


**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item
13

Committee: IAASB
Meeting Location: New York
Meeting Date: July 21-25, 2003

Proposed INTOSAI/IAASB Memorandum of Understanding
Objectives of Agenda Item

To review and comment on the proposed INTOSAI/IAASB Memorandum of Understanding.

Background

IFAC and IAASB representatives met twice with INTOSAI representatives to progress the establishment of 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 perspectives 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, if considered necessary, practice notes 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 process that will lead to the incorporation of public sector perspectives 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 perspectives in the body of ISAs. The proposed INTOSAI/IAASB Memorandum of Understanding formalizes the project structure and co-operation process.

Materials Presented

Agenda Item 13-A Proposed INTOSAI/IAASB Memorandum of Understanding
(Pages 1093 – 1100)

Action Requested

The IAASB is asked to review and comment on the proposed INTOSAI/IAASB Memorandum of Understanding.

A proposed INTOSAI/IAASB Memorandum of Understanding (revised based on the comments received from the IAASB) will be submitted for approval by INTOSAI at a meeting scheduled for September 2003, and by the IAASB at the October 2003 meeting.