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Mr. I Vanker
The Director – Standards
Independent Regulatory Board for Auditors
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standards@irba.co.za

Dear Imran

Comments on the Proposed Guide for Registered Auditors: Joint Audit Engagements

Thank you for the opportunity to provide comments on the Proposed guide.

KPMG's Department of Professional Practice - Audit and Assurance, were involved in the drafting of this revised proposed guide through participation in the task group. Our comments were incorporated into the proposed guide during the task group meetings.

Taking this into account, below are our responses to the specific comments in the explanatory memorandum.

Comments:

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

There are no aspects of the proposed Guide that we disagree on.

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

— Paragraph 26 of the guide, *Quality Control System* states:

“...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 adequate quality control systems in place at each firm(s) that is party to the joint audit engagement.”

KPMG Inc. is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

KPMG Inc. is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Executive Chairman Prof Wiseman Nkuhlu

Directors Full list on website

The company's principal place of business is at KPMG Crescent,

85 Empire Road, Parktown, where a list of the directors' names is available for inspection

Guidance may be required around the practicalities in instances where firms are required to propose for a joint audit and the appointment of the other firm(s) is not yet confirmed.

Guidance may also be required around how the firms could satisfy themselves that there is an adequate Quality Control System for example: Firm inspection results.

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

- Paragraph 72 in respect of *Joint Auditors' Report and the Resolution of Differences of Opinion Between Joint Auditors* states:

"Effective procedures, including communication protocols, encourage the identification of differences of opinion at an early stage; provide a clear pathway for successive steps to be taken thereafter; and require documentation for the resolution of differences, and the implementation of the conclusions reached."

It may be useful that this paragraph also provide guidance on the stage at which differences of opinions should be communicated to Those Charged With Governance (TCWG). We note par 73, which refers to communication with TCWG of conclusions reached on the differences of opinion. However regular and early communication with TCWG should be encouraged as TCWG may provide interventions early in the process if they are made aware of any differences in opinion between the joint auditors in a timely manner.

- Paragraph 77 in respect of *Documentation* states:

"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"

It is recommended that the guidance is enhanced around the documentation required on a joint audit engagement, a list or examples of documentation that would be expected to be in the audit file in respect of the work that has been performed by the other audit firm(s) within the joint auditor arrangement.

Guidance may also be required for the access to the audit working papers for the purpose of subsequent inspections and instances where firms are dissolved subsequently.

- We believe that the guidance should be enhanced to include practical considerations encountered specifically on a joint audit for example differences in methodology, including, but not limited to:

- Determination of materiality thresholds
- Sample size guidance determined by the joint audit firms (including sample sizes for the joint auditors related to control and substantive testing)
- Extent of cross review requirements (i.e. examples of specific areas that should be subject to cross reviews) and level of evidence required to be documented for cross reviews
- Scoping and determination of components
- Documentation of work performed by joint auditors
- Using of specialist an access to their working papers



- Access to intellectual properties of joint audit firms

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 the 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.

The proposed effective date is appropriate.

We would like to take the opportunity to thank the IRBA and the task group members for the proposed guide.

Please contact André Appel on 082 040 0307 if you wish to discuss any of the matters raised in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'André Appel', positioned above a horizontal line.

André Appel
Department of Professional Practice – Audit & Assurance