

**Memorandum of Understanding
between
the Professional Standards Committee
of
the International Organization of Supreme Audit Institutions
and
the International Auditing and Assurance Standards Board
of
the International Federation of Accountants**

Purpose

1. The International Organization of Supreme Audit Institutions (INTOSAI) has as a goal the development of Financial Audit Guidelines, which will be more detailed than the INTOSAI Auditing Standards – providing INTOSAI members with practical guidance on the application of INTOSAI Auditing Standards to financial audits. INTOSAI is of the opinion that, in developing the Financial Audit Guidelines, it could benefit from the work of the International Auditing and Assurance Standards Board (IAASB) and that, as a result, the Financial Audit Guidelines, as far as possible, should draw upon the International Standards on Auditing (ISAs).
2. The IAASB includes – where appropriate – public sector related guidance within the body of an ISA. The IAASB is of the opinion that INTOSAI involvement in the development of the ISAs is an important element in this process.
3. The purpose of this Memorandum of Understanding is to establish a co-operation process that will enable INTOSAI to benefit from the work of the IAASB, and the IAASB to benefit from INTOSAI involvement in the development of the ISAs.

INTOSAI Financial Audit Guidelines

4. The INTOSAI Financial Audit Guidelines will form in-depth guidance to the INTOSAI Auditing Standards. They will constitute the fourth level in the existing hierarchy of standards in INTOSAI, which consists of the Lima Declaration, the INTOSAI Code of Ethics and the INTOSAI Auditing Standards.
5. A Guideline will consist of an ISA, which – where appropriate – will contain public sector related guidance (refer paragraph 2), and a practice note. Practice notes will be prepared by the INTOSAI Financial Audit Guidelines Subcommittee (FAS) for approval by the INTOSAI Professional Standards Committee (PSC). Practice notes will explain the application of an ISA in the public sector – providing guidance on the extent to which it is applicable and the adjustments to be made by a public sector auditor. Where considered necessary, a practice note may contain detailed guidance on the application of an ISA in the public sector. Guidelines may also be developed by the FAS in areas that are not relevant to the private sector.

6. The INTOSAI Financial Audit Guidelines will be presented in the INTOSAI Professional Standards classification system.
7. The IAASB is not responsible in any way for the INTOSAI Financial Audit Guidelines or any other documents that draw upon the ISAs.

Project Structure and Co-operation Process

8. The PSC has created a project structure and co-operation process to facilitate the development of the INTOSAI Financial Audit Guidelines. The project structure and co-operation process are described in the document *Project Structure and Co-operation Process for Developing INTOSAI Financial Audit Guidelines*, which may be revised from time to time as considered necessary by the PSC. The Chair of the PSC has delegated the responsibilities according to this memorandum to the Chair of the FAS.
9. FAS representatives participate in IAASB Task Forces, providing input to current and future projects. The INTOSAI Project Director, in consultation with the IAASB Technical Director, appoints FAS representatives to the IAASB Task Forces.
10. The IAASB remains responsible for the approval of the ISAs. The IAASB may consider it necessary to amend an ISA prepared by an IAASB Task Force, including the public sector related guidance proposed by an FAS representative. Where the IAASB proposes amendments to the ISA that affect the public sector related guidance, the FAS representative involved in the IAASB Task Force is provided an opportunity to consider the proposed amendments. This consideration takes place in a manner that will not disrupt the timely issue of the proposed or final ISA. The IAASB may also consider it necessary to consult others with public sector expertise and experience in regard public sector related guidance in the ISAs.

Translation of Pronouncements

11. INTOSAI works in five languages: Arabic, English, French, German and Spanish. The FAS, in consultation with the IAASB Secretariat, will consider how best to make the ISAs, practice notes and other sections of the INTOSAI Financial Audit Guidelines available in all INTOSAI languages, taking into account IFAC's translations policy.

Project Timetable

12. The IAASB Secretariat will inform the INTOSAI Project Secretariat of its project timetable and any amendments thereto to allow for the FAS to have the maximum time available to make appointments of FAS representatives to IAASB Task Forces. Both INTOSAI and the IAASB recognize that the IAASB project timetable is paramount and that the FAS's participation in IAASB projects will take place in the context of the project timetable. If the FAS for any reason is unable to participate in accordance with the IAASB timetable, the IAASB project nevertheless will progress as planned.

Periodic Review of Memorandum of Understand

13. This Memorandum of Understanding will be reviewed by the PSC and the IAASB within three years after its approval by them.