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Setting The Standards
Statutory Audit in Europe

June 1998

PREFACE

The European single market is already a reality. Economic and monetary union will lead to a dissolution of trade barriers, increase opportunities and stimulate competition at home, across Europe and internationally. Market confidence is the key to economic success. A sharpening need for timely, relevant and accurate disclosure of company information will enhance the role of the auditor in the years to come.

Confidence in the markets means trust in the auditors. FEE and its Member Bodies have always worked to justify that trust, and to demonstrate continuously the success of the accountancy profession in setting and enforcing standards of audit. We have sought to ensure that our audit standards and thus our audit opinions are recognised as having the highest integrity not just in European markets but also in every market where European companies seek capital and do business.

Twenty years ago, when the European accountancy profession helped to found the International Federation of Accountants, we recognised the need for the core standards for audit work to be truly global. Europeans continue to play a major role in the development of International Standards on Auditing and the profession in Europe continues to work to implement those standards at home. In this report, FEE demonstrates the success of this process and the progress made in Europe in applying International Standards on Auditing. Convergence in country practice, as regards audit approach, is a reality.

Governments also have their part to play in stimulating quality audit in Europe. The profession will continue to succeed but governments must set the climate for that success. They need to maintain laws that clearly define, allocate and enforce responsibilities for the conduct of corporate activity; most importantly, they need to ensure that the international markets are not confused by different responsibilities being allocated to auditors in different countries.

FEE hopes that this paper will form the basis for a constructive dialogue with governments and with all those who have an interest in the quality of audit. It is a demonstration of how the European profession takes seriously the responsibilities to the public interest which it serves both at home and across the world.

David Darbyshire
President
June 1998

BACKGROUND

The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe, grouping together the 38 leading institutes in 26 countries, with a combined membership of over 400,000 individuals. Of these, some 45% are in public practice, providing a wide range of services to both the private and public sectors. The other 55% are engaged in a variety of positions in business, government and education.

This paper sets out the results of a study by FEE of the standards relating to the conduct of statutory audit in nineteen countries: fourteen of the Member States of the European Union, plus the Czech Republic, Norway, Romania, Slovenia and Switzerland. The study builds on substantial work undertaken over a long period by FEE and its predecessor bodies on the role, position and liability of the statutory auditor in Europe.

More importantly, this study is framed in the context of current work by the European Commission with respect to a single market for accountancy services, including statutory audit. This work was undertaken following agreement in 1997 between FEE and the European Commission's Directorate General XV that FEE would review compliance with International Standards on Auditing in the standards of the Member States of the European Union. The inclusion of commentary on the auditing standards of five non EU-member countries is the result of a voluntary initiative by the FEE Member Bodies from those countries.

AUDITING STANDARDS IN EUROPE

This paper focuses on those standards which set out the work to be done by the auditor in forming his opinion on a company's financial statements. It is this responsibility which is particularly addressed in International Standards on Auditing and which is the common core of the role of the statutory auditor throughout the European Union. Enforcement of those standards (via mechanisms for quality control) is addressed in a separate paper by FEE ("Continuous Quality Assurance"). Ethical principles for statutory auditors in Europe are also being addressed in a separate study by FEE.

Auditing standards in the countries of Europe are set at national level by individual country standard-setters. For the most part, within the European Union, these standard-setters derive their authority from the professional bodies in those countries. Implementation of the European Union Eighth Directive has, to a significant extent, emphasised the national authority of these professional bodies. An overview of the processes of national standard-setting is provided in Appendix A.

The national standard-setters in Europe all look towards International Standards on Auditing (ISAs) in setting their local standards. ISAs are published by the International Auditing Practices Committee (IAPC) of the International Federation of Accountants (IFAC).

Each Member Body of FEE is also a member of IFAC, contributes to its work and commits itself to implementing its standards. FEE believes that this focus on international standards is critical to avoiding divergence between the processes of audit both between European countries and between Europe and the rest of the world. In today's global society, cross-border investors and trading partners must have confidence in the process of audit. They should not need to question whether the audit approach in one country differs from that in another country.

INTERNATIONAL STANDARDS ON AUDITING

Auditing standards are a continually evolving framework. As the public expectation of the work of auditors changes and as business processes develop, so must the audit approach evolve. This process is managed by the continuous work of IAPC to develop its standards; the widespread national representation at IAPC ensures that solutions are gathered globally. Most importantly, IAPC's Consultative Group ensures public input to IAPC's agenda. An overview of the work of IAPC and of its Consultative Group is provided in Appendix B.

Auditing standards set out the procedures to be used in relation to discrete aspects of work. Audit is, however, a process of three critical phases; planning; performance of the work; and reporting on the results of that work. Appendix C provides an overview of how the ISAs link together to form the audit process as a whole.

It should also be emphasized that just as no two companies are identical, so each audit is a unique process. In the words of IAPC, "the work undertaken by the auditor to form an opinion is permeated by judgement, in particular regarding: the gathering of audit evidence, for example, in deciding the nature, timing and extent of audit procedures; and the drawing of conclusions based on the audit evidence gathered, for example, assessing the reasonableness of the estimates made by management in preparing the financial statements".

THE RESULTS OF THE FEE STUDY

FEE's study on national auditing standards in Europe, compared with International Standards on Auditing, is set out in Appendix D. This provides, for each ISA relevant to statutory audit, a summary of the basic principles and essential procedures of the audit process. The results of a comparison by the FEE Member Bodies of their national standards to those essential procedures are then set out in tabular form.

The study indicates a high degree of correlation between national standards and ISAs, either in terms of existing national standards or draft standards due for implementation nationally in the foreseeable future. This demonstrates the strength of co-operation between professional bodies on an international basis, a co-operation developed through the processes of self-regulation. It provides confidence of a "platform" of a consistent audit approach throughout Europe - a platform which can then be built upon as new international standards are issued to respond appropriately to new public demands.

