quality Management (SOQM).
9. The following amendments have also been incorporated into this proposed Guide (Revised):
- 9.1. Updated of the SOQM section in the Guide, including references to the QM Standards, where appropriate, in respect of the SOQM.
- 9.2. Removal of all references to the IRBA's Mandatory Audit Firm Rotation (MAFR) Rule, as a result of the [Supreme Court of Appeal Judgment](#) setting aside the Rule in May 2023.
- 9.3. Inclusion of a new appendix 3 to the proposed JA Guide (Revised) ED, in respect of aspects of each other's SOQM that joint auditors may want to obtain an understanding of.
- 9.4. Language review update of the entire guide.

Project Timetable

10. Subject to the comments received, the CFAS intends to finalise the guide at its May 2024 meeting.

Effective Date

11. The proposed effective date for the Guide (Revised) is for audits of financial statements for periods beginning on or after 31 December 2024, with early adoption permitted.

SECTION 2: GUIDE FOR RESPONDENTS

12. The CFAS welcomes remarks on all matters addressed in this exposure draft, especially those identified in the Request for Specific Comments section (Section 5) below. Respondents are asked to comment on the clarity, understandability and practicality of the application of the guidance in the exposure draft. In this regard, comments are most helpful when they refer to particular paragraphs, include the reason for the observation and, where appropriate, make specific suggestions for any proposed changes to the wording. When a respondent agrees with the proposals in the exposure draft, it will be helpful for the CFAS to be made aware of this view.

SECTION 3: SIGNIFICANT MATTERS

Approach to the SOQM Section in the Proposed Guide

13. In November 2021, the Secretariat updated the Guide for conforming and consequential amendments to the IAASB's International Standards arising from the IAASB's QM Standards.
14. This project is therefore informed by the IAASB's QM Standards, specifically in relation to a joint auditors' SOQM. The SOQM section of the Guide therefore has been updated in line with this. Further, an appendix to the Guide stating aspects that joint auditors may consider in respect of each other's SOQM has been included. The ED therefore addresses SOQM as follows:

- 14.1. The Task Group introduced sources of information and/or procedures that a joint auditor may consider in satisfying themselves that there are sufficient appropriate systems of quality management in place at each firm that is party to the joint audit engagement paragraph 29 of the ED.
- 14.2. Requirements of ISQM 1 that are of relevance were introduced into the ED; paragraph 30 and 31 of the ED.
- 14.3. Requirements of ISA 220 (Revised) that are of relevance were introduced into the ED; paragraph 33 of the ED.
- 14.4. Paragraph 45 of the ED was also updated to reference paragraph A30 of ISQM 2 regarding factors that may impact the nature and extent of the EQ reviewer’s procedures for a specific engagement.
- 14.5. Introduction of a new appendix 3 in ED regarding topics and/or aspects a joint auditor may consider to understand another joint auditor’s system of quality management using 14.1 above.

SECTION 4: OTHER MATTERS

Deletion of References to the MAFR

15. All reference to MAFR have been deleted, to effect the [Supreme Court of Appeal ruling](#).

Consequential Amendments to the Proposed Guide

16. The guide has been updated for references to the latest IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023) as well as for references to ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, paragraph A21A and ISA 600 (Revised), *Special Considerations – Audit of Group Financial Statements (including the work of component auditors)*, paragraph A25.

SECTION 5: REQUEST FOR SPECIFIC COMMENTS

The CFAS seeks comments on the specific matters highlighted in the table below.

Question 1	Do you agree with the proposed amendments to paragraphs 28-35 of this Guide?
Question 2	Do you agree with the proposed amendments to paragraph 45 of this Guide?
Question 3	Do you support the content of Appendix 3 to the Guide and is it sufficiently clear and comprehensive? If no, please provide proposed updates/ changes.
Question 4	Do you agree with the deletion of all references to the Mandatory Audit firm Rotation (MAFR) in the Guide?
Question 5	Are there any other aspects that should be considered in the Guide in respect of a firm’s system of quality management, as envisioned under ISQM 1?
Question 6	Do you agree with the proposed effective date (Refer to paragraph 11 of the Explanatory Memorandum) of this Guide (Revised)?

**EXPOSURE DRAFT: GUIDE FOR REGISTERED AUDITORS: JOINT AUDIT
ENGAGEMENTS (REVISED XX 202X)**

(Effective for audits of financial statements for periods beginning on or after 31 December XXXX)

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This Guide for Registered Auditors: *Joint Audit Engagements (Revised XX 20XX)* provides guidance to registered auditors (auditors) on the application of International Standards on Auditing (ISAs) in the circumstances in which auditors or firms perform a joint audit engagement.

Guides are developed and issued by the Independent Regulatory Board for Auditors (IRBA) to provide guidance to auditors in meeting specific legislative requirements imposed by a Regulator. Guides do not impose requirements on auditors beyond those included in the International or South African Standard(s) or South African regulatory requirements; and they do not change an auditor's responsibility to comply, in all material respects, with the requirements of the International or South African Standard(s) or with South African regulatory requirements relevant to the audit, review, other assurance services or related services engagements.

An auditor is required to have an understanding of the entire text of every Guide to enable the auditor to assess whether or not any particular Guide is relevant to an engagement; and if so, to enable the auditor to apply properly the requirements of the particular International or South African Standard(s) to which the Guide relates.

In terms of Section 1 of the Auditing Profession Act, No. 26 of 2005, as amended (the Act), a Guide is included in the definition of "auditing pronouncements". In terms of the Act, the auditor must, in the performance of an audit, comply with those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the IRBA.

Introduction

Scope

1. The International Standards on Auditing (ISAs) and the Independent Regulatory Board for Auditors (IRBA) pronouncements apply to joint audit engagements. Thus, this Guide for Registered Auditors: *Joint Audit Engagements (Revised 20XX)* (this Guide) provides guidance to registered auditors (auditors) on the application of the ISAs and the IRBA pronouncements in a joint audit engagement.
2. ISA 220 (Revised), *Quality Management for an Audit of Financial Statements (ISA 220 (Revised))*, paragraph A21 (emphasis added), references joint auditors as follows: “When joint auditors conduct an audit, the joint engagement partners and their engagement teams collectively constitute the ‘engagement partner’ and ‘engagement team’ for the purposes of the ISAs. This ISA does not, however, deal with the relationship between joint auditors or the work that one joint auditor performs in relation to the work of the other joint auditor”. In addition, ISA 600 (Revised), *Special Considerations – Audit of Group Financial Statements (including the work of component auditors)* (ISA 600 (Revised)), paragraph A25 (emphasis added) references joint auditors as follows: “When joint auditors conduct a group audit, the joint engagement partners and their engagement teams collectively constitute the ‘group engagement partner’ and the ‘group engagement team’ for the purposes of the ISAs. This ISA does not, however, deal with the relationship between joint auditors or the work that one joint auditor performs in relation to the work of the other joint auditor for purposes of the group audit.” Other than the definition of group engagement partner in the Glossary of Terms relating to International Standards issued by the IAASB in the *Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements (as updated) (Glossary of Terms)*, there are no other direct references to joint auditors in the ISAs.
3. The term joint auditors collectively constitutes the engagement partner and the engagement team, as appropriate. The ISAs use “auditor” to refer to the person or persons conducting the audit, usually the engagement partner or other members of the engagement team or, as applicable, the firm. Where an ISA expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner”, rather than “auditor”, is used.² It then follows that in a joint audit engagement all requirements and application material in the ISAs, where there is a reference to an “auditor”, also apply to joint auditors, collectively. Joint auditors, collectively constituting the engagement partner and the engagement team, would therefore need to ensure that all requirements (read together with the application material) in the ISAs are met.
4. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.³ This purpose of an audit applies equally to a joint audit

² Glossary of Terms relating to International Standards issued by the IAASB in the *Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements (as updated)*, definition of “auditor”.

³ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 3.

engagement.

5. Section 44(3)(a) of the Auditing Profession Act, No. 26 of 2005 (the Act), states that the auditor must carry out the audit free from any restrictions whatsoever and in compliance, so far as applicable, with auditing pronouncements relating to the conduct of the audit. Again, this applies equally to a joint audit engagement.
6. The guidance in this Guide does not establish new requirements or contain exemptions from the requirements of the ISAs. It should be read in conjunction with the ISAs, as applicable. The auditor exercises professional judgement to determine the extent to which any of the guidance provided in this Guide may be appropriate, in light of the requirements of the ISAs and the particular circumstances of the joint audit engagement. As such, joint auditors are strongly encouraged to apply this Guide. If they do not use the principles and considerations in this Guide, they are expected to demonstrate how else they achieved its objectives.
7. Firms may establish policies or procedures that are relevant to joint audit engagements, while considering this Guide.
8. The contents of this Guide may be useful to those charged with governance and management of audited entities that have joint auditors or are planning joint audits. It is worth noting, though, that this Guide only becomes applicable once a joint audit appointment has been made by the audited entities.
9. This Guide applies to South African audit firms that perform joint audit engagements. Further, it may be considered in a cross-border joint audit engagement, where an auditor from South Africa performs a joint audit engagement with an auditor registered in another jurisdiction, such as in public sector audits of multi-lateral organisations.
10. Furthermore, if the Auditor-General South Africa opts not to perform an audit, in terms of Section 4(3) of the Public Audit Act, No. 25 of 2004, and therefore takes no accountability for that audit, joint audit engagements are permitted in that instance in the public sector. In such a scenario, this Guide will be applicable to the joint audit of the financial statements of the relevant entities.
11. This Guide does not extend to:
 - An engagement to review financial statements, in accordance with *International Standards on Review Engagements* (ISREs). It may, nevertheless, be considered by a reviewer in performing a joint review engagement.
 - An assurance engagement, in accordance with *International Standards on Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAEs). However, it may be considered by the assurance provider in performing a joint engagement of this nature.
 - The relationship between an engagement auditor (including a joint auditor, where applicable) and the subcontracted firm(s) in a shared or subcontracted audit.

A shared or subcontracted audit (refer to the “Definitions” section) is not a joint audit engagement, as the subcontracted firm in a shared audit scenario does not carry any direct responsibility for the report issued in respect of the audit engagement. Further, the subcontracted firm does not form any audit opinion nor issues any auditor’s report on the shared audit engagement. However, it must be noted that in a joint audit engagement, one or more of the joint auditors may decide to subcontract or outsource their portion of the joint audit work to another auditor or audit firm(s). If any joint auditor enters into a shared or subcontracted audit arrangement, that

does not reduce the responsibilities of that said joint auditor(s) with regard to the joint audit engagement.⁴

12. [Appendix 6, Understanding the Differences between Joint and Shared Audit Engagements](#), provides a comprehensive description of the differences between joint audit engagements and shared audit engagements. This has been *provided* to create greater clarity in the marketplace and ensure that the terms are not used interchangeably or incorrectly.

Definitions

13. For the purposes of this Guide, unless otherwise specified or the context clearly indicates the contrary, all the terms defined in the ISAs and reflected in the *Glossary of Terms* have the same meanings here as well, including, but not limited to the following:
- “Audit documentation”;
 - “Audit evidence”;
 - “Audit file”;
 - “Audit opinion”;
 - “Component auditor”;
 - “Engagement partner”;
 - “Engagement quality reviewer” (EQ reviewer);
 - “Experienced auditor”;
 - “Firm⁵”;
 - “Management”; and
 - “Those charged with governance”.
14. A *joint audit engagement* is an audit where two or more separate firms are engaged to jointly audit the financial statements of an entity, take joint and collective responsibility for the audit and form a joint auditors’ opinion.
15. A *joint auditors’ opinion* is a single audit opinion formed on the financial statements of an entity by two or more separate firms engaged in a joint audit engagement, which audit opinion is expressed in a joint auditors’ report that is signed by all the firms engaged in the joint audit engagement.
16. A *joint auditor* is an auditor that is jointly engaged under a joint audit engagement.

⁴ Also refer to [Appendix 6](#) of this Guide.

⁵ Auditors are also referred to the following definition of a firm in the Act: “...a partnership, company or sole proprietor referred to in section 40”.

17. A *new joint audit engagement* is when a new firm(s) is engaged to participate in, or an existing firm(s) exits⁶, the engagement.
18. A *single auditor engagement* is an audit where only one firm is engaged to audit the entity's financial statements and then issues an auditor's report on those financial statements.⁷
19. A *cross-review*, in the case of a joint audit engagement, refers to the procedure(s) performed by one joint auditor on the audit documentation of the other joint auditor(s).
20. The *IRBA Code* is the IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023).
21. A *shared or subcontracted audit* is an audit engagement where a portion of the audit work is outsourced or subcontracted by the engagement auditor to another firm(s). The engagement auditor takes overall control, responsibility and accountability for the audit engagement, regardless of the outsourcing or subcontracting of a portion of the audit work to another firm(s).

Circumstances for a Joint Audit Engagement

22. In South Africa, entities appoint joint auditors to audit their financial statements for various reasons, which may include a request or a requirement by a regulator, the need for auditor continuity, the development of the resource pool, or any combination of these reasons.

Roles and Responsibilities of a Joint Auditor

23. A joint auditor has a joint responsibility with the other joint auditor(s) for the audit and the joint auditors' opinion they express on the audited financial statements. The joint responsibility emanates from the auditors' acceptance of their joint appointment (as evidenced by the audit engagement letter). A joint auditor's joint responsibility means that the joint auditor is also responsible for the work performed by the other joint auditor(s) and they shall therefore jointly ensure that the joint audit engagement is conducted in accordance with the ISAs⁸. Additionally, they need to ascertain that sufficient and appropriate audit evidence (evidenced through the cross-review) is obtained and documented collectively by all the joint auditors, in order to express a joint auditors' opinion.
24. An auditor is liable towards an audit client and/or third party to the extent provided in Section 46 of the Act.

Compliance with Independence and Other Relevant Ethical Requirements

25. The responsibility for compliance with the IRBA Code and other relevant ethical requirements rests with each joint auditor individually. A joint auditor may obtain, before and at the end of the joint audit engagement, a written confirmation that the other joint auditor(s) will comply and has complied with the IRBA Code and other relevant ethical requirements.

⁶ Exiting the engagement could be as a result of the joint auditor's resignation, removal or rotation off the engagement.

⁷ This includes a shared audit where a portion of the audit is outsourced or subcontracted to another firm(s).

⁸ ISA 200, paragraph 20.

26. The joint audit engagement partners shall remain alert throughout the joint audit engagement for breaches of relevant ethical requirements by members of the engagement team and determine the appropriate action, if such breaches are identified.⁹ A joint auditor may cross-review the work done by the other joint auditor(s), to ensure independence and compliance with the IRBA Code and other relevant ethical requirements. A letter by each of the joint auditors to each other, explaining their processes in this regard and any identified breaches of relevant ethical requirements as well as the safeguards applied, may form part of the audit documentation.
27. If any joint auditor is not satisfied with the compliance with independence and other relevant ethical requirements of the other joint auditor(s), the dissatisfied joint auditor applies professional judgement and considers bringing this to the attention of management and/or those charged with governance (while considering the IRBA Code), declining or resigning from the joint audit engagement. Also refer to paragraphs 78-81 of this Guide.

