



*South Asian Federation
of Accountants*

**Auditing Standards vis-à-vis International
Standards on Auditing (ISAs) & Other IFAC
Pronouncements and Standard Setting
Process – A Comparative Analysis as on 15th
July, 2006**

Prepared & Released By

Centre of Excellence for Standards & Quality

The Institute of Chartered Accountants of Sri Lanka

1. Auditing Standards vis-à-vis International Standards on Auditing (ISAs) & Other IFAC Pronouncements

2. Standard Setting Process – A Comparative Analysis

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Message from the Chairman,
SAFA Centre of Excellence for Standards & Quality

As in the case of SAFA Countries Accounting Standards, seeking convergence with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), SAFA Countries Auditing Standards too need to converge with the International Standards on Auditing (ISAs) promulgated by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

As the first step, SAFA Countries, responsible for Standard Setting, need to know the current status of their Standards vis-à-vis the International Standards on Auditing (ISAs). This need is well served by this publication.

The publication is based on a survey conducted among the SAFA Countries by way of a questionnaire and comment letters. The document divides the International Standards on Auditing (ISAs) and other IFAC Pronouncements into five categories, i.e.

- 1 - Current IFAC Pronouncements (Glossary of Terms, ISQC, Framework & ISAs) Effective as of 15th of July 2006.
- 2 - Other IFAC Pronouncements Effective as of 15th of July 2006.
- 3 - IFAC Pronouncements (Glossary of Terms, Framework & ISAs) Withdrawn/Revised, but still in use in SAFA Countries as of 15th of July 2006.
- 4 - Other IFAC Pronouncements Withdrawn/Revised, but still in use in SAFA Countries as of 15th of July 2006.
- 5 - IFAC Pronouncements, which will be effective after 15th of July 2006.

SAFA Countries' status in relation to each country is indicated.

The publication also sets out the standard setting process in the SAFA Countries.

I should be grateful to our outgoing Chairman Mr. M R Mihular, who has immensely contributed to the success of this Centre of Excellence. Although, he has withdrawn from the Chairmanship due to his official commitments, he has promised to support us in all our future endeavours. I would like to place a word of appreciation to the Technical Staff of the ICASL and technical representatives of the SAFA Countries who all contributed to bring out this excellent publication.

Nishan Fernando
Chairman
SAFA Centre of Excellence for Standards & Quality

1. SAFA COUNTRIES AUDITING STANDARDS VIS-À-VIS INTERNATIONAL STANDARDS ON AUDITING

Annexures are:

- 1 - Preliminary**
- 2 - Summary**
- 3 - Adoption Status of Current IFAC Pronouncements (Glossary of Terms, ISQC, Framework & ISAs) (New & Revised) as of 15th of July 2006**
- 4 - Adoption Status of other IFAC Pronouncements (New or Revised) as of 15th of July 2006**
- 5 - IFAC Pronouncements (Glossary of Terms, Framework & ISAs) Withdrawn/Revised, but still in use in SAFA as of 15th of July 2006**
- 6 - Other IFAC Pronouncements Withdrawn/Revised, but still in use in SAFA as of 15th of July 2006**
- 7 - IFAC Pronouncements effective after 15th of July 2006, already adopted by SAFA Countries**

Note –1

Prepared based on ISAs & other IFAC Pronouncements as per the Handbook of International Auditing, Assurance and Ethics Pronouncements – 2006 Edition

PRELIMINARY

- 1) SAFA Countries have similar approach to the adoption of International Standards on Auditing and other Pronouncements after a Due Review Process subject to the following differences:
- a. In Sri Lanka, India, Pakistan, and Bangladesh the respective Institute is the Standard Setting Body. In Nepal, the Standard Setting Body is the Auditing Standards Board (AuSB), constituted by Nepal Government (then His Majesty's Government) under the Nepal Chartered Accountants Act, 1997. (Ref. Question No. 2 of the 2nd part of this Publication (i.e. Standard Setting Process & Comparative Analysis)).
 - b. In all countries the Standards are framed under the respective Institute enabling Act. However, in Sri Lanka there is a special additional Act - the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which empowers the Institute to promulgate Standards and publish in the Government Gazette. This Act provides for the composition of the Auditing Standards Committee to assist the Council in the adoption of the Standards. (Ref. Question No. 9 of the 2nd part of this Publication)
 - c. While the standard-setting Committee / Board is constituted by the professional bodies in Sri Lanka, India, Pakistan and Bangladesh; in Nepal, it would appear, the Board is constituted by Nepal Government (then His Majesty's Government), under the Nepal Chartered Accountants Act 1997.
 - d. In response to Question No. 12 of the 2nd part of this Publication as to whether outside body/bodies is/are involved in the promulgation of Auditing Standards, the position is as follows:

