

REVISED ISSAI 200 – EXPOSURE DRAFT CONSULTATION – COMMENTS TO INDIVIDUAL PARAGRAPHS

Paragraph	Comment	Project team's comments
2	<p>Egypt We should delete paragraph (2) of the ISSAI as that paragraph is already included in the ISSAI (100) as it deals with the role of the Auditing Standards and should not be repeated in the introduction of each Standard.</p>	<p>The project team considers that the message of this paragraph is sufficiently important to be maintained. Furthermore, the paragraph expands on the content given in ISSAI 100 (1).</p>
3	<p>Denmark Item 3 should reflect the recognition already made in ISSA 100 (item 13-16 and item 22-23) that it is for each SAI to define its own engagements. This is in order to provide the correct context for the reader of ISSAI 200. We propose the following sentence (highlighted in bold) is inserted:</p> <p style="padding-left: 40px;"><i>3. ISSAI 100 - Fundamental Principles of Public-Sector Auditing establishes the fundamental principles which are applicable to all public sector audit engagements. It is for each SAI to define its audit engagements on the basis of its mandate and determine which of the types of audit defined by ISSAI 100 it will undertake and how they may be combined. ISSAI 200 complements the fundamental principles of ISSAI 100 with the specific context of audits of financial statements. Together they constitute the basis for INTOSAI's complete set of professional pronouncements in this area, and should both be complied with.</i></p> <p>Egypt We should start with paragraph no. 3 which clarifies that the ISSAI 200 is complementing ISSAI 100 followed by paragraph (1) of the Standard.</p> <p>US The ED ISSAI 200 contains what appears to be a placeholder that was not removed.</p>	<p>Denmark: The logic of the paragraphs is to establish the link between ISSAI 100, which applies to all audit engagements, and ISSAI 200, which applies to financial statement audit engagements. The right of the SAIs to define their engagement is not questioned and it is sufficiently covered in ISSAI 100.</p> <p>Egypt: The logic behind the ordering is that 1 – sets the context for public sector audit, 2 – introduces the professional standards and 3 – introduces to the ISSAI principles.</p> <p>US We assume this refers to paragraph 4. The placeholder will be removed when there is clarity on the SDB project 2.3.</p>
4	<p>Denmark In item 4 the purpose of ISSAI 200 as defined by ISSAI 100 (item 7-9) should be more fully reflected. The current wording ignores that the purpose of ISSAI 200</p>	<p>Denmark: Partially agreed. We have amended Paragraph 4 to reflect the fact that it is not restricted to financial statements.</p>

is also to provide a basis for developing or adopting national auditing standards. Leaving this out in item 4 is misleading for the readers.

In addition, we propose that ISSAI 200 provides a recognition that financial audits may not *only* concern audits of financial statements of an entity. It may also concern *other historical financial information*. The same recognition is found in the ISAs. We do not believe that ISSAI 200 should have a more narrow scope of application than the ISAs.

We therefore propose item 4 reads as follows (with our proposed insertions in **bold**):

*4. The main purpose of the ISSAIs on financial audit is to provide INTOSAI members with a comprehensive set of principles and standards for the audit of financial statements of public sector entities and any other historical financial information. Accordingly the principles set out in ISSAI 200, form the basis for more specific audit standards on financial audit (ISSAIs 2000-2899) as well as Guidelines on how to apply them (GUID 2900-2999). ISSAIs contain [application material] issued by INTOSAI to provide guidance on the application of the relevant International Standards on Auditing (ISAs) developed by the International Auditing and Assurance Standards Board (IAASB). **The principles of ISSAI 200 also provide the basis for any national auditing standards, which may be adopted or developed by SAIs for the purpose of their financial audits. SAIs apply the principles of ISSAI 200 with due consideration to the nature and purpose of the financial information subject to audit and the needs of the users of the audit report. ISSAI 200 is written in the context of an audit of financial statements of an entity. In this case the financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance. The financial audits undertaken by Supreme Audit Institutions (SAIs) may also concern other types of financial information. When SAIs apply ISSAI 200 to such financial audits they may need to adapt the principles as needed to reflect their particular circumstances. SAIs may sometimes combine financial***

The role of ISSAI 200 in developing national standards is covered in paragraph 6.

Egypt and Netherlands:

The numbering will be aligned when the draft is finalised.