Areas of divergence are few and effectively limited to two areas:

- Matters relating to local regulation - a number of European countries demonstrate different approaches in auditor reporting to that set out in ISAs. One is the result of a conceptual difference (ISA 510); others result from the impact of different national approaches to the development of statutory audit reports. Differences relating to ISA 550 have their basis in differing accounting rules between Member States.

- Audit Process - some written procedures are not identical between some national standards and ISAs. They are reported here for completeness. FEE does not, however, believe that these differences will give rise to substantively different audit approaches in practice.

Matters relating to local regulation

- ISA 510 (initial engagements - opening balances) sets the standard for the auditor's report where the prior year figures were not audited or were audited by a different auditor. Where such circumstances do not permit the auditor to give a clean opinion on the results for the year, a few countries do not permit an unqualified opinion to be given on the year-end financial position. The ISA envisages that the year-end financial position could be “true and fair” even if the income statement is prejudiced by uncertainty as to the opening position.

- ISA 700 (the auditor's report on financial statements) and ISA 710 (comparatives) relate to the auditor's report. National standards frequently do not follow the relevant ISAs in detail because national laws and regulations prescribe the form and content of audit opinion. Harmonisation of the content of the auditor's report may have a single market impact and will require further consideration by the auditing profession.

- ISA 550 (related parties) and ISA 720 (other information in documents containing audited financial statements) are not reflected in some national standards because of different approaches to the auditor's responsibility regarding such information when it is not, in law, part of the financial statements. This requires further consideration in the context of the auditor's responsibilities in the broader terms of corporate governance.

Audit process

- ISA 200 (the objective and general principles governing an audit of financial statements) mandates the auditor to have an attitude of professional scepticism. Several European countries consider this inappropriate as a standard describing the audit process. It is, however, included in other national guidance or in national ethical standards, as a fundamental principle for auditors.

- ISA 401 (auditing in a computer information systems environment) calls for consideration of the entity's computer information systems. Several countries do not believe that the nature of an entity's information system calls for a separate standard; accounting and control systems, whether computerised or not, require similar audit consideration, as already set out in ISA 400. ISA 401 is to be reconsidered in IAPC's current agenda.

- ISA 501 (audit evidence - additional considerations for specific items) sets out detailed substantive procedures to be followed whatever the nature of the control environment which the auditor finds. Several European countries believe that the selection of appropriate cost-effective procedures is a matter for professional judgement within overall requirements of audit evidence (ISA 500), and that examples of procedures should therefore be a matter for guidance rather than standards.

- ISA 530 (audit sampling) is not currently reflected in the standards of a number of countries. A revised standard was issued by IAPC in 1998 and is now being considered by the national bodies. ISA 402 (audit considerations relating to entities using service organisations) is similarly not reflected in several countries' standards, but will require consideration as the practice of outsourcing becomes more widespread.

ISSUES ON WHICH THERE ARE NATIONAL STANDARDS BUT NO SPECIFIC ISAs

In the course of its study, FEE also made enquiries as to the existence of specific subjects addressed by national standards which are not reflected in ISAs. The responses can be grouped in three categories.

Differing legal responsibilities of auditors

Most of the responses received to this enquiry related to very specific guidance appropriate to particular aspects of the auditor's work, applicable only as the result of statute or regulation in individual countries. As already noted in FEE's report of January 1996 on the role, position and liability of the statutory auditor in the European Union, the detailed legal responsibilities of the statutory auditor differ from Member State to Member State. These differences in responsibilities lie in three main areas that are central to the so-called expectation gap:

- general responsibilities for compliance by companies with business law and regulation;
- specific responsibilities regarding fraud and illegal acts; and
- the duties of each participant in corporate governance where it appears that a company may be at risk as a going concern.

FEE's report called for clarification of the auditor's responsibilities in these areas. Until there is such clarification, it is difficult to expect that there could be total harmonisation of the related auditing standards issued by the profession.

Standards for specific industries

Some countries reported the existence of additional standards and complementary guidance applicable to certain industries, for example banks and funds management. These have not been considered in this study; it should however be noted that IAPC has similarly issued International Auditing Practice Statements which provide practical assistance to auditors in implementing the Standards, for example for the audit of international commercial banks.

Standards of general application

There are two areas of audit approach addressed by specific national standards of more than one country, but not by ISAs. They are:

1. the conduct of joint audit (but mandatory joint audit is applicable only in Denmark and France); and
2. the conduct of group audits of consolidated financial statements (applicable throughout the European Union following implementation in national law of the European Union Seventh Directive and also applicable internationally).

FEE believes that it could be helpful for there to be an international standard on group audits, and has made an approach on this matter to IAPC. FEE notes with pleasure that the issue is for consideration for IAPC's future work programme.

IN CONCLUSION

Through the continuing process of setting and amending national standards, FEE Member Bodies are successfully achieving a convergence of audit approach in Europe. The pro-active co-operation achieved between the professional bodies on a self-regulatory basis provides confidence of a common audit approach, a confidence which is fundamental to the provision of reliable financial data in today's international market place. Areas of divergence are few, and generally have their basis in matters of national law and regulation. FEE looks forward to a constructive dialogue with governments and regulators to consider how best to move forward to ensure that the approach to audit in Europe mirrors all the best of international thinking.

AUSTRIA

Auditing standards and guidelines are set by the Fachsenat fuer Handelsrecht und Revision des Institutes fuer Betriebswirtschaft, Steuerrecht und Organisation des Kammer der Wirtschaftstreuhaender. Established in 1955 pursuant to section 13(2) of the Wirtschaftstreuhaenderkammer Law, from which it derives its authority, the Fachsenat consists of professional accountants elected by the Board of the Wirtschaftstreuhaenderkammer. It acts in an advisory capacity to the Board.

