



Compiled experts comments – ED comments on Practice Note for ISA 530

All members of INTOSAI were asked to give comments on the Exposure Draft of Practice Note to ISA 530 preferably in the format of the following questions:

1. Do you agree with the stated applicability for the ISA in the Public Sector environment?
2. Do you agree with the stated additional guidance given in the Practice Note?
3. If not what other areas/guidance do you think should be added?
4. In your opinion will the drafted guidance together with the respective ISA provide relevant guidance for the public sector auditor?

Comments provided by	General comments	Specific comments on stated questions	Expert comments and suggested actions
Indonesia (Mr Syafri Adnan Baharuuddin)		<ol style="list-style-type: none"> 1. Yes, we agree with the stated applicability for the ISAs in the public sector environment. 2. Yes, we agree with the stated additional guidance given in the Practice Notes, but we noted several points as follows: <ul style="list-style-type: none"> - The mandate to report additional information about audit sampling (Paragraph 7). It needs more explanation due to in some SAI, for example SAI of Indonesia, reporting additional information about audit sampling is not mandatory, so SAI of Indonesia never prepares it. Therefore, it is good if ISSAI can provide the details of the report. - An explicit projection is needed to 	No action required.

		<p>project misstatements for a substantive test. It needs more explanation due to in some SAI, for example SAI of Indonesia, has no experience regarding such projection in performing about such projection in performing substantive test.</p> <p>3. See 2 above.</p> <p>4. Yes, we think the drafted guidance together with the respective ISA will provide relevant guidance for the public sector auditor when performing financial audits.</p>	
<p>Denmark (Mr Rolf Elm-Larsen)</p>	<p>1. Thank you for the opportunity to comment on the seven new Exposure Drafts of Practice Notes (PN) to International Standards of Auditing (ISA) which have been developed by FAS. Rigsrevisionen considers it an important step forward in the development of public auditing standards that practice notes have now been worked out for these seven audit areas. We are confident that they will contribute to raise the quality of public sector auditing in the future. The purpose of the following comments to the Exposure Drafts is therefore exclusively to make the standards more useful for the public sector auditors as this is the only way in which the Practice Notes can be disseminated.</p> <p>General comments <i>Reference to INTOSAI's standards</i></p> <p>2. In the opinion of Rigsrevisionen, reference should be made from the PNs to INTOSAI's Fundamental Auditing Principles and in particular to the Lima Declaration. Despite the fact that the PNs and ISAs may be applied by</p>	<p><i>ISSAI 1530 Audit Sampling</i></p> <p>The use of audit sampling in the public sector serves two purposes: First, to test if the accounts are correct – substantive test – and second, to determine the extent to which agreed business procedures and internal controls are being complied with. The PN would become much more useful if it incorporated and built on the experience of the public sector in this area, i.e. how the European Court of Audit is using substantive tests when preparing the DAS.</p>	<p>No action required.</p>

	<p>SAIs in connection with the audit of financial statements, it is essential for the correct application of the standards in the public sector that they are understood and interpreted in compliance with the conceptual framework established by INTOSAI. All PNs should inherently state that PNs and ISAs must be understood in compliance with INTOSAI's general conceptual framework when applied in connection with the audit of public entities.</p> <p><i>References in PNs to ISAs</i></p> <p>3. The PNs do not distinguish clearly between guidance directed towards the content of the respective ISAs and guidance directed towards the explanations in the section "Application and Other Explanatory Material". The PNs will become more useful if they are directed towards the guidance in the main text instead of serving as supplementary explanations of the explanation of objectives and requirements contained in the ISAs. A direct reference to the objectives and requirements of the ISAs will make it easier to understand and apply the PN guidance.</p> <p><i>Applicability of the ISA in the Public Sector Audit</i></p> <p>4. The seven new exposure drafts of PNs all state that the ISAs are applicable to auditors of public sector entities in their role as auditors of the financial statements. A precondition for the relevance of an ISA in public sector auditing is the presentation of relevant examples which demonstrate that the particular ISA is applicable in a public sector context. FAS and its expert panel should present practical examples from the public</p>		
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	<p>sector, before stating that a particular ISA is applicable in a public sector context.</p> <p><i>Differences in structure and content</i></p> <p>5. An analysis of six PNs in the ISSAI 1500 series (501,505,510,520,530 and 540) shows significant differences in structure and content, despite the fact that they are all in principle addressing the same part of the audit process, namely the audit evidence. Aligning the structure of the PNs will improve the clarity of the text and at the same time make it easier for public sector auditors to find answers to their questions concerning audit evidence.</p> <p>General comments to PN to ISAs 501, 505, 510, 520, 530, 540</p> <p>It is emphasized in ISAs 501, 505, and 530 that these must be applied in accordance with the requirements of ISA 500. However, it does not appear from the exposure drafts of ISAs 510, 520, and 540 that they should be understood and applied in accordance with ISSAI 1500. Adding that information would increase their utility value considerably.</p> <p>The exposed PNs concerning audit evidence are structured differently. Yet, some of the PNs do share some features. Thus the audit procedure is broadly outlined in PNs 1500 and 1510, and very explicitly and detailed described in PN 1540. Three PNs (1520, 1530, and 1540) are referring to the specific nature of the audit procedures. Two of the PNs include a section on "overall considerations". Only one of the PNs is referring to the objective of the PN. Finally, one PN (1510) is referring to audit conclusion and reporting.</p>		
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	<p>It should be noted that only two of the PNs (1520 (P3) and 1530 (P4) mention that the objectives of public sector audit are broader and different from the 5/10 objectives of audits performed in the private business sector. Most of the other PNs include this section on objectives, but PN 1500, 1505, 1510, and 1540 do not. Is there any particular reason for this omission?</p> <p>The fact that the PNs are not structured in the same way makes it unnecessarily complicated for the auditor to find the answers he/she is looking for.</p>		
Lithuania (Ms Aurelija Brukštutė)		<ol style="list-style-type: none"> 1. Yes. 2. Yes. 3. – 4. Yes. 	Noted.
Hungary (Ms Zsofia Hangyal)		<ol style="list-style-type: none"> 1. Yes, we agree with the stated applicability of the PN in the public sector environment. 2. Yes, we agree. We did not identify any further guidance to be added. 3. – 4. In our opinion the drafted guidance and the respective ISA provide relevant guidance for the public sector auditor. 	Noted.
Latvia (Ms Jolanta Adata)	<p>We would like to inform you that the State Audit Office of the Republic of Latvia has carefully reviewed attached documents and we have no fundamental comments on them.</p> <p>Nevertheless we have additional suggestion on supplemental information to be included into ISA's. The legal practice in Latvia is that the separate ministry annual reports are consolidated into one united annual report. The State Audit Office of the Republic of Latvia</p>	<ol style="list-style-type: none"> 1. We agree with the stated additional guidance on standards given in the Practice Notes. 2. – 3. – 4. In our opinion we consider that the drafted guidance together with the respective ISA does provide relevant guidance for the public sector auditor when performing financial audits. 	Noted.

