

# IAASB CAG PAPER

IAASB CAG Agenda (September 2011)

Agenda Item O.1

**Status and Authority of International Auditing Practice Statements (IAPSs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations**

## **Status and Authority of International Auditing Practice Statements (IAPSs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations**

### **Objective of Agenda Item**

1. The Objective of this Agenda Item is to present the main issues arising on the IAASB's exposure of proposals to amend the Preface<sup>1</sup> to clarify the status and authority of IAPSs (ED-Authority) and the recommended way forward in response, and obtain the Representatives' views thereon and on key issues to be discussed by the IAASB at its September 2011 meeting.

### **Papers to Be Referred to during Discussion**

2. The discussion on this topic will follow the structure of this CAG Paper.

### **Summary of Respondents Comments**

3. ED-Authority included the following proposed statement to clarify the status and authority of IAPS:

International Auditing Practice Statements (IAPSs) are issued to provide practical assistance to auditors in implementing ISAs and to promote good practice. IAPSs do not impose additional requirements on auditors beyond those included in the ISAs, nor do they change the auditor's responsibility to comply with the requirements of all ISAs relevant to the audit. Auditors should determine whether any IAPS is relevant to the circumstances of the audit and, if so, obtain an understanding of its content.

4. The majority<sup>2</sup> of the respondents did not believe the proposals met the objective of clarifying the status and authority of the IAPS and believed further clarification was necessary. However, there were divergent views expressed about the course of action that should be taken. Some respondents, including regulators, believed that the IAPSs should have stronger authority. On the other hand, others supported a lesser level of authority.
5. It was also noted that an unclear status of IAPSs may harm ISA adoption efforts. Respondents<sup>3</sup> suggested that, because the Statutory Audit Directive in Europe defines the general term "international auditing standards" as "ISAs and related Statements and

---

<sup>1</sup> *Preface to the International Quality Control, Auditing, Review, Other Assurance and Related Service Pronouncements*

<sup>2</sup> AAP, ACAG, ACCA, AIU&APB, AOB, AUASB, BCBS, C.Barnard, CAASB, CICPA, CIPFA, CPAB, DTT, FACPC, GT, HKICPA, IAIS, ICAEW, ICAI, ICAP, ICJCE, ICPAS, IDW, IRBA, KPMG, MIA, NZICA, PWC

<sup>3</sup> FEE, FSR, ICJCE

## IAASB CAG PAPER

### IAASB CAG Agenda (September 2011)

#### Agenda Item O.1

#### Status and Authority of International Auditing Practice Statements (IAPSs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

Standards, insofar as relevant to the statutory audit,” it is important to clearly state the level of authority attaching to all IAASB pronouncements.<sup>4</sup>

6. The following highlights respondents’ main concerns relating to the ED proposals:
  - (a) The status of the auditor’s obligation – A number of respondents supported the ED proposal, but suggested changes such as using “shall” to express the obligation<sup>5</sup> or adding the phrase “provides interpretive guidance” to strengthen the expectation of auditors to read and consider IAPSs.<sup>6</sup> Others believed the further clarity on the fact that IAPS have lesser authority was warranted, and proposed editorial comments such as removing the term “should” as this gave the impression that the Preface and individual IAPSs contain obligations, which they do not.<sup>7</sup> However, others supported a higher level of authority, such as wording based on paragraph 19 of ISA 200<sup>8</sup> (“to assist understanding the related ISA objectives and applying the ISA requirements” or alternately, to assess the impact on the audit) to further explain why the auditor needs to obtain an understanding of an IAPS’ content.<sup>9</sup>
  - (b) The relationship between application material in the ISAs and guidance in an IAPS – Some respondents<sup>10</sup> thought the obligation on the auditor should be stronger and equated the status of IAPSs to that of application material in an ISA, noting that IAPSs follow the same due process that has to be followed for an ISA and are intended to be used to promote consistent application of the ISAs and high-quality auditing practice. However, another respondent<sup>11</sup> recognized that, while both ISAs and IAPSs are expected to be understood by auditors, the fact that IAPSs contain educational and background material may require IAPSs to have a unique status and authority. Other respondents<sup>12</sup> explicitly noted in the context of proposed IAPS 1000<sup>13</sup> that, in their view, the inclusion of educational material within an authoritative document such as an IAPS may not be appropriate.