International Standards on Auditing (ISAs) are used as a basis for drafting national standards but changes will be made where the ISA conflicts with national law. Consultation on draft standards is restricted to members of the profession, all of whom are invited to comment. The Board of the Wirtschaftstreuhaenderkammer gives final approval to the standards.

Auditors must comply with auditing standards in respect of all audits of financial statements. This is required under the rules of the profession, not legislation. The standards are not preceded by an overall statement of authority; however, both standards and guidelines are taken into account in assessing the adequacy of audit work. Any departures from standards must be justified by the auditor.

The objective of the statutory audit is laid down in the Commercial Code insofar as the Code specifies the form and content of the audit opinion. The rights and powers available to statutory auditors are also laid down in law.

BELGIUM

In Belgium it is the Institute des Reviseurs d’Entreprises (IRE) which has the authority to issue Auditing Standards. This authority was recognised by law in 1985, although standards had been in force since 1976.

The standards are written by a Technical Committee whose members are auditors and secretariat appointed by the Board of the IRE. The Technical Committee refers to ISAs in drafting standards. Draft standards are published in the IRE Newsletter for comment, following which the Board of the IRE approves revised drafts for submission to the consultative body, Conseil Supérieur du Révisorat et de l'Expertise Comptable (Higher Council). The Higher Council includes representatives from industry and academics and must comment on a draft standard before the IRE Board can give its final approval.

Three categories of statements are issued by the IRE Board:

- Normes - generally accepted principles which must always be applied.
- Recommendations - statements of best practice (auditors must fully document any departures from the recommendations).
- Avis du conseil et notes techniques - guidelines, sometimes applicable to particular business sectors.

The application of normes and recommendations to the conduct of audit work is required under the Royal Decree of 1994. The standards apply to all audits and are recognised by the courts in assessing whether an auditor has fulfilled his obligations under the law.

Company law specifies the minimum content of the audit report and requires the auditor to state whether the report is qualified. The law does not detail the methodology to be used nor prescribe any but a general objective for the audit.

CZECH REPUBLIC

The Auditors Act gives authority for setting auditing standards to the Chamber of Auditors. Under its constitution, the Chamber delegates this authority to its Board. The Committee for Auditing Standards was set up in 1993 and produces the standards for publication by the Board. The Committee is made up of 8 members of the Chamber, 7 in practice and 1 in industry.

Draft standards are not issued for comment unless they cover specialist areas, such as banking. The auditing standards are in effect translations of the ISAs, adapted for Czech legislation. The Chamber of Auditors has recommended that International Standards on Auditing are followed where Czech National Standards are not yet available.

Auditors are required to comply with Auditing Standards by the Chamber. The objectives of the audit are prescribed in the Auditors Act, together with the rights and powers of auditors and the content of the audit report. The Act does not provide guidance on the conduct of the audit.

The Board of the Chamber of Auditors did not adopt the IFAC Statement of Authority but has issued its own statement specifying the aim of the national standards and recommending their application in audit work.

DENMARK

The Danish professional body, Foreningen af Statsautoriserede Revisorer (FSR) established a committee, the Revisionsteknisk Udvalg, in 1974 to issue auditing standards. The committee's authority and responsibility is derived wholly from the FSR; it is made up of 7 state authorised public accountants elected by that body.

The committee produces "revisionsvejledninger" (auditing guidelines). These do not have quite the same status as the ISAs but do cover generally accepted auditing practice and the text is based on the corresponding ISA. The FSR has issued a statement on the authority of the guidelines; the guidelines are to be applied to all audits.

Under its bye-laws, the FSR is required to issue exposure drafts to members for consultation for a minimum of 3 months. Following consultation it requires only 5 of the 7 committee members to approve the revised draft. The members of the FSR can also reject an auditing guideline by a simple majority at the Annual General Meeting.

Compliance with the guidelines is not expressly required under Danish law; however, it is implied by the legal standard of "generally accepted auditing practice". The form and content of the published audit report, the powers and rights of auditors and, to some degree, the objective of the audit are all prescribed in law.

FINLAND

Auditing standards in Finland are issued by the KHT-yhdistys Forening CGR (Finnish Institute of Authorised Public Accountants). In 1995 its authority to issue standards was strengthened by the Auditing Act which stated that it was the responsibility of the professional associations to maintain and develop good auditing practice. Standards are drafted by the Institute's Auditing Practices Committee comprising 5 to 6 professional auditors. There is no requirement to consult externally on the standards prior to their being approved by the Institute's General Assembly.

The Finnish Auditing Standards are not directly comparable to the ISAs; rather, they set out basic principles with which members must comply in conducting any audit. The standards form part of a greater body of information which describes the entire audit process. The Institute also issues auditing guidelines which are not mandatory.

Although the standards have no direct statutory authority, the legislation does refer to auditors complying with "good auditing practice". This phrase is not defined but, in practice, the Central Chamber of Commerce has referred to the auditing standards when interpreting the phrase. Finnish legislation also describes the objectives of the audit, the rights and powers of the auditor and the content of the audit report through the Auditing and Accounting Acts.

The Board of the Finnish Institute has recently decided to revise the auditing standards and implement the ISAs in full, adapting them where necessary for Finnish legislation. A preliminary study has already been undertaken.

FRANCE

The issuing of auditing standards in France is the responsibility of the Compagnie Nationale des Commissaires aux Comptes (CNCC). Its Conseil National adopts standards which have been drafted by its Comité des Normes Professionnelles. The CNCC was established by decree in 1969 under the jurisdiction of the Garde des Sceaux (Ministry of Justice - Chancellerie).

The Comité des Normes Professionnelles is made up mainly of Commissaires aux Comptes but can also include independent people with specialist knowledge useful to the Comité, and representatives of official bodies with links to the profession, for example, the Stock Exchange. The Comité can comprise up to about 40 people. In drafting or revising a standard, the Comite considers the corresponding ISA with a view to achieving conformity.