System of Quality Management

28. ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, presumes that audit engagements are conducted by a firm that is subject to the requirements of International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*. Therefore, prior to the acceptance or continuance of a joint audit engagement, the joint auditors, based on their professional judgement, need to satisfy themselves that there are sufficient appropriate systems of quality management in place at each firm that is party to the joint audit engagement.¹⁰ For this purpose, the joint auditors may need to agree on access to the relevant firm documentation, records, resources, the latest regulatory inspection report¹¹ or information.
29. In satisfying themselves that there are sufficient appropriate systems of quality management in place at each firm that is party to the joint audit engagement, the joint auditor(s) may consider the following sources of information and/or procedures:
 - Prior-year knowledge;
 - Review of the latest transparency report(s)¹²;
 - A summary of the joint auditor's system of quality management (to the extent that this information is not available in a transparency report);
 - An understanding of the remediations that were put in place, as documented in the Johannesburg Stock Exchange Listings Requirements Section 3.84(g)(iii) Letter obtained from the audited entity (if applicable) or equivalent thereof;
 - Obtaining an understanding of the application of ISQM 1, including the variation in timelines (if any) among the firms regarding their evaluation of the system of quality

⁹ ISA 220 (Revised), paragraphs 18 and 19.

¹⁰ ISA 220 (Revised), paragraph 2.

¹¹ Subject to the relevant laws and regulations governing confidentiality thereof.

¹² Also refer to the [IRBA Staff Audit Practice Alert 7. Content of a Transparency Report.pdf](#).

management as required by paragraphs 53¹³ and 54 of ISQM 1; or

- Questionnaire(s), inquiries and discussions between the joint auditors in respect of each other's system of quality management.

In general, it is expected that each joint auditor considers the above sources of information and/or procedures to determine whether they can accept a joint audit engagement with the other joint auditor(s). Further, refer to [Appendix 3](#) of this Guide regarding topics and/or aspects a joint auditor may consider to understand another joint auditor's system of quality management using the above-mentioned sources of information and/or procedures.

30. Further, the joint auditor(s) may want to consider how the other joint auditor(s) communicates with external parties, as required by paragraph 33(d)(ii) of ISQM 1, with paragraph A132 of ISQM 1 listing such examples that include a transparency report or an audit quality report.
31. In respect of a listed entity, a joint auditor may also request information from the other joint auditor(s), as required by paragraph 34(e)(i)¹⁴ of ISQM 1.
32. Consequently, the joint auditors document how they have satisfied themselves to achieve the abovementioned purpose, with respect to whether sufficient appropriate systems of quality management of the other joint auditor(s) exist to support accepting the joint audit engagement. An example of such documentation could include documenting the discussions with the other joint auditor(s) around their evaluation performed in accordance with ISQM1 paragraph 54, and remediation activities undertaken in response to the evaluation.
33. The requirement of paragraph 4 of ISA 220 (Revised) equally applies to a joint audit engagement, as it states that the engagement team, led by the engagement partner(s), is responsible within the context of the firm's system of quality management and through complying with ISA 220 (Revised) for:
 - Implementing the firm's responses to quality risks (i.e. the firm's policies or procedures) that are applicable to the audit engagement, using information communicated by, or obtained from, the firm;
 - Given the nature and circumstances of the audit engagement, determining whether to design and implement responses at the engagement level beyond those in the firm's policies or procedures; and
 - Communicating to the firm information from the audit engagement that is required to be communicated by the firm's policies or procedures, to support the design, implementation and operation of the firm's system of quality management.

¹³ ISQM 1, paragraph A188, states that the point in time at which the evaluation is undertaken may depend on the circumstances of the firm, and may coincide with the fiscal year end of the firm or the completion of an annual monitoring cycle.

¹⁴ Paragraph 34(e)(i) of ISQM 1 states that the firm establishes policies or procedures that require communication with those charged with governance when performing an audit of financial statements of listed entities about how the system of quality management supports the consistent performance of quality audit engagements.

34. The joint audit engagement partners need to ensure that their overall responsibility with respect to audit quality will be discharged¹⁵, and to then plan and perform the audit accordingly. A letter or memorandum by each joint auditor to the other(s) may form part of the audit documentation or this may be captured in the joint auditor's agreement. A joint auditor may also request or obtain relevant information regarding the other joint auditor's firm's responses to quality risks, that are applicable to the audit engagement, to assist in determining the engagement level audit quality responses or focus areas.
35. If any joint auditor is not satisfied or has concerns with the system of quality management of the other joint auditor(s) – whether at the engagement acceptance, during or at the end of the engagement – the dissatisfied joint auditor applies professional judgement in determining whether additional work in relation to the joint audit engagement can be performed in overcoming the deficiency(ies) identified. If not, they should then consider bringing this to the attention of management and/or those charged with governance, declining or resigning from the joint audit engagement. Also refer to paragraphs 78-81 of this Guide.

Acceptance and Continuance of Audit Client Relationships and Engagements

36. The joint auditors apply the ISAs¹⁶, the IRBA Code and other relevant ethical requirements in determining the acceptance and continuance of audit client relationships and audit engagements. They need to ensure that the ethical requirements are complied with. Where the percentage split of work between the joint auditors poses a quality risk for either of the firms, the recommendation is to reconsider the acceptance of the joint audit engagement.
37. In issuing the audit engagement letter, joint auditors should apply ISA 210, *Agreeing the Terms of Engagement*, and draft the audit engagement letter in accordance with the policies or procedures of each joint auditor's firm. To ensure that there are clear terms of engagement for all parties involved, a single audit engagement letter is agreed to between the audit client and the joint auditors. It is encouraged that the audit engagement letter makes reference to a joint auditors' agreement, where this has been put in place. Also, joint audit engagement letters should be specific and tailored for every engagement, and not be extended to permanent agreements.

Joint Auditors' Agreements

38. In addition to the audit engagement letter, the joint auditors may decide to put in place a formal joint auditors' agreement that documents their agreement regarding each joint auditor's duties and obligations in respect of the joint audit engagement, and the policies or procedures to be followed by the joint auditors in conducting the joint audit engagement.
39. The joint auditors' agreement can make provision for the following, among others:
 - The professional indemnity cover procured by each joint auditor;

¹⁵ ISA 220 (Revised), paragraph 13.

¹⁶ ISA 220 (Revised), paragraphs 22-24.

- Audit fee billing arrangements;
- The policies to be applied in respect of independence and/or compliance with relevant ethical requirements, where one joint auditor's policies are more stringent than the IRBA Code;
- The process to address and resolve differences in the audit methodology to be applied by the joint auditors;
- Agreement on the monitoring arrangements;
- Agreement on group audit arrangements;
- Arrangements for the relevant joint induction and training;
- The joint auditors' respective roles and responsibilities with regard to the joint audit;
- How to report a reportable irregularity in terms of Section 45 of the Act;¹⁷
- Whether joint auditors that are party to the joint audit engagement may enter into a shared or subcontracted audit; and, if so, the process to be followed;
- The allocation of work to each joint auditor;
- The communication/protocols for the rotation of work among the joint auditors;
- The requirements for the involvement of experts – both internal and external;
- Communication protocols in respect of independence and other relevant ethical requirements of a joint auditor;
- Communication protocols regarding each joint auditor's system of quality management;
- The right of access to the working papers of a joint auditor;
- The timing and processes for cross-reviewing each other's working papers;
- Consultation processes and requirements of their respective firms;
- The content of the management representation letter;
- Communication protocols in respect of meetings with the audit client's management, those charged with governance and the required attendees;
- Designating representatives of the joint auditors that will attend meetings, including planning meetings or meetings to discuss key risks and significant issues between the joint auditors, as well as periodic meetings with management and/or those charged with governance (including audit committee meetings);
- The process for preparing written communication, such as audit committee documents;
- Dispute resolution mechanisms or protocols;
- Recourse for the compliant auditor against the alleged non-compliant joint auditor;
- The accessibility, archiving, retrieval and retention process or protocol for the audit file; and

¹⁷ Refer to [Appendix 4](#) of this Guide.