In Pakistan and Bangladesh no outside parties are involved. In Sri Lanka as per the Sri Lanka Accounting and Auditing Standards Act Section 9(3) "the Institute may, as and when it considers necessary, co-opt any person with special experience in the field of auditing to serve in the Auditing Standards Committee". However, in practice this provision has not been used so far. In India "pursuant to the decision of the Council, aimed at bringing greater efficiency, effectiveness and transparency in the working of the Auditing Standards Board and also in strengthening the role played by the Board in the development of the profession, the Board also invites nominees (one person each) from the following institutions:

- i) Reserve Bank of India, ii) Indian Institute of Management (on rotation basis), iii) Confederation of Indian Industries, Associated Chambers of Commerce & Industry and Federation of Indian Chambers of Commerce & Industry (on rotation basis), iv) the Securities and Exchange Board of India"

- e. In Nepal, “in March 2003, by a notification issued in the Nepal Gazette, Government of Nepal established the Auditing Standards Board, with an independent status, under the Nepal Chartered Accountants Act 1997. The Board consists of the following persons:
- (i) One FCA nominated by the Government- Chairperson
 - (ii) Representative, Ministry of Finance-Member
 - (iii) Representative, Office of the Auditor General-Member
 - (iv) Three Chartered Accountants nominated by the Government on recommendation of ICAN Council-Members and
 - (v) One Registered Auditor nominated by the Government on recommendation of ICAN Council-Member”
- f. Compliance with the Auditing Standards by the auditors in the conduct of audit (Ref. Question 13 of the 2nd part of this Publication) is required under the respective Institute enabling Act. In Sri Lanka, additionally, the Sri Lanka Accounting and Auditing Standards Act requires the auditors to carry out the audit of “Specified Business Enterprises” (all listed companies and unlisted public and private companies with public interest like banks and insurance companies), in accordance with the Sri Lanka Auditing Standards. In Bangladesh, the Securities and Exchange Commission (SECB) requires the listed companies to comply with the International Standards on Auditing applicable in Bangladesh.
- g. Disciplinary action for non-compliance (Ref. Question No. 14 of the 2nd part of this Publication) is taken in all countries by the professional Institutions under the respective enabling Act. In Sri Lanka, disciplinary action can also be taken by the Sri Lanka Accounting & Auditing Standards Monitoring Board, under the Sri Lanka Accounting & Auditing Standards Act.
- h. Regarding monitoring compliance with the Auditing Standards by a special body (Question No. 15 of the 2nd part of this Publication), apart from the Institute in each country, only Sri Lanka has in place the Sri Lanka Accounting & Auditing Standards Monitoring Board.
- i. Regarding the eligibility to be an auditor (Question No. 16 of the 2nd part of this Publication), it would appear that while only Chartered Accountants can be auditors of listed companies and unlisted public and large private companies, small companies can be audited by other classes of accountants, who need not be Chartered Accountants. However, in India, all companies, irrespective of their nature or size, are audited by Chartered Accountants.
- 2) This publication “Auditing Standards vis-à-vis International Standards on Auditing (ISAs) & other IFAC Pronouncements and Standard Setting Process – A Comparative Analysis” is likely to have omissions and commissions. However, this can serve as a good base research document and needs to be updated as on 15th July 2007, since the International Auditing and Assurance Standards Board (IAASB) has issued / revised certain number of Standards in recent years.

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SUMMARY

Annexure	Description	No. of Pronouncements	Sri Lanka		India		Pakistan		Bangladesh		Nepal	
			Adopted	Under Review	Adopted	Under Review	Adopted	Under Review	Adopted	Under Review	Adopted	Under Review
3	Adoption Status of Current IFAC Pronouncements (Glossary of Terms, ISQC, Framework & ISAs) (New & Revised) as of 15 th of July 2006	34	2	29	2	30	34	-	-	34	-	24
4	Adoption Status of Other IFAC Pronouncements (New or Revised) as of 15 th of July 2006	13	11	2	6	5	2	-	4	9	1	4
5	IFAC Pronouncements (Glossary of Terms, ISQC, Framework & ISAs) Withdrawn / Revised, but still in use in SAFA as of 15 th of July 2006	32	29	-	29	-	-	-	32	-	26	-
6	Other IFAC Pronouncements Withdrawn / Revised, but still in use in SAFA as of 15 th of July 2006	6	5	-	1	-	-	-	-	5	-	-
7	IFAC Pronouncements effective after 15 th of July 2006, already adopted by SAFA Countries	4	-	1	-	3	1	2	-	3	-	-

Adoption Status of Current IFAC Pronouncements (Glossary of Terms, ISQC, Framework & ISAs) (New & Revised) As of 15th of July 2006

