

## **Take-away from the general discussions on ‘application material’**

The IFPP defines that the ISSAIs are comprised of:

- a) The basic set of concepts and principles that define public sector auditing and the different types of engagements supported by the ISSAIs.
- b) The fundamental principles, which INTOSAI have defined as universally applicable professional standards. The auditing practices of all SAIs as well as any national standards for public sector auditing should be aligned to these.
- c) The organizational level requirements which the SAI and the engagement level requirements which the auditor must comply with if they state compliance with the ISSAIs (rather than national standards)
- d) *Application material that is relevant to ensure that the fundamental principles and requirements are understood and applied as relevant in the circumstances of the individual engagement.***

**Application material** (cf. d) is further defined in FIPP’s drafting conventions for application material within the ISSAIs, which at this stage reads as follows:

*Application material is mandatory to consider when operationalizing the requirements in the ISSAIs. They explain the requirements, the rationale behind the requirement and assist the auditor to comply with these requirements.*

The drafting conventions also state the intention to change the current headings ‘explanation’ in ISSAI 3000 Performance Audit Standards and ISSAI 4000 Compliance Audit Standards to ‘application material’.

The IFPP defines that the GUIDs do not include ‘application material’.

### **For financial auditing the situation is that:**

- ISSAI 100 defines that for financial audits the requirements of the ISSAIs and the ISAs developed by IFAC are the same (cf. para 11) .
- ISSAI 200 provides the financial audit principles
- Each ISA (the full text) is incorporated into the IFPP following the principle that ISA xxx = ISSAI 2xxx. The full set of ISAs is thus identical to ISSAIs 2200-2815
- It follows from ISSAI 100 para 10-11 that the pre-existing ‘practice notes’ belonged in the category of ISSAIs.

It is FIPP’s general view that the ISAs developed by the IAASB with limited input from INTOSAI impose sufficient requirements as well as sufficient additional considerations in the form of ‘Application and other explanatory material’, which auditors must reflect in the audit documentation.

**It is therefore FIPP’s position that for financial auditing:**

- 1) It is only relevant to include *application material* developed by INTOSAI in the IFPP in cases where the requirements defined by the ISAs are not fully applicable or relevant in the public sector circumstances under which INTOSAI's members operate.
- 2) 'Application material' developed by INTOSAI for financial audit should not add to the ISAs in a way that will require auditors to reflect their considerations in the audit documentation
- 3) The GUIDs do not include 'application material' and the pre-existing 'practice notes' can therefore not *as a category* be referred to the GUIDs, but may as reflected in the SDP be used together with other sources as a basis for development of GUIDs in conformity with the IFPP

The financial audit guidance GUIDs 2900-2999 are mainly aimed at providing practical guidance that can support the implementation of the ISSAIs in practice.

**The next step** will be that the FIPP chair consults with the Goal Chairs and seeks to clarify:

- Whether there is a need to seek the approval or endorsement from other INTOSAI bodies regarding this position taken by FIPP and how that can best be obtained
- Whether there is a need to work more closely with the PSC's subcommittees and/or KSC's working groups or other parties in order to further improve the drafting conventions and in relation to the intention to replace the headlines 'explanation' with 'application material' in ISSAIs 3000 and ISSAIs 4000
- How the project resulting from SDP 1.3 (ISSAI 2000 – Application of Financial audit standards) can best proceed in light of the above and considering also the SDP project on financial audit guides.