	<p><i>audits with elements of compliance and/or performance audit, in which case the related principles apply to the specific audit types as applicable.</i></p> <p><u>Egypt</u> Paragraph no. (4) should be amended dealing with the increasing of the numbering of Financial Auditing Standards from (2000 - 2899) to (20000-28999) because the ISSAIs that start with no. (2) on the left refers to the conformity of INTOSAI Standards with International Standards to be consisted of four digits; for example, the International Standard 2400 " Engagements to review Financial Statements" to which no. (2) is added and becomes ISSAI no. (22400), and the international Standard 3000 " Standards and guiding for performing auditing based on INTOSAI auditing Standards in the practical experience.....etc.</p> <p><u>Netherlands</u> Do you mean ISSAIs 1000-2999 and GUID 1000-2999?</p>	
5	<p><u>US</u> The final bullet of paragraph 5 states “principles of financial auditing”. The related heading on page 8 of ED ISSAI 200 has been changed to “Financial Audit Principles”.</p>	Agreed. We have amended the text in paragraph 5.
6	<p><u>Netherlands</u> Maybe you can add that ISSAI 200 is not only applicable for the full set of financial statements (balance sheet, P&L, cashflow statement) but also, for example, when you check specific items or specific parts of the financial statements.</p> <p><u>Ukraine</u> To enhance readability and avoid misinterpretation of whether “they” refers to ISSAI 200 or the principles the par.6 may need some rephrasing.</p>	<p>Netherlands: Covered by amendment to paragraph 4.</p> <p>Ukraine: We can confirm that “they” refers to “principles”.</p>
1-6	<p><u>Turkey</u> INTRODUCTION PURPOSE AND AUTHORITY OF ISSAI 200</p>	Within the context of the revised framework (and indeed the current one) the revised ISSAI 200 is not intended to be a standalone document, but one which is read and used in conjunction with ISSAI 100. Focusing on the essential allows it to be clear, principles based and to-the-point.

- ISSAI 1000 Introduction to Financial Audit Guideline sets fort that the reference to the use of standards can be made in one of four ways depending on the standards applied and the SAI’s mandate and responsibilities. It can be deduced from this basic regulation that the fundamental auditing principles have a basic function to provide guidance for SAIs over conducting an audit in line with ISSAI standards. Therefore, the ISSAI 200 needs to have proper framework and necessary contents which include basic concepts relevant to financial audit and define a thorough financial audit process. We consider that the draft version lacks of these features and principles.

- In current version, under the title of “Purpose and Authority of The Fundamental Principles of Financial Auditing”, 7-15 paragraphs include significant information about the basic purpose of ISSAI 200; the way to make reference to standards, how any SAI can improve its standards based on ISSAI 200, etc. However, all these considerations have not been covered by draft version, which may pose a hindrance for SAIs to improve their own audit standards on the basis of ISSAI 200. So, it would be appropriate for draft version to include necessary requirements for providing guidance.

- In the 6th article of ISSAI 200 it is stated that “ISSAI 200 provides the principles for an audit of financial statements. They establish the minimum requirements for public auditing standards set at national level, or standards applied by a SAI which it has developed itself, or by others.” This statement appears to be the basis for keeping the draft version shorter than the current version. However, many aspects that constitute minimum requirements for audit are considered to be either incomplete or not sufficiently detailed in the draft version. On the other hand, although it is not explicitly stated anywhere in the text, it is understood that the general framework of the draft bears the consideration that SAIs may apply to the 4th set of standards, if necessary, when using the ISSAI 200. The draft text, however, is not successful in setting out the minimum requirements for the financial audit process, both in scope and content. Considering the function of ISSAI 200 as a basic reference source for SAIs to develop their own set of standards or to develop their guidelines, it

Furthermore, ISSAI 200 should be considered in the context of the framework as a whole, with detail provided in the lower level standards.

In respect of referring to the lower level standards, the project team recognise the clarity that this would bring, but the drafting rules for the framework do not allow reference to be made in this way.

It is the purpose of accounting and/or reporting standards to define the minimum requirements for financial statements, rather than auditing standards.