---

<sup>4</sup> Note that the European Commission had not formally responded to the proposals.

<sup>5</sup> AOB, CICPA, HKICPA, ICAEW, PWC

<sup>6</sup> IDW

<sup>7</sup> EYG

<sup>8</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>9</sup> ACCA, AIU&APB, CPAB, EBA, EYG

<sup>10</sup> BCBS, CPAB, EBA, IAIS

<sup>11</sup> IOSCO

<sup>12</sup> ICAEW, IDW

<sup>13</sup> Exposure Draft of Proposed IAPS 1000, *Special Considerations in Auditing Complex Financial Instruments* (ED-IAPS 1000)

## IAASB CAG PAPER

### IAASB CAG Agenda (September 2011)

#### Agenda Item O.1

#### Status and Authority of International Auditing Practice Statements (IAPSs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

- (c) Inconsistency in having an obligation to consider the IAPS but not responsibility to demonstrate achievement of that obligation – Respondents,<sup>14</sup> primarily regulators, believed there should be a documentation requirement in relation to IAPSs. Certain regulators<sup>15</sup> suggested that it is necessary for the auditor to read and understand all IAPSs and, if the auditor has not considered guidance in an IAPS that would seem to be relevant, the auditor should document how the requirements in the ISAs have been complied with in the absence of such consideration. Another regulatory respondent<sup>16</sup> believed that a statement should be included which explains that, while the auditor’s record need not refer specifically to the IAPS, the documentation of the auditor’s work in the audit file should make it evident that the appropriate considerations, judgments and procedures were carried out to achieve the objectives and requirements of ISAs and to demonstrate an understanding of the relevant content of the IAPS.

However, others<sup>17</sup> believed that the auditor always needs to document how he or she complied with the requirements of the ISAs so a documentation requirement related to IAPSs is redundant, and suggested that it should be specified that IAPSs do not impose additional performance and documentation requirements beyond those included in the ISAs. It was also noted that a documentation requirement for IAPS – which would contain guidance, not requirements – would establish a higher obligation than that which presently exists in relation to the application material (guidance) in the ISAs.

### Matters for CAG Consideration

#### *Working Group Recommendations*

7. The Working Group has re-deliberated the relative merits of giving IAPSs a higher or lower authority than that contained in ED-Authority. Its deliberations have taken into account the responses received on exposure, together with input from the April 2011 IAASB-National Standard Setters (NSS) and June 2011 IAASB meetings.
8. In summary, the Working Group recommends that new IAPSs should be non-authoritative in nature, and that matters requiring authoritative guidance (i.e., guidance that is needed to enhance the consistent understanding and application of a requirement(s)) should be addressed through amendment to ISAs. To avoid any confusion and to better highlight the change in authority of IAPS, it also recommends that IAPSs be re-titled “International Auditing Practice Notes,” or IAPNs.

---

<sup>14</sup> BCBS, CPAB, EBA, FACPCE, IAIS, IOSCO

<sup>15</sup> BCBS, IAIS

<sup>16</sup> IOSCO

<sup>17</sup> CAASB, EYG, IDW

# IAASB CAG PAPER

## IAASB CAG Agenda (September 2011)

### Agenda Item O.1

#### Status and Authority of International Auditing Practice Statements (IAPs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

9. The Working Group's proposed changes to the Preface are presented in the Appendix (marked showing changes from the ED). The key proposed paragraphs regarding status and authority are reproduced below:

##### Non-Authoritative Material

20. Non-authoritative material includes International Auditing Practice Notes (IAPNs) issued by the IAASB and staff publications. Non-authoritative material is not part of the ISAs and does not impose additional requirements on auditors beyond those included in the ISAs, nor does it change the auditor's responsibility to comply with all ISAs relevant to the audit. The IAASB issues non-authoritative material for the following purposes:
- IAPNs provide practical assistance to auditors and firms and are intended to be disseminated by those responsible for national standards, or used in developing corresponding national practice statements tailored to address particular national standards. The IAPNs provide material that firms can use in developing their training programs and internal guidance.
  - Staff publications are used to help raise practitioners' awareness of significant new or emerging issues by referring to existing requirements and application material, or to direct their attention to relevant provisions of IAASB pronouncements.