Adoption Status : Y – Adopted
UR – Under Review

No.	ISA No.	ISA's Title	IFAC Effective Date	Sri Lanka	India	Pakistan	Bangladesh	Nepal [N5]
1	-	Glossary of Terms	Dec '05	UR	UR	Y	UR	UR
2	ISQC 1	Quality Control for Firms that perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Service Engagements	15/06/05	UR	UR	Y	UR	-
3	-	International Framework for Assurance Engagements	01/01/05	UR	UR	Y	UR	-
4	200	Objective and General Principles Governing an Audit of Financial Statements	15/12/05	- [N1]	UR	Y	UR	UR
5	210	Terms of Audit Engagements	15/12/04	UR	UR	Y	UR	UR
6	220	Quality Control for Audits of Historical Financial Information	15/06/05	UR	UR	Y	UR	-
7	230R	Audit Documentation ¹	15/06/06	- [N8]	UR	Y	UR	-
8	240	The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements	15/12/04	UR	UR	Y	UR	UR
9	250	Consideration of Laws and Regulations in an Audit of Financial Statements	15/12/04	UR	UR	Y	UR	UR
10	260	Communication of Audit Matters with Those Charged with Governance	15/12/04	UR	UR	Y	UR	UR
11	300	Planning an Audit of Financial Statements	15/12/04	UR	UR	Y	UR	UR
12	315	Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement	15/12/04	UR	UR	Y	UR	-
13	320	Audit Materiality	15/12/04	UR	UR	Y	UR	UR
14	330	The Auditor's Procedures in Response to Assessed Risks	15/12/04	UR	UR	Y	UR	-
15	402	Audit Considerations Relating to Entities Using Service Organizations	15/12/04	UR	UR	Y	UR	-
16	500	Audit Evidence	15/12/04	UR	UR	Y	UR	UR
17	501	Audit Evidence-Additional Considerations for Specific Items	15/12/04	UR	UR	Y	UR	-
18	505	External Confirmations	15/12/04	UR	UR	Y	UR	UR
19	510	Initial Engagements- Opening Balances	15/12/04	UR	UR	Y	UR	UR
20	520	Analytical Procedures	15/12/04	UR	UR	Y	UR	-
21	530	Audit Sampling and Other Means of Testing	15/12/04	UR	UR	Y	UR	UR

¹ This also gives rise to confirming amendments to ISA 200, ISA 330 & ISQC 1.

No.	ISA No.	ISA's Title	IFAC Effective Date	Sri Lanka	India	Pakistan	Bangladesh	Nepal [N5]
22	540	Audit of Accounting Estimates	15/12/04	UR	UR	Y	UR	UR
23	545	Auditing Fair Value Measurements and Disclosures	15/12/04	UR	[N6]	Y	UR	-
24	550	Related Parties	15/12/04	UR	UR	Y	UR	UR
25	560	Subsequent Events	15/12/04	UR	UR	Y	UR	UR
26	570	Going Concern	15/12/04	UR	UR	Y	UR	UR
27	580	Management Representations	15/12/04	UR	UR	Y	UR	UR
28	600	Using the Work of Another Auditor	N/A ²	Y	Y	Y	UR	UR
29	610	Considering the Work of Internal Auditing	15/12/04	UR	UR	Y	UR	UR
30	620	Using the Work of an Expert	15/06/05	UR	UR	Y	UR	UR
31	700	The Auditor's Report on Financial Statements ³	30/09/02	- [N2]	Y	Y	UR	UR
32	710	Comparatives	15/12/04	UR	UR	Y	UR	UR
33	720	Other Information in Documents Containing Audited Financial Statements	15/12/04	UR	[N7]	Y [N4]	UR	UR
34	800	The Auditor's Report Special Purpose Audit Engagements	N/A	Y	UR	Y	UR	UR
		Adopted	34	2	2	34	-	-
		Under Review	-	29 [N3]	30	-	34	24

Notes

- N1) This Standard is going to be further amended with the Revision/Adoption of ISA 700, ISA 701 & ISA 230. Therefore in Sri Lanka, the latest version will be adopted together with those other corresponding New/Revised Standards. However, till those are adopted, it is planned to adopt the version effective from 15/12/2004.
- N2) In Sri Lanka, it is intended to adopt the ISA 700(Revised) & ISA 701(New) together. However, as still ISA 701 is under review by IFAC, due review process yet to be commenced.
- N3) In Sri Lanka, 20 out of 29 Pronouncements, the Technical Directorate Review has been completed already and exposed for comments by the practising members. The other 09 Pronouncements are under Technical Directorate Review.
- N4) In Pakistan, ISA 720 has recently been adopted by the Council on April 28, 2006.
- N5) In Nepal, all standards are developed on the basis of ISAs before 2006
- N6) The project has been kept in abeyance till the time an Accounting Standard on Fair Value Measurement and Disclosures is issued by the ICAI.
- N7) In India, there is no such requirement as per for auditor under the Companies Act, 1956. So the Council of the Institute has decided to keep the project under abeyance.
- N8) This gives references to the ISQC 1, and also the revisions of the Standard has given confirming amendments to ISQC 1. Once the Due Review Process for ISQC 1 is completed, Due Review Process on this will be commenced. However, till such time, we'll be adopting the ISA 230 version effective from 15/12/2004.

