


**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor  
New York, New York 10017  
Internet: <http://www.ifac.org>

Tel: +1 (212) 286-9344  
Fax: +1 (212) 856-9420

**Agenda Item**
**6**

**Committee:** IAASB

**Meeting Location:** Berlin

**Meeting Date:** December 8-12, 2003

## **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 the proposed INTOSAI/IAASB Memorandum of Understanding at its July and October 2003 meetings.

### **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 October 2003 meeting (refer proposed minutes). The revised proposed Memorandum was discussed with INTOSAI Staff, who were in agreement with the proposed changes.

Reference Panel experts have been nominated to the ISA 260 Task Force and the ISA 701 Task Force. IAASB Staff is awaiting the nomination to the ISA 230 Task Force.

IAASB Staff has discussed with PSC Staff the “handover” of the responsibility for drafting the public sector perspectives. The PSC will continue to be involved in existing projects, some of which will only be finalized during the first quarter of 2005.

### **Materials Presented**

Agenda Item 6-A (Pages 2103 – 2110)	Proposed INTOSAI/IAASB Memorandum of Understanding
--	--

Agenda Item 6-B (Pages 2111 – 2112)	IFAC PSC / INTOSAI Handover
--	-----------------------------

### **Action Requested**

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