	<p>would be more appropriate to include processes and concepts in the current version that define a financial audit from start to finish. Moreover, even if the processes and concepts related to financial audit are not discussed in as much detail as the current version, it is considered that it would be more reasonable to make clear and specific references to the 4th level standards.</p> <ul style="list-style-type: none"> • A complete set of financial statements for a public-sector entity is listed under the framework for financial audit in the current version. In the draft version, there is no detailed information about what these financial statements should be and which ones should be compulsory to prepare. We consider that it is important to specify these financial statements in terms of determining the financial reporting framework in the public sector. 	
7	<p><u>Argentina (translation)</u></p> <p>In this paragraph, the draft states that a financial audit is to determine whether financial information presented in the financial statements is presented fully and accurately, as well as reasonably, which differs from the provisions of the local and international audit standards. It should be noted that in the following paragraph and in the remainder of the document this addition does not appear again.</p> <p><u>Ecuador</u></p> <p>ISA 200 in paragraph 11, mentioned in the development of the audit of financial statements that the overall objectives of the auditor are: obtaining a reasonable assurance that the financial statements as a whole are free of material errors, due to fraud or error that allows the auditor to express an opinion on whether the financial statements are prepared, in all material aspects, in accordance with an applicable financial reporting framework. The words complete and accurate could generate confusion, it should simply be ISA 200. In this sense, the words complete and accurate should not be used, considering that if there is a non-compliance level, or if the information is not accurate and complete, it should be considered as an exception for the audit opinion.</p> <p><u>Mexico</u></p>	<p>Agreed. We have amended the text in paragraph 7. See also responses to 'Replies to questions'.</p>

	<p>We do not agree with the inclusion of the new terms of "complete" and "accurate" in the definition of financial audit since the objective of this type of audits is to conclude if the financial information is presented in a reasonable manner in all the important aspects, and not totally.</p> <p><u>Portugal</u> Please see answers to question 3 of the questionnaire attached.</p> <p>In addition, we consider redundant the use of terms “complete” and “accurate” in the definition of financial audit. Both terms correspond to some of the attributes of an acceptable financial reporting framework (among others described in ISSAI 210: Appendix 2, paragraph 3) which result in information provided in financial statements that is useful to the intended users¹. Moreover, they are 2 of the 6 assertions that should be used by the auditor in considering the different types of potential misstatements that may occur in financial statements (see ISSAI 1315:A129). The proposed definition (ED ISSAI 200:7) already states that “financial audit involves determining... whether an entity’s financial information as presented in its financial statements is ... fairly presented in accordance with the financial reporting and regulatory framework applicable... or... the extent to which compliance is achieved”. Therefore, a fair presentation or the compliance with financial reporting frameworks already assumes both attributes, complete and accurate.</p>	
8	<p><u>Latvia (paragraphs 7 and 8)</u></p> <p>The wording of definition and objectives of financial auditing has been changed in the Exposure Draft. The existing definition of ISSAI 200 (...) is very close to the definition described in the paragraph 3 of ISA 200 “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing” (developed by the International Auditing and Assurance Standards Board (IAASB)) (...).</p> <p>Although, in general, the new definition (...) is clear and understandable, however, there are concerns regarding the fragmentation of definition – therefore, we suggest to keep a single definition that corresponds to existing ISA 200 “Overall Objectives of the Independent Auditor and the Conduct of an</p>	

	<p>Audit in Accordance with International Standards on Auditing” (developed by the International Auditing and Assurance Standards Board (IAASB)) as the definition and objectives of financial auditing do not differ between public and private sector. We agree that additional actions and focus specific to the public sector is essential for the IFPP and should be further interpreted in the standard, however, the definitions should be maintained in a single manner.</p> <p>Peru It might be convenient to maintain paragraph 17 of the current ISSAI 200, matched with the ISSAI 1200, paragraph 11 of the NIA 200.</p> <p>Portugal Some clarification is needed in paragraph 8 regarding the distinction of fair presentation and compliance frameworks, making clear that materiality is applicable in both cases (“... as to whether the financial statements are fairly and/or in all material respects presented in accordance with the applicable financial reporting and regulatory framework”).</p>	
9	<p>Netherlands The title is “Preconditions for an audit of financial statements in accordance with the ISSAIs”. The mentioned preconditions here are only preconditions which the audited entity should meet. There are also preconditions that the auditor and SAI should meet like ethical requirements and professional skepticism. Another precondition to start is that the auditor expects that he gets sufficient appropriate audit evidence.</p> <p>Maybe you can make a reference here to ISSAI 100.34 up to ISSAI 100.43 in which the principles are explained. or you can combine this paragraph with paragraph 28 and 29 from this document.</p> <p>Peru It might be convenient to substitute the highlighted line with the following text:</p>	<p>Netherlands: These preconditions are in line with ISSAI 1210. Furthermore, the framework doesn’t provide for reference to be made to the lower level standards.</p> <p>Peru: The project team does not consider, in this context, that the cause of the material misstatement is significant.</p>