² No effective date is indicated in the Standard. However, the IAASB has issued an ED on Revised ISA 600 "The Audit of Group Financial Statements".

³ However, this will be withdrawn, when ISA 700 (Revised) "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements" & ISA 701 (Revised) "Modifications to the Independent Auditor's Report" become effective from December 31, 2006. Those have also given confirming amendments to ISA 200, ISA 210, ISA 560 & ISA 800.

Adoption Status of Other IFAC Pronouncements⁴
(New or Revised) As of 15th of July 2006

Adoption Status : Y – Adopted UR – Under Review

S/No.	Category	Ref No.	Title	Sri Lanka	India	Pakistan	Bangladesh	Nepal
<u>International Auditing Practice Statements (IAPS)</u>								
1	IAPS	1000	Inter-Bank Confirmation Procedures	Y	UR	- [N1]	Y	-
2	IAPS	1004	The Relationship Between Bank Supervisors and Banks' External Auditors	Y	UR	-	Y	UR
3	IAPS	1005	The Special Considerations in the Audit of Small Entities	Y	Y	-	Y	-
4	IAPS	1006	Audits of the Financial Statements of Banks	Y	Y	-	UR	Y
5	IAPS	1010	The Consideration of Environmental Matters in the Audit of Financial Statements	Y	UR	-	UR	-
6	IAPS	1012	Auditing Derivative Financial Instruments	Y	[N4]	-	UR	-
7	IAPS	1013	Electronic Commerce – Effect on the Audit of Financial Statements	Y	UR	-	UR	-
8	IAPS	1014	Reporting by Auditors on Compliance with International Financial Reporting Standards	UR	[N5]	-	Y	-
<u>International Standards on Review Engagements (ISREs)</u>								
9	ISRE ⁵	2400	Engagements to Review Financial Statements (Previously ISA 910)	Y	Y	- [N3]	UR	UR
<u>International Standards on Assurance Engagements (ISAEs)</u>								
10	ISAE	3000	Assurance Engagements other than Audits or Reviews of Historical Financial Information (Effective from 01/01/05)	UR	Y	Y [N2]	UR	-
11	ISAE	3400	The Examination of Prospective Financial Information (Previously ISA 810)	Y	UR	Y	UR	-

⁴ Although, all these pronouncements are currently effective, in most of the pronouncements the effective date is not given.

⁵ Please Refer Footnote 08.

S/No.	Category	Ref No.	Title	Sri Lanka	India	Pakistan	Bangladesh	Nepal
<u>International Standards on Related Services (ISRSs)</u>						[N3]		
12	ISRS	4400	Engagements to Perform Agreed-upon Procedures Regarding Financial Information (Previously ISA 920)	Y	Y	-	UR	UR
13	ISRS	4410	Engagements to Compile Financial Information (Previously ISA 930)	Y	Y	-	UR	UR
			Adopted	11	6	2	04	1
			Under Review	2	5	-	09	4

Notes

- N1) ICAP does not formally adopt IAPS.
- N2) ISAE 3000 has recently adopted by ICAP Council on April 28, 2006.
- N3) ISRE 2400 and ISRS not adopted by ICAP.
- N4) The project has been kept in abeyance till the time an Accounting Standard on Derivative Financial Instruments is issued by the ICAI.
- N5) In India, the auditors are required to check the compliance with the Accounting Standards which are not the International Financial Reporting Standards, though no material variances are there. Therefore, there is no need to seek compliance of International Financial Reporting Standards by the auditors and hence to adopt such IAPS.

IFAC Pronouncements (Glossary of Terms, Framework & ISAs)
Withdrawn/Revised, but still in use in SAFA as of 15th of July 2006