- Any other matters, as may be agreed upon between the joint auditors.
40. It is recommended that the joint auditors obtain legal advice on the joint auditors' agreement, to avoid any unintended legal consequences that may be as a result of such an agreement.
 41. The joint auditors may share their joint auditors' agreement with those charged with governance. The joint auditors may also choose to provide the joint auditors' agreement as an appendix to the audit engagement letter, if the content thereof is considered appropriate.
 42. In addition to a joint audit agreement in respect of the audit of the financial statements, the entity may engage the firms to provide other assurance-related services that are not prohibited, such as work on interim financial statements. In such instances, further formal agreements similar to the joint audit agreements, regulating the firms' participation in such other assurance-related services, may need to be considered.

The Role of an Engagement Quality Reviewer in a Joint Audit Engagement

43. The joint auditors, together with their respective firms, consider the appointment of an engagement quality reviewer (EQ reviewer) in a joint audit engagement, if applicable, in accordance with ISQM 1, ISQM 2 and the policies or procedures of the firms.
44. Each firm may appoint and perform engagement quality reviews in accordance with its own policies or procedures. In instances where one of the joint auditors appoints an EQ reviewer, it may be appropriate for the other joint auditor(s) to also appoint an EQ reviewer, to ensure that the audit file as a whole is subject to an engagement quality review.
45. The EQ reviewers determine the scope of their respective reviews, pertaining to the joint audit engagement. Also refer to paragraph A30 of ISQM 2 regarding factors that may impact the nature and extent of the EQ reviewer's procedures for a specific engagement. Further, each joint auditor's EQ reviewer may consider the cross-review documentation, which is included in the working papers prepared by the engagement team, depending on the scope of the engagement quality review and areas of significant judgement. The EQ reviewer may also request access to the working papers of the other joint auditor(s). In performing the review, the EQ reviewer may also consider the following:
 - The joint auditor's evaluation of the firm's independence and the respective joint auditor firm's independence in relation to the joint audit engagement;
 - Whether timely discussions and consultations have taken place on matters involving differences of opinion between the joint auditors or other difficult or contentious matters, and the conclusion arising from those discussions and consultations;
 - Whether documentation selected for review, which includes the work performed by the other joint auditor(s), or documentation of a cross-review of such work reflects the work performed in relation to significant judgements made and supports the conclusions reached;
 - The nature and extent of the cross-reviews performed by their joint auditor on significant judgements; and
 - The timing of the EQ reviewer's review being performed and completed before the date of the joint auditors' report.

46. In instances where all joint auditors have an EQ reviewer respectively appointed by each of their firms, the EQ reviewers may interact with each other, for the purposes of coordinating the engagement quality review. In carrying out their reviews, each EQ reviewer may consider performing a cross-review of the other EQ reviewer's documentation. Also, the joint auditors may agree that only one EQ reviewer is required to be appointed jointly for the entire engagement, subject to the consideration of the firms' policies or procedures.

Audit Plan and Strategy¹⁸

47. In a joint audit, the joint auditors are jointly responsible for the audit. Therefore, the audit work has to be planned accordingly. The nature, timing and extent of the procedures to be performed and the audit evidence obtained shall be sufficient and appropriate to enable the joint auditors to express a joint auditors' opinion, in accordance with the ISAs.
48. To be able to develop a joint audit plan, the joint auditors establish and agree to one overall audit strategy. To cater for differences in methodology, the joint auditors may initially do this individually, and then agree on the overall audit strategy that will inform the development of the joint audit plan.
49. The joint auditors shall obtain an understanding of the entity and its environment and assess the risks of material misstatement at the assertion and financial statement levels, taken as a whole, and determine the materiality level(s). The term materiality level(s) (agreed to by the joint auditors) is intended to encompass materiality for the financial statements as a whole, performance materiality and the threshold for posting audit differences.
50. The joint auditors design and implement overall responses to address the assessed risks of material misstatements at the financial statement level.¹⁹
51. The joint auditors design and perform further audit procedures, whose nature, timing and extent are based on and responsive to the assessed risks of material misstatement at the assertion level.²⁰
52. In terms of the ISAs, the nature, timing and extent of work to be performed in an audit of financial statements under a joint audit engagement are the same as those under a single auditor engagement.
53. The joint auditors shall ensure that sufficient appropriate audit evidence has been obtained for all identified risks of material misstatement.
54. The joint auditors may allocate the work among themselves, in terms of business units, branches, subsidiaries, geographical locations or specific items on the financial statements (i.e. assets and liabilities or income and expenses); or on any other mutually-agreed basis. Also, the joint auditors may consider the rotation of work allocated from one financial period to another, as there are benefits to be gained from such a decision. Further, those charged with governance and regulators may request or prescribe that work be rotated among the joint auditors. The rotation

¹⁸ Refer to [Appendix 1 of Joint Auditors' Considerations in Audits of Group Financial Statements](#).

¹⁹ ISA 330, *The Auditor's Responses to Assessed Risks*, paragraph 5.

²⁰ ISA 330, *The Auditor's Responses to Assessed Risks*, paragraph 6.

of work allocated from one financial period to another does not trigger the auditing of opening balances, in terms of ISA 510, *Initial Audit Engagements – Opening Balances*.

55. In some cases, certain areas of work, owing to their importance or the nature of the work involved, would not be divided but be performed jointly by all joint auditors.
56. The joint auditors agree in writing on the allocation of the work, for the efficient conduct of the audit, and communicate this to those charged with governance.
57. Based on audit evidence obtained during the performance of audit procedures, the joint auditors shall assess jointly, throughout the joint audit engagement, whether their initial assessment of the risks of material misstatements at the financial statement level and assertion level remains appropriate. If necessary, they will modify the nature, timing or extent of planned audit procedures and consider the appropriateness of the allocation of the amended audit procedures.

New Joint Audit Engagements

58. If the joint audit is an initial audit engagement²¹ for the joint auditors, the joint auditors shall perform work on the opening balances.²² Generally, the new or incoming joint auditor would perform these procedures to obtain sufficient appropriate audit evidence on the opening balances and appropriateness of accounting policies by, among others, reviewing the audit procedures performed by the other auditor(s) relating to the preceding financial year. With reference to the definition of a new joint audit engagement, the scenario of an initial audit engagement can be brought about by the rotation of a single firm off a joint audit engagement. The incoming joint auditor(s) shall document the work performed on the opening balances.

Consultations on Technical, Independence/Ethical or Other Matters

59. The joint auditors are jointly responsible for the audit. Therefore, significant matters that include technical and ethical issues arising from the audit are discussed among the joint auditors, together with management and/or those charged with governance, as appropriate, taking into account the ISAs. Where appropriate, consultation with specialists within the respective firms may be initiated. The conclusions reached, as a result of the discussions and consultations, are implemented by the joint auditors, individually or jointly, and documented accordingly. Also refer to paragraphs 73-76 of this Guide.

Access to the Working Papers of a Joint Auditor

60. In order to achieve the objectives of an audit, open access to working papers is expected, at a minimum, in relation to those working papers that constitute the audit evidence obtained. The formal joint auditors' agreement may stipulate the specifics on how such access will be managed, including access by an EQ reviewer, where applicable, to the working papers of the other joint auditor(s). Where a formal joint auditors' agreement is concluded between the joint

²¹ ISA 300, *Planning an Audit of Financial Statements*, paragraphs 13 and A22.

