

Modifications to IAASB's International Standards – A Guide for National Standard Setters Who Adopt Those Standards**Objective**

1. The objective of this paper is to set out the policy of IAASB on the question: What modifications may a national standard setter (NSS) that adopts International Standards promulgated by IAASB (ISs) as its national standards (NSs) make to the ISs while still asserting that the resulting NSs conform to ISs?
2. NSSs often follow a policy of adopting ISs as their NSs with little or no amendment. Such NSSs are likely to wish to assert that their NSs conform to ISs. This paper sets out IAASB's views on when such an NSS may make such an assertion.
3. Equally, a professional accountant following NSs may wish additionally, or alternatively, to assert in his or her report that the engagement has been conducted in accordance with ISs. This paper also sets out IAASB's views on this matter.
4. It should be noted that IAASB does not endorse the use of such terms as 'based on,' 'in substantial compliance with,' or 'in compliance with the principles of,' ISs.
5. This paper does not deal with any other aspect of the general subject of convergence. Nor does it rule out the possibility that NSSs that adopt a different approach will have created NSs that are equivalent in effect to the ISs.

Conformity with ISs

6. The IAASB will regard NSs that comprise the ISs with modifications as conforming to ISs when the conditions in paragraphs 7-11 have been met.
7. The International Standards promulgated by IAASB are the following:
 - (a) International Standards on Quality Control.
 - (b) International Standards on Auditing and related Practice Statements.
 - (c) International Standards on Review Engagements.
 - (d) International Standards on Assurance Engagements
 - (e) International Standards on Related Services.

NSs shall not be regarded as conforming to the respective ISs in categories (b) to (e), unless professional accountants who are required to follow those NSs are also required to follow a NS that conforms to the International Standards on Quality Control.

8. NSSs shall be regarded as conforming to a category of ISs if, except for the permitted modifications as set out in paragraphs 9 and 10, they include all the requirements and guidance¹ of the ISs in that category. It is not necessary that all the requirements and guidance of an IS be included in a *single* national standard. Different elements of an IS may be included in different NSSs, provided that:
- (a) Those standards together include all the requirements and guidance of the IS; and
 - (b) The requirements and guidance included in the NS carry the same intention (as to their meaning and effect) and authority as they do in the IS. This condition requires that there is nothing in the way in which the requirements have been included that undermines their meaning and effect, and that a professional accountant following the NSSs is obliged to consider all the guidance, as included, in order to understand and apply the requirements, as included.
9. For the purposes of conformity under this statement, the NSS shall limit additions to an IS 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 IS.

NSSs are encouraged to communicate additions falling within paragraph 9(b) to the IAASB for future consideration.

10. For the purposes of conformity under this statement, the NSS shall limit deletions from, or other amendments to, an IS to the following:
- (a) The elimination of options (alternatives) provided for in the IS.
 - (b) Requirements or guidance, the application of which law or regulation does not permit, or which require amendment to be consistent with law or regulation.
 - (c) Requirements or guidance, where the IS recognizes that different practices may apply in different jurisdictions and the NSS is in such a jurisdiction.

In the case of paragraph 10(b)-(c), however, the objective of any deleted requirement must still be met. Consequently, it will be necessary for the NSS to replace the deleted requirement with an appropriate alternative that, in the opinion of the NSS, meets the test of the *Preface to the International Standards on Quality Control, Auditing, Review, Other 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 IS to achieve more effectively the objective of the engagement.²

¹ 'Requirements and guidance' means: in the case of standards written under the style adopted prior to the clarity project, 'basic principles and essential procedures together with related guidance'; and in the case of standards written under the style subsequently adopted, 'objectives, requirements and application material'. In both cases, definitions included in the standards and glossary are to be applicable.

² This requirement of the Preface is under review.

11. Modifications to ISs shall be subject to a satisfactory due process established by the NSS.³ Furthermore, the text of a NS shall be marked in a way that distinguishes modifications to the text of the ISs.

Other Matters

12. A NSS to whom this guidance applies may refer to its NSs as conforming to one or more of the categories of ISs referred to in paragraph 7(b)-(e) only if the International Standards on Quality Control and all *current* ISs of the relevant category have been included. Where the NSS has not included all current ISs (for example, because of delays in issuing a new IS for national use), the reference to conformity with the ISs shall be appropriately qualified and the ISs that have and have not been included shall be clearly disclosed.
13. The IAASB encourages NSSs to maintain a record of how the ISs have been included in the national standards, sufficient to demonstrate what has or has not been included, and that such inclusion has been effected so as to avoid any change in meaning and effect.
14. A professional accountant who conducts an engagement in accordance with NSs may additionally, or alternatively, assert in his or her report that the engagement has been conducted in accordance with the relevant ISs provided that either the NSs conform to ISs, as described above, or the professional accountant additionally complies with all relevant ISs not included in the NSs (including more recent versions of ISs that are internationally effective, older versions of which have been included in NSs).

³ A satisfactory due process is an established and transparent process involving deliberation and consideration of the views of a wide range of stakeholders.

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