

Standard on Auditing (SA) 299 (Revised)

Joint Audit of Financial Statements

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Standard on Auditing (SA) 299 (Revised), “Joint Audit of Financial Statements” should be read in the context of the “Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services,” which sets out the authority of SAs and SA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing”.

Introduction

Scope of this SA

1. The practice of appointing more than one auditor to conduct the audit of large entities has been in vogue for a longtime, sometimes voluntarily by the shareholders or sometimes due to the requirements of laws or regulations. Such auditors, known as joint auditors, conduct the audit jointly and report on the financial statements of the entity. This Standard lays down the principles for effective conduct of joint audit to achieve the overall objectives of the auditor as laid down in SA 200 “Overall Objectives of the Independent Auditor and the conduct of an audit in accordance with Standards on Auditing”. This Standard deals with the special considerations in carrying out audit by joint auditors. Accordingly, in addition to the requirements enunciated in this Standard, the joint auditors also need to comply with all the relevant requirements of other applicable Standards on Auditing.

2. This Standard does not deal with the relationship between a principal auditor who is appointed to report on the financial statements of an entity and another auditor who is appointed to report on the financial statements of one or more component (divisions, branches, subsidiary, joint venture, associates, other entity) included in the financial statements of the entity.

Effective Date

3. This Standard on Auditing is effective for audits of financial statements for periods beginning on or after April 1, 2018.

Objectives

4 The objectives of this Standard are:

- (a) To lay down broad principles for the joint auditors in conducting the joint audit.
- (b) To provide a uniform approach to the process of joint audit.
- (c) To identify the distinct areas of work and coverage thereof by each joint auditor.
- (d) To identify individual responsibility and joint responsibility of the joint auditors in relation to audit.

Definitions

5. For purposes of the SAs, the following terms have the meaning attributed below:

‘Joint Audit’ and ‘Joint Auditors’

A joint audit is an audit of financial statements of an entity by two or more auditors appointed with the objective of issuing the audit report. Such auditors are described as joint auditors.

Requirements

Audit Planning, Risk Assessment and Allocation of Work

6. The engagement partner and other key members of the engagement team from each of the joint auditors shall be involved in planning the audit.
7. The joint auditors shall jointly establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.
8. Prior to the commencement of the audit, the joint auditors shall discuss and develop a joint audit plan. In developing the joint audit plan, the joint auditors shall:
 - a. Identify division of audit areas and common audit areas amongst the joint auditors that define the scope of the work of each joint auditor; **(Ref: Para A1)**
 - b. Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;
 - c. Consider and communicate among all joint auditors the factors that, in their professional judgment, are significant in directing the engagement team’s efforts;
 - d. Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other or similar engagements performed earlier by the respective engagement partner(s) for the entity is relevant.
 - e. Ascertain the nature, timing and extent of resources necessary to perform the engagement.
9. At this stage, risks of material misstatement need to be considered and assessed by each of the joint auditors and shall be communicated to other joint auditors, and documented, whether pertaining to the overall financial statements level or to the area of allocation among the other joint auditors.
10. The joint auditors shall discuss and document the nature, timing, and the extent of the audit procedures for common and specific allotted areas of audit to be performed

by each of the joint auditors and the same shall be communicated to those charged with governance.

11. The joint auditors shall obtain common engagement letter and common management representation letter.

12. After identification and allocation of work among the joint auditors, the work allocation document shall be signed by all the joint auditors and the same shall be communicated to those charged with governance of the entity. **(Ref: Para. A2)**

Responsibility and Co-ordination among Joint Auditors

13. In respect of audit work divided among the joint auditors, each joint auditor shall be responsible only for the work allocated to such joint auditor including proper execution of the audit procedures. **(Ref: Para. A3)**

14. All the joint auditors shall be jointly and severally responsible for: **(Ref: Para. A3)**

- a. the audit work which is not divided among the joint auditors and is carried out by all joint auditors;
- b. decisions taken by all the joint auditors under audit planning in respect of common audit areas concerning the nature, timing and extent of the audit procedures to be performed by each of the joint auditors. **(Ref: Para. A4)**
- c. matters which are brought to the notice of the joint auditors by any one of them and on which there is an agreement among the joint auditors;
- d. examining that the financial statements of the entity comply with the requirements of the relevant statutes;
- e. presentation and disclosure of the financial statements as required by the applicable financial reporting framework;
- f. ensuring that the audit report complies with the requirements of the relevant statutes, the applicable Standards on Auditing and the other relevant pronouncements issued by ICAI.

15. Where, in the course of the audit, a joint auditor comes across matters which are relevant to the areas of responsibility of other joint auditors and which deserve their attention, or which require disclosure or require discussion with, or application of judgment by other joint auditors, the said joint auditor shall communicate the same to all the other joint auditors in writing prior to the completion of the audit.

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16. It shall be the responsibility of each joint auditor to determine the nature, timing and extent of audit procedures to be applied in relation to the areas of work allocated to said joint auditor. It is the individual responsibility of each joint auditor to study and evaluate the prevailing system of internal control and assessment of risk relating to the areas of work allocated to said joint auditor.