²² ISA 510, *Initial Audit Engagements – Opening Balances*.

auditors, they are strongly encouraged to stipulate the right of access to the working papers of a joint auditor.

Cross-Review of the Work Performed by the Other Joint Auditor and Documentation of the Cross-Review

61. The purpose of a cross-review is to ensure that the audit has been conducted in accordance with the ISAs; and that in the professional judgement of the joint auditor, sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the joint auditors' report to be issued.²³
62. The joint auditors, at the planning stage, agree on the timing and processes for carrying out the cross-review of the work of the other joint auditor(s), to ensure that it has been carried out according to the agreed-upon audit strategy before forming the joint auditors' opinion. The cross-review is carried out in a manner that is responsive to the risk assessment.
63. The cross-review is performed in a timely manner, at appropriate intervals, during the audit and on appropriate sections of the other joint auditor's/auditors' documentation. The determination of appropriate intervals and sections of the audit documentation to review is a matter of professional judgement. The objectives of cross-reviews at different intervals or sections of the documentation of the audit may differ, as described below.
 - The objective of a cross-review at the planning stage of the audit, and of planning sections of the other joint auditor's/auditors' documentation, would be to ensure that the audit strategy and plan are in accordance with the ISAs and consistent with what was agreed upon by the joint auditors; and that there is no contradictory documentation that has not been properly considered. The objective is also to ensure that the risk assessment has been completed and that all identified risks are to be addressed.
 - The objective of a cross-review at the execution stage of the audit and the execution sections of the other joint auditor's/auditors' documentation would be to ensure compliance with the ISAs and that the audit procedures have been executed according to the agreed-upon audit strategy and plan; and that significant professional judgements applied during the execution and findings noted are appropriate and documented.
 - The objectives of a cross-review at the completion stage of the audit and the completion sections of the other joint auditor's/auditors' documentation include:
 - Determining that the conclusions of the other joint auditor(s) are appropriate and consistent with the audit evidence.
 - Determining whether uncorrected misstatements (as identified by all joint auditors) are appropriately collated for a joint evaluation, as per paragraph 82 below.
 - Making an overall evaluation whether sufficient appropriate audit evidence, on which to base the joint auditors' opinion, has been obtained and properly documented. This evaluation includes significant professional judgements relating to forming an opinion on the financial statements, as described in the ISAs.

²³ ISA 220 (Revised), paragraph 32.

- Compliance with the ISAs.
64. Timely reviews of documentation by the engagement partner at appropriate stages throughout the audit engagement enable significant matters to be resolved to the engagement partner's satisfaction on or before the date of the auditor's report. The engagement partner exercises professional judgement in identifying the areas of significant judgement made by the engagement team. The firm's policies or procedures may specify certain matters that are commonly expected to be significant judgements. Significant judgements in relation to the audit engagement may include matters related to the overall audit strategy and audit plan for undertaking the engagement, the execution of the engagement and the overall conclusions reached by the engagement team.²⁴
65. Cross-reviews are completed and documented at appropriate stages, on or before the date of the joint auditors' report. Inquiry alone, as a cross-review procedure, is not sufficient; it is supplemented by a review of working papers. Further, it is advisable that such a review be performed by an experienced auditor.
66. A review consists of considering whether:
- The work has been performed in accordance with professional standards and applicable legal and regulatory requirements;
 - Significant matters have been raised for further consideration;
 - Appropriate consultations have taken place, and the resulting conclusions have been documented and implemented;
 - There is a need to revise the nature, timing and extent of work performed;
 - The work performed supports the conclusions reached and is appropriately documented;
 - The evidence obtained is sufficient and appropriate to support the report; and
 - The objectives of the engagement procedures have been achieved.²⁵
67. In documenting the nature, timing and extent of the cross-review performed, each joint auditor records:
- The identifying characteristics of the specific items or matters tested;
 - Who performed the cross-review, and the date such work was completed; and
 - The extent of such a cross-review.
68. The cross-review documentation is sufficient to satisfy an experienced auditor, having no previous connection with the joint audit engagement, to be able to understand the nature, timing and extent of the cross-review procedures and the conclusions reached in the cross-review. Evidence of the cross-review may include the following:
- A list of the working papers reviewed;
 - Minutes of meetings held with the other joint auditor(s); and
 - Documentation of how the reviewer concluded that the joint auditor has complied with the

²⁴ ISA 220 (Revised), paragraph A91 and A92.

²⁵ ISQM 1, paragraph A 76.

joint audit strategy; for example, how the procedures performed address the risks identified, considering the significance of the risk in accordance with the ISAs.

69. If a joint auditor, after carrying out the cross-review, evaluates and concludes that the procedures performed by the other joint auditor(s) are not in accordance with the audit plan as agreed between the joint auditors, the joint auditor can request that additional procedures be performed by the other joint auditor. Alternatively, if, after carrying out the audit plan as agreed between the joint auditors, a joint auditor concludes that there is insufficient and/or inappropriate audit evidence to support the conclusion reached, the joint auditor should consult with the other joint auditor(s) and agree on the approach to address the concerns noted.
70. If the other joint auditor(s) disagrees or is unable to carry out the additional procedures, the joint auditor requesting that additional procedures be performed would then perform these additional procedures to obtain the sufficient appropriate audit evidence required to conclude and form a joint auditors' opinion on the financial statements. The joint auditor may consider communicating this to those charged with governance, as appropriate, after exploring all reasonable dispute resolution mechanisms.

Communication

71. A joint auditor communicates with the other joint auditor(s) on a timely basis.²⁶ The communication may include²⁷:
 - The ethical requirements that are relevant to the joint audit engagement and, in particular, independence requirements;
 - The system of quality management of each joint auditor, in accordance with the ISAs;
 - The processes, in relation to the review of the other joint auditor's working papers (i.e. timing, extent and practicalities regarding access to audit files, obtaining copies of key documents, etc.);
 - Identified significant risks of material misstatement at the financial statement level or assertion level, due to fraud or error, that may be relevant to the work of the other joint auditor(s);
 - Information on instances of non-compliance with laws and regulations that could give rise to a material misstatement of the financial statements;
 - Indicators of possible management bias;
 - A description of any identified significant deficiencies in internal control;
 - Other significant matters that the joint auditor expects to communicate to those charged with governance, including fraud or suspected fraud and reportable irregularities, if any;
 - Any other matters that may be relevant to the audit that the other joint auditor(s) should be aware of and/or that are relevant to the work of the other joint auditor(s); and
 - The joint auditors' findings and conclusions, which may lead to a modified opinion.

²⁶ ISA 600, paragraph 40.

²⁷ ISA 600, paragraph 41.

72. The joint auditors apply the requirements in ISA 260 (Revised), *Communicating with Those Charged with Governance*, regarding communication with management and those charged with governance.
73. The joint auditor(s) establishes an effective communication plan with the other joint auditor(s), such that all joint auditors are aware of the issues being discussed and communicated with management and those charged with governance.
74. In joint audit engagements, written communication – such as management letters, letters to those charged with governance, reports or presentations to the audit committee relating to the audit engagement, management and/or those charged with governance – is made jointly by the joint auditors. This will facilitate consistent communication of the joint auditors' joint views and conclusions.
75. Further, the joint auditors obtain and document the joint management representation letter from management and/or those charged with governance. Also, the joint auditors consult each other on the content of the management representation letter.
76. Important or critical meetings – which include planning meetings or meetings to discuss key risks and significant issues between the joint auditors, as well as periodic meetings with management and/or those charged with governance (including audit committee meetings) – are attended by representatives from all of the joint auditors, unless otherwise arranged.