There is no exposure draft process to third parties but the draft standards can be reviewed by the regional institutes and, in particular circumstances, are transmitted to the Chancellerie. The final draft of the standard is passed to the Bureau of the Conseil National before the Conseil itself votes on the standard.

The CNCC publishes auditing standards, with accompanying guidance, which apply to all audits carried out by a Commissaire aux Comptes; it also publishes technical information which is intended to offer additional practical guidance in applying the standards. This technical information does not have the authority of a standard. The standards are preceded by an introductory statement describing the nature of the standards and their authority.

The rights and powers of the Commissaire aux Comptes, certain general principles for carrying out the audit and the content of the audit opinion are all prescribed by French law. The law also sets out in general terms the objective of the audit. The CNCC has carried out an in-depth comparison between national and international standards which showed that the basic principles and essential procedures of the ISAs were fundamentally covered by the CNCC's standards. The study also showed that although the structure of the national and international standards differs in some respects, there are few matters which are not reflected in the national standards.

GERMANY

Auditing standards are issued by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW), which was founded in 1930. Responsibility for drafting standards lies within the IDW with the main Technical Committee and specialised Technical Committees for particular industry sectors, eg, banking, insurance, IT, etc. Committee members are predominantly Wirtschaftsprüfer; others with specialist knowledge may be invited on to the committee if appropriate.

The IDW strives to implement the ISAs in drafting standards wherever possible, taking account of the national context. Draft standards are published for comment in technical journals so that members and other interested parties may comment. This reflects a due process that was decided upon by the responsible organs of the IDW. The revised drafts are considered by the Institute's Technical Committees.

The IDW publishes both "Fachgutachten" and "Stellungnahmen", both of which are seen as equivalent to standards. The first auditing standard published by the IDW included an authority statement. The overall objectives of the audit and the rights and powers of the auditor are specified in law.

The IDW has performed a comprehensive and detailed comparison between German standards and the ISAs. The results of the study have been published in January 1998.

IRELAND

Since 1991 the Auditing Practices Board (APB) has been the responsible authority in the Republic of Ireland for issuing auditing standards. It is a committee of CCAB Limited, a company owned by the major accountancy bodies in the UK and the Republic of Ireland and replaced the previous committee established in 1976, the Auditing Practices Committee. The accountancy bodies have agreed to adopt the statements issued by the APB as requirements for their members to be applied to all audits. The Institute of Certified Public Accountants in Ireland is not one of the sponsoring bodies of the APB but has nevertheless similarly undertaken to adopt the APB's statements. The APB does not require the approval of the sponsoring bodies before issuing a standard.

As a result of the recent review of the regulation of the accountancy profession in the UK, the constitution and status of the APB is currently under review. The APB comprises 18 voting members (9 audit practitioners and 9 non-practitioners, such as academics, lawyers and accountants in industry) and up to 7 non-voting members for example, Government representatives.

The APB aims for national standards to be consistent with the ISAs wherever possible and therefore considers the text of the ISAs when drafting new standards. Differences between the national standards and the corresponding ISAs are highlighted. These drafts are issued publicly for consultation although under its constitution there is no requirement to consult outside the accountancy bodies themselves.

Three categories of statements are issued:

- Statements of Auditing Standards (SAS)- basic principles and essential procedures with which auditors must comply.
- Practice Notes - intended to assist in applying SASs to particular industry sectors or circumstances.
- Bulletins - guidance on new or emerging issues.

The APB has issued an overall statement of authority and at the beginning of each SAS there is an introductory paragraph explaining the relative status of the different paragraphs. The SASs contain certain paragraphs which are not prescriptive and which are intended to assist the auditor in applying the basic principles and procedures.

Although primarily the SASs are internal to the profession, the Companies Act 1990 requires professional bodies supervising auditors to have satisfactory standards for the conduct of audit work. The SASs therefore have indirect statutory authority. Apart from establishing requirements for supervisory bodies, the Companies Act 1990 also prescribes the objectives of the audit (in terms of the opinion to be given), the rights and powers available to auditors and the minimum content of the audit opinion.

ITALY

There are two distinct types of audit activity in Italy. The standard setting process for each is dealt with separately below.

Regulated Audit Firms

Listed companies must be audited by one of 24 regulated audit firms registered with the stock exchange regulator CONSOB. Auditing standards applicable to these audit firms are issued by the Consiglio Nazionali dei Dottori Commercialisti and Ragionieri. The standards are drafted by the Commission for the enactment of auditing standards. The Commission was originally set up in 1977 by the Consiglio Nazionale dei Dottori Commercialisti. In 1983, it became a joint commission when the Consiglio Nazionale dei Ragionieri joined. Both these bodies are under the supervision of the Ministry of Grace and Justice. Members of the Commission are appointed by their respective Consiglio Nazionale.

Standards are drafted taking into account the corresponding ISA. Although the principles underlying the national standards are generally consistent with the ISAs, the detailed approach can differ. Draft standards are issued for comment to a wide range of bodies, including audit firms, universities and regulatory authorities. Final approval is given by the Consiglio Nazionali. Compliance with the auditing standards is required by the Stock Exchange regulatory authority, CONSOB, in respect of all regulated audits. In limited circumstances, firms may use other procedures if they believe the relevant standard is not appropriate.

The conclusions required from an audit and certain rights and powers available to auditors are specified in law. The law does not refer to the application of auditing standards nor the form of the audit report. The latter has been laid down by CONSOB. In 1995 the Commission began to look at revising auditing standards to bring them into line with the ISAs as far as possible given the requirements of national legislation.

