

Imran Vanker  
Director: Standards  
Independent Regulatory Board for Auditors

[standards@irba.co.za](mailto:standards@irba.co.za)

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Dear Imran

## DELOITTE RESPONSE TO THE PROPOSED GUIDE FOR REGISTERED AUDITORS – JOINT AUDIT ENGAGEMENTS

We appreciate the opportunity to provide our comments on the Proposed Guide for Registered Auditors – Joint Audit Engagements (the Guide), issued by the IRBA.

We have separated our comments into two sections:

- **Response to request for specific comments** – this provides comments to the specific questions posed by IRBA in the explanatory memorandum.
- **General comments on the proposed guide** – this provides other general comments based on the Guide.

### Response to request for specific comments

1. **Are there any aspects of this proposed Guide with which respondents disagree? Please provide details and suggestions for correction and/or improvements.**

*Consideration with regards to the guidance provided in paragraph 45:*

The guidance indicate that the nature, timing and extent of work is the same for a joint audit and a singular auditor engagement. Although the nature, timing and extent of audit testing on account balances and transactions is expected to be the same, the audit effort by the joint auditors would be different, as some aspects are considered by all the joint auditors in the engagement. Some of the areas considered by all joint auditors include (although not exhaustive) audit strategy and audit planning, group scoping, materiality and other areas of significant judgement, concluding activities, audit oversight and reporting. A joint audit creates more collective audit effort. Cross-reviews, which are not part of a singular auditor engagement, also require additional effort and are not limited to only significant risk areas. We suggest that the additional effort in a joint audit is introduced in the Guide.

*Consideration with regards to the guidance provided in paragraph 51:*

Despite the fact that the new joint audit engagement would trigger requirements in terms of ISA 510, *Initial Audit Engagements – Opening Balances*, intuitively it makes more sense that the new incoming joint auditor should perform these opening balance procedures, as the new joint auditor would require comfort on the procedures previously performed by the rotating joint auditor. We recommend that the guide includes: "Generally the new joint auditor would perform these procedures to obtain evidence on the opening balances by, amongst others, reviewing the audit procedures performed by other auditors relating to the preceding financial year."

**2. Are there any aspects of this proposed Guide that are unclear and require further guidance? If so, please list those aspects and the guidance required.**

*The guidance provided on ethical and independence requirements as included in paragraph 23:*

The guidance is not clear in terms of what is expected from a joint auditor to obtain comfort that the other joint auditor is independent. For example, will the joint auditor know that a partner from the other joint auditor has bank accounts that are not on commercial terms? We propose that the Guide clarifies the expectation of the procedures required by the joint auditors. For example: would a confirmation from the other joint auditor similar to an ISA 600, Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) scenario where a component auditor confirms independence of the component team to the group audit team, be sufficient?

*Guidance provided in paragraphs 29 and 30:*

The guidance provided in these paragraphs is not clear whether the engagement acceptance process is expected to result in the same level of engagement risk for all the joint auditor firms. Are there scenarios where an engagement could have different risk ratings by the different joint auditors?

*Guidance provided in paragraph 48:*

The guidance allows for scenarios where work, owing to its importance or nature, would be performed by all joint auditors. It will be helpful to expand on what type of scenarios these would be, as in our experience, it is not expected to be prevalent if appropriate cross-reviews are performed.

*Guidance provided in paragraph 52:*

It is not clear from this guidance whether the expectation is for all joint auditors to consult on all significant matters. There may be scenarios such as the interpretation of an accounting matter, that one joint auditor involves a technical accounting specialist, to consult on its allocated work section, which may not need all joint auditors to be involved. Furthermore, this paragraph refers to discussions with various parties, whereas the heading indicates consultations, which in most instances require written documentation of the important process.

We suggest that a sentence be added before the last sentence of the paragraph: “Where appropriate, consultation with specialists within the respective firms may be initiated.” The last sentence can then be amended to state: “The conclusions reached, as a result of the discussions and consultations, are jointly implemented by the joint auditors, individually or jointly, and documented accordingly.”

*Guidance provided in paragraph 61:*

The second bullet of this paragraph seems to, as a result of the reference to the sample sizes, create an expectation that joint auditors need to evaluate the compliance of the methodology of the other firm with the International Standards on Auditing (ISAs), which we don’t believe was the intention in this section. We suggest that the expectation to evaluate the joint auditor’s methodology be clarified in the joint auditors’ agreement section.

*Guidance provided in paragraphs 80 and 81:*

It is not clear from these paragraphs, whether it is expected that all joint auditors should archive a complete copy of the engagement documentation assembled by all joint auditors. Creating a single, complete archive of all engagement documentation would not be practical. Paragraph 77 is clear that each joint auditor maintains the documentation, relating to their agreed allocated audit work. From that understanding it is recommended to amend paragraph 81 to the following: “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 the ISAs and the IRBA Code.”