The Role of Joint Auditors in Reporting a Reportable Irregularity

77. The joint auditors shall consider their roles and responsibilities regarding reportable irregularities, in terms of the Act and the Revised Guide for Registered Auditors: *Reportable Irregularities in terms of the Auditing Profession Act*.²⁸

Joint Auditors' Report and the Resolution of Differences of Opinion²⁹ Between Joint Auditors

78. The joint auditors discuss and establish a process for dealing with and resolving differences of opinion among themselves. This is preferably done before the planning stage.
79. Effective procedures, including communication protocols, encourage the identification of differences of opinion at an early stage, as well as provide a clear pathway for the successive steps to be taken thereafter and the determination of the documentation required for the resolution of differences of opinion between the joint auditors and the implementation of the conclusions reached.
80. In rare circumstances where the differences of opinion between the joint auditors cannot be resolved (after all reasonable steps to resolve the differences, including the use of dispute resolution mechanisms, have been taken) and the matter is significant enough to affect the joint auditors' report, the joint auditors should consider withdrawing from the joint audit engagement,

²⁸ Refer to [Appendix 4](#) of this Guide.

²⁹ Refers to the different points of view about how to conduct the joint audit engagement in general, and not only to the joint audit opinion.

under the applicable law or regulation. In that case, the joint auditors must inform management and/or those charged with governance of the conclusions reached.

81. If the differences of opinion between the joint auditors are as a result of a joint auditor concluding that the other joint auditor(s) is/are not independent and/or in breach of relevant ethical requirements, the first mentioned joint auditor should inform the audit client as appropriate, in terms of ISA 260 (Revised), and consider the implications on the joint audit engagement, in accordance with ISA 220 (Revised), paragraphs 17, 20 and 21, and then withdraw from the joint audit engagement.

Concluding in a Joint Audit Engagement

82. In order to form an opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion shall take into account:
- The auditor's conclusion, in accordance with ISA 330, on whether sufficient appropriate evidence has been obtained;
 - The auditor's conclusion, in accordance with ISA 450, regarding whether uncorrected misstatements are material, individually or in aggregate; and
 - The evaluations, as contained in paragraphs 12-15 of ISA 700 (Revised), as to whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework.³⁰
83. In a joint audit engagement, the abovementioned process is performed jointly by the joint auditors. This is in addition to the consideration of the revision of materiality (if applicable), obtaining the management representation letter and a conclusion on the joint auditors' opinion to be expressed jointly.

Documentation³¹

84. The audit file, in the context of a joint audit engagement, consists of each joint auditor's documentation relating to their agreed allocated audit work and the documented evidence of the cross-review. Collectively, the joint auditors' documentation forms the audit file. It is not expected that all joint auditors would retain a copy of all engagement documentation. However, the joint auditors may agree to maintain documentation in a single audit file.
85. The documentation in the audit file³² shall be sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:
- The nature, timing and extent of the audit procedures performed, to comply with the ISAs and applicable legal and regulatory requirements;
 - The results of the audit procedures performed and the audit evidence obtained; and

³⁰ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 11.

³¹ Refer to [Appendix 2 for a summary of documentation considerations regarding topics covered in this Guide](#).

³² Refers to the collective audit file held by the joint auditors.

- Significant matters arising during the audit, the conclusions reached thereon and the significant professional judgements made in reaching those conclusions.³³
86. The joint auditors establish policies or procedures for the access and retrieval of the final audit file.

Archiving of the Audit File

87. The joint auditors' systems of quality management shall establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the joint auditors' report, in accordance with ISQM 1, and this is ordinarily not more than 60 days after the date of the joint auditors' report³⁴. The assembly period may be included in a formalised joint auditors' agreement.
88. The joint auditors confirm to each other in writing that their respective portion of the final audit file has been assembled, closed and archived in accordance with ISQM 1, the ISAs and the IRBA Code. This is not expected to be a common practice; however, where a joint auditor is required to retrieve an archived file for the purposes of a modification, the joint auditors are expected to provide notice to each other if the archived engagement file is retrieved for modification and to provide details of the executed modifications.

³³ ISA 230, paragraph 8.

³⁴ ISA 230, paragraphs 14 and A21.

APPENDIX 1**Joint Auditors' Considerations in Audits of Group Financial Statements**

1. In some cases, the joint audit engagement may be a group audit, as defined in ISA 600. In those instances, the joint auditors shall apply ISA 600. This appendix sets out a high-level summary (which is not an exhaustive list) of the matters that the joint auditors may consider.
 - The joint auditors may jointly perform the risk assessment and planning for the group audit. As part of this process, the group engagement team³⁵ will identify and assess risks of material misstatement with respect to the group financial statements, group scoping, component materiality and involvement in the component audits, in accordance with ISA 600.
 - The joint auditors may determine which joint auditor will audit each component. This may be done as follows:
 - A component is allocated to one of the joint auditors; and/or
 - A component is determined to be jointly audited, as a result of the component's significance to the group, resourcing or knowledge-sharing warrants all joint auditors' involvement in that component.
2. Special consideration may be given to the allocation of the group's central functions, as the work performed at these functions is likely to be relied on by all joint auditors at a group level, as well as by component auditors. The audit work at these functions may be allocated according to either option outlined above. The group engagement team may consider the most effective allocation, cross-review and reporting formats, to ensure that all auditors placing reliance on the audit work performed at the central function will have sufficient appropriate audit evidence related to that function, to support their audit opinions (whether these are for group reporting or statutory audit purposes).
3. Joint auditors may consider agreeing to the scope and timing of involvement in the component auditor's work. This may include determining which joint auditor takes responsibility for involvement in each component and the extent of involvement deemed necessary in the joint auditor's professional judgement; and this may form part of the joint auditors' agreement.
 - Group instructions may have to detail the more complex reporting requirements for components, including the need to keep all joint auditors in component auditor communications, how the group engagement team plans to be involved at the component level, group reporting templates, and instructions for cross-reviews at components that are jointly audited.
 - The group engagement team concludes on the group audit as a whole. Consequently, each joint auditor's working papers will include evidence that supports this conclusion, as well as the following:
 - Group risk assessment, as detailed above;
 - Involvement in the component audits or cross-review of the joint auditors'

³⁵ Refer to paragraph 2 of this Guide.

documentation, if such involvement is applicable; and

- A cross-review of audit work performed at central functions, if applicable.

APPENDIX 2

Summary of Documentation Considerations regarding Topics Covered in this Guide

1. The joint auditors, for the purpose of documenting the work in the audit file, may consider the following with respect to the joint audit engagement, and this is not an exhaustive list:
 - Documentation of confirmation from the other joint auditor(s) in relation to compliance with independence and other relevant ethical requirements, for the purpose of the joint audit engagement;
 - Documentation of the audit planning and materiality (including performance materiality) and risk assessment (including fraud risk assessment) done jointly by the joint auditors;
 - Documentation of the discussions and consultations between the joint auditors and the subsequent conclusions from those deliberations, including those related to any additional audit procedures that have been performed;
 - Documentation relating to the agreed-upon allocation of work and performance thereof by the other joint auditor(s), and the cross-review by the joint auditor;
 - Documentation of the assessment of the significant risk areas or components of the financial statements, and the scope and extent of the review performed on the work of the other joint auditor(s);
 - Documentation of the meetings and/or discussions with management and/or those charged with governance on significant risk areas and components;
 - Documentation of cross-review procedures on the work performed by the other joint auditor(s);
 - Documentation of the overall evaluation of uncorrected misstatements by the joint auditors;
 - Documentation of the involvement of the engagement quality reviewer, where applicable;
 - Documentation of the resolution of disagreements on significant audit areas or judgemental areas between the joint auditors; and
 - Documentation of evidence of communication between the joint auditors.