Adoption Status : Y – Adopted UR – Under Review
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No.	ISA No.	ISA's Title	The Version	Sri Lanka	India	Pakistan	Bangladesh	Nepal
1		Glossary	Prior to December '05	Y	-	-	Y	Y
2	120	Framework of International Standards on Auditing	Withdrawn in December'04	Y	Y	-	Y	Y
3	200	Objective and General Principles Governing an Audit of Financial Statements	Prior to 15/12/05	Y [N1]	Y	-	Y	Y
4	210	Terms of Audit Engagements	Prior to 15/12/04	Y	Y	-	Y	Y
5	220	Quality Control for Audit Work	Prior to 15/06/05	Y	Y	-	Y	-
6	230	Documentation	Prior to 15/06/06	Y [N1]	Y	-	Y	Y
7	240	The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements / Fraud and Error	Prior to 15/12/04	Y	Y	-	Y	Y
8	250	Consideration of Laws and Regulations in an Audit of Financial Statements	Prior to 15/12/04	Y	Y	-	Y	Y
9	260	Communication of Audit Matters with Those Charged with Governance	Prior to 15/12/04	-	Y	-	Y	Y
10	300	Planning	Prior to 15/12/04	Y	Y	-	Y	Y
11	310	Knowledge of the Business	Withdrawn in December'04	Y [N2]	[N2]Y	-	Y	Y
12	320	Audit Materiality	Prior to 15/12/04	Y	Y	-	Y	Y
13	400	Risk Assessments and Internal Control	Withdrawn in December'04	Y [N2]	[N2]Y	-	Y	Y
14	401	Auditing in a Computer Information Systems Environment	Withdrawn in December'04	Y [N2]	[N2]Y	-	Y	-
15	402	Audit Considerations Relating to Entities Using Service Organizations	Prior to 15/12/04	Y	Y	-	Y	-
16	500	Audit Evidence	Prior to 15/12/04	Y	Y	-	Y	Y
17	501	Audit Evidence-Additional Considerations for Specific Items	Prior to 15/12/04	Y	Y	-	Y	-
18	505	External Confirmations	Prior to 15/12/04	-	Y	-	Y	Y
19	510	Initial Engagements- Opening Balances	Prior to 15/12/04	Y	Y	-	Y	Y
20	520	Analytical Procedures	Prior to 15/12/04	Y	Y	-	Y	-
21	530	Audit Sampling and Other Selective Testing Procedures / Audit Sampling	Prior to 15/12/04	Y	Y	-	Y	Y
22	540	Audit of Accounting Estimates	Prior to 15/12/04	Y	Y	-	Y	Y

No.	ISA No.	ISA's Title	The Version	Sri Lanka	India	Pakistan	Bangladesh	Nepal
23	545	Auditing Fair Value Measurements and Disclosures	Prior to 15/12/04	-	[N3]	-	Y	-
24	550	Related Parties	Prior to 15/12/04	Y	Y	-	Y	Y
25	560	Subsequent Events	Prior to 15/12/04	Y	Y	-	Y	Y
26	570	Going Concern	Prior to 15/12/04	Y	Y	-	Y	Y
27	580	Management Representations	Prior to 15/12/04	Y	Y	-	Y	Y
28	610	Considering the Work of Internal Auditing	Prior to 15/12/04	Y	Y	-	Y	Y
29	620	Using the Work of an Expert	Prior to 15/06/05	Y	Y	-	Y	Y
30	700	The Auditor's Report on Financial Statements	Prior to 30/09/02	Y	Y	-	Y	Y
31	710	Comparatives / Corresponding Figures	Prior to 15/12/04	Y	Y	-	Y	Y
32	720	Other Information in Documents Containing Audited Financial Statements	Prior to 15/12/04	Y	[N4]	-	Y	Y
						-		
		Adopted		29	29	-	32	26
		Under Review		-	-	-	-	-

Notes

- N1) However, in Sri Lanka, the version w.e.f. 15/12/04 is currently under the Due Review Process, where as an earlier version is currently effective. Please also refer to Notes 01 & 08 of Annexure 01.
- N2) Both In Sri Lanka & in India, these Standards will be withdrawn, once ISA 315 and ISA 330 are adopted.
- N3) In India, the version after 15/12/04 is adopted.
- N4) The project has been kept in abeyance till the time an Accounting Standard on Fair Value Measurement and Disclosures is issued by the ICAI.
- N5) In India, there is no such requirement for the auditor as per The Companies Act, 1956, so the Council of the Institute has decided to keep the project under abeyance.

**Other IFAC Pronouncements Withdrawn/Revised, but still in use in
SAFA as of 15th of July 2006**

Adoption Status : Y – Adopted UR – Under Review

S/No.	Category	Ref No.	Title	The Version	Sri Lanka	India	Pakistan	Bangladesh	Nepal
<u>International Auditing Practice Statements (IAPS)</u>							[N2]		
1	IAPS	1001	IT Environments – Stand-alone Personal Computers	Withdrawn in Dec '04	Y	-	-	UR	-
2	IAPS	1002	IT Environments – On-line Computer Systems	Withdrawn in Dec '04	Y	-	-	UR	-
3	IAPS	1003	IT Environments – Database Systems	Withdrawn in Dec '04	Y	-	-	UR	-
4	IAPS	1007	Communications with Management	Withdrawn in Jun '01	-	-	-	-	-
5	IAPS	1008	Risk Assessments and Internal Control-CIS Characteristics and Considerations	Withdrawn in Dec '04	Y	-	-	UR	-
6	IAPS	1009	Computer-assisted Audit Techniques	Withdrawn in Dec '04	Y	Y	-	UR	-
			Adopted		5 [N1]	1	-	-	-
			Under Review		-	-	-	5	-

Notes

N1] These will be withdrawn, once all applicable Pronouncements are adopted.