**3. Given the abovementioned scope, are there further aspects that should be included in this proposed Guide? If so, please list those aspects and the guidance required.**

We suggest that the IRBA engages legal advisors to review the proposed guidance to consider whether there might be unintended legal implications imposed on the respective joint auditors.

4. **Effective date:** Recognising that this proposed Guide is new and substantive, the CFAS believes that an appropriate effective date for the standard would be for financial reporting periods beginning on or after 31 December 2020. However, earlier application would be permitted and encouraged. To this end, the CFAS welcomes comments on whether this would provide a sufficient period to support the effective implementation of the Guide.

Although some joint audit engagements applied ISA 600 principles before, the Guide is more prescriptive on the extent of effort and documentation required. The Guide will have an impact on client contracting, joint auditor contracting, audit fee budgets and engagement documentation. The Guide should allow for at least 12 months' notice in the implementation period. The earliest implementation date should be for years commencing after 30 June 2020, if the Guide is issued in June 2020.

#### General comments on the proposed guide

1. The definition of shared audit in footnote 4 should be amended to: "An singular audit engagement where a portion of the audit engagement has been sub-contracted to an audit firm(s) or individual auditor other than the engagement auditor. The engagement auditor takes overall control, responsibility and accountability for the audit engagement." The current definition seems to exclude sole proprietors.
2. The definition of "*new joint audit engagement*" in paragraph 16 should be amended to state: "...when a new firm(s) is ~~added~~ engaged to participate in, or an existing firm(s) exits the engagement."
3. The definition of "*cross-review*" in paragraph 18 is limited to performing procedures on the documentation of the other joint auditor. This should be expanded to include consideration of risk assessment, audit approach and conclusions reached by the joint auditor.
4. We suggest to add to paragraph 20 that "regulatory requirements" may be one of the reasons for appointing joint auditors.
5. We suggest to add to paragraph 30: "Joint audit engagement letters should be specific for every engagement and not extend to permanent agreements. The joint auditors should be mindful of Competition Act 1998 implications."
6. We suggest to add to paragraph 33: "Agreement on respective roles and responsibilities;"
7. Suggestion to amend paragraph 34 to include: "The joint auditors may choose to provide the joint auditors' agreement as an appendix to the engagement letter, if the content thereof is considered appropriate."
8. Consideration with regards to the guidance provided in paragraph 38:  
In some group scenarios the Engagement Quality Control Reviewer (EQCR) would be responsible for the review at the joint group auditor team as well as components audited by their firm, but this could be different at each firm, as the EQCR guidance is not prescriptive. To broadly address this, we suggest adding a paragraph before paragraph 38: "The EQCRs determine the scope of their respective reviews pertaining to the joint audit engagement."
9. The joint auditors could agree that only one EQCR is appointed to the engagement. We recommend to add the following after paragraph 39: "The joint auditors may agree that only one EQCR is required to be appointed, subject to consideration of the policies and procedures of the firm(s) that does not appoint an EQCR to the joint audit engagement." This may be necessary where the joint auditors do not have the same capacity to provide the necessary resources required to perform the EQCR functions (e.g. where one of the joint auditors is from an emerging firm).
10. We recommend to add to paragraph 61: "List of the working papers reviewed;"
11. Consideration with regards to the guidance provided in paragraph 77:  
The Guide should also allow for instances where the joint auditors' teams are blended and working on the same audit file and as such, audit documentation cannot be attributed to each joint auditor. We recommend to add after or as part of paragraph 77: "The joint auditors may agree to maintain documentation in a single audit file."  
As noted above in specific response 2, the section should further clarify that it is not expected that all joint auditors would retain a copy of all engagement documentation.
12. We recommend that paragraph 80 be amended to address scenarios where auditors apply the principle of requiring archive 60 days after component clearances are provided or shorter archive periods: "The joint auditors establish policies and procedures for assembling the final audit file, in accordance with the ISAs and respective member firm requirements, and this should not be more than 60 days after the date of the joint auditors' report. The assembly period should be included in the joint auditors' agreement."

13. The recommend that the section on Archiving of the Audit File should address the scenario where an auditor is required to retrieve an archived file for modification. This is not expected to be a common practice. The section should require the joint auditors to provide notice to each other if the archived engagement file is retrieved for modification and to provide details of the executed modifications.

We would be pleased to discuss our letter with you or your staff at your convenience. If you have any questions, please do not hesitate to contact Liezl du Plessis, Partner, at 011 806 5094 or 082 374 2765.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'L. du Plessis', is positioned above the printed name.

Liezl du Plessis  
Deloitte & Touche  
Partner