	<p>has to audit the consolidated report but the ISA's do not provide information on how to perform audit in this situation. Therefore we would like to suggest to supplement standards with an explanation and examples on practices from the other countries on audit of consolidate reports.</p>		
<p>Philippines (Ms Lus L. Tolentino /Other experts within SAI)</p>	<p>Received comments from the Philippines related to editorial changes etc in final clarified versions of the ISAs will be taken care of by FAS Secretariat.</p>	<ol style="list-style-type: none"> 1. Yes. 2. See below for specific comments/ To some extent the additional guidance may not make the application of ISAs in the public sector clearer or more understandable in view of constraints of both materials and explanation. 3. See below for specific comments. 4. Yes/To some extent. <p>Specific comments P10 Projecting misstatements. Additional guidance and detailed explanation are needed on this matter:</p> <ul style="list-style-type: none"> - In issuing an audit observation/exception to the management of the public sector entity (after the substantive testing), is the amount of misstatement or error to be used, which is the subject of the audit observation, the actual errors noted in the samples tested or the projected misstatement? - There is a need to present an illustration of aggregating misstatements or errors in the FS level in coming up with the appropriate audit opinion. How to aggregate is a helpful guidance. - Are the actual errors (not from the samples taken but known errors in 100% testing granting that the auditor did not 	<p>No action required.</p>

		<p>employ sampling for the particular account) to be aggregated with the projected errors in determining the appropriate audit opinion?</p> <ul style="list-style-type: none"> - If the projected errors for a particular account are one of the bases in rendering a qualified or adverse opinion, and the management is willing to adjust its books in order to bring the errors to an acceptable level thus an opinion will be a clean opinion, then is the management allowed to effect only the adjustments in the FS and not in the books because the errors are merely projected? For example, if there was a projected error on accounts receivable, the management may be able to adjust the FS and the General ledger but it may not be able to do so in the subsidiary ledger because the error is not specific (it is only projected) and management may not be able to adjust to which particular customer has been under or overstated. <p>These issues deal only on the quantitative aspect.</p> 	
Tunisia (Mr Trabelsi Mohamed)		<ol style="list-style-type: none"> 1. - 2. - 3. - 4. In my opinion, the drafted guidance together with the respective ISA will provide relevant guidance for the public sector auditor when performing financial audits. 	Noted.
Italy (Mr Ennio Colasanti)		I have examined the draft Practice notes to ISAs 402, 501, 505, 510, 520, 530, 540 and, also considering that they comply with the audit procedure of the Italian Corte dei conti, in my opinion:	Noted.

		<ol style="list-style-type: none"> 1. The above-mentioned ISAs are applicable in the public sector environment. 2. – 3. – 4. The additional guidance given in the relative Practice notes well underline specific aspects of the public sector environment. <p>There are not specific features concerning the audit of public financial statements in a Court of Accounts system that need additional specific guidance.</p>	
Canada (Mr Stuart Barr)		<ol style="list-style-type: none"> 1. We agree ISA 530 is applicable to the public sector. 2. We agree with the guidance provided in the Practice Note and provide the following suggestions for consideration. <p>We suggest the following amendments to clarify the first sentence of P9: <i>When analyzing deviations and misstatements identified as stated in paragraph A17 of the ISA, public sector auditors consider whether these deviations and misstatements are indicative of fraud and the requirements of their audit and reporting mandate for these circumstances.</i></p> <p>A valid statistical projection of the deviation rate of non-compliance requires the sample be randomly selected; therefore we suggest the following addition to the end of P10. <i>When reporting estimated deviation rates in the population as a whole, public sector auditors will perform representative</i></p>	<p>Accepted, included in P9.</p> <p>No action required.</p>

		<p><i>sampling to ensure a statistically valid sample from which misstatements may be projected.</i></p> <p>3. –</p> <p>4. In our opinion, the Practice Note together with the respective ISA provides relevant guidance to the public sector auditor.</p>	
Sweden (Ms Karin Holmerin)		<p>1. Yes, we do.</p> <p>2. Yes, we do.</p> <p>3. –</p> <p>4. Yes, we believe it will.</p>	Noted.
Finland (Ms Johanna Kormu)		I have no comments to the PN draft.	Noted.