

**Conforming Amendments to the Preface to the International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements**

*The following sets out the proposed conforming amendments to the preface to the International Quality Management,<sup>1</sup> Auditing, Review, Other Assurance, and Related Services Pronouncements to facilitate the new category of auditing standard, the International Standard on Auditing (ISA) for Audits of Financial Statements of Less Complex Entities (ISA for LCE). The Board will be asked to approve these proposed conforming amendments to be exposed with the [draft] ISA for LCE.*

**Introduction**

1. This preface to the *International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements* is issued to facilitate understanding of the scope and authority of the pronouncements the International Auditing and Assurance Standards Board (IAASB) issues, as set forth in the IAASB's Terms of Reference.
2. The IAASB is committed to the goal of developing a set of International Standards and other pronouncements which are generally accepted worldwide. IAASB members 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 firm or not in accordance with the position taken by those who put them forward for membership of the IAASB.

**The IAASB's Pronouncements****IAASB Authoritative Pronouncements**

3. The IAASB's pronouncements govern audit, review, other 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 historical financial statements or

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<sup>1</sup> This preface has been updated to reflect the [conforming amendments](#) arising from the IAASB's Quality Management projects.

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 Standards. A professional accountant should not represent compliance with the IAASB's Standards unless the professional accountant has complied fully with all standards relevant to the engagement.

4. The authoritative pronouncements of the IAASB are the International Standards, which are issued following the IAASB's stated due process.

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

5. International Standards on Auditing (ISAs) are to be applied in the audit of historical financial information.

6. The International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE) is to be applied in the audit of the financial statements of a less complex entity.

6.7. International Standards on Review Engagements (ISREs) are to be applied in the review of historical financial information.

7.8. International Standards on Assurance Engagements (ISAEs) are to be applied in assurance engagements other than audits or reviews of historical financial information.

8.9. International Standards on Related Services (ISRSs) are to be applied to compilation engagements, engagements to apply agreed upon procedures to information and other related services engagements as specified by the IAASB.

9.10. ISAs, the ISA for LCE, ISREs, ISAEs, and ISRSs are collectively referred to as the IAASB's Engagement Standards.

10.11. International Standards on Quality Management (ISQMs) are to be applied for all services falling under the IAASB's Engagement Standards.

## International Standards on Auditing

12. ISAs are written in the context of an audit of financial statements<sup>2</sup> by an independent auditor. They are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. The authority of ISAs is set out in ISA 200.<sup>3</sup>

### The International Standard on Auditing for Audits of Financial Statements of Less Complex Entities

13. The ISA for LCE is written in the context of an audit of financial statements<sup>1</sup> of a less complex entity by an independent auditor. The authority of the ISA for LCE is set out in Part A of the standard.

## International Standards on Quality Management

14-14. ISQMs are written to apply to firms in respect of all their services falling under the IAASB's Engagement Standards. The authority of ISQMs is set out in the introduction to each ISQM.

## Other International Standards

12-15. Some International Standards identified in paragraphs 76-98 contain: objectives, requirements, application and other explanatory material, introductory material and definitions. These terms are to be interpreted in a directly analogous way to how they are explained in the context of ISA and financial statement audits in ISA 200.

13-16. Other International Standards identified in paragraphs 76-98 contain basic principles and essential procedures (identified in bold type lettering and by the word "should") 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 provides guidance for their application. It is therefore necessary to consider the entire text

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<sup>2</sup> Unless otherwise stated, "financial statements" mean financial statements comprising historical financial information.

<sup>3</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

of a Standard to understand and apply the basic principles and essential procedures.

~~14.17.~~ The basic principles and essential procedures of a Standard are to be applied in all cases where they are relevant in the circumstances of the engagement. In exceptional circumstances, however, a professional accountant may judge it necessary to depart from a relevant essential procedure in order to achieve the purpose of that procedure. When such a situation arises, the professional accountant is required to document how alternative procedures performed achieve the purpose of the procedure and, unless otherwise clear, the reasons for the departure. The need for the professional accountant to depart from a relevant essential procedure is expected to arise only where, in the specific circumstances of the engagement, that procedure would be ineffective.

~~15.18.~~ Appendices, which form part of the application material, are an integral part of a Standard. The purpose and intended use of an appendix are explained in the body of the related Standard or within the title and introduction of the appendix itself.

### **Professional Judgment**

~~16.19.~~ The nature of the International Standards requires the professional accountant to exercise professional judgment in applying them.

### **Applicability of the International Standards**

~~17.20.~~ The scope, effective date and any specific limitation of the applicability of a specific International Standard is made clear in the Standard. Unless otherwise stated in the International Standard, the professional accountant is permitted to apply an International Standard before the effective date specified therein.

~~18.21.~~ International Standards are relevant to engagements in the public sector. When appropriate, additional considerations specific to public sector entities are included:

- (a) Within the body of an International Standard in the case of ISAs, the ISA for LCE and ISQMs; or

- (b) In a Public Sector Perspective (PSP) appearing at the end of other International Standards.

### **Non-Authoritative Material**

49-22. Non-authoritative material includes Practice Notes issued by the IAASB and staff publications. Non-authoritative material is not part of the IAASB's International Standards.

### **International Auditing Practice Notes**

20-23. International Auditing Practice Notes (IAPNs) do not impose additional requirements on auditors beyond those included in the ISAs or the ISA for LCE, nor do they change the auditor's responsibility to comply with all ISAs, or the ISA for LCE, relevant to the audit. IAPNs provide practical assistance to auditors. They are intended to be disseminated by those responsible for national standards, or used in developing corresponding national material. They also provide material that firms can use in developing their training programs and internal guidance.

24-24. Depending on the nature of the topic(s) covered, an IAPN may assist the auditor in:

- Obtaining an understanding of the circumstances of the entity, and in making judgments about the identification and assessment of risks of material misstatement;
- Making judgments about how to respond to assessed risks, including judgments about procedures that may be appropriate in the circumstances; or
- Addressing reporting considerations, including forming an opinion on the financial statements and communicating with those charged with governance.

### **Practice Notes Relating to Other International Standards**

22-25. The IAASB may also issue International Review Engagement Practice Notes (IREPNs), International Assurance Engagement Practice Notes (IAEPNs), and International Related Services Practice Notes (IRSPNs) to serve the same purpose for ISREs, ISAEs, and ISRSs respectively.

## **Staff Publications**

[23-26.](#) Staff publications are used to help raise practitioners' awareness of significant new or emerging issues by referring to existing requirements and application material, or to direct their attention to relevant provisions of IAASB pronouncements.

## **Language**

[24-27.](#) The sole official text of an IAASB International Standard, Practice Note, exposure draft or other publication is that published by the IAASB in the English language.