N2] Pakistan does not formally adopt IAPSs.

IFAC Pronouncements effective after 15th of July 2006, already adopted by SAFA Countries

Adoption Status : Y – Adopted UR – Under Review
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No.	Pronouncement No.	ISA's Title	IFAC Effective Date	Sri Lanka	India	Pakistan	Bangladesh	Nepal
1	ISA 700R	The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements ⁶	31/12/06	- [N1]	UR	Y	UR	-
2	ISA 701	Modification to the Independent Auditor's Report ⁶ above	31/12/06	- [N1]	UR	UR	UR	-
3	ISRE 2410	International Standard on Review Engagements ⁷	15/12/06	UR	UR	UR	UR	-
		Adopted		-	-	1	-	-
		Under Review		1	3	2	3	-

Notes

- N1] Still the ISA 701 is under revision & once it is completed, the Due Review Process for adoption of these Standards will be commenced. The ISA 700R cannot also be adopted separately, as it does not provide guidance on modifications to the Audit report.

⁶ Please refer Footnote 03, which provides details on confirming amendments to the other Standards.

⁷ This ISRE will also give rise to confirming amendments to ISA 210 "Terms of Audit Engagements" & ISRE 2400 "Engagement to Review Financial Statements". Those will also be effective from 15/12/2006.

2. Comparative Analysis of SAFA Countries Auditing Standards vis-à-vis International Standard and Standard Setting Process

COUNTRIES →	SRI LANKA	INDIA	PAKISTAN	BANGLADESH	NEPAL
SUBJECT / ISSUE ↓					
1. In your country, is the Institute the Auditing Standards Setting Body?	Yes	Yes	Yes	Yes	No
2. If the Institute is not the Standard Setting Body, what is the other Body charged with the responsibility of setting Auditing Standards?	N/A	N/A	N/A	N/A	Auditing Standards Board (AuSB), constituted by Nepal Government under the Nepal Chartered Accountants Act 1997.
3. Generally are all the Auditing Standards formulated independent of International Standards on Auditing?	No	No	No	No	No
4. Are the International Standards on Auditing / International Practice Statements used as the basis?	Yes	Yes	Yes	Yes	Yes
5. If yes to 4 above, does it contain a statement indicating that it is compliant in all material respect, with the ISA	Yes	Yes (From April 1, 2003 onwards)	Yes	Yes	Yes
6. Are the International Standards on Auditing / International Practice Statements adopted after a due review process. If so, details of the process	Yes. For each or a collection of International Standards, a Steering Committee/s is/are appointed by the Auditing Standards Committee. The Steering Committees, after review, recommends to the Auditing Standards Committee. The Auditing Standards Committee recommends to the Institute Council for formal adoption. After adopted, Standards are published in the Government Gazette in three languages; Sinhala, Tamil and English, as per Act requirement.	Yes. The Auditing and Assurance Standards Board constitutes a study group for considering the basic draft of the proposed AAS. The Board prepares an exposure draft of the proposed AAS on the basis of work done by the study group and issues for comments from the members of the Institute and from general public.	Yes. In case of adoption the standard is first considered by the Accounting and Auditing Standards Committee (AASC), a Subcommittee of the Institute's Professional Standards & Technical Advisory Committee (PS&TAC). It is then circulated to members for their feedback and comments. The AASC then	Yes. Technical and Research Committee (TRC) of the Council of ICAB comprised of members of ICAB and headed by Vice President (Technical & Research) recommends after due process of review to the Council-ICAB for adoption of ISA & IPS. The adoption process is similar to the process of adopting	<ul style="list-style-type: none"> • Identification of standards by AuSB for formulating Auditing Standards • Preliminary study of the auditing standard draft by a Study group (based on International Standards on Auditing) • Con of preliminary draft prepared by study group by AuSB and revision, if any,

COUNTRIES →	SRI LANKA	INDIA	PAKISTAN	BANGLADESH	NEPAL
SUBJECT / ISSUE ↓					
	Where necessary, the Standards are exposed to members in practice for comments.	<p>After receiving the comments, the Board finalises the draft of the proposed AAS and submits the final draft to the Council of the Institute for consideration.</p> <p>The Council considers the draft of proposed AAS and approves the same subject to modifications done by the Council in consultation with the Board, if it finds necessary</p>	forwards it to PS&TAC on whose recommendation the Council approves the adoption of standard. IAPS are not adopted formally.	Accounting Standards	<p>of draft on basis of deliberations at AuSB</p> <ul style="list-style-type: none"> Finalization of Exposure Draft of proposed Auditing Standard, on the basis of draft prepared by the AuSB. Issuance of Exposure Draft inviting public comments (for ICAN members and Regulating agencies). Consideration of comments received on Exposure Draft and finalization of Auditing Standard by the Board. The Standard formulated by AuSB is thereafter submitted to Council of ICAN for its consideration and approval for issue. Consideration of Auditing Standard by Council of ICAN, and if found necessary, modification of draft in consultation with AuSB. The Auditing Standard, so approved by the Council is issued under the authority of Council
7. Are there material variances between International Standards / Statements and the national standards based thereon	No	No	No	No	No
8. Is your Institute authorized to promulgate auditing standards under the	Yes	Yes. Section 15 read with section 17 and Part I of the Second Schedule to the Chartered Accountants Act, 1949	Yes	Yes	No. ICAN is only the monitoring and regulating agency for auditing standards.

