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1616

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Mr. Vanker,

**Proposed guide for Registered Auditors – Joint Audit Engagements**

We would like to thank the Independent Regulatory Board for Auditors (IRBA) and the Committee for Auditing Standards (CFAS) Task Group for compiling the proposed guide and affording us the opportunity to comment on the document.

As a bank operating in multiple regulatory jurisdictions, we have been exposed to complex joint audit engagements and we welcome a Guide providing more definitive guidance regarding the joint audit relationship, obligations of all contracting parties and the role of joint auditors.

In general, we believe the proposed Guide captures the majority of the significant issues we experienced with being in a joint audit relationship.

We do however believe the Guide was prepared mostly from the view of the joint auditor.

We have experienced that a joint audit is tri-party agreement, that results in unique roles and responsibilities for the joint auditors and as well as the client.

We therefore believe that the guide could be expanded to also capture the role and the responsibilities of those charged with governance of the client.

Below are the responses to the specific areas you have requested more information:

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

We have not identified any aspects within the guide with which we disagree with.

1. "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."

#### Documentation of a joint audit engagement

Paragraph 77 and 78 provides the following guidance regarding the documentation of a joint audit engagement:

*"77. 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. Each joint auditor maintains the documentation, relating to their agreed allocated audit work. Collectively, the joint auditors' documentation forms the audit file.  
78. The documentation in the audit file 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
- Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions."

From this guidance it appears that the collective files maintained by the joint auditor should be viewed as the audit file. This view may result in some practical concerns, including:

- The manner in which quality reviews (internally within an audit firm and externally by regulators) will be conducted,
- The responsibility of the auditor to document different sections of the audit,
- Timing of when the two audit files will be archived, and
- Accessibility of information in the two separate files.

We believe the Guide should indicate that both audit firms should maintain an independent audit file covering all the required aspects of a statutory audit. This principle is aligned with the principle that the joint auditors will be jointly and severally liable for a joint audit. This will however not necessarily require the joint auditor to reperform or redocument the procedures as performed by the joint auditor. Sufficient cross-review work and documentation as required by paragraphs 54 to 63 will be sufficient to comply with the requirements of paragraph 78.

#### Split of work between joint auditors

Paragraphs 47 to 49 provides guidance regarding the split of work between joint auditors. We believe the guide should include more guidance regarding the principles to be applied when work is split in a joint audit engagement. Consideration should specifically be given to coverage of key audit matters and significant risks.

2. "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."

#### Rotation of joint auditors

Paragraph 82 indicates that the joint auditors should consider the IRBA's mandatory audit firm rotation ruling, effective 1 April 2023. The rule currently allows a public interest entity that has appointed joint auditors and both have had audit tenure of 10 years or more as at 1 April 2023, then only one audit firm is required to rotate, and the remaining audit firm will be granted an additional two years before rotation is required. As an audit client involved in a joint audit, the changing regulatory landscape for audit firm rotation and independence in South Africa and the UK makes the application of this rule extremely difficult within the given timeframe. The current state of the audit practice, specifically within South Africa, limited choice of firms with sufficient





capacity and footprint and the restrictions placed on this process by s90 of the South African Companies Act, 2008 further highlights the concerns of audit clients requiring a joint audit. We would encourage the IRBA to review the ruling as provided and to extend the rotation period of two years. This will allow the audit client to sufficiently plan a rotation and to assist with the corporate governance responsibility as placed on the audit committee.

#### **Restriction of scope – access to working papers of a joint auditor**

Paragraph 53 indicates that the joint auditors' agreement should stipulate the right of access to working papers. This matter has been problematic in the past specifically regarding areas where audit firms deem working papers to be their intellectual property. We would recommend that the guide provide more guidance regarding the level of information to be shared between the joint auditors and to what extent not giving access to working papers could constitute a restriction of the scope of a joint auditor.

#### **“Shadow” of previous auditors**

With the rotation of a joint auditor, the market practice is that the new auditor will be required to “shadow” the rotating auditor to obtain a sufficient understanding of the business and the audit to be performed. The “shadow” auditor will be allowed to observe the work performed by the joint auditors and will have no liability or input into the audit process during this period. We would encourage the guide to include guidance on how this relationship between the incoming auditor, the existing joint auditors and the client should be managed. The guide should also encourage the joint auditors to enter into a way of working agreement that governs the relationship during the “shadow” phase. This document will precede the joint auditor agreement as referred to in the Guide.

3. “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.”

We believe the effective date would provide a sufficient period to support the effective implementation of the Guide.

Please feel free to contact Cobus Grove on 060 733 3439 or [cobus.grove@investec.co.za](mailto:cobus.grove@investec.co.za) for any questions or clarifications regarding comments raised.

  
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