##### International Auditing Practice Notes

21. Depending on the nature of the topic(s) covered, an IAPN may assist the auditor in:
- Obtaining an understanding of the circumstances of the entity, and in making judgments about the identification and assessment of risks of material misstatement;
  - Making judgments about how to respond to assessed risks, including judgments about procedures that may be appropriate in the circumstances; or
  - Addressing reporting considerations, including forming an opinion on the financial statements and communicating with those charged with governance.
10. In formulating its recommendation, the Working Group, broadly, is of the view that a response by the IAASB to an identified need(s) or issue(s) should take into account what is most effective in light of their nature. That is:
- If there is a need to *influence* practice – and recognizing that there are a number of ways to do so such as through educational-type material, more illustrative procedures, and highlighting of good practices under specific scenarios – then a timely and flexible response is needed.
  - If there is a need to *change* practice (for example, because of inconsistent interpretation or lack of clarity of the standards, or because of deficiencies in audit behavior/performance) and interested parties wish to monitor how this is being taken-up in practice, then, in the case of audit, the ISAs are the instrument to be used to achieve that purpose.

## IAASB CAG PAPER

### IAASB CAG Agenda (September 2011)

#### Agenda Item O.1

#### Status and Authority of International Auditing Practice Statements (IAPs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

The proposal regarding the establishment of IAPNs above (see paragraph 8 and the Appendix) and proposed IAPN 1000 (see **Agenda Item O.2**) would seem to appropriately address the former, and the proposal discussed in **Agenda Item O.2** on ISA 500 and ISA 540 the latter.<sup>18</sup>

11. On the other hand, there is a view that it is important that the IAASB be able to issue “authoritative guidance” that has the effect of changing practice where that is needed, and that it is conceivable a separate type of authoritative document beyond the ISAs could serve that purpose. Having such a document is seen as strategically important, and that converting IAPs (authoritative) into IAPNs (non-authoritative) is short-sighted. In this regard however, the response to ED-Authority was clear:
  - The IAASB cannot be ambiguous about the status, obligation for/expectation of use, and authority of the documents it issues. A compromise solution somewhere between obligatory and non-obligatory is unacceptable.
  - Having authoritative guidance outside of the ISAs is problematic and prone to differing interpretations. If such authoritative guidance is not linked directly to the ISAs, any so-called obligation to read and consider has been viewed as ineffective and illogical unless accompanied by some obligation to demonstrate achievement of the obligation (e.g., through documentation); others note however that this would give IAPs a higher level of obligation than that for ISA application material.
12. The direction on status and authority must also take into account the only illustrative model currently available – IAPN 1000. Its form and content have been developed based on feedback received on exposure, in view of what would be helpful to practice, and cannot be easily adapted in its entirety to suit a document that would otherwise have status equivalent to that of a standard. Revising IAPN 1000 now for that purpose would also result in the IAASB failing to respond to calls for timely material on the subject of auditing financial instruments.
13. The Working Group is therefore of the view that the proposed status and authority for new IAPNs has merit, particularly in responding to the need to be able to provide auditors with a source of timely and useful material and in making clear that all future authoritative guidance to be issued by the IAASB would be contained in the ISAs.

---

<sup>18</sup> In deliberating the way forward on status and authority of IAPs and in the context of proposed IAPN 1000 in particular, the IAASB recognized that amendments to the application material of ISA 500, *Audit Evidence*, and ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, may be appropriate in light of the need for authoritative guidance on specific issues noted during the development of IAPN 1000. See **Agenda Item O.2** for further discussion.

