

It is in the public interest that users of audited financial statements have confidence that audits of entities, whether small or large, simple or complex, have been performed to the same high standards. The International Auditing and Assurance Standards Board (IAASB)'s International Standards on Auditing (ISAs) are designed for audits of entities of all sizes, and their design enables them to be applied in a manner proportionate to the size and complexity of an entity.

IFAC encourages and supports the delivery of high-quality audits. The IAASB, an independent standard-setting board supported by IFAC, establishes international standards on auditing, review, other assurance, quality control, and related services, and works to improve the quality of practice by professional accountants throughout the world. These standards are established in the public interest. The IAASB's ultimate goal is to increase public confidence in financial reporting.

IFAC strongly supports the IAASB's mission to develop and maintain a single set of auditing standards (i.e., ISAs) that can be applied to all audits.

Public Interest Considerations

An objective of financial reporting is to provide users with relevant and reliable information for decision making. The credibility of this information is generally seen as being enhanced when it has been subjected to an audit. IFAC identifies two key public interest considerations regarding the applicability and relevance of the ISAs to the audits of small- and medium-sized entities (SMEs):

- The importance of having an audit of financial statements associated with one consistent level of assurance, regardless of the size of the entity being audited or the size of the firm performing the audit.
- The assurance needs, on a benefits and costs basis, of SMEs; and whether an audit, an assurance service other than an audit, or no assurance is required

A Single Set of Auditing Standards

It is IFAC's view that the word "audit" should convey a message to users of financial statements that the auditor has obtained reasonable assurance that the financial statements, as a whole, are free from material misstatements, regardless of the size or type of the entity that has been audited. One consistent level of assurance associated with the word "audit" is important, as it allows users of financial statements to have a common understanding about the reliability of financial statements.

Each audit is different and, in conducting the audit, the auditor must use professional judgment to determine the most effective approach for an audit of a particular entity. ISAs focus on the objectives to be achieved and the essential considerations for the auditor in planning, conducting, documenting, and reporting on the audit. The facts and circumstances surrounding the audit dictate whether particular ISAs, or requirements within ISAs, are relevant to the audit.

While the audit approach itself may differ, the auditing standards on which it is based (i.e., the ISAs) and the level of assurance the auditor is required to obtain, should not. It is in this sense that "an audit is an audit."

Addressing the Needs of SMES

IFAC and the IAASB are committed to addressing the needs of SMEs, and small and medium practitioners (SMPs), many of which perform audits of SMEs. The two bodies have undertaken numerous initiatives to address issues pertaining to SME audits—with a focus on serving the public interest and with attention given to the practical needs of SMEs.¹

Implications for IFAC Members and Associates

Through meeting their obligations under IFAC's Statements of Membership Obligations, and other means, IFAC members and associates play an important role in promoting the adoption, implementation, and effective use of ISAs.

¹ www.ifac.org/about-ifac/small-and-medium-practices-committee/smp-resources-and-tools and www.ifac.org/auditing-assurance/clarity-center