	<p>“internal control that management deems necessary for the preparation of financial statements that are free from material misstatement, <u>be they due to fraud of mistake</u>; and”</p>	
12	<p>Malta The second bullet in para 12 is not sufficiently clear. It may need to be reworded. Otherwise, perhaps one can provide examples of when rules and requirements can be departed from.</p> <p>Portugal The proposed definition of a fair presentation-based framework shouldn't be restricted to the financial position and results. It should refer to the entity's financial information presented in its financial statements as assumed in the above paragraph 7 and also in paragraph 23: "The subject matter of a financial audit is the accounting data of an entity, which are presented in the form of financial statements (known as the subject matter information)". In this regard, see also ISSAI 100: 26-28; 30 and 33.</p> <p>In the same direction, according to ISSAI 1200: A6; A8, the form and content of a complete set of financial statements is determined by the applicable financial reporting framework requirements.</p>	Agreed. We have amended the text.
14	<p>Chile 1. Regarding paragraph 14th, it is not clear whether the model is applicable to a revision of a part or the financial statement as a whole. 2. On the same paragraph (14th), we believe the text leads to confusion as it is not clear whether it is a guide (background) or an audit standard.</p> <p>Denmark As a member of INTOSAI, we expect ISSAI 200 to support us in exercising the function provided for by our mandate. We are therefore compelled to object to the current wording of item 14, which reads[...]</p> <p>We do not believe that INTOSAI's principles on financial audit should treat our key role and mission as a SAI as an exceptional case in this way. The rest of</p>	<p>Chile: It is an important point in relation to the application of the principle.</p> <p>Denmark: Agreed. We have amended paragraph 14 taking account of your suggestions.</p> <p>Ukraine: We consider that 'budgetary' is the correct term.</p>

ISSAI 200 focuses exclusively on audits of financial statements at the level of individual *entities*. Against this background, the language used in item 14 could suggest that the financial auditing function of SAIs within the constitutional budget and accounting cycle is somehow of less value or merit. INTOSAI members who primarily carry out audits of the financial statements of individual entities are already well served by INTOSAI as the ISAs are fully incorporated into the ISSAIs. We would therefore suggest that those INTOSAI members, which are disregarded as ‘some environments’ in item 14 of the draft deserves a better treatment in the text of ISSAI 200.

We propose that this matter is solved through a few important insertions in item 3 and 4 in combination with an improved text in item 14 of the current draft:

In item 14 we propose that the full current text is replaced by the following:

14. Some public-sector financial statements are elaborated for the purpose of comparison with an approved budget. This may serve to inform the budget authority or other intended users whether the approved budget has been complied with or the extent to which the budget has been executed. It may therefore be the budget that determines the items of financial information that should be provided in the financial statements. In these cases the approved budget may be the relevant financial reporting framework or a specific reporting framework may have been established for the purpose. This may imply that the financial statements are elaborated on the basis of an assumption that the transactions recorded for individual budget items comply with the conditions stipulated when the budget was approved. For such financial statements it will often be a matter of professional judgement whether the preconditions for carrying out a financial audit are sufficiently fulfilled and how the particular purpose and circumstances should affect the audit. Supreme Audit Institutions (SAI) may be mandated to carry out audits of financial statements that form part of the budgeting and accounting cycle provided for by the national constitution and may in

	<p><i>this context exercise considerable discretion in order to meet the needs of the users to which the SAI reports its results.</i></p> <p>With the above insertions in item 3 and 4 there is no need for ‘using ISSAI 200 as guidance’ as it is (confusingly) stated in item 14. <i>All</i> SAIs that make use of ISSAI 200 to develop or adopt standards will need to define the specific requirements that is suitable for their national context. There are many different situations where financial statements are closely linked to a budget (for example financial statements elaborated by the recipient of grants or other public funding). We believe ISSAI 200 is equally important in all these cases and should explain how the ‘budget’/‘budget execution’/‘compliance of transactions’ enter into the picture. The need for professional judgements and the role of SAIs in the national budgeting and accounting cycle needs to be recognized in this context. We believe the proposed text takes care of these considerations and still preserves the original intention of item 14.</p> <p><u>Ukraine</u> In some environments the auditor is required to undertake audits of budget execution...</p>	
16	<p><u>Argentina paragraphs 16 and 17 (translation)</u> Those paragraphs do not include the usual references to legislative and regulatory frameworks, as in paragraph 23 of the previous version in force, stressing that the procedure provided for in the previous version is considered more appropriate.</p> <p><u>Ecuador</u> The same consideration of ISA 200. The fact that an accounting framework does not have complete and accurate information should be placed as an exception, given the fact that it the purpose is not to find out if the financial statements are complete and accurate.</p> <p><u>Netherlands</u></p>	<p>Within the context of the revised framework (and indeed the current one) the revised ISSAI 200 is not intended to be a standalone document, but one which is read and used in conjunction with ISSAI 100. Focusing on the essential allows it to be clear, principles based and to-the-point. Furthermore, ISSAI 200 should be considered in the context of the framework as a whole, with detail provided in the lower level standards.</p> <p>In respect of referring to the lower level standards, the project team recognise the clarity that this would bring, but the drafting rules for the framework do not allow reference to be made in this way.</p>