Topics and/or Aspects a Joint Auditor May Consider to Understand Another Joint Auditor's System of Quality Management (Not Intended to be an Exhaustive List nor a Checklist)

1. General
<p>a) Description of the legal structure, ownership, and management structure of the entity. (ISQM 1, paragraph 28(d))</p> <p>b) How the firm complies with the IRBA's four rules arising from the International Standards on Quality Management. (ISQM 1, paragraphs 20, A37, 31(f), A83, 33(d)(ii), A114 and ISQM 2, paragraphs 18(c), A16)</p>
2. Firm's Risk Assessment Process
<p>a) The firm's risk assessment methodology (ISQM 1, paragraph 23), including:</p> <ul style="list-style-type: none"> • How the firm establishes quality objectives; • How it identifies quality risks; • What factors the firm considers in determining its quality risks and the significance thereof; • How it designs and implements responses to its quality risks; and • The frequency of review of the appropriateness of the identified quality risks.
3. Governance and Leadership
<p>a) Summary of firm policies and procedures and/or actions designed to promote an internal culture recognizing quality is essential in performing engagements. (ISQM 1, paragraph 28)</p> <p>b) Details on how the firm has assigned the operational responsibility for the firm's systems of quality management. (ISQM 1, paragraph 28 (d) and (e))</p>
4. Relevant Ethical Requirements and Independence
<p>a) Procedures and processes in place by the firm to ensure that it is independent of the audited entity and will comply the IRBA Code of Conduct. This will include the process for putting safeguards in place as well. (ISQM 1, paragraphs 29 and A62)</p>

- b) For South African audited entities only, the specific policies and procedures in place to ensure that services as defined under s 90 (2) of the Companies Act have not been performed. The internal procedures for assessing and approving non-audit services, specifically with respect to independence and ethics considerations. (ISQM 1, paragraphs 29 and A62)
- c) Information regarding whether the firm has any business or commercial relationships with the audited entity. If the relationship exists, then description of the relationship and mitigating factors the firm has in place to ensure independence. (ISQM 1, paragraphs 29 and A63)
- d) Description of the governance arrangements that are in place at the firm and how these provide oversight of the firm's processes for ensuring independence. (ISQM 1, paragraph 28 (a)(ii))
- e) Procedures performed by the firm to ensure that the firm, its partners, engagement team professional staff, and others employed by the firm working on the component are independent, in fact and in appearance. This includes whether an annual independence written confirmation is required by firm policies and procedures. (ISQM 1, paragraph 29)
- f) Notification policies and procedures in instances where the firm is notified of breaches in independence requirements. (ISQM 1, paragraph 29)
- g) Firm rotation policies and procedures relevant to the joint audit engagement (specific for listed entities). (ISQM 1, paragraph 29(a))
- h) Describe the consultation policies and processes for any ethical matters or potential conflicts of interest. (ISQM 1, paragraph 29)
- i) A description of the firm's ethics policy as well as how it ensures compliance with the IRBA Code, in so far as it has an impact on the firm's quality management. How is the application of those standards monitored? How often are those standards reviewed? (ISQM 1, paragraph 29(a))
- j) What processes and procedures does the firm have in place to detect and safeguard against corruption and fraud? (ISQM 1, paragraph 29)
- k) Fee dependency – confirm whether the total fees earned from this audited entity (both audit and non-audit) are greater than 15% of the firm's revenue and whether there are any significant fees long outstanding. (ISQM 1, paragraph 29)

5. Acceptance and Continuance of Client Relationships and Specific Engagements

- a) Description of the joint audit firm's client acceptance policies and procedures those designed to provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where the firm (ISQM 1, paragraph 30):
 - Is competent to perform the engagement and has the capabilities, including time and resources, to do so (ISQM 1, paragraph

<p>30(a)(ii) and A72).</p> <ul style="list-style-type: none"> • Can comply with relevant ethical requirements (ISQM 1, paragraph 30(a)(ii) and A72); and • Has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks integrity. (ISQM 1, paragraph 30(a)(i)) <p>b) Firm policies and procedures in place when a potential conflict of interest is identified in accepting the engagement. Are there any conflicts of interest (the audited entity) in relation to the firm taking on the audit? (ISQM, paragraph 30)</p> <p>c) Firm policies in place on continuing engagements and client relationships in addressing the circumstances where the firm obtains information that would have caused it to decline the engagement had the information been available earlier. (ISQM 1, paragraph 30(b) and 16(u))</p>
<p>6. Resources</p>
<p>a) Firm policies in place to provide reasonable assurance that it has sufficient personnel with the competence, capabilities, and commitment to ethical principles to enable it to (ISQM 1, paragraph 32):</p> <ul style="list-style-type: none"> • Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and • Enable the firm or engagement partners to issue reports that are appropriate in the circumstance. (ISQM 1, paragraph 32 (a)) <p>(This understanding may focus on the recruitment, performance evaluation, competence (including continuous learning), promotion and compensation procedures)</p> <p>b) Assignment of engagement teams policies and procedures (including monitoring of workload). (ISQM 1, paragraph 32 (d))</p>
<p>7. Engagement performance:</p>
<p>a) Understanding of how the firm ensures consistency in the quality of the engagement including understanding their manuals, software tools, other ways of standardized documentation etc. (ISQM 1, paragraph 31 (a))</p> <p>b) Understanding review and supervision processes. (ISQM 1, paragraph 31 (b))</p>
<p>8. Consultation</p>
<p>a) Policies and procedures surrounding consultations on significant technical, ethical, and other matters within the firm. (ISQM 1, paragraph 31 (d))</p>

<p>b) How differences of opinion are resolved. (ISQM 1, paragraph 31 (e))</p>
<p>9. Engagement Quality Reviews (EQR)</p>
<p>a) Criteria for determining which engagements, other than financial statements of listed entities, are subject to an engagement quality review. (ISQM 1, paragraph 34 (f)(ii) & (iii))</p> <p>b) Nature, timing, and extent of the EQR. (ISQM 2, paragraphs 24-25)</p> <p>c) Criteria for the eligibility of EQ reviewers (including their objectivity, technical expertise, experience, and authority). (ISQM 2, paragraphs 17-19)</p> <p>d) How differences of opinion are resolved. (ISQM 1, paragraph 31 (e) and ISQM 2, paragraphs 18(a) and A9)</p>
<p>10. Engagement Documentation</p>
<p>a) Description of the policies and procedures that the firm has designed and implemented to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation. (ISQM 1, paragraph 31 (f))</p> <p>These policies and procedures may:</p> <ul style="list-style-type: none"> • Enable the determination of when and by whom engagement documentation was created, changed, or reviewed; • Protect the integrity of the information at all stages of the engagement, especially when the information is shared within the engagement team or transmitted to other parties via the Internet; • Prevent unauthorized changes to the engagement documentation; and • Allow access to the engagement documentation by the engagement team and other authorized parties, as necessary, to properly discharge their responsibilities. <p>b) The firm’s retention period for engagement documentation. (ISQM 1, paragraph 31 (f))</p>
<p>11. Monitoring and Remediation Process</p>
<p>a) Description of the firms monitoring processes of quality management policies and procedures including understanding if there is a centralized team to assess the systems of quality management, and the process of evaluation and monitoring. (ISQM 1, paragraph 37 (f))</p> <p>b) Description of the audit engagement inspection process in determining scope of inspections, inspection cycle, remediation of deficiencies etc. (ISQM 1, paragraph 38)</p>

- c) Description of the policies and procedures for corrective action (including communication) in the event of quality issues identified in the monitoring process. (ISQM 1, paragraphs 40 and 46)