Collegio Sindacale

The Board of Statutory Auditors, “Collegio Sindacale”, is an independent body established by law for companies subject to the audit regulations of the EU 4^{th} directive. In addition to the statutory audit the Collegio Sindacale has the duty to supervise the compliance of the company with laws, regulations and articles. The Collegio Sindacale work is performed in accordance with the Principles of Professional Behaviour. The principles are drafted by the Statutory Audit Commission which was set up by the Consiglio Nazionale dei Dottori Commercialisti in 1979 to look at issues affecting the Collegio Sindacale. This Commission is also now joint with the Ragionieri.

The working and composition of the Statutory Audit Commission is similar to the Commission for the enactment of auditing standards for listed company audits. The Principles of Professional Behaviour, on the subject of accounting and auditing, are a concise expression of the existent national auditing standards. Members of the Collegio Sindacale are obliged to comply with the principles of professional behaviour when conducting audits. The functions of the Collegio are prescribed by law, as are certain rights and powers. The content of the audit report, although not the detailed wording or format, is also prescribed.

LUXEMBOURG

Auditing Standards in Luxembourg are set by the "Institut des Réviseurs d’Entreprises" (IRE), established in 1984 under the jurisdiction of the Ministry of Justice. The IRE’s “recommendations de révision comptable” are based on the ISAs, adapted to take account of national legislation and practice. They must be applied to all audits. The ISAs are considered by a working party and approved by the IRE Council prior to being discussed and voted on at the IRE’s General Assembly. ISA 100 (Statement of Authority) has been adopted by the IRE. There is no legislation in Luxembourg governing the detailed audit process or the rights and powers of the auditor.

NETHERLANDS

The Commissie Controlevraagstukken en Richtlijnen (CCR) of the Royal NIVRA has set up a sub-committee, the Subcommissie Richtlijnen voor de Accountantscontrole (SCORA), to develop auditing standards. The CCR and SCORA are made up of 7 and 5 registered accountants respectively drawn from all areas of membership - practice, industry and the public sector. The text of Dutch Auditing Standards is taken from the ISAs, with additional paragraphs to conform with Dutch law and practice. Draft standards are issued for comment to members of Royal NIVRA and other interested parties; however, there is no requirement to consult with an external body.

Royal NIVRA requires its members to comply with auditing standards in carrying out any audit. Departures from auditing standards are permitted in exceptional circumstances but auditors must justify such departures. Royal NIVRA has adopted ISA 100 - Statement of Authority - as amended to reflect national standards. Dutch law prescribes the audit objective in accordance with the EU 4th Directive by reference to "truth and fairness". The law does not specify the form and content of the audit opinion nor provide any guidance on the conduct of the audit. Certain rights and powers available to the auditor are specified in law.

NORWAY

Auditing standards are issued by the board of the Norges Statsautoriserte Revisoreres Forening (NSRF). In 1968 the NSRF set up a committee to develop draft recommendations to define the standard of "good auditing practice" introduced in the Audit and Auditors Act of 1964. The Board of NSRF adopted recommendations and "norms" during 1992. The following year the Board decided to introduce a new set of auditing standards closely based on the ISAs. These were adopted by the Board in May 1997.

The NSRF has no statutory authority to set auditing standards although its work is informally recognised by the Kredittilsynet, the Government body which licenses and supervises private sector auditors. The Auditing Standards Committee comprises 9 members - one an academic, the others in practice. One of the members is appointed by Norway's other professional body, Norges Registrerte Revisorers Forening (NRRF). A member of the Norges Kommunerevisorforbund (The Association of Norwegian Municipal Auditors) is an observer on the Committee. The Committee publishes exposure drafts for comment to members of the NSRF and a number of organisations and Government institutions.

Legislation does not specifically require audits to be carried out in accordance with auditing standards; the legal requirement is for "good auditing practice". This term has not been defined but in the event that it is tested in court, the profession's auditing standards will be the main basis for comparison. Compliance with the auditing standards adopted in 1997 is mandatory for NSRF members on all audits with balance sheet dates on or after 1 January 1998. The NSRF has issued an authority statement equivalent to ISA 100, amended only to refer to national rather than international standards. Departures from Auditing Standards are thereby permitted but must be justified by the auditor.

Auditing legislation in Norway is currently under review. A public committee submitted a number of proposals to the Ministry of Finance early in 1997. One proposal was that auditing standards set by the profession must be central in defining the contents of the statutory audit, referring to the international harmonisation of auditing standards through the work of IFAC. A further proposal from the public committee was that the Kredittilsynet should have an observer on the Auditing Standards Committee of the NSRF.

Present legislation does not define the objective of the audit, although it is proposed that this will be introduced. The law does specify auditors' rights and powers and the minimum content of the audit report. Detail is provided through the auditing standards.

PORTUGAL

In Portugal it is the Camara dos Revisores Oficiais de Contas (CROC) which issues auditing standards. In 1985 the CROC Executive Council set up the Comissao Tecnica das Normas (CTN) to draft auditing standards on its behalf. The CTN is made up of 5 CROC members who are practising auditors. Standards are drafted based on the text of the corresponding ISA. Exposure drafts are distributed to all statutory auditors for comment. Revised drafts are then submitted to the Executive Council for approval before being put before the members at the General Meeting.

There are three types of pronouncement:

- Standards - their application to all audits is required by law; any departures from standards are subject to disciplinary action.
- Statements - also compulsory, but auditors may justify a departure from a statement.
- Interpretations - these are issued for clarification and are not compulsory.

The status of these pronouncements has been formally approved in November 1997. Where there is no national standard, members are obliged to follow the relevant ISA. Portuguese law specifies the audit objective and the powers and right available to auditors but does not prescribe the contents of the audit opinion nor the methodology of the audit.

ROMANIA

The Body of Expert and Licensed Accountants of Romania (CECCAR) was founded in 1992 and has responsibility for issuing auditing standards. The preparation of auditing standards is carried out by its Audit Department and Department for Standards and Methodology, which includes auditors, academics, specialists from the Ministry of Finance and employee representatives.

