

**Preface to the International Standards on Quality Control, Auditing,
Assurance and Related Services****CONTENTS**

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Introduction

1. This preface to the International Standards on Quality Control, Auditing, Assurance, and Related Services (“International Standards” or “IAASB’s Standards”) is issued to facilitate understanding of the objectives and operating procedures of the International Auditing and Assurance Standards Board (IAASB) and the scope and authority of the pronouncements it issues, as set forth in the IAASB’s Terms of Reference.
2. The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “the worldwide development and enhancement of an accountancy profession with harmonized standards, able to provide services of consistently high quality in the public interest.” In pursuing this mission, the IFAC Board has established the IAASB to develop and issue, under its own authority on its behalf, high quality sStandards and Practice Sstatements on auditing, assurance and related services, and quality control standards for use around the world.
3. The IAASB’s pronouncements govern audit, 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 historical¹ 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 pronouncements. Professional accountants should not represent compliance with the IAASB’s pronouncements unless the professional accountant has complied with all of the requirements of such pronouncements.
In these circumstances, member bodies should comply with the obligations of membership set forth in IFAC’s Constitution as regards the IAASB’s pronouncements.⁺
- 3a. The IAASB is committed to the goal of an international set of Standards generally accepted worldwide. To further this goal, the IAASB aims to establish Standards to which national standard setters can subscribe and works cooperatively and takes a lead role in joint projects with national standard setters to promote convergence, eliminate differences between national and international standards and achieve broad acceptance of its Standards.

The International Auditing and Assurance Standards Board

4. The IAASB is a Board established by standing committee of IFAC.
5. The members of the IAASB are appointed by the IFAC Board to serve on the IAASB. The IAASB comprises eighteen members, ten of whom are put forward by member bodies of IFAC, five of whom are put forward by the Forum of Firms², and three public members who

⁺ The IFAC constitution states that “Member bodies shall ... support the work of IFAC by bringing to the notice of their members every pronouncement developed by IFAC and by using their best endeavors:

— (i) to work towards implementation, when and to the extent possible under local circumstances, of those pronouncements, and

— (ii) specifically to incorporate in their national auditing standards the principles on which are based International Standards on Auditing developed by IFAC...”

² The Forum of Firms is a collaboration of public accounting firms that share the common objective to promote consistently high standards of financial reporting and auditing worldwide in the interest of users of the profession’s services and the general public.

may be members of IFAC member bodies but shall not be members in public practice. Candidates for appointment as public members may be put forward by any individual or organization. Candidates put forward, including the Chair of the IAASB, are considered for consideration by IFAC's Nominating Committee. The selection process is based on the principle of "the best person for the job". IAASB members serve for three years, with one third of the IAASB membership rotating every year. Continuous service on the IAASB is limited to two (2) consecutive three (3) year terms. IAASB members ~~are expected to~~ 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 not in accordance with the position taken by those who put them forward for membership of the IAASB. Members who absent themselves from two meetings in any twelve month period may be requested ~~required~~ to resign from the IAASB.

6. The IAASB may appoint task forces to assist it in the development of materials. These task forces may include individuals who are not members of the IAASB ~~and information may be sought from other organizations so as to obtain a broad spectrum of views.~~
7. IAASB meetings to discuss the development ~~of, and to approve the issuance, of~~ Standards, guidance or other pronouncements ~~papers~~ intended to advance the public understanding of the roles and responsibilities of professional auditors and assurance service providers are open to the public. Agenda papers are published on the IAASB web site.