Audit Conclusion and Reporting

17. The joint auditors are required to issue common audit report, however, where the joint auditors are in disagreement with regard to the opinion or any matters to be covered by the audit report, they shall express their opinion in a separate audit report. A joint auditor is not bound by the views of the majority of the joint auditors regarding the opinion or matters to be covered in the audit report and shall express opinion formed by the said joint auditor in separate audit report in case of disagreement. In such circumstances, the audit report(s) issued by the joint auditor(s) shall make a reference to the separate audit report(s) issued by the other joint auditor(s). Further, separate audit report shall also make reference to the audit report issued by other joint auditors. Such reference shall be made under the heading “Other Matter Paragraph” as per Revised SA 706, “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report”. **(Ref: Para. A5)**

18. Each joint auditor is entitled to assume that:

- a. The other joint auditors have carried out their part of the audit work and the work has actually been performed in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. It is not necessary for a joint auditor to review the work performed by other joint auditors or perform any tests in order to ascertain whether the work has actually been performed in such a manner.
- b. The other joint auditors have brought to said joint auditor’s notice any departure from applicable financial reporting framework or significant observations that are relevant to their responsibilities noticed in the course of the audit.

19. Where financial statements of a division/branch are audited by one of the joint auditors, the other joint auditors are entitled to proceed on the basis that such financial statements comply with all the legal and regulatory requirements and present a true and fair view of the state of affairs and of the results of operations of the division/branch concerned. **(Ref: Para. A6)**

20. Before finalizing their audit report, the joint auditors shall discuss and communicate with each other their respective conclusions that would form the content of the audit report.

Communication with Those Charged with Governance

21. When the joint auditors expect to modify the opinion in the auditor's report, the joint auditors shall communicate with those charged with governance the circumstances that led to the expected modification and the proposed wording of the modification to ensure compliance with Revised SA 705, "Modifications to the Opinion in the Independent Auditor's Report". If the joint auditors expect to include an Emphasis of Matter or an Other Matter paragraph in the auditor's report, the joint auditors shall communicate with those charged with governance regarding this expectation and the proposed wording of this paragraph to ensure compliance with Revised SA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report".

Application and Other Explanatory Material

Audit Planning, Risk Assessment and Allocation of Work

A1. Where joint auditors are appointed, they should, by mutual discussion, divide the audit work among themselves. The division of work would usually be in terms of audit of identifiable units or specified areas. In some cases, due to the nature of the business of the entity under audit, such a division of work may not be possible. In such situations, the division of work may be with reference to items of assets or liabilities or income or expenditure. Certain areas of work, owing to their importance or owing to the nature of the work involved, would often not be divided and would be covered by all the joint auditors. **(Ref: Para. 8(a))**

A2. The documentation of allocation of work helps in avoiding any dispute or confusion which may arise among the joint auditors regarding the scope of work to be carried out by them. Further, the communication of allocation of work to the entity helps in avoiding any dispute or confusion which may arise between the entity and the joint auditors. **(Ref: Para. 12)**

Responsibility and Co-ordination among Joint Auditors

A3. The audit process involves obtaining and evaluating information and explanations from the management. This responsibility is shared by all the joint auditors unless they agree upon a specific pattern of distribution of this responsibility. In cases

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where specific divisions, zones or units are allocated to different joint auditors, it is the separate and specific responsibility of each joint auditor to obtain information and explanations from the management in respect of such divisions/zones/units and to evaluate the information and explanations so obtained by said joint auditor. The joint auditors shall have proper coordination and rationality wherever required. **(Ref: Para. 13 and 14)**

A4. All the joint auditors are responsible only in respect of the appropriateness of the decisions concerning the nature, timing and extent of the audit procedures agreed upon among them, proper execution of these audit procedures is the individual responsibility of the joint auditor concerned. **(Ref: Para. 14(b))**

Audit Conclusion and Reporting

A5. In a situation where there is more than one opinion to be expressed by the joint auditors due to disagreement among them, it is important to note that each joint auditor with a differing opinion would be required to issue a separate audit report and the reference to the other joint auditors report would be required to be made by each such joint auditor in their respective audit report. For example, where an entity has three joint auditors and all of them have disagreements and this leads to three different sets of opinion, then each of them needs to issue a separate audit report. Further, each of them needs to include an 'Other Matter' paragraph in their respective audit report wherein they would make a reference to the separate audit reports issued by other joint auditors. **(Ref: Para. 17)**

A6. In the case of audit of a large entity with several branches, including unaudited branches and those required to be audited by branch auditors, the branch audit reports/returns may be required to be reviewed by different joint auditors in accordance with the allocation of work. In such cases, it is the specific and separate responsibility of each joint auditor to review the audit reports/returns of the divisions/branches allocated to said joint auditor and to ensure that they are properly incorporated into the accounts of the entity. It is also the separate and specific responsibility of each joint auditor to exercise judgement with regard to the necessity of visiting such divisions/branches in respect of which the work is allocated to said joint auditor. In respect of the branches which do not fall within any divisions or zones which are separately assigned to the various joint auditors, they may agree among themselves as regards the division of work relating to the review of such branch audit report/returns. **(Ref: Para. 19)**