Being so recently established and with no existing auditing standards, CECCAR issued n 1995, a set of standards relating to Auditing, Reporting and Behaviour, and an Audit Guide, taking into consideration the concepts developed in ISAs. These were approved by both the Ministry of Finance and the Ministry of Justice. They are published in the CECCAR magazine and other technical journals. All members of CECCAR must comply with auditing standards on all statutory audits. Not only is this required by the CECCAR's own rules but also by Government regulations which make references to auditing standards. Since 1997, CECCAR is now in the process of reviewing these standards to bring them in line with ISAs.

The law in Romania specifies the objective of the audit but otherwise the rights and powers available to auditors and the methodology used in the conduct of an audit are detailed in CECCAR's rules. These are supported by legislation which specifically refers to these rules.

SPAIN

By the Auditing Law of 1988, auditing standards are issued by the Instituto de Contabilidad y Auditoria de Cuentas (ICAC) having been prepared by the professional bodies in accordance with general standards recognised in EU Member States. Should the professional bodies not produce a standard on a particular topic, the ICAC has the power to draft its own standard. Standards do not become valid until 6 months after they have been published by ICAC in the Boletin Oficial del Instituto de Contabilidad y Auditoria de Cuentas. ICAC, together with the three professional bodies, plan to initiate the setting up of a commission to revise all existing national standards with the objective of bringing them in line with all ISAs in the near future.

The Technical Committees of the three professional bodies (IACJCE, REA and REGA) draft the standards which are then passed to the ICAC for publication. Before publication, the standards are reviewed by a committee with 20 members, composed of ICAC officials, members of the three professional bodies and other regulatory bodies, for example the Bank of Spain and the Stock Exchange. 12 members of the Committee are practitioners.

Wherever possible the corresponding ISA is used as a basis for the national standard. Auditing standards contain basic principles and procedures and application of these standards to all audits is compulsory under law.

Apart from the standards, the professional bodies also issue recommendations and guidelines which include explanatory material. These types of statements are not prescriptive. The Auditing Law specifies the objectives of the statutory audit and sets out the minimum content of the audit report and the matters on which the auditor should give an opinion. It does not prescribe the methodology for the audit.

SLOVENIA

The responsibility for issuing auditing standards has since 1994 lain with the Auditing Committee of the Slovenian Institute of Auditors (SIA). The Auditing Committee has 5 members who are licensed certified auditors and who are elected to the Committee by the members of the SIA.

The ISAs have been adopted in full in Slovenia and there are no differences between these and the national standards. The Auditing Committee does offer opinions and explanations on the standards in order to clarify certain issues or explain when the standards would not be applicable to specific national situations.

Auditing standards must be applied to all statutory audits and departures are not normally permitted other than in the specific situations on which the Auditing Committee has made a pronouncement. The Slovenian Law on Auditing refers generally to auditing standards but it is the SIA’s own rules which require members to comply with the ISAs. This same law prescribes the rights and powers of auditors and the form and content of the audit opinion.

SWEDEN

Auditing standards are issued by Foreningen Auktoriserade Revisorer (FAR). Preparation of standards is delegated to FARs Auditing Practice Committee, made up of 10 authorised public accountants who are members of FAR. Final approval of the standards is given by the FAR Council.

FAR issues two types of pronouncements - "rekommendationer" (standards) and "uttalanden" (statements). The latter are not prescriptive and do not require Council approval before they are published. New standards and major revisions of existing standards are circulated to all FAR members as proposals for comment before final approval. They are drafted taking into account the relevant International Standards on Auditing. In 1995 a comparison was made between Swedish standards and the ISAs. Currently, FAR is considering full implementation of the ISAs in national standards, and the project is now moving ahead with a view to completion in the millennium.

The Swedish Companies Act requires a statutory audit to be carried out in accordance with "good auditing practice". However, neither the Companies Act nor any other law gives details of that practice nor states who is to develop it. The objective of the audit, the items on which the auditor must express an opinion in the Auditor's Report as well as the rights and powers of the auditor are prescribed by law.

In the bill "The organisation of the limited liability company" ("Aktiebolagets organisation") presented on 28 February 1998, the government comments on the standard-setting in Sweden. It is concluded that within a system of framework legislation that requires the auditor to conduct the audit in accordance with "good auditing practice", it should be the business of the professional bodies and the Supervisory Board of Public Accountants to guide closer on the extent of the auditor's examination through the issue of standards and pronouncements ("rekommendationer och yttranden"). However, it is emphasised that the technique of framework legislation does not mean that the final interpretation of the purport of "good auditing practice" is left to the professional bodies. Ultimately, it will always be the task of the courts of law to determine what is "good auditing practice" in the particular case.

Revisorsnämnden, the Supervisory Board of Public Accountants, regulates the profession by issuing regulations, by monitoring and by disciplinary actions. It can reprimand auditors and, in severe cases, withdraw the qualification. As has been said above, auditing standards are developed, codified and published by FAR. Revisorsnämnden to a large extent relies on the standards of FAR but has the preferential right of interpretation in cases of disagreement. As stated by the government above, ultimately it will always be the task of the courts of law to determine what is "good auditing practice" in the particular case.

SWITZERLAND

The Chambre fiduciaire in Switzerland brings into force auditing standards which have been developed by its audit practices committee, the KRP. The KRP was set up in the 1970s and comprises members of the Chambre including academics and practitioners from all sizes of firms and each language area.

New standards are drafted with due regard to the equivalent ISA insofar as it applies to Swiss law and practice. Draft standards are published in the technical journal “l’Expert-comptable” inviting comment both from members and other interested parties.

The Chambre fiduciaire issues three types of statements:

- Normes de revision - standards which, under the rules of the Chambre fiduciaire, must be applied to all audits carried out by its members.
- Manuel suisse d'audit (MSA) - auditing guidelines.
- Professional communications - additional information on specific areas.