## **IAASB CAG PAPER**

### **IAASB CAG Agenda (September 2011)**

#### **Agenda Item O.1**

#### **Status and Authority of International Auditing Practice Statements (IAPSs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations**

14. In addition, the Working Group sees the following advantages:
  - Greater flexible in how the IAASB responds to developments. If this option is adopted, it would also suggest that a different, more expeditious due process could be pursued for purposes of developing new IAPNs.
  - Keeping all application material within the ISAs, which may assist in adoption efforts as well as general comprehension of the ISAs.
  - Allowing proposed IAPN 1000 to retain broadly the same structure and content that it has currently. This means that IAPN 1000 could continue to have educational/background material as proposed in ED-IAPS 1000.
15. In deciding the direction to take in response to ED comments, the Working Group and the IAASB has also explored the alternative of giving the IAPSs the same level of authority as the application material in the ISAs – in effect, making IAPS material a part of the ISAs' application material.
16. This alternative would address some respondents' calls for stronger authority for the IAPSs. Under this option, there is the benefit of allowing additional application material to be promulgated without the need to directly amend the existing text of an ISA. It would allow further application material on a specific topic, which may cut across several ISAs, to be contained in a single document. Further, adoption and use of IAPSs would be required, either by jurisdictions claiming to have adopted the ISAs or by firms claiming to have done an audit in accordance with ISAs. To effect this option, ISA 200 would need to be amended to subsume IAPSs into the ISAs and make clear the status of the IAPSs as equivalent to application material.
17. However, a number of drawbacks exist. Firstly, confusion may result, both for auditors and jurisdictions adopting the ISAs, with having application material spread across two types of documents.
18. Secondly, some jurisdictions have noted that it would be difficult to have two different types of pronouncements with the same level of authority, and that there may be implications for jurisdictions that have adopted or are considering adoption of the ISAs.
19. Thirdly, the use of IAPSs as a means to extend the ISAs' application material for highly-specific guidance has the potential to inadvertently and fundamentally change the global applicability of the ISAs.
20. Finally, in relation to IAPN 1000, much if not all of the education and background material contained within – and which has been viewed as helpful – would likely need to be removed as such material may not be entirely appropriate for an international document intended to form part of the application material of the ISAs.
21. In support of the proposal to establish non-authoritative IAPNs, it is important to note the IAASB has been generally supportive of the idea that, when developing material for future

## IAASB CAG PAPER

### IAASB CAG Agenda (September 2011)

#### Agenda Item O.1

#### Status and Authority of International Auditing Practice Statements (IAPSs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

IAPNs, there may be cases where it becomes apparent that additional application material providing further explanation of the requirements of an ISA (which may explain more precisely what a requirement means or is intended to cover)<sup>19</sup> is needed within an ISA(s) itself. If so, the IAASB would be willing to consider the need to amend the application material of the ISAs directly – as is the case in **Agenda Item O.2** with respect to proposed amendments to ISAs 500 and 540 for additional guidance dealing with audit evidence implications of broker quotes and pricing services.

#### Matter for CAG Consideration

1. The Representatives are asked for their views on the proposed Preface, in particular the proposed establishment of non-authoritative IAPNs in place of authoritative IAPSs.

#### Re-Exposure

22. Subsequent to voting on approval, the IAASB is required to vote on whether there has been substantial change to an exposed document such that re-exposure is necessary. Situations that constitute potential grounds for a decision to re-expose may include, for example: substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IAASB before it reaches a final conclusion; substantial change arising from matters not previously deliberated by the IAASB; or substantial change to the substance of a proposed international pronouncement.
23. Subject to the IAASB's approval of the proposed amended Preface and thereby to re-characterize and re-name the former IAPS vehicle as non-authoritative IAPNs, the Working Group believes it is helpful to consider the question of re-exposure in the context of the substance of that decision – which is, in effect, to remove IAPSs and issue IAPNs.
24. Regarding IAPNs, the Working Group does not believe re-exposure is necessary. The decision to establish IAPNs is in direct response to calls for the IAASB to find a solution to issuing timely and helpful guidance to practitioners, and to do so in a way that clearly distinguishes the material from the standards themselves. In principle, nothing should preclude the IAASB from issuing new non-authoritative guidance as it sees fits. The Working Group's recommendation also reflects the views received on exposure that further delay in issuing IAPN 1000 would not be in the public interest.
25. Regarding the removal of IAPSs, varying viewpoints have arisen in the Working Group's deliberations on the question of re-exposure. A decision to replace IAPSs with IAPNs could be seen as a significant change as it eliminates the IAASB's ability to issue authoritative guidance outside of the ISAs. This may be seen by some as a major departure from the