	<p>In the paragraph is mentioned: “To be acceptable, a financial reporting framework has to ensure that the information provided in the financial statements is of value to the intended users, namely: relevant, complete, accurate, objective and understandable.”</p> <p>Maybe you can briefly explain what the criteria relevant, complete, accurate, objective and understandable mean. For example like it is mentioned in the current ISSAI 200.24</p> <p>Maybe you can add that Appendix 2 to ISSAI 1210 may provide further assistance for the auditor in determining whether the financial reporting framework is acceptable.</p>	
17	<p><u>Netherlands</u></p> <p>In the paragraph is mentioned: “If the framework is not considered acceptable, ... “</p> <p>We think if the auditor considers the framework as not acceptable the auditor should not accept the job, like the text mentioned in the current ISSAI 200.21: "Without an acceptable financial reporting framework, the management will have no appropriate basis for preparing the financial statements and the auditor no suitable criteria for auditing them. Suitable criteria should be formal. For example, in the preparation of financial statements the criteria may be the International Public Sector Accounting Standards (IPSASs), the International Financial Reporting Standards (IFRSs), or other international or national financial reporting frameworks for use in the public sector."</p>	<p>The project team considered this issue carefully at the drafting stage, and came to the conclusion that In most jurisdictions it is not usually at the discretion of the SAI whether or not they accept an engagement.</p>
18	<p><u>Argentina</u> (translation)</p> <p>I consider that the independent government auditor should never withdraw from the task, as they should complete their audit work and draw up a report stating and justifying the safeguards referring to their possible withdrawal from the task. That report should be referred upwards to the higher authorities of the governmental structure for information and dissemination</p> <p><u>US</u></p> <p>The paragraph states that the auditor should consider explaining the impact of the financial reporting framework on the results or <i>assets and liabilities</i>. It is unclear why the focus is on assets and liabilities, as many other aspects of the</p>	<p>Argentina: There may be SAIs which have the possibility to withdraw, therefore the project team did not want to exclude this case.</p> <p>US: The project team considered these as significant issues worth highlighting, but has made an amendment to the paragraph to prevent an overly strict interpretation of the meaning.</p>

	financial statements could be affected. We suggest that INTOSAI delete the italicized phrase.	
22	<p>Argentina (translated)</p> <p>We believe that the final paragraph, which mentions the other recipients provided for, should specifically include the Governing Body of the Internal Control System, in the case of Argentina, the Sindicatura General de la Nación (SIGEN), since this body directs the internal control policies to be followed by the units that perform these tasks in each of the public bodies.</p>	Within the context of the revised framework (and indeed the current one) the revised ISSAI 200 is not intended to be a standalone document, but one which is read and used in conjunction with ISSAI 100. Focusing on the essential allows it to be clear, principles based and to-the-point. The project team avoided providing too much detail, as this should be provided by the lower level standards and guidance.
23	<p>Latvia</p> <p>We suggest considering to supplement this paragraph with an explanation of the financial statement in accordance with the definition used in the paragraph 13 of existing ISA 200 “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing” (developed by the International Auditing and Assurance Standards Board (IAASB)) or in the accounting standards.</p> <p>Ukraine</p> <p>Contradicts ISSAI 100 where subject matter information is a result of audit procedures, not financial statement itself “Subject matter information refers to the outcome of evaluating or measuring the subject matter against the criteria. It can take many forms and have different characteristics depending on the audit objective and audit scope.”</p>	Agreed. We have amended the text accordingly.
24	<p>Portugal</p> <p>Some detailed examples may be useful to emphasize that, particularly in the public sector, the purpose, form, content and accounting basis of a complete set of financial statements could be different according to its requirements (eg. rules-based / principles-based accounting framework; Accrual basis / Cash basis accounting; General purpose / Special purpose financial statements; fair presentation / compliance frameworks). Those examples should be aligned with ISSAI 100:30, 1200: A8 and with IPSAS 1:21-26 and IPSAS 24.</p>	The way the IFPP is conceived means that examples are better provided in guidance documents, either as GUIDS or outside the framework.
25	<p>Argentina (translated)</p> <p>This mentions that while reasonable assurance offers a high level of safety, it is not absolute, “which means that there is no guarantee that the audit will</p>	The project team considers that the text expresses in a more clear way the meaning of reasonable assurance.