APPENDIX 4**Extracts from IRBA Pronouncements that are of Relevance to Joint Audit Engagements****Revised Guide for Registered Auditors: *Access to Audit Working Papers***

1. Where the joint auditor has contracted to give access to working papers, access is granted in terms of the contract between the joint auditors (firms). The contract should allow each joint auditor sufficient access to the working papers to ensure that they are able to comply with the responsibilities and requirements in terms of auditing pronouncements, as prescribed or issued by the IRBA and which include the Standards of the IAASB and the Code.³⁶

Revised Guide for Registered Auditors: *Reportable Irregularities in terms of the Auditing Profession Act*³⁷

2. If more than one auditor is responsible and accountable for an audit engagement (such as in a joint audit engagement), the duty to consider whether an unlawful act or omission is a reportable irregularity lies with each individual auditor. Depending on whether both auditors, or only one of them, are satisfied or have reason to believe that a reportable irregularity exists, auditors have certain responsibilities.
3. If both individual auditors are satisfied or have reason to believe that the unlawful act or omission meets the definition of a reportable irregularity:
 - The auditor/s responsible and accountable for the audit may send a combined report to the IRBA in terms of Section 45; or
 - Each individual auditor responsible and accountable for the audit may send a separate report to the IRBA, and still comply with the requirements of Section 45.
4. If only one auditor is satisfied or has reason to believe that the unlawful act or omission meets the definition of a reportable irregularity, such auditor must send a report to the IRBA in terms of Section 45 to comply with the requirements of the section. A copy of the report should also be sent to the other joint auditor.

³⁶ Revised Guide for Registered Auditors: *Access to Working Papers*, paragraph 29.

³⁷ Revised Guide for Registered Auditors: *Reportable Irregularities in terms of the Auditing Profession Act*, paragraph 6.2.1.

APPENDIX 5

Inspecting Joint Audit Engagements

An IRBA inspection of a joint audit engagement may include the following aspects (which are not necessarily exhaustive)

1. The joint audit engagement inspection is conducted on all joint auditors and their engagement file(s) as a whole, and is viewed as one audit engagement. All engagement files forming the joint audit engagement are considered when concluding on the sufficiency and appropriateness of the audit evidence during the inspection. One preliminary inspection report and a copy of the list of the complete inspection findings are normally issued to all joint auditors/firms and the respective responsible engagement partners. This may differ, depending on the circumstances.
2. The inspection findings from a joint audit engagement inspection reflect on all engagement partners involved in the joint audit engagement.
3. The inspection of a joint audit engagement file(s) is based on all of the requirements of the International Standards on Auditing and the principles set out in this Guide.
4. Joint auditors are expected to provide a consolidated response (joint response) to inspection findings. Inconsistencies in responses (or any difficulty experienced in the relationship between the joint auditors) may result in a firm-level finding being reported.
5. The inspection results/outcome from a joint audit engagement inspection is the same for each joint auditor.

APPENDIX 6

Understanding the Differences between Joint and Shared³⁸ Audit Engagements

	Joint Audit Engagement	Shared Audit Engagement
Definition	A joint audit engagement is an audit where two or more separate firms are engaged to jointly audit the financial statements of an entity, take joint and collective responsibility for the audit and form a joint auditors' opinion.	A shared or subcontracted audit is an audit engagement where a portion of the audit work is outsourced or subcontracted by the engagement auditor ³⁹ to another firm(s). The engagement auditor takes overall control, responsibility and accountability for the audit engagement, regardless of the outsourcing or subcontracting of a portion of the audit work to another firm(s).
Roles and Responsibilities	<p>A joint auditor has a joint responsibility with the other joint auditor(s) for the audit and the joint auditors' opinion on the financial statements.</p> <p>The joint auditors shall ensure that the joint audit engagement has been conducted in accordance with the applicable ISAs and relevant laws, and that sufficient appropriate audit evidence has been obtained collectively by all the joint auditors, in order to express a joint auditors' opinion.</p>	<p>The engagement auditor is solely responsible for reaching a conclusion and forming an audit opinion on the financial statements.</p> <p>The engagement auditor shall ensure that the audit engagement has been conducted in accordance with the applicable ISAs and relevant laws, and that sufficient appropriate audit evidence has been obtained in order to express an audit opinion.</p>
Acceptance and Continuance of Audit Client Relationships and Engagements	<p>The joint auditors apply the ISAs, the IRBA Code and other relevant legal and ethical requirements in determining the acceptance and continuance of audit client relationships and audit engagements.</p> <p>There will be an agreement on the audit engagement terms recorded in an audit engagement letter between the joint auditors and the audit client.</p>	<p>The shared auditor⁴⁰ would not apply ISA 210, because they are not engaging with the audit entity; therefore, they do not need to agree to the terms of engagement with management and those charged with governance.</p> <p>The shared auditor would, however, apply the IRBA Code and other relevant legal and ethical requirements in determining the acceptance of the engagement with the engagement auditor.</p>

³⁸ Also referred to as a subcontracted audit.

³⁹ Also referred to as the statutory auditor.

⁴⁰ Also known as the subcontracted auditor.

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	<p>Each individual auditor must comply with ISQM 1 in ensuring that the firm is able to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements (ISQM 1.30(a)(ii)).</p>	<p>There will be an agreement entered into between the statutory auditor and the shared auditor outlining the terms of the outsourced or subcontracted audit work.</p> <p>Although the shared auditor must have the competencies and capabilities, including time and resources, to perform the outsourced work (ISQM 1(30)(a)(ii) and ISQM 1.32), the engagement auditor may be involved in transferring skills to the shared auditor by, for example, involving the shared auditor in more complex or higher risk areas.</p>
Audit Plan and Strategy	<p>In a joint audit, the joint auditors are jointly responsible for the audit. Therefore, the audit work will need to be planned accordingly. The nature, timing and extent of the procedures to be performed and the audit evidence obtained shall be sufficient and appropriate to enable the joint auditors to express a joint auditors' opinion, in accordance with the ISAs.</p>	<p>The shared auditor is only responsible for executing the audit work as agreed with the engagement auditor. The engagement auditor is solely responsible for ensuring that the nature, timing and extent of the procedures to be performed and the audit evidence obtained is sufficient and appropriate to support the audit opinion expressed, in accordance with the ISAs.</p>
The Role of Joint Auditors in Reporting a Reportable Irregularity	<p>The joint auditors shall consider their roles and responsibilities regarding reportable irregularities in terms of the Act and the Revised Guide for Registered Auditors: Reportable Irregularities in terms of the Auditing Profession Act.</p>	<p>Since the shared auditor is not the statutory appointed auditor, there is no responsibility on the shared auditor regarding reportable irregularities in terms of the Act, other than to bring this to the attention of the statutory auditor in accordance with their agreement.</p> <p>However, the shared auditor is required to consider the reporting obligations that may arise out of Section 360 of the IRBA Code relating to non-compliance with laws and regulations.</p>
Concluding in a Joint Audit Engagement	<p>In a joint audit engagement, the joint auditors issue a joint auditors' opinion on the financial statements.</p> <p>In order to form an opinion, the joints auditors shall collectively conclude as to whether the joint auditors have obtained reasonable assurance about whether the financial statements as a whole are free</p>	<p>The engagement auditor (statutory auditor) issues an audit opinion on the financial statements.</p> <p>In order to form an opinion, the engagement auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free</p>

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	from material misstatement, whether due to fraud or error.	from material misstatement, whether due to fraud or error.
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One of the consequences of understanding the differences between a joint audit engagement and a shared audit engagement is that the allocation of time and resources between the parties to a joint audit engagement is likely to be more balanced and equitable than in a shared audit engagement, where the portion of work outsourced or subcontracted need not meet any threshold and could be minimal.