<sup>19</sup> ISA 200, paragraph A59

## IAASB CAG PAPER

### IAASB CAG Agenda (September 2011)

#### Agenda Item O.1

#### Status and Authority of International Auditing Practice Statements (IAPs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

proposal contained in ED-Authority, which sought to clarify authority. There may also be stakeholders who supported a stronger authority for IAPs that may wish to have the opportunity to comment on the Board's decision. On the other hand, it may be argued that the IAASB has already adequately consulted on the question of status and authority and that its decision to issue, if and as appropriate, IAPNs for useful but non-authoritative guidance, or to amend the ISAs for new authoritative guidance, is responsive to the feedback received on exposure.

26. On balance, the Working Group recommends re-exposure of the proposal to remove IAPs as IAASB pronouncements for two reasons. Firstly, ED-Authority did not contemplate the notion that the Board will not have a vehicle for authoritative guidance outside of the ISAs. It is therefore possible that there are views and considerations of which the IAASB is not aware. Secondly, in light of the interest and divergence of views on the topic, re-exposure would allow the IAASB to inform stakeholders about its deliberations on the topic, the breadth and nature of the options the Board considered, and the Board's reasoning for its decisions. This in turn may assist the IAASB in ascertaining whether it has heard and weighed all relevant arguments in making its final decision.

#### Matter for CAG Consideration

2. The Representatives are asked for their views on matters that may be relevant to the IAASB's consideration of the need to re-expose the elimination of IAPs.

#### Other Matters Considered by the IAASB

27. The CAG Reference Papers (in particular Agenda Item 3-A of the June 2011 IAASB meeting and Agenda Item 2-A of the September 2011 IAASB meeting) include discussion of the following other matters considered by the IAASB:
- Proposed treatment of the extant IAPs;
  - Development of IAPs and due process, including factors to consider in developing IAPs/IAPNs;
  - Including IAPNs in the *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*;
  - Communicating the importance of IAPNs; and
  - The effective date of IAPNs.

# IAASB CAG PAPER

IAASB CAG Agenda (September 2011)

Agenda Item O.1

Status and Authority of International Auditing Practice Statements (IAPs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

## Appendix

Note to CAG – The following proposed Preface shows marked changes from the Exposure Draft and shows the final changes that the IAASB is being asked to approve at its September 2011 meeting.

### **Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements**

#### **Introduction**

1. This preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements is issued to facilitate understanding of the scope and authority of the pronouncements the International Auditing and Assurance Standards Board (IAASB) issues, as set forth in the IAASB's Terms of Reference.
2. The IAASB is committed to the goal of developing a set of International Standards and other pronouncements which are generally accepted worldwide. IAASB members act in the common interest of the public at large and the worldwide accountancy profession. This could result in their taking a position on a matter that is not in accordance with current practice in their country or firm or not in accordance with the position taken by those who put them forward for membership of the IAASB.

#### **The IAASB's Pronouncements**

##### **IAASB Authoritative Pronouncements**

3. The IAASB's pronouncements govern audit, review, other assurance, and related services engagements that are conducted in accordance with International Standards. They do not override the local laws or regulations that govern the audit of historical financial statements or assurance engagements on other information in a particular country required to be followed in accordance with that country's national standards. In the event that local laws or regulations differ from, or conflict with, the IAASB's Standards on a particular subject, an engagement conducted in accordance with local laws or regulations will not automatically comply with the IAASB's Standards. A professional accountant should not represent compliance with the IAASB's Standards unless the professional accountant has complied fully with all of ~~those standards~~ relevant to the engagement.
4. The authoritative pronouncements of the IAASB ~~comprise~~ are the International Standards, ~~and Practice Statements. Both~~ which are issued following IAASB's stated due process ~~and are contained in the IFAC Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.~~

## IAASB CAG PAPER

### IAASB CAG Agenda (September 2011)

#### Agenda Item O.1

#### Status and Authority of International Auditing Practice Statements (IAPs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

