

## **INTERNATIONAL STANDARDS ON AUDITING (ISAs) VS INTERNATIONAL STANDARDS FOR SUPREME AUDIT INSTITUTIONS (ISSAIs)**

This article discusses the International Standards on Auditing (“ISAs”) as issued by the International Auditing and Assurance Standards Board (“IAASB”) and the International Standards for Supreme Audit Institutions (“ISSAIs”) as issued by the International Organisation of Supreme Audit Institutions (“INTOSAI”). The article makes a comparison of these standards looking at their relevant applicability.

While IAASB and INTOSAI issue various standards and pronouncements, this article only discusses ISAs and ISSAIs.

### **STANDARDS ISSUING BODIES**

#### **ISAs**

IAASB is an independent standards setting body established under the auspices of the International Federation of Accountants (“IFAC”). The objective of IAASB is to serve the public interest by setting high quality international standards for auditing, quality control, review and other assurance and related services.

The standards setting process ensures uniformity of practice throughout the world and strengthens public confidence in the global auditing and assurance profession. To further ensure uniformity, the body advocates for and facilitates the convergence of international and national auditing and assurance standards.

#### **ISSAIs**

INTOSAI is an autonomous, independent, professional and non-political organisation. The organisation exists to among others, provide mutual support to Supreme Audit Institutions (“SAI”), set standards for public sector accounting, promote good national governance.

SAI is defined by INTOSAI as ‘a public body of a state or supranational organization which, however designated, constituted or organized, exercises, by virtue of law, or other formal action of the state or the supranational organization, the highest public auditing function of that state or supranational organization in an independent manner, with or without jurisdictional

competence.’ Common reference at jurisdictional level of SAs is Auditor General.

To execute its mandate, INTOSAI sets professional auditing standards for the public sector for application by SAs around the globe to ensure uniformity.

## **APPLICATION**

### **ISAs**

The International Standards on Auditing provide guidance to an auditor when they are *engaged to conduct an audit of financial statements*. Financial statements are prepared in accordance with a specific framework such as International Financial Reporting Standards (including IASs and IFRS for SMEs) and Generally Accepted Accounting Principles. An audit is intended to enhance the degree of stakeholder confidence in the financial statements prepared. To achieve this objective, an auditor expresses an opinion on whether the financial statements are prepared, in all material respects, in accordance with the relevant financial reporting framework. To facilitate expression of such opinion an auditor applies the ISAs.

The opinion expressed by an auditor under the ISAs is a reasonable assurance. A reasonable assurance is a high level of assurance (vs limited assurance), but is not absolute assurance, and is obtained when an auditor has obtained sufficient appropriate audit evidence to reduce audit risk to an acceptably low level.

An auditor is prohibited from expressing that they have carried out an audit in accordance with ISAs unless the auditor has complied with the requirements of all ISAs relevant to an audit.

### **ISSAIs**

With the continued call for professionalization of the public sector accounting, INTOSAI developed widely recognised international professional standards for public sector auditing. These standards are intended to support SAs in the development of their professional approach in accordance with their mandates and with national laws and regulations.

ISSAIs are applicable to:

Financial Audit;

Performance audit;

Compliance audit; and

Other engagements

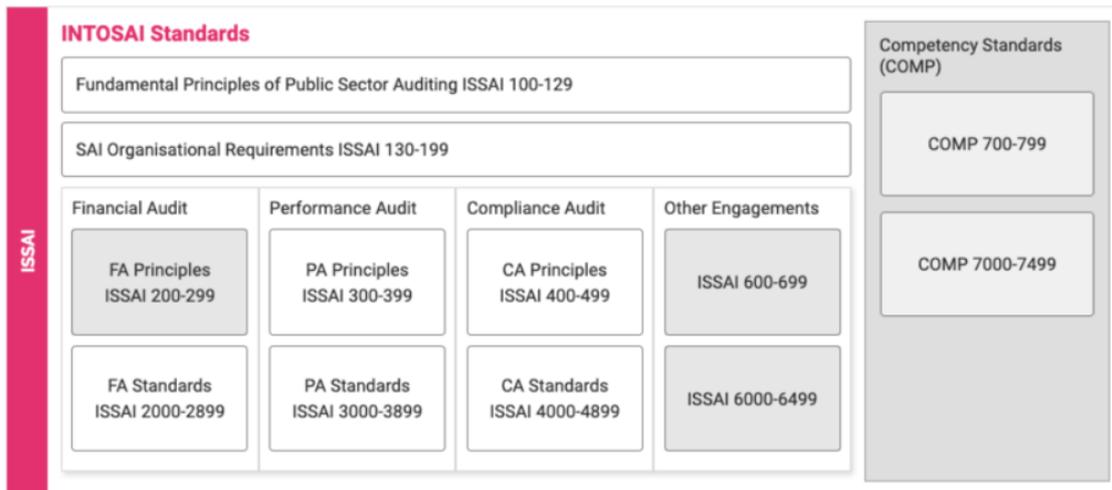


Figure 1. Source: [INTOSAI](https://www.intosai.org/)

As SAIs are established by country laws, their mandate is driven by relevant statutes and therefore the ISSAIs only provide guidance but do not limit or prevent SAIs performance of their legislative responsibilities.

*Fundamental Principles of Public-Sector Auditing* provide SAIs with the following options in establishing authoritative standards:

- ❖ basis on which SAIs can develop standards;
- ❖ basis for the adoption of consistent national standards;
- ❖ basis for adoption of the ISSAIs.

That notwithstanding, a SAI may only declare that the standards it has developed or adopted are based on or are consistent with the principles of the ISSAIs only if the standards fully comply with all relevant principles in ISSAIs. Audit reports may include a reference to the fact that the standards used were based on or consistent with the ISSAI or ISSAIs relevant to the audit work carried out.

As noted above ISSAIs are applicable to financial, performance, compliance and other audit engagements. Financial audits consider financial information of audited entities including their financial statements. In the development of ISSAIs relevant to financial audits, ISSAIs were developed with ISAs as a benchmark. ISSAI 100 *Fundamental Principles of Public-Sector Auditing* provides that in performance of financial audits reference can be made to either ISSAIs or ISAs. While ISSAIs would have content relevant to public sector entities, the auditor's responsibilities remain the same.

The following are descriptions of the different types of audits covered by ISSAIs:

- a) *Financial audit*: focuses on determining whether an entity's financial information is presented in accordance with the applicable financial reporting (e.g. IPSAS) and regulatory framework.
- b) *Performance audit*: focuses on whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.
- c) *Compliance audit* focuses on whether a particular subject matter is in compliance with authorities identified as criteria.

## COMPARABILITY

In conclusion, the following table summarises features of the two standards:

	<b>ISAs</b>	<b>ISSAIs</b>
Issuing body	IAASB	INTOSAI
Sector	Private Sector	Public Sector
Applies by	Financial Statements Auditor	Supreme Audit Institution
Subject matter	Financial Statements only	Financial information, performance, compliance

### Resources:

[www.iaasb.org](http://www.iaasb.org)

[www.intosai.org](http://www.intosai.org)

ISA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with International Standards on Auditing*

ISSAI 100 *Fundamental Principles of Public-Sector Auditing*

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