	<p>identify all cases of material misstatement”. The text in inverted commas is a new addition not contained in other local or international legislation, and may thus be confusing as regards the assessment of the nature of the audit work and its product.</p>	
28	<p>Turkey: While current version covers prerequisites for conducting financial audits (ethics and independence, quality control, engagement, team management and skills), the draft version makes reference to these items by only their titles, not details. The draft version seems to have missed the crucial point that these concepts are essential for conducting a financial audit in accordance with ISSAI standards. Therefore, considering the guidance function of ISSAI 200, the draft version needs to comprise the main prerequisites in detail as in the previous version. For ISSAI 200 to provide adequate framework on financial audit, the main pre-conditions for audit need to be included into draft version with reasonable extent, if not in detail as in the previous version.</p> <ul style="list-style-type: none"> • The audit risk is crucial element of risk based-audit approach. Risk assessment is critical to the conduct of all financial statement audits. The idea of a “risk-based” approach to auditing has been transferred from private sector audit experience into public audit, which refers to the focus of the audit process on those areas that are most at risk of material misstatement. Although it is a significant concept, the audit risk is not included in the draft version. In designing a proper audit plan, the audit risk plays a significant role, accordingly, it is equally important to adopt risk-based approach in the implementation phase. The draft version does not contain any requirements for risk assessment. These requirements should be developed to provide a basis for risk-based financial audit approach 	<p>ISSAI 200 is a principles-based standard. It is not meant to contain guidance, or be used as such. It is meant to be read in conjunction with other ISSAIs and GUIDS within the framework. Audit risk is a general principle of audit and is therefore included in ISSAI 100.</p>
30	<p>Netherlands Question: is an separate written agreeing on the terms of audit engagement necessary if the terms are already mandated by legislation? Maybe you can answer this question briefly in this paragraph. Turkey:</p>	<p>Netherlands: As this depends on the mandate and practice of SAIs, we cannot exclude the need for such a document. Turkey: As you rightly point out, guidance related to terms of engagement is provided in lower level ISSAIs. It is also possible (see comment from</p>

	<p>The primary condition for financial audit is to reach an agreement over the terms of the engagement. Auditors should only accept a new audit engagement, or continue an existing audit engagement if the “preconditions for an audit” required by ISSAI 1210 Agreeing the Terms of Audit Engagements are present. When compared with current version, the draft version fails to provide comprehensive and systematic guidance on agreeing the terms of the engagement. The paragraph 30, lacks of crucial information necessary for perceiving and fulfilling ISSAI 1220 Quality Control for an Audit of Financial Statements. The draft version needs to be improved towards filling this gap. We suggest that the basic steps in agreeing the terms of engagement are addressed in ISSAI 200, and when necessary, the reference may be made to ISSAI 1220.</p>	<p>Netherlands) that some SAIs do not require a written agreement on the terms of engagement.</p>
31	<p><u>Netherlands</u> Maybe you can add that the auditor should plan the audit such that the auditor is doing sufficient work to reduce the audit risk to an acceptably low level.</p>	<p>We address this issue in the paragraphs related to the assessment of, and response to, risks.</p>
33	<p><u>Sweden</u> The sentence needs to be rephrased. As it stands, there is a risk that the reader is misled into thinking that qualitative materiality should be applied when planning the audit. We believe that the concept of materiality does have both quantitative and qualitative aspects, where the qualitative aspects more relates to disclosures and other financial information and is more often used when evaluating the findings. This needs to be clarified.</p>	<p>We clarified that qualitative materiality should only be applied when relevant.</p>
35	<p><u>Ecuador</u> Uncorrected errors can be errors of the current year and uncorrected errors from previous years that have an impact in the current year according to NIA 450. Specify the two types of uncorrected errors.</p>	<p>It is not currently the policy of the framework to refer to lower level standards. We revised the ISSAI with a view to make it principle based.</p>
36	<p><u>Mexico</u> <i>[...] including IT controls.</i></p> <p>It is suggested to move/consider this at the end of the entity’s process to monitor the system of internal control in order to align it with the order of COSO framework.</p>	<p>ISSAI 315 includes IT controls under control activities.</p>

