



KPMG Inc  
KPMG Crescent  
85 Empire Road, Parktown, 2193,  
Private Bag 9, Parkview, 2122, South Africa  
Telephone +27 (0)11 647 7111  
Fax +27 (0)11 647 8000  
Docex 472 Johannesburg  
Web <http://www.kpmg.co.za>

29 February 2024

Mr. I Vanker  
The Director – Standards  
Independent Regulatory Board for Auditors  
Building 2  
Greenstone Hill Office Park  
Emerald Boulevard  
Modderfontein

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

Dear Imran

**Comments on the Proposed Guide for Registered Auditors: Joint Audit Engagements (Revised XX 202X)**

We are pleased and appreciate the opportunity to comment on the Proposed Amendments to the Guide for Registered Auditors: Joint Audit Engagements to incorporate guidance on aspects of the International Auditing and Assurance Standards Board's (IAASB) issue of Quality Management Standards. Our response has been informed by consulting with members of our Department of Professional Practice, various Audit and Assurance partners in our practice. In addition, a number of our comments have already been considered through our representation on the task group for this project at the IRBA.

This letter represents the view of KPMG South Africa and addresses the specific questions posed in the Exposure Draft.

If you would like to discuss our comments further, you may contact Riana Fourie [Riana.Fourie@kpmg.co.za](mailto:Riana.Fourie@kpmg.co.za).

Yours faithfully

**Riana Fourie**  
**Department of Professional Practice**

KPMG Incorporated, a South African company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

KPMG Incorporated is a Registered Auditor, in public practice, in terms of the Auditing Profession Act 26 of 2005. Registration number 1999/021543/21

Chairman: Prof W Nkuhlu  
Chief Executive: I Sehoole  
Directors: Full list on website

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown.



Below are our responses to the specific comments requested and as well as our general comments:

**Question 1 - Do you agree with the proposed amendments to paragraphs 28 – 35 of the Guide?**

We do agree with the proposed changes, however, we do believe the message can further be clarified by considering the following.

- *Par 31 of the Guide currently states, "In respect of a listed entity, a joint auditor may also request information from the other joint auditor(s), as required by paragraph 34(e)(i) of ISQM 1."*

Par 34 (e)(i) of ISQM 1 states that the firm establishes policies and procedures that require communication with those charged with governance when performing an audit of financial statements of listed entities about how the system of quality management supports the consistent performance of quality audit engagements.

Par 31 of the Guide only provides guidance on how joint auditor(s) satisfy themselves about how the other joint auditor (s) meet the requirements of Par 34 (e)(i) but does not provide guidance on how the requirements of Par 34 (e)(i) are applied in the context of a joint audit. In certain instances, one joint auditor may have a transparency report made available to those charged with governance, whilst the other joint auditor makes no such a report available. In this case, it may be useful for the joint auditor that doesn't have a publicly available transparency report to consider communicating the firm's system of quality management to those charged with governance separately through other channels. This will emphasise the fact that ISQM 1 par 34 (e)(i) requirements are applicable to each joint auditor in a joint audit arrangement.

- *Par 35 of the Guide states "If any joint auditor is not satisfied or has concerns with the system of quality management of the other joint auditor(s) – whether at the engagement acceptance, during or at the end of the engagement – the dissatisfied joint auditor applies professional judgement in determining whether additional work in relation to the joint audit engagement can be performed in overcoming the deficiency(ies) identified. If not, they should then consider bringing this to the attention of management and/or those charged with governance, declining, or resigning from the joint audit engagement. Also refer to paragraphs 78-81 of this Guide." (the underlining is for easier identification)*

ISA 260.A31 states." Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take."



Par R400.84 of the IRBA code of ethics states "With respect to breaches, the firm shall communicate in writing to those charged with governance:

(a) All matters discussed in accordance with paragraph R400.82 and obtain the concurrence of those charged with governance that action can be, or has been, taken to satisfactorily address the consequences of the breach; and

(b) A description of:

(i) The firm's policies and procedures relevant to the breach designed to provide it with reasonable assurance that independence is maintained; and

(ii) Any steps that the firm has taken, or proposes to take, to reduce or avoid the risk of further breaches occurring."

Based on the requirements of ISA 260 *Communicating with Those Charged with Governance* and IRBA Code of ethics above, we suggest the underlined sentence be edited to indicate that where concerns around the system of quality management relate to breaches of auditor independence, communication of such breaches (by any of the joint auditors) is required to be made in writing to those charged with governance.

**Question 2 - Do you agree with the proposed amendments to paragraph 45 of the guide?**

We agree with the proposed amendments.

**Question 3 - Do you support the contents of Appendix 3 to the Guide and if it is sufficiently clear and comprehensive? If no, please provide proposed updates/changes.**

We do agree with the proposed changes, however, we do believe the message can further be clarified by considering the following.

- o *Section 4 (k) Fee dependency – confirm whether the total fees earned from this audited entity (both audit and non-audit) are greater than 15% of the firm's revenue and whether there are any significant fees long outstanding. (ISQM 1, paragraph 29).*

IESBA code of ethics par R410.28 states "Where the total fees from an audit client that is a public interest entity represent, or are likely to represent, more than 15% of the total fees received by the firm, the firm shall communicate with those charged with governance:"

(a) That fact and whether this situation is likely to continue.

(b) The safeguards applied to address the threats created, including, where relevant, the use of a pre-issuance review (Ref: Para R410.18); and

(c) Any proposal to continue as the auditor under paragraph R410.21.

We suggest point 4 (k) be clarified to indicate that this is particularly relevant to audit clients that are public interest entities. However, if the assumption is that joint audit arrangements will only apply to public interest entities, we suggest this be clarified in the introductory paragraph to this Guide.



**Question 4 - Do you agree with the deletion of all references to the Mandatory Audit firm Rotation (MAFR) in the Guide?**

We agree with the deletions.

**Question 5 - Are there any other aspects that should be considered in the Guide in respect of a firm's system of quality management, as envisioned under ISQM 1?**

We believe most of the important aspects of the Quality Management Standards are covered in this Guide.

**Question 6 - Do you agree with the proposed effective date (Refer to paragraph 11 of the Explanatory Memorandum) of this Guide (Revised)?**

Par 11 of the Guide states "The proposed effective date for the Guide (Revised) is for audits of financial statements for periods beginning **on or after 31 December 2024**, with early adoption permitted."

We understand the Guide has been updated to incorporate the requirement of ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, ISQM 2 *Engagement Quality Reviews* and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements* all of which became **effective on 15 December 2022**.

Consequential amendments to this Guide include IRBA Code of Professional Conduct for Registered Auditors (Revised April 2023) effective for audits of financial statements for periods beginning **on or after 15 December 2024**, early adoption permitted and ISA 600 (Revised), *Special Considerations – Audit of Group Financial Statements (Including the work of component auditors)* effective for audits and reviews of financial statements and audits of group financial statements for periods beginning **on or after 15 December 2023**.

As most of the auditing pronouncements which form the basis for amendments to this Guide are already effective and applied in practice, we believe it may be useful if the proposed Guide is rather **effective** audits financial statements for years **ending on or after 31 December 2024** to allow auditors sufficient time for implementation, and the extant Guide be withdrawn to avoid confusion on aspects of that Guide that are still based on outdated auditing pronouncements