

Operations Policy No 1—Bold Type Lettering

Issued XXXX

Purpose

1. The purpose of this Policy ~~Document~~ is to outline the International Auditing and Assurance Standards Board's (IAASB) ~~practice process~~ of using bold type lettering (~~referred to in this Policy Document as "black lettering"~~) to highlight basic principles and essential procedures.

Meaning

2. ~~"Black lettering"~~ Bold type lettering is the type face convention ~~colloquial term~~ used ~~for the process~~ by which the IAASB:
 - *in developing a Standard:* determines what are the basic principles and essential procedures relevant to the topic of the Standard, and then
 - *in publishing a Standard:* distinguishes sentences that contain these basic principles and essential procedures from the accompanying explanatory text by:
 - using the word "should" only in those sentences, and
 - setting those sentences in bold type ~~(thus the term "black lettering")~~.

Codification

- ~~3. Black lettering was first introduced to the literature of International Auditing Standards as part of the Codification project in the early 1990s.~~
- ~~4. The Codification project went well beyond simply codifying the then-existing documents into a revised structure. As part of the project, the International Auditing Practices Committee (IAPC) reviewed all its authoritative documents, then comprising International Auditing Guidelines and International Statements on Auditing, and:

 - ~~revised and updated the technical content,~~
 - ~~identified the basic principles and essential procedures within the new documents,~~
 - ~~categorized and renumbered those documents into their current codified structure (previously they had been simply numbered sequentially as they were produced), and~~
 - ~~importantly, enhanced the authority of their documents, issuing the codified International Auditing Guidelines as International Standards on Auditing.~~~~

Authority

3. 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. 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 presented in bold type lettering ~~black lettered~~.

4. The explanatory and other material, while not specifically designated as containing basic principles and essential procedures, is ~~still essential~~ to the Standard, as is clear from the authority statement published at the beginning of each Standard. The ~~bold typed black lettered~~ sentences must be read in the context of the explanatory and other material before those sentences can be properly understood, interpreted and applied. Therefore, for example, for an audit of financial statements to be conducted in accordance with ISAs, it is necessary to apply the ~~bold typed black lettered~~ requirements in the context of the entirety of the ISAs.¹ For this reason, the ~~bold typed black lettered~~ requirements are not gathered together at the beginning of a Standard, nor are they ever published separately by IFAC.
5. ~~Although the black lettered sentences are sometimes referred to as standards (small “s”), it is actually the whole of an ISA or ISAE that is properly known as a Standard (capital “S”), and the entire sequence of ISAs and ISAEs that are properly known as Standards. Referring to the black lettered sentences as standards is not appropriate because that might tend to imply, erroneously, that the black lettering can be treated as “stand alone”, i. e. that it can be read in isolation from the explanatory material.~~

What is in the Black Lettered Sentences?

6. The black lettered sentences comprise:
 - The basic principles of the relevant service. In the case of financial statements audits, the basic principles dictate the underlying preconditions that set an audit apart from other forms of engagement examination, and
 - The essential procedures, *i.e.* those procedures that should be applied in all circumstances.
7. The basic principles have not been separated from the essential procedures in the text, and in some cases a ~~bold typed black lettered~~ sentence may be a mix of both. However, both are considered equally important and therefore separate consideration of them is unnecessary. While ~~bold typed black lettered~~ sentences ordinarily contain a “should” statement, and “should” is not used except in ~~bold typed black lettered~~ sentences, when a ~~bold typed black lettered~~ sentence expresses a basic principle (as opposed to an essential procedure) it does not necessarily include a “should” statement.
- 8.12. Using “should” imposes an obligation on the professional accountant to do whatever the sentence in which it is used requires. Unless a condition on the obligation is specified in the sentence (for example, “the professional accountant should do X unless Y”), the obligation is unconditional, although it is of course subject to relevance and materiality of the subject matter, *i.e.* it is not necessary to do what the sentence says if, in the circumstances, it is not relevant or not material. Use of the term “should consider” imposes an unconditional obligation on professional accountants to specifically apply their mind to a stated matter and then use professional judgment to determine an appropriate course of action.

¹ In extremely rare circumstances, an auditor may judge it necessary to depart from an ISA to more effectively achieve the objective of the engagement. When such a situation arises, the auditor must be prepared to justify the departure.

What is in the Explanatory and Other Material?

913. The bold typed black lettered requirements are supported by the explanatory and other material. The explanatory and other material provides guidance on how to interpret and apply the bold typed black lettered requirements. The explanatory and other material does not establish any new basic principles or essential procedures and does not, of course, contradict the bold typed black lettered requirements. The IAASB does not use the word “should” in drafting the explanatory and other material, which is ordinarily written in the simple present tense.

1014. The explanatory and other material includes a range of materials, such as elaboration on particular facets of a basic principle, examples of possible procedures that could be undertaken in particular circumstances, material to help with understanding the application of a basic principle to a complex situation, points of finer detail, background material, factors to consider, formats that might be helpful, *etc.*

115. Engagements to which the IAASB’s Standards apply require the exercise of professional judgment. The explanatory and other material assists the professional accountant in exercising that judgment. For example, in some ISAs the explanatory and other material lists detailed procedures that might be appropriate in carrying out a bold typed black lettered requirement. The professional judgment of the auditor will determine whether any or all of those detailed procedures are appropriate to obtain sufficient appropriate audit evidence in the particular circumstances. Indeed, there may be other detailed procedures that are not listed in the ISAs that would provide the evidence needed by the auditor more effectively. No set of Standards can hope to anticipate all the details of all scenarios.

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