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

8. International Standards on Auditing (ISAs) are to be applied, as appropriate, in the audit or review of historical financial information. ~~International Standards on Assurance Engagements (ISAEs) are to be applied in assurance engagements dealing with information other than historic financial information.~~
9. ~~International Standards on Auditing (ISAs) are to be applied in the audit or review of historic financial information.~~ International Standards on Assurance Engagements (ISAEs) are to be applied in assurance engagements dealing with information other than historical financial information, when specific Standards for such engagements do not exist.
10. International Standards on Related Services (ISRSs) are to be applied to compilation engagements and, engagements to apply agreed upon procedures to information, and other related ~~non-assurance~~ services engagements.
11. ~~ISAEs, ISAs, ISAEs~~ and ISRSs are collectively referred to as the IAASB's Engagement Standards.
12. International Standards on Quality Control (ISQCs) are to be applied for all by those providing services falling under the IAASB's Engagement Standards.
13. The IAASB's Standards contain basic principles and essential procedures (identified in bold type black lettering) 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 provide guidance for their application. It is therefore necessary to consider the whole text of a Standard to understand and apply the basic principles and essential procedures. ~~This~~

~~includes the explanatory and other material contained in the Standard, not just the text that is black lettered.~~

14. The nature of Standards issued by the IAASB requires professional accountants to exercise professional judgment in applying them. In ~~exceptional~~ extremely rare circumstances, a professional accountant may judge it necessary to depart from the basic principles and essential procedures ~~a requirement~~ of an Engagement Standard to achieve more effectively the objective of the engagement. When such a situation arises, the professional accountant should be prepared to justify the departure.
15. Any limitation of the applicability of a specific Standard is made clear in the introductory paragraphs to that Standard.
16. In circumstances where specific Standards or guidance contained in a Standard are not applicable in a public sector environment, or when additional guidance is appropriate in such an environment, IFAC's Public Sector Committee so states in a Public Sector Perspective (PSP)³. When no PSP is added, the Standard is to be applied as written to engagements in the public sector.

The Authority Attaching to Practice Statements issued by the International Auditing and Assurance Standards Board

17. ~~Practices Statements do not establish any new basic principles or essential procedures. International Assurance Engagement Practice Statements (IAEPSs) are issued to provide practical assistance to professional accountants in implementing ISAEs and to promote good practice.~~
18. ~~International Auditing Practice Statements (IAPSs) are issued to provide interpretive guidance and practical assistance to professional accountants in implementing ISAs and to promote good practice. International Assurance Engagement Practice Statements (IAEPSs) and International Related Services Practice Statements (IRSPSs) are issued to serve the same purpose for implementation of ISAEs and ISRS respectively. International Auditing Practice Statements (IAPSs) are issued to provide practical assistance to professional accountants in implementing ISAs and to promote good practice.~~
19. Professional accountants should be aware of and consider ~~p~~Practice ~~s~~Statements applicable to the engagement. A professional accountant who does not consider and apply the guidance included in an applicable ~~p~~Practice ~~s~~Statement should be prepared to explain how the basic principles and essential procedures ~~requirements~~ in the Standards addressed by the ~~p~~Practice ~~s~~Statement have been complied with.

The Authority Attaching to Other Pronouncements Issued by the IAASB~~Discussion Papers~~

20. Other pronouncements, for example Discussion Papers, are issued to promote discussion or debate on auditing, ~~and~~ assurance and related services and quality control issues affecting the accounting profession, present findings, or describe matters of interest relating to

³ IFAC and the IAASB are presently developing processes with the International Organization of Supreme Audit Institutions (INTOSAI), the objectives of which are to obtain INTOSAI support and input during the development of exposure drafts and to remove the need for PSPs. The IAASB will be asked to approve operating procedures with INTOSAI in July 2003. The IFAC Public Sector Committee and the use of PSPs is expected to continue until October 2003.

auditing, ~~and~~ assurance, related services and quality control issues affecting the accounting profession. They do not establish any basic principles or essential procedures ~~requirements~~ to be followed in audits, ~~or other~~ assurance or related services engagements.