If the auditor feels that the audit objective can be better achieved other than by following the normes de revision, this is permitted provided that the auditor justifies the departure from the standard. This is set out in the authority statement to the normes de revision, N° 0.

The Swiss Company Law sets out the purpose and extent of the audit and also lays down the right of the auditor to ask the company directors for all relevant information. With regard to the audit report, the law only specifies the minimum content whilst the detailed form and wording are contained in the auditing standards.

UNITED KINGDOM

Since 1991 the body responsible for issuing auditing standards has been the Auditing Practices Board (APB). It replaced the previous committee, the Auditing Practices Committee, which was established in 1976. The APB is a committee of CCAB Limited, a company owned by the six major accountancy bodies in the UK and the Republic of Ireland. These bodies have agreed to adopt the statements issued by the APB and require them to be applied to all audits carried out by their members. The APB does not require the approval of the accountancy bodies before it issues an auditing standard.

As a result of the recent review of regulation of the accountancy profession in the UK, the constitution and status of the APB is currently being considered by the accountancy bodies. There are 18 voting and up to 7 non-voting members of the APB. Of the voting members, 9 are audit practitioners and the remainder are academics, lawyers and accountants in industry. The non-voting members are, for example, representatives from Government both in the UK and the Republic of Ireland.

The APB aims for national standards to be consistent with the ISAs wherever possible and therefore considers the text of the ISAs when drafting new standards. Differences between the national Standards and the corresponding ISAs are highlighted. These drafts are issued publicly for consultation although under its constitution there is no requirement to consult outside the accountancy bodies themselves.

Three types of statements are issued:

· Statements of Auditing Standards (SAS) **-** basic principles and essential procedures with which auditors must comply.
· Practice Notes **-** intended to assist in applying SASs to particular industry sectors or circumstances.
· Bulletins **-** guidance on new or emerging issues.

The APB has issued an overall statement of authority and at the beginning of each SAS there is an introductory paragraph explaining the relative status of the different paragraphs. The SASs contain certain paragraphs which are not prescriptive and which are intended to assist the auditor in applying the basic principles and procedures.

The SASs are not directly referred to in law but do have indirect statutory authority in that the Companies Act 1989 requires those supervising company auditors to have "rules and practices as to the technical standards to be applied in company audit work". The Companies Act also specifies the audit objective, to the extent that it prescribes the terms of the audit opinion, and affords statutory rights and powers to the auditors. The detailed content and wording of the audit report is a matter for auditing standards, not law.
The International Auditing Practices Committee

International Standards on Auditing (ISAs) are issued by the International Auditing Practices Committee (IAPC) on behalf of the International Federation of Accountants (IFAC). These standards are issued to enhance the degree of uniformity of auditing practices and related services throughout the world and are used by many countries as the primary authority for domestic standards.

The ISAs include basic principles and essential procedures (bold lettering), which are mandatory, together with other material (non-bold lettering) designed to discuss aspects of the audit and to provide guidance on how the auditor can achieve the objectives of the basic principles and essential procedures.

In addition to ISAs, the IAPC issues Practice Statements to give guidance to the auditor on special circumstances or developmental areas such as the impact of environmental matters on the audit of financial statements.

The IAPC was set up in 1977 by the IFAC as one of its standing Committees. The mission of IFAC is the development and enhancement of the profession to enable it to provide services of consistently high quality in the public interest. In recent years, six of the fourteen countries represented on the IAPC have been Member States of the European Union, namely Denmark (representing the Nordic Federation), France, Germany, Italy, Netherlands, and the UK.

The country representatives, assisted by technical advisors, are leaders in the field of auditing. The role of the representative is not to represent his or her individual country or national standard setting body, but to act in the public interest and the international harmonising interest of the auditing profession as a whole.

"Codification of ISAs"

Between 1977 and 1990, the IAPC issued International Auditing Guidelines. In the early 1990s it was recognised that some of these were becoming increasingly outdated, that they contained some inconsistencies in style and language, and that they needed to be in conformity to create an up to date uniform set of standards. The IAPC therefore spent several years rewording, reorganising, restructuring, re-exposing and renaming the International Auditing Guidelines into a codified set of ISAs.

As part of the process, the basic principles and essential procedures for each standard were identified. A Glossary of terms was also written to ensure common understanding of all the terms used.

In 1994, the codified standards were completed, approved and released to the membership of IFAC. The codification represents a complete common body of standards for auditing financial statements of all enterprises and can be applied to domestic or international audits. The guidelines developed during the codification exercise are used for all new ISAs to ensure continuing conformity.

The Standard Setting Process

The process starts when the IAPC assigns a topic from the future work programme. This may be because of some recently identified concern, such as fraud or a company collapse, a technological development, or a revision to an existing standard because international auditing practice has changed. A subcommittee is appointed and charged with the responsibility of researching the topic, identifying relevant issues for discussion. Members are assigned to the subcommittee from different parts of the world to ensure all viewpoints are considered.

The subcommittee conducts a detailed study of the standards that have been published on the subject throughout the world. The subcommittee identifies common basic principles amongst the world-wide approaches to the topic. It prepares an issues paper and proposes to the IAPC the scope, content and level of guidance for the future ISA.

The IAPC then discusses the subject and either agrees with the subcommittee's position or suggests changes to the approach and scope.

Once the project and scope have been agreed, the subcommittee drafts the standard. The full committee reviews the draft, suggests revisions and votes on the standard for issue as an "Exposure Draft". This is then sent to all IFAC Member Bodies and IFAC subscribers for their comment. Many IFAC Member Bodies then distribute the draft to their members and other interested parties. Accordingly, a large number of people, with many perspectives, have the opportunity to review and comment on the draft. This is a vital part of the procedure for it enables all who might be affected by the ISA to advance their views and concerns.