37	<p>Peru [paragraphs 37-38] It might be convenient to specify in these two paragraphs, or in an additional paragraph, the following:</p> <p>“Audit Risk: Risk that the auditor expresses an inappropriate audit opinion when the financial statements present material misstatements. As well, the Detection Risk: Risk that the procedures applied by the auditor to reduce the audit risk to an acceptable low level fail to detect a misstatement that may exist and be material, by itself or when added to other misstatements”</p>	As stated in paragraph 28, general principles of public sector, including audit risk, are set out in other standards (in this case ISSAI 100).
40	<p>Chile 3. Paragraph 40th states that risk assessment helps to identify the nature and scope of the audit work. However, the audit evidence is not enough to base the opinion. Regarding this, the risk assessment usually involves a more detailed review, so it is not clear for which level of risk (high risk, medium risk, low risk or very low risk) audit evidence is required. For instance, if the risk assessment concludes that the identified risk is very low: should additional audit evidence be required or not? Therefore, we recommend rephrasing this paragraph in order to make it clearer or refer to the specific ISSAI that deals with this subject.</p>	The type and amount of evidence required is a matter of professional judgment. ISSAI 200 should be read in conjunction with lower level ISSAIs. As regards the reference to the specific ISSAI, while the project team agrees that this could be greater clarity, it is not currently the policy of the framework to refer to lower level standards.
43	<p>Australia: Paragraph 43 in the proposed ISSAI 200 states “If controls are likely to be effective, the auditor should consider testing them. If the controls are found to be operating effectively, this can reduce the amount of substantive testing needed to address the identified risk.” It may be beneficial to further clarify that:</p> <ul style="list-style-type: none"> • The auditor cannot rely on an expectation that control risk is low unless the design, implementation and operating effectiveness of the control has been tested; and • In some circumstances control testing may be required because substantive evidence alone cannot provide sufficient appropriate audit evidence. <p>Netherlands</p>	Agreed. We amended the text to clarify this point.

	<p>We think the text of this paragraph should be: The auditor should test controls if: a) The auditor’s assessment of risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively (that is, the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures); or (b) Substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level.</p>	
44	<p>Turkey In draft version, the title of “Considerations Relating to Fraud in an Audit of Financial Statements” has been included, however the guidance given is not detailed. The current version provides SAIs with comprehensive and informative framework for fulfilling ISSAI standards. For appropriate guidance, it would be useful for draft version to keep paragraphs numbered 106 and 107 of current version which discuss the responsibility of auditor in identifying misstatements</p>	ISSAI 200 should be read in conjunction with lower level ISSAIs, which provide guidance related to fraud.
45	<p>Argentina (translated) This section refers to bringing fraud cases to the authorities. It should be clarified that authorities should refer both to the SAIs and to the national legislator so that each can take the measures corresponding to their own responsibilities. Mexico It is not explained what the other 4 concepts of internal control system consist in, other than risk assessment. It is suggested to describe the 4 components briefly so that the auditor keeps in mind these concepts.</p>	As ISSAI 200 is intended to be principles-based and read in conjunction with relevant lower level ISSAIs, the project team does not consider it necessary to define the relevant authorities for reporting fraud or to describe the concepts/components of internal control.
46	<p>Argentina (translated) [paragraphs 46-48] In the public sector, this should be assessed based on the legislative basis for the auditee, which happens in very specific situations (relating to points 52 and 53). Similarly, there is no comment on the specific conditions that occur in the public sector, for example, as mentioned in Section 111 of the current version. Netherlands [paragraphs 46-48]</p>	We think that there are many other scenarios that have an implication on the financial statements or audit reports. However, they are not addressed in ISSAI 200 as they are covered by the relevant lower level ISSAI.