~~5. The obligations associated with, and further description of, International Standards and Practice Statements issued by the IAASB are provided below.~~

#### **Non-Authoritative Material**

~~6. Non-authoritative material may be published on the IAASB website. This may include, for example, Staff Audit Practice Alerts, Staff Question and Answer (Staff Q&A) publications, Discussion Papers and other types of documents of a similar nature. Staff publications are used to help raise practitioners' awareness in a timely manner of significant new or emerging issues or other noteworthy circumstances relevant to engagements addressed by IAASB pronouncements, to direct their attention to relevant provisions of IAASB pronouncements, or to provide clarification to emerging questions by referring to existing requirements and application material. Other material may be commissioned to promote discussion or debate on quality control, auditing, review, other assurance, and related services issues affecting the accounting profession, or to present findings or describe matters of interest relating thereto.~~

~~7. Non-authoritative material does not form part of the IAASB's International Standards and Practice Statements. No general or specific obligation is imposed on professional accountants as a result of their publication on the IAASB website.~~

#### **The Authority Attaching to International Standards Issued by the International Auditing and Assurance Standards Board**

~~85.~~ International Standards on Auditing (ISAs) are to be applied in the audit of historical financial information.

~~96.~~ International Standards on Review Engagements (ISREs) are to be applied in the review of historical financial information.

~~107.~~ International Standards on Assurance Engagements (ISAEs) are to be applied in assurance engagements other than audits or reviews of historical financial information.

~~118.~~ International Standards on Related Services (ISRSs) are to be applied to compilation engagements, engagements to apply agreed upon procedures to information and other related services engagements as specified by the IAASB.

~~129.~~ ISAs, ISREs, ISAEs and ISRSs are collectively referred to as the IAASB's Engagement Standards.

~~1310.~~ International Standards on Quality Control (ISQCs) are to be applied for all services falling under the IAASB's Engagement Standards.

# IAASB CAG PAPER

## IAASB CAG Agenda (September 2011)

### Agenda Item O.1

#### Status and Authority of International Auditing Practice Statements (IAPSS)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

##### International Standards on Auditing

~~14~~11. ISAs are written in the context of an audit of financial statements<sup>20</sup> by an independent auditor. They are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. The authority of ISAs is set out in ISA 200.<sup>21</sup>

##### International Standards on Quality Control

~~15~~12. ISQCs are written to apply to firms in respect of all their services falling under the IAASB's Engagement Standards. The authority of ISQCs is set out in the introduction to the ISQCs.

##### Other International Standards

~~16~~13. Some International Standards identified in paragraphs ~~6–89–11~~ contain: objectives, requirements, application and other explanatory material, introductory material and definitions. These terms are to be interpreted in a directly analogous way to how they are explained in the context of ISAs and financial statement audits in ISA 200.

~~17~~14. Other International Standards identified in paragraphs ~~6–89–11~~ contain basic principles and essential procedures (identified in bold type lettering and by the word “should”) together with related guidance in the form of explanatory and other material, including appendices. The basic principles and essential procedures are to be understood and applied in the context of the explanatory and other material that provides guidance for their application. It is therefore necessary to consider the entire text of a Standard to understand and apply the basic principles and essential procedures.

~~18~~15. The basic principles and essential procedures of a Standard are to be applied in all cases where they are relevant in the circumstances of the engagement. In exceptional circumstances, however, a professional accountant may judge it necessary to depart from a relevant essential procedure in order to achieve the purpose of that procedure. When such a situation arises, the professional accountant is required to document how alternative procedures performed achieve the purpose of the procedure and, unless otherwise clear, the reasons for the departure. The need for the professional accountant to depart from a relevant essential procedure is expected to arise only where, in the specific circumstances of the engagement, that procedure would be ineffective.

~~19~~16. Appendices, which form part of the application material, are an integral part of a Standard. The purpose and intended use of an appendix are explained in the body of the related Standard or within the title and introduction of the appendix itself.

---

<sup>20</sup> Unless otherwise stated, “financial statements” mean financial statements comprising historical financial information.