The exposure period normally lasts for four months. The IAPC considers each response and makes revisions to the draft ISA as appropriate. Care is taken to debate why suggested changes are, or are not made as a result of individual responses, before voting on whether or not to issue the document as a definitive ISA.

Adoption of ISAs

Countries adopt ISAs with some amendments to take into consideration additional local regulations which need to be addressed and incorporated into the national standard. The Dutch for example have chosen to do this, and use italicised language to identify the local additions.

Some countries which do not have a national standard setting function may choose to adopt ISAs as their national standards e.g. Luxembourg, Slovenia.

Some countries believe that there should be differences between their national standards and the international standards, and do not consider that it is appropriate to adopt the ISAs completely. These countries use the ISAs as the basis for their national standards, keeping the same format and style. Ireland and the UK have, for example, followed this approach and they identify at the end of each national standard how it complies with or departs from the ISA.

Future Agenda

The IAPC maintains its position as the international auditing standard setting body by ensuring that its future agenda tackles innovative and contentious issues, as well as maintaining a quality body of codified standards.

In August 1997, for example, the IAPC issued its new Exposure Draft "Framework for Reporting on the Credibility of Information". This document recognises that there is an increasing demand for assurance services which enhance the credibility of information and seeks to provide a framework for international standards to govern such assurance service engagements.

In September 1997, the IAPC issued an Exposure Draft on "Going Concern" to revise the existing ISA in order to recognise certain recent changes in practice, to reflect the implications of the revised International Accounting Standard No. 1, and to consider the time period of the auditor's responsibility. Other current projects to “revisit” existing ISAs are in the areas of prospective financial information, computer information systems and fraud. There are also projects to develop new standards on the External Confirmation process and on Communications arising from the audit of financial statements.

The Public Interest Perspective

The IAPC recognises its responsibility to update and add to ISAs as public expectations of the work of auditors both change and increase. Development of business practice and business processes also has important implications for the conduct of audits, and audit methodology must develop to meet the challenge of this change.

The work of the IAPC Consultative Group is critical to this process. Founded in 1994, the IAPC Consultative Group is made up of users and interested parties and meets periodically in open forum. The latest meeting, in December 1997, included representatives of the Basle Committee, the European Commission, the European Savings Banks Group, the Federation of European Stock Exchanges, IASC, the Information Systems and Audit Control Association, the Institute of Internal Auditors, the International Bar Association, IOSCO, UNICE, FEE and EFAA. The aim of the meetings is to discuss and obtain input to the IAPC’s working agenda, communicate problems in implementing the ISAs, and to debate issues of public and user concern which the IAPC may address in its work programme.
As stated in International Standard on Auditing (ISA) 120, the objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an identified reporting framework (ISA 120, paras 11-13). To perform the audit, the auditor conducts a process which entails adhering to a series of standards describing the procedures and activities to be undertaken.

International Standards on Auditing (and the related national standards in each country) are the series of individual benchmark standards used to perform an audit. ISAs 100 and 120 describe the Framework within which ISAs are written and establish the level of authority attached to the standards. The ISAs describe discrete areas of audit work, such as how to use audit tools e.g. analytical procedures, and identify wider responsibilities such as the auditor's responsibility in relation to laws and regulations. Consequently, these individual standards cannot be read in isolation but must be read as a single body.

In addition, it should be noted that the work undertaken by the auditor to form an opinion is permeated by judgement, in particular regarding: the gathering of audit evidence, for example in deciding the nature, timing and extent of audit procedures; and the drawing of conclusions based on the audit evidence gathered, for example, assessing the reasonableness of estimates made by management.

The following is a general overview of the audit process which may assist in developing an understanding of the requirements of the ISAs as they fit into the chronological process of the annual statutory audit. The major phases of the audit are: planning, performance of the audit programme, and reporting.

Planning

Planning includes considering various matters prior to carrying out any other audit activities, and also continues throughout the work.

- Whenever the audit is carried out by contractual agreement or is imposed by law (as for the statutory audit of annual financial statements for many entities in the European Union), the auditor and the client should agree on the terms of the audit engagement. ISA 210

- Specific considerations are appropriate to a first-year audit (i.e. where financial statements are audited for the first time or when the financial statements for the prior period were audited by another auditor). ISA 510
- Planning means developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit. The auditor plans to perform the audit in an efficient and timely manner. ISA 300
- The auditor should understand the business, so that he can identify the events, transactions and practices that may significantly affect the financial statements. The presence of related party transactions may, for example, have a material effect; the auditor should also understand the risk that the entity may not be a going concern. This knowledge of the business is used, in the first instance, to develop and document an overall plan describing the scope of the audit. ISA 310 ISA 550 ISA 570 ISA 300
- In developing the overall plan the auditor identifies the areas of the entity's business and of its accounting records where there could be material misstatements of the financial statements and assesses "inherent risk". He also obtains an understanding of the related accounting and internal control systems and makes a preliminary assessment of "control risk". In making these assessments, the auditor should understand the computer systems in operation. Special considerations also apply where the client uses a service organisation to run the accounting systems. ISA 320 ISA 400 ISA 401 ISA 402
- When planning (and performing audit procedures), the auditor should consider the risk of material misstatements in the financial statements resulting from fraud or error; he should also recognise that non-compliance with laws and regulations may materially affect the financial statements. ISA 240 ISA 250
- At this point in the planning process, the auditor should decide the extent to which he may have to use the work of another auditor. Such a situation is most commonly present in the context of the audit of group consolidated financial statements. The auditor has also to consider the activities of internal auditing and their effect on his audit procedures. The auditor should also consider whether he will need to use the work of an expert as audit evidence (for the audit of valuations, for example). ISA 600 ISA 610 ISA 620
- The overall audit plan describes the expected scope