	We suggest you add something like “if the going concern assumption is not applicable the management should adjust its financial statements accordingly” to the text	
53	<u>Netherlands</u> You can add something like that even if there is a noncompliance with laws and regulations that has no or limited effect on the financial statements the auditor might still be obligated to report this noncompliance to either the management of the entity or to authorities outside the entity	If such obligation stems from national legislation we do not consider there is a need to include such a provision in the standard.
54	<u>Turkey</u> Audit evidence is the information used by the auditor in arriving at conclusions on which the audit opinion is based and includes all of the information contained in the accounting records underlying the financial statements and other information. Audit evidence is crucial to reach a proper audit opinion on financial statements. A title on audit evidence is appropriately included in draft version, however the given guidance seems to have missed the key points. The issues covered in the paragraphs numbered 128, 129 and 132 of current version are not included in draft version. It would be appropriate that the draft version comprehensively addresses the issues on the quality, quantity, source and reliability of audit evidence.	ISSAI 200 is intended to be principles-based , while additional detail and guidance is given in lower level ISSAIs and GUIDs.
55	<u>Peru</u> It might be convenient to specify that: <ul style="list-style-type: none"> • When the paragraph mentions “the quantity of audit evidence needed”, this refers to the evidence being sufficient. • When the paragraph mentions “the quality of audit evidence needed”, this refers to the evidence being appropriate. <p>This way, terminology regarding the attributes of the evidence is handled uniformly throughout the standard.</p>	In paragraph 54 we address this issue by mentioning “...sufficient appropriate audit evidence (in terms of quantity and quality)”
56	<u>Argentina (translated)</u> <u>This should also be compared with the auditee's internal audit report for evaluation.</u> <u>Turkey</u>	We amended the text for clarity, but following the concept behind the revision of this standard we do not include additional guidance.

	<p>In financial audit methodology, the auditor needs to determine whether uncorrected misstatements are material, individually or in aggregate. In current version of ISSAI 200, the issues related to evaluation of misstatements have been covered in all points. Nevertheless, the draft version fails to sufficiently address these points. If not in detailed as in the current version, it would be appropriate for the draft version to provide further guidance</p> <p>US</p> <p>The second sentence of this paragraph ends “and their impact on financial statements, if corrected.” This duplicates the requirement in paragraph 57 for uncorrected misstatements.</p>	
58	<p>Peru</p> <p>It might be convenient to make sure this paragraph matches with paragraph 45, in the sense that the auditor should form an opinion as to whether the financial statements have been prepared in accordance with the applicable financial reporting framework and if they are free from material misstatement, either due to fraud or error.</p>	The project team does not consider there is any contradiction between these two paragraphs.
59	<p>Sweden</p> <p>We think the use of the word “must” should be replaced with shall/should.</p>	Agreed. We amended the text.
68	<p>Argentina (translated)</p> <p><u>Date of accounting statements; it should be clarified that it is the date of issue of the accounting statements which differs from the date of closure, defining as the date of issue the date on which the management body approves the financial statements to be sure that those statements have not been modified.</u></p>	As ISSAI 200 is intended to be principles-based and read in conjunction with relevant lower level ISSAIs, the project team does not consider it necessary to define the different dates for financial statements.
69	<p>Argentina (translated)</p> <p><u>The auditor can only change their opinion or add an emphasis of matter in situations that arise between the date of approval of the financial statements by the auditee and the date of publication or upward referral to a higher body of government</u></p>	Agreed. However, the auditor has to respond appropriately to facts that become known after the auditor’s report, that had they been known at that date, may have caused the auditor to amend the auditor’s report. Such response may include taking appropriate action to prevent reliance on the auditor’s report.
70-73	<p>Argentina (translated)</p> <p><u>Include in a subheading that the auditor should choose to include in their report on financial statements, the reporting of corresponding or comparative figures according to the audit task may not be applicable, but the principles set out therein can be used for guidance.</u></p>	As ISSAI 200 is intended to be principles-based and read in conjunction with relevant lower level ISSAIs, the project team does not consider it necessary to address all potential cases that may exist. Such detail can be found in lower level standards or relevant guidance.

78-79	<p><u>Sweden</u></p> <p>These paragraphs does not say anything on what the auditor is supposed to do when auditing a consolidated financial statement.</p> <ul style="list-style-type: none">• It does not elaborate on what sufficient appropriate audit evidence is.• It does not elaborate on how this apply to the public sector.	<p>We do not consider that ISSAI 200 is the appropriate place to detail the audit procedures for consolidated financial statements.</p>
-------	---	---