

International Auditing and Assurance Standards Board  
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This policy position was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high-quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

This paper is non-authoritative. In the interest of seeking a common understanding among national standard setters, regulators and the public, the IAASB believes it is appropriate to state its position on the circumstances which it believes should exist before a national standard setter may assert that its standards conform to the IAASB's International Standards.

This policy position may be downloaded free-of-charge from the IFAC website: <http://www.ifac.org>. The approved text is published in the English language.

The mission of IFAC is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

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**MODIFICATIONS TO INTERNATIONAL STANDARDS OF THE INTERNATIONAL  
AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)**

**A GUIDE FOR NATIONAL STANDARD SETTERS THAT ADOPT IAASB'S  
INTERNATIONAL STANDARDS BUT FIND IT NECESSARY TO MAKE  
LIMITED MODIFICATIONS**

**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. 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.
4. 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**

5. IAASB will regard NSs that comprise the ISs with modifications as conforming to ISs when the conditions in paragraphs 6-10 have been met.
6. The International Standards promulgated by IAASB are the following:
  - (a) International Standards on Quality Control.
  - (b) International Standards on Auditing.
  - (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.

7. NSs shall be regarded as conforming to a category of ISs if, except for the permitted modifications as set out in paragraphs 8 and 9, they include all the requirements and

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guidance<sup>1</sup> of the ISs in that category. It is not necessary that all the requirements and guidance of an IS be included in a *single* NS. 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.

8. For the purposes of conformity under this policy, 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 8(b) to IAASB for future consideration.

9. For the purposes of conformity under this policy, 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 9(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.<sup>2</sup>

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<sup>1</sup> '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.

<sup>2</sup> This requirement of the Preface is under review.

10. Modifications to ISs shall be subject to a satisfactory due process established by the NSS.<sup>3</sup> Furthermore, the NS shall highlight or explain modifications to the ISs. In addition, NSSs shall communicate modifications falling within paragraph 9(b), which are expected to be rare, to IAASB.

### **Other Matters**

11. An 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 6(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 NSS shall appropriately qualify the reference to conformity with the ISs and clearly disclose which ISs have and have not been included.
12. IAASB encourages NSSs to maintain a record of how the ISs have been included in the NSs, 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.
13. It is recommended that translations of the ISs be made in accordance with a process conforming to the Policy Statement, *Translation of Standards and Guidance Issued by the International Federation of Accountants* (issued September 2004).

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