

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

Comments Due: 6 March 2020

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.
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.
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.
4. Effective date: Recognizing 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.

General Feedback

- This proposed guide is seen as a positive guide to assist registered auditors on the application of the International Standards on Auditing (ISAs) in the circumstances in which auditors / firms perform a joint audit engagement.
- The various sections in the guide, especially regarding the joint auditor's agreement, audit plan and strategy and the cross reviews is clearly documented and is seen as very useful information that should be implemented / considered before entering into and during the performance of a joint audit engagement.

Questions

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

Response

Par No	Paragraph details	Response
13	Definition <i>A joint audit engagement</i> is an audit by two or more separate firms that are engaged to jointly audit the entity's financial statements and issue a joint auditors' opinion on those financial statements, thereby taking joint responsibility for the audit and the audit opinion.	<ul style="list-style-type: none">• In theory the term "taking jointly responsibility for the audit and the audit opinion" is whereby each of the firms (for example in the case of two firms) take on 50/50% responsibility for the joint audit engagement, therefore equal responsibility and workload.

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21	<p>Roles and responsibilities of a Joint Auditor</p> <p>A joint auditor has a joint responsibility with the other joint auditor(s) for the audit and the audit opinion on the financial statements. The joint responsibility emanates from the engagement letter (i.e. the contract), resulting in the joint auditors and their respective firms being jointly and severally liable for the joint audit engagement.</p>	<ul style="list-style-type: none"> • However, in practice the allocation of the responsibility between the firms is not normally 50/50% (for example on 70/30% principle), having further implications on the allocation of work, audit fee arrangements and finally the extent to which the firms will be held liable for any losses. It cannot be concluded that the firm is responsible for 30% of the work and audit fee, but jointly responsible (50%) for any losses. • It is recommended that the guide be expanded upon to indicate when it is considered taking joint responsibility for the audit and the audit opinion (with % guideline) in order to differentiate when it is considered a joint audit engagement and when performing shared audit engagement.
36	<p>The role of Engagement Quality Control Reviewer in a Joint Audit Engagement</p> <p>The joint auditors, together with their respective firm(s), consider the appointment of an engagement quality control reviewer (EQCR) in a joint audit engagement, if applicable, in accordance with the relevant ISAs and the policies and procedures of the firm(s).</p>	<ul style="list-style-type: none"> • Guide to be expanded upon to clearly include compliance with considerations of ISQM 2 regarding the engagement quality control reviewer and the appointment and extent of review to be performed by the engagement quality control reviewer. • From the way the guide is structured, it indicates that the appointment of the engagement quality control reviewer is based on the requirements of the ISAs and the policies and procedures of the firm(s). However, it is recommended that the role of the engagement quality control reviewer to be clarified in the case where it only meets one of the firm(s) criteria and to what extent the other firm's reviewer should be involved. • It is recommended that the guide be updated to be more clear regarding the roles and responsibilities of the engagement quality control reviewers and whether both of the reviewers (if it meets both of the firm's criteria) jointly should perform the review, whether only one firm should perform the review, etc. This will have additional cost complications for the client.

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38	<p>The role of Engagement Quality Control Reviewer in a Joint Audit Engagement</p> <p>The EQCR of each joint auditor 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 EQCR may also request access to the working papers of the other joint auditor(s).</p>	<ul style="list-style-type: none"> • The extent of the review to be performed by the engagement quality control reviewer to be expanded upon. • The documentation on the cross-review would include for example a summary of the procedures performed by the team, sample size and the conclusion of the work performed. Therefore the appropriateness of this documentation could possibly not be sufficient for the engagement quality control reviewer, not involved in the audit, to get to the same conclusion regarding the significant risks and judgements identified due to the documentation not including identifying characteristics of the sample tested to allow for re-performance. • In addition, the person performing the cross-review might not be a RA having sufficient knowledge and experience to conclude on the significant risks and judgements applied on the working paper on which the engagement quality control reviewer need to sign off. • It is recommended that the guide be updated to more clear in the responsibilities of the reviewer in order to obtain sufficient evidence on the areas of significant risks / significant judgment by for example having discussions between the various engagement quality control reviewers, attending meetings where the cross reviews are discussed, setting out certain sections / working papers that should be reviewed at a minimum by both firms to ensure that the evidence obtained is sufficient and appropriate to support the audit report and the conclusion reached.
77	<p>Documentation</p> <p>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</p>	<ul style="list-style-type: none"> • In principal it is correct to conclude that the working papers related to their agreed allocated work and the cross reviews performed, should collectively represent the engagement file. • It should be made clear in die guide what a complete and final audit file present, for

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	agreed allocated audit work. Collectively, the joint auditors' documentation forms the audit file.	<p>example that one complete and final audit file is kept between the joint auditors, as set out in the joint auditors' agreement.</p> <ul style="list-style-type: none"> It is recommended that the guide be updated after consultation between the standards and inspections departments to ensure consistency in the market.
80	<p>Archiving of Audit File</p> <p>The joint auditors establish policies and procedures for assembling the final audit file, and this is ordinarily not more than 60 days after the date of the joint auditors' report. The assembly period may be included in the joint auditors' agreement.</p>	<ul style="list-style-type: none"> From the way the guide is structured, it gives the impression that the file should be archived as per the joint auditor agreement. It should be made clear in the guide that the file can be archived by one of the joint auditors, as set out in the joint auditors' agreement. It is therefore not necessary for all audit firms (joint auditors) to keep a copy of the final audit file. Therefore, it is recommended that the guide be specific in terms of where the file should be archived.

- 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.**

Response:

Refer to the matters listed in point 1 above.

- 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.**

Response:

Except for the matters listed in point 1 above, there are no other aspects that should be included in this guide.

- 7) **Effective date: Recognizing 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.**

Response:

It is encouraged that this guide should be effective for all new reporting periods beginning on or after 31 December 2020, with early adoption by the firm(s) as per their internal policies.