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Institute's enabling Act		empowers the Institute to promulgate the auditing standards.			which are developed by AuSB.
9. Is there any special legislation legally empowering the Institute to promulgate Auditing Standards? (In addition to enabling Act)	Yes. Sri Lanka Accounting & Auditing Standards Act 15 of 1995.	N/A since the power to promulgate auditing standards is given under the enabling Chartered Accountants Act, 1949, which has been passed by the Honorable Parliament of India.	No	No. Bangladesh Chartered Accountants Order, 1973, which has been passed by the Honorable Parliament of Bangladesh, empowers the Institute to promulgate Auditing Standards	No. The Nepal Chartered Accountants Act 1997 has empowered the Institute only to ensure compliance of standards promulgated by AuSB.
10. If the answer to question 8 is 'yes', is there a provision authorizing a special Body / Committee to assist the Institute Council in the promulgation of Auditing Standards, and if so, composition of such a Body / Committee	Yes. Section 9 of the Act provides for establishment of an Auditing Standards Committee. The Committee shall consist of eight members of the Institute, nominated by the Council; at least four of whom shall be members of the Accounting Standards Committee. The Council may also, if necessary, co-opt any person with special experience in the field of auditing, to serve in the Auditing Standards Committee. Country's Auditor General is made a member of the Committee	Yes. Section 17 of the Chartered Accountants Act, 1949 empowers the Council to form such other Committees from amongst its members as it deems necessary for the purposes of carrying out the provisions of the said Act. The above mentioned section also lays down the provision for co-option of non Council members of the Institute on a Committee constituted by the Council subject to a maximum of two thirds of the members from the sitting Council on the Committee. Further the committee can constitute study groups comprising of members of the Institute to prepare basic draft of the standard and submit the same to the committee for consideration. Accordingly, the Council of ICAI had constituted Auditing and Assurance Standards Board in 1982 then known as Auditing Practices Committee. The Board consists of designated members from the Council, Co-opted members and representatives of certain outside bodies.	No. Please refer to response to question no. 6 above	Yes, ICAB Bye-Laws 2004, empowers the Council of ICAB to form Technical & Research Committee to assist the Council in the promulgation of Accounting & Auditing Standards in Bangladesh. The Technical & Research Committee consists of a Vice President and not more than five other members of the Council, provided that the Council may co-opt such number of members of the Institute as it thinks fit.	In March 2003, by a notification issued in the Nepal Gazette, the Government of Nepal established the Auditing Standards Board, with an independent status, under the Chartered Accountants Act 1997. The Board consists of the following persons: (i) One FCA nominated by the Government-Chairperson (ii) Representative, Ministry of Finance-Member (iii) Representative, Office of the Auditor General-Member (iv) Three Chartered Accountants nominated by the Government on recommendation of ICAN Council-Member (v) One Registered Auditor nominated by the Government on recommendation of ICAN Council-Member

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11. If the answer to questions 8 & 9 is 'no', then does the Institute set up Committee / Body to recommend Auditing Standards, and if so, is it under the enabling Act and indicate the composition of such a Body or Committee	THIS QUESTION HAS BEEN SUBSEQUENTLY DELETED, AS IT HAS BEEN FOUND TO BE SUPERFLUOUS				
12. Is there any outside body having a say in the Auditing Standards promulgated by the Institute ?	No	<p>Pursuant to the decision of the Council, aimed at bringing greater efficiency, effectiveness and transparency in the working of the Auditing and Assurance Standards Board as also strengthening the role played by the Board in the development of the profession, with effect from July 2, 2002, the Board also invites nominees (one person each) from the following organizations as special invitees:</p> <ul style="list-style-type: none"> (i) Reserve Bank of India (ii) Indian Institutes of Management (on rotation basis) (iii) Confederation of Indian Industries, Associated Chambers of Commerce and Industry and Federation of Indian Chambers of Commerce and Industry (on rotation basis) (iv) The Securities and Exchange Board of India 	No	No	The Board may invite experts to assist in the development of the standards.
13. Is mandatory compliances with the Auditing Standards / Practice Statements required under the enabling Act and other special legislations	<ul style="list-style-type: none"> • Under the enabling Act, ICASL members are expected to comply with the Auditing Standards in any audit • The Sri Lanka Accounting and Auditing Standards Act requires auditors to conduct audit in accordance with the Sri 	Yes. In terms of clause 9 of Part I of the Second Schedule to the Chartered Accountants Act, 1949 read with the Announcement of the Council regarding authority attached to the various documents issued by Institute of Chartered Accountants of India, the	All pronouncements issued by the Council are required to be followed mandatorily by the members of the Institute.	Securities and Exchange Commission of Bangladesh (SECB) requires the listed companies, through Securities and Exchange Rules 1987 and Public Rules 1998, to comply with	The Code of Ethics issued by ICAN has made it mandatory for such compliance.

