

**International Convergence and Statement of Membership Obligation 3
Amendments****Objective**

1. The objective of this paper is to provide guidance to the Board of the International Federation of Accountants (IFAC Board) on the implementation of paragraph 4(a) of Statement of Membership Obligation (SMO) 3, “International Standards, Related Practice Statements and Other Papers Issued by the IAASB.”
2. SMO 3 sets out the obligations of member bodies of IFAC in relation to quality control, auditing, review, other assurance and related services standards. It applies whether the member bodies issue such standards, or whether another body issues the standards. In particular, paragraph 4(a) of SMO 3 requires member bodies to “use their best endeavors to incorporate the International Standards and related Practice Statements issued by the IAASB into their national standards or related other pronouncements, or where responsibility for the development of national standards or related other pronouncements lies with third parties, to persuade those responsible to incorporate the International Standards and related Practice Statements into their national standards or related other pronouncements.” A member body will be considered to have used “best endeavors” if it could not reasonably do more than it has done and is doing to meet the particular membership obligation.

What does it mean to incorporate the IAASB Standards and Practice Statements into national standards and related other pronouncements?

3. The International Auditing and Assurance Standards Board (IAASB) proposes that the IFAC Board consider a member body or national standard setter (“relevant standard setter”) to have incorporated the International Standards and related Practice Statements into national standards or related other pronouncements (“national pronouncements”) when the conditions in paragraphs 4-8 have been met.

MEANING OF “IAASB STANDARDS AND PRACTICE STATEMENTS”

4. The International Standards and related Practice Statements that are within the scope of SMO 3 are the following:
 - (a) International Standards on Quality Control.
 - (b) International Standards on Auditing and related Practice Statements.
 - (c) International Standards on Review Engagements [and related Practice Statements, if issued].
 - (d) International Standards on Assurance Engagements [and related Practice Statements, if issued].
 - (e) International Standards on Related Services [and related Practice Statements, if issued].

For purposes of this paper, these pronouncements are collectively referred to as “the IAASB pronouncements.” A relevant standard setter should not be regarded as having

incorporated any of categories 4(b)-(e) individually into its national pronouncements, unless it has also so incorporated the International Standards on Quality Control. SMO 3, however, refers to all the above IAASB pronouncements.

MEANING OF “INCORPORATION”

5. Except as set out in paragraphs 6-7, the national pronouncements include all the requirements and guidance of the relevant IAASB pronouncements. It is not necessary that all the requirements and guidance of an IAASB pronouncement be incorporated in a *single* national pronouncement. Different parts of an IAASB pronouncement may be included in different national pronouncements, provided that they together incorporate all the requirements and guidance of the IAASB pronouncement, and a professional accountant in the jurisdiction of the relevant standard setter is obliged to consider all the requirements and guidance of the different national pronouncements in order to understand and apply the requirements of the national pronouncements.

PERMITTED MODIFICATIONS

6. The relevant standard setter has limited additions to an IAASB pronouncement to the following:
 - (a) National legal and regulatory requirements.
 - (b) Other requirements or guidance that are not inconsistent with the current requirements or guidance in the IAASB pronouncements.

Relevant standard setters are encouraged to communicate additions falling within paragraph 6(b) to the IAASB for future consideration.

7. The relevant standard setter has limited deletions from, or other amendments to, an IAASB pronouncement to the following:
 - (a) The elimination of options (alternatives) provided for in the IAASB pronouncements.
 - (b) Requirements or guidance, the application of which is not permitted by law or regulation.
 - (c) Requirements or guidance, where the IAASB pronouncement recognizes that different practices may apply in different jurisdictions and the relevant standard setter is such a jurisdiction.
 - (d) Other requirements or guidance that, in the opinion of the relevant national standard setter, require modification for them to be effective in the relevant jurisdiction.

In the case of 7(b)-(d), however, the objective of any deleted requirement still needs to be met. Consequently, it will be necessary for the relevant standard setter to replace the deleted requirement with an appropriate alternative that, in the opinion of the relevant standard setter, meets the test of the *Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services* for those exceptional circumstances when a professional accountant may judge it necessary to depart from a basic principle or essential procedure of an IAASB pronouncement to achieve more effectively the objective

of the engagement.

8. Modifications to IAASB pronouncements are subject to the due process of the relevant standard setter.

Other matters

9. When national pronouncements include International Standards on Quality Control and all the relevant current pronouncements of one or more of the categories of IAASB pronouncements referred to in paragraph 4(b)-(e) (“IAASB engagement standards”), compliance with national pronouncements constitutes compliance with the related IAASB engagement standards. In these circumstances, a professional accountant’s report may refer to compliance with IAASB engagement standards as well as to compliance with national pronouncements.
10. A relevant standard setter may refer to having incorporated one or more of the categories of IAASB pronouncements referred to in paragraph 4(b)-(e) into the relevant national pronouncements only if International Standards on Quality Control and all current pronouncements of the relevant category have been incorporated. Where the relevant standard setter has not so incorporated all current pronouncements (for example, because of delays in issuing a new IAASB pronouncement for national use), the reference should be qualified so as to make clear exactly what has been incorporated, and that it does not constitute incorporation of all current pronouncements. In such cases, a professional accountant who has applied the national pronouncements may not refer to having complied with the IAASB pronouncements, unless:
 - (a) The omitted IAASB pronouncements are not relevant to the engagement; or
 - (b) The professional accountant has additionally complied with those relevant IAASB pronouncements that have not been incorporated into the national pronouncements.

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