<sup>21</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

## IAASB CAG PAPER

### IAASB CAG Agenda (September 2011)

#### Agenda Item O.1

#### Status and Authority of International Auditing Practice Statements (IAPs)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

##### Professional Judgment

~~20~~17. The nature of the International Standards requires the professional accountant to exercise professional judgment in applying them.

##### Applicability of the International Standards

~~21~~18. The scope, effective date and any specific limitation of the applicability of a specific International Standard is made clear in the Standard. Unless otherwise stated in the International Standard, the professional accountant is permitted to apply an International Standard before the effective date specified therein.

~~22~~19. International Standards are relevant to engagements in the public sector. When appropriate, additional considerations specific to public sector entities are included:

- (a) Within the body of an International Standard in the case of ISAs and ISQCs; or
- (b) In a Public Sector Perspective (PSP) appearing at the end of other International Standards.

#### ~~The Authority Attaching to Practice Statements Issued by the International Auditing and Assurance Standards Board~~

##### Non-Authoritative Material

20. Non-authoritative material includes International Auditing Practice Notes (IAPNs) issued by the IAASB and staff publications. Non-authoritative material is not part of the ISAs and does not impose additional requirements on auditors beyond those included in the ISAs, nor does it change the auditor's responsibility to comply with all ISAs relevant to the audit. The IAASB issues non-authoritative material for the following purposes:

- IAPNs provide practical assistance to auditors and firms and are intended to be disseminated by those responsible for national standards, or used in developing corresponding national practice statements tailored to address particular national standards. The IAPNs provide material that firms can use in developing their training programs and internal guidance.
- Staff publications are used to help raise practitioners' awareness of significant new or emerging issues by referring to existing requirements and application material, or to direct their attention to relevant provisions of IAASB pronouncements.

##### International Auditing Practice StatementsNotes

21. Depending on the nature of the topic(s) covered, an IAPN may assist the auditor in:

- Obtaining an understanding of the circumstances of the entity, and in making judgments about the identification and assessment of risks of material misstatement;

# IAASB CAG PAPER

## IAASB CAG Agenda (September 2011)

### Agenda Item O.1

#### Status and Authority of International Auditing Practice Statements (IAPSS)—Summary of Significant Comments on Exposure and IAASB Working Group Recommendations

- Making judgments about how to respond to assessed risks, including judgments about procedures that may be appropriate in the circumstances; or
- Addressing reporting considerations, including forming an opinion on the financial statements and communicating with those charged with governance.

~~23. International Auditing Practice Statements (IAPSS) are issued to provide practical assistance to auditors in implementing ISAs and to promote good practice. IAPSS do not impose additional requirements on auditors beyond those included in the ISAs, nor do they change the auditor's responsibility to comply with the requirements of all ISAs relevant to the audit. Auditors should determine whether any IAPSS is relevant to the circumstances of the audit and, if so, obtain an understanding of its content. Depending on the nature of the topic(s) covered, an IAPSS may assist the auditor in:~~

- ~~(a) Obtaining an understanding of the circumstances of the entity, and in making judgments about the identification and assessment of risks of material misstatement;~~
- ~~(b) Making judgments about how to respond to assessed risks, including judgments about procedures that may be appropriate in the circumstances; or~~
- ~~(c) Addressing reporting considerations, including forming an opinion on the financial statements and communicating with those charged with governance.~~

#### **Practice Statements Notes Relating to Other International Standards**

~~22. The IAASB may also issue International Review Engagement Practice Notes (IREPNs), International Assurance Engagement Practice Notes (IAEPNs), and International Related Services Practice Notes (IRSPNs) to serve the same purpose for ISREs, ISAEs, and ISRSs respectively.~~

~~24. The IAASB may also issue International Review Engagement Practice Statements (IREPSs), International Assurance Engagement Practice Statements (IAEPSs), and International Related Services Practice Statements (IRSPSs) to serve the same purpose for ISREs, ISAEs, and ISRSs respectively.~~

#### **Language**

~~2523. The sole authoritative text of an exposure draft or, International Standard, Practice Statement or other paper is that published by the IAASB in the English language.~~