Agenda Item

Proposed INTOSAI/IAASB Memorandum of Understanding

Objectives of Agenda Item
To review and, if considered appropriate, approve the proposed INTOSAI/IAASB Memorandum of Understanding.

Background
IFAC/IAASB and INTOSAI has agreed to establish a project structure and co-operation process that will enable INTOSAI to use the International Standards on Auditing (ISAs) as basis for its proposed Guidelines for Financial Audit, and that will provide the IAASB with experts in the field of public sector auditing that will assist with the incorporation of public sector considerations in the body of ISAs.

- The INTOSAI Auditing Standards are concise and do not provide guidance on the application of the basic principles contained in the Standards. The International Congress of Supreme Audit Institutions in 2001 has tasked the INTOSAI Auditing Standards Committee (ASC) with the development of Guidelines for Financial Audit that will provide in-dept guidance on the practical application of INTOSAI Auditing Standards, and that are based on the ISAs. For a subject area where an ISA exists, the Guideline will consist of the ISA and a practice note prepared by the ASC. Practice notes will explain whether or not an ISA is applicable in the public sector, the extent to which it is applicable, and what adjustments need to be made by a public sector auditor. Guidelines may also be developed by the ASC for subject areas that are not relevant to the private sector and for which no ISAs exist.

- At present, the IFAC Public Sector Committee (PSC) is responsible for drafting Public Sector Perspectives (PSPs) to individual ISAs. The PSC supports the establishment of a new process that will lead to the incorporation of public sector considerations in the body of ISAs.

As the ISAs will form an integral part of the Guidelines for Financial Auditing, INTOSAI wishes to be more involved in the development of ISAs and is proposing a project structure and co-operation process that would facilitate the participation of experts in the field of public sector auditing in IAASB Task Forces. Such experts would also assist the IAASB in incorporating public sector considerations in the body of ISAs. The proposed INTOSAI/IAASB Memorandum of Understanding formalizes the project structure and co-operation process.

The IAASB considered a first draft of the proposed INTOSAI/IAASB Memorandum of Understanding at its July 2003 meeting.
Activities Since Last IAASB Meeting

IAASB Staff has revised the proposed INTOSAI/IAASB Memorandum of Understanding based on the comments received from the IAASB at its July 2003 meeting.

The revised proposed Memorandum was approved by the ASC at its September 2003 meeting, and will be submitted for consideration at the October 13-14, 2003 meeting of the INTOSAI Governing Board.

The Project Secretariat has provided IAASB Staff with the names of Reference Panel experts for the following IAASB projects: ISA 260, “Communication with Those Charged with Governance” and ISA 701, “Modified Auditor’s Reports.” Their participation in the related IAASB Task Forces will be confirmed after the IAASB’s approval of the proposed Memorandum.

Materials Presented

Agenda Item 7-A Proposed INTOSAI/IAASB Memorandum of Understanding
(Pages 1503 – 1510)

Action Requested

The IAASB is asked to review and, if considered appropriate, approve the proposed INTOSAI/IAASB Memorandum of Understanding.