

**RE: Proposed Guide for Registered Auditors: Joint Audit Engagements**

Dear Sir/Madam

We thank you for providing us with the opportunity to present our views on your proposed guide for registered auditors on *Joint Audit Engagements*.

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

Whilst we agree with majority of the aspects contained in the proposed guide, we wish to bring the following specific matters to your attention:

- a) The definition of *new joint audit engagement* per paragraph 16, states that a new joint audit engagement exists where a new firm(s) is added to, or an existing firm(s) exits the engagement. It is our view that this definition refers to the relationship and agreement between the joint auditors rather than the joint audit engagement and the responsibilities to the client. We therefor recommend that:
  - i. The current definition refer to the relationship/agreement. For example: “A *new joint engagement agreement* exist when a new firm(s) is added to, or an existing firm(s) exits the engagement.” and
  - ii. A new definition be listed to describe a *new joint audit engagement*. For example: “A *new joint audit engagement* exists where the joint auditors to the joint engagement have changed (either through additional parties becoming joint auditors or current joint auditors exiting the engagement) and through the establishment of a new joint auditors’ agreement.

Question 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.

We would like to request that further guidance/clarification be provided for the following matters:

- a) Paragraph 13 provides the definition of a *Joint audit engagement* as 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*. We would like to request that it be clarified as to what extent parties would be jointly responsible for the engagement.
- b) Paragraph 21 states that the joint responsibilities emanate from the engagement letter. We would like to request that guidance be provided as to the content and

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format of this engagement letter, specifically for the joint audit, as provided in ISA 210 Agreeing the Terms of the Engagement.

- c) Paragraph 24 requires of the joint engagement partners to remain alert for evidence of non-compliance with relevant ethical requirements by members of the engagement team and to determine the appropriate action, if such non-compliance has been identified. Clarification is required as to what extent a joint auditor is required to remain alert for non-compliance in relation to the compliance to ethical requirements of the other joint auditor(s).
- d) Paragraphs 26 and 31 states that joint auditors *may* decide to put a joint auditor's agreement in place. It is our opinion that this could lead to potential disputes. As such, the guide should require an agreement to be in place and stipulate the minimum amount of information to be agreed.
- e) Paragraph 33 states that the joint auditors' agreement may include the right of access to the working papers of a joint auditor. We would like to request that more prescriptive guidance be provided as to the level of access that should be agreed to. This could have the potential issue of disagreement between parties due to firms wanting to limit access to their working papers and other intellectual property. As firms are jointly and severally liable, protection must be provided that will ensure that firms can perform cross-reviews sufficiently and appropriately.
- f) The paragraphs under *Audit Plan and Strategy* include elements of planning, risk assessment and risk response. We propose that further sub-headings be inserted in order for users to clearly understand the part of the audit cycle that the information relates to.
- g) Paragraph 53 appears to be a duplication of paragraph 33.
- h) The word "ISA" in paragraph 56, bullet point 2, should be plural. It should read: "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**; that the audit procedures have been executed according to the agreed upon audit strategy and plan; and that judgements applied during execution and findings noted are appropriate and documented."
- i) Further guidance is requested as to the extent of documentation of the cross-review in the joint auditor's engagement file. For example, would the engagement team have to replicate the other joint auditor's(s') working papers or merely record the procedures performed in performing the cross reviews. Further guidance could include examples of what would constitute the identifying characteristics of the specific items or matters tested (as is provided in ISA230.A12). This would avoid confusion with the identifying characteristics to be documented as required per paragraph 78.
- j) Paragraph 63 states that where *the other joint auditor(s) disagrees or is unable to carry out the additional procedures, that 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 audit 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.* We request that it should not be at the discretion of the joint auditor as to whether the matter should be reported to those charged with governance, but rather a requirement.

- k) Further guidance is requested as to the level of documentation required in each joint auditor's engagement file for archiving purposes. Paragraph 77 states that 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. Per paragraph 77, for archiving purposes, it appears that there may be 2 separate files to archive, one at each joint auditor. Collectively both of these archived files would form the archived engagement file.

Question 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 wish to propose that the guide discuss or refer to the requirements that should be complied with, should non-compliance with laws and regulations be discovered, within a joint audit.

Question 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.

We agree with the proposed effective date.

We trust that you find our comments detailed above in order.



Yours truly

Minette van der Merwe (PKF SA Head of Technical)

Date: 6 March 2020