Working Procedures

STANDARDS AND PRACTICE STATEMENTS

21. For Standards and Practice Statements, project proposals are developed and approved by the IAASB. As part of this process, input is sought, where practicable, from the IAASB Consultative Advisory Group⁴, national standard setters and others so as to obtain a broad spectrum of views. After approval, the IAASB's working procedure is to assign responsibility for the project to a select subjects for detailed study by a task force established for that purpose. The task force will ordinarily be chaired by a member of the IAASB and may contain members who are not members of the IAASB. ~~– In some cases, such as when projects are conducted jointly with a national standard setter(s), or as considered appropriate, the task force may be chaired by any member of the Task Force.~~ The task force has the initial responsibility for the preparation and drafting of Standards and Practice Statements. The task force develops its positions based on appropriate research and consultation, which may include, depending on the circumstances: using any available resources. ~~This may include~~ commissioning research, consulting with practitioners, regulators and other interested parties, as well as reviewing professional pronouncements issued by IFAC member bodies and other parties. The task force prepares an exposure draft for the IAASB to review and debate during deliberations in meetings open to the public. When approved, the IAASB exposes draft Standards for public comment. It also ordinarily exposes draft Practice Statements for public comment unless it decides that there are particular circumstances justifying non-exposure. ~~†~~ The exposure draft is placed on the IAASB's web site and is widely distributed for comment by member bodies of IFAC, organizations that have an interest in auditing, ~~and~~ assurance, related services and quality control ~~s~~ Standards and Statements, and the general public. Adequate time is allowed for each exposure draft to be considered by the persons and organizations to whom it is sent for comment and the exposure period will ordinarily be no shorter than 90 days. ~~The IAASB will ordinarily expose a Practice Statement for comment unless it decides that there are particular circumstances justifying non-exposure.~~
22. The comments and suggestions received as a result of this exposure are considered and the exposure draft is revised as appropriate. When the revised draft is approved, it is issued as a definitive Standard or Practice Statement. If the changes made after exposure are considered by the IAASB to be substantive ~~substantial~~, the IAASB will vote on whether consider the need to re-exposure for comment is necessary ~~the document for comment~~. The IAASB will set an effective date for the application of its Standards; Practice Statements will be effective 60 days after the end of the month they are approved by the IAASB from the date they are issued, being the date assumed that a physical mailing would have reached its intended audience and other interested parties.

⁴ The objective of the IAASB Consultative Advisory Group (CAG) is to provide a forum where the IAASB can consult with representatives of organizations representing different groups of constituents to obtain input on its work program, project priorities and due process on major technical issues, and to receive feedback on its activities. The current membership of the CAG is set out on the IAASB web site and the IAASB Annual Report.

OTHER PRONOUNCEMENTS

23. For other pronouncements, such as Discussion Papers, the IAASB Chair will appoint a review group of four⁴ IAASB members to consider whether a draft paper has sufficient merit to be added to the IAASB's assurance and auditing literature. The draft paper may come from any source and the IAASB need not have specifically commissioned it. If the review group believes that the paper has sufficient merit it recommends to the IAASB that the paper be issued and added to its literature. ~~If the IAASB approves the paper, it is issued as a discussion paper.~~

OPERATIONS POLICIES

24. As circumstances require, and in the interest of transparency, the IAASB approves and issues Operations Policy statements for purposes of establishing consistent policy for IAASB's operations on specific working procedures and practices. When public input is considered desirable, the IAASB exposes draft Operations Policy statements for public comments. Operations Policy statements appear following this Preface.

VOTING

25. The affirmative votes of at least two thirds of the members present at a meeting in person or by proxy or by simultaneous telecommunications link, but not less than twelve, is required to approve exposure drafts, re-exposure drafts, Standards and Practice Statements. Other pronouncements, such as Discussion Papers, and Operations Policies require the approval of a majority of the members so present. Dissenting opinions will not be included in the exposure drafts or pronouncements issued by the IAASB~~Board~~ but will be included in the minutes of the meeting ~~at the request of the dissenting member or members~~.
26. Each member of the IAASB has the right to one vote. A member has the right to appoint a proxy in writing. The proxy may be the member's technical adviser⁵ or another IAASB member.

Language

27. The sole authoritative approved text of an exposure draft, Standard, Practice Statement or ~~Discussion Paper~~other pronouncements is that published by IFAC in the English language.

⁵ Each IAASB member has a right to appoint one technical advisor who has the privilege of the floor at meetings.

Appendix

Structure of the IAASB's Technical Pronouncements

[See next page]