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	Lanka Auditing Standards for “Specified Business Enterprises” (All listed companies and non-listed enterprises public and private companies with large public interest, such as insurance industry, stock brokering and banking etc.)	members of the Institute have to mandatorily comply with the Auditing and Assurance Standards issued by the Institute, failing which they become guilty of professional misconduct under the Chartered Accountants Act, 1949.		the International Standards on Auditing applicable in Bangladesh.	
14. Does non-compliance with the Auditing Standards / Practice Statements result in serious consequences to the auditor failing to comply	<ul style="list-style-type: none"> Under the Institute’s enabling Act, Institute can take appropriate disciplinary action for misconduct Under the Sri Lanka Accounting and Auditing Standards Act, an auditor failing to comply with the Auditing Standards shall be guilty of an offence and shall on conviction be liable to a fine not exceeding five hundred thousand rupees 	Yes. As mentioned in 13 above, in case of non-compliance, the member becomes guilty of professional misconduct and liable to disciplinary action against him/ her by the Institute.	ICAP can exercise its powers only on its members. It has the authority to penalize, reprimand or warn and remove the name of a member who is found guilty of misconduct and negligent in performing his professional duties.	ICAB can exercise the powers only on the members. It has the authority to take disciplinary action against a member who is found guilty of misconduct and negligent in performing his professional duties, which inter alia may result from non-compliance of auditing standards.	Failing to comply with Standards are treated of guilty of misconduct under the violation of Code of Ethics.
15. Is there a special body, apart from the Institute, to secure compliance with the Auditing Standards ?	Yes. The Sri Lanka Accounting and Auditing Standards Monitoring Board shall monitor compliance with the Sri Lanka Auditing Standards in auditing Specified Business Enterprises	No	No	No	No
16. Are there any other Accountants, apart from the members of the Institute, who shall be auditors and if so what classes of enterprises they can audit ?	<ul style="list-style-type: none"> Only members of the Institute shall be auditors of “Specified Business Enterprises” – i.e. listed companies and large private companies with large public interests A registered auditor, who need not be an ICASL member, can be auditors of small private companies and unincorporated bodies. But for practical purposes Chartered Accountants are preferred 	<p>According to section 226 of the Companies Act, 1956. following can be appointed as an auditor of a company:</p> <p>(a) A Chartered Accountant within the meaning of the Chartered Accountants Act, 1949.</p> <p>(b) The holder of a certificate granted under a law in force in the whole or any portion of a part B state immediately before the commencement of Part B states (laws) Act, 1951 (Or of the Jammu and Kashmir Act, 1956).</p>	<p>Companies Ordinance states in Section 254, Qualification and disqualification of auditors. - (1) A person shall not be qualified for appointment as an auditor,</p> <p>(i) in the case of a public company or a private company which is subsidiary of a public company unless he is a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961); and</p>	Apart from the members of the Institute, Government may, by order, direct that on audit of cost accounts of the company shall be conducted by Cost and Management Accountant.	<p>Only Members of the Institute can engage in audit after acquiring Certificate of Practice from ICAN. However, there are two classes of members in ICAN:</p> <p>(i) Chartered Accountants Members (No restriction on the class of enterprise that they can audit)</p> <p>(ii) Registered Auditor Members (RA members are divided into B, C & D categories, and have audit ceilings based on</p>

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		<p>Apart from that, as per section 233B of the Companies Act, 1956 an audit of cost accounts of the Company; if required in the opinion of the Central Government is conducted by a cost accountant within the meaning of the cost and work Accountants Act, 1959.</p> <p>However, the Government can appoint any Chartered Accountants as the Cost Auditor of a company.</p> <p>In case of Co-operative Societies apart from a Chartered Accountants within the meaning of the Chartered Accountants Act, 1949, some of the State Co-operative Acts have permitted persons holding government diploma in co-operative accounts or in co-operation and accountancy as also a person who has served as an auditor in the co-operative department of a government to act as an auditor.</p>	(ii) in the case of a private company having paid up capital of three million rupees or more unless he is a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961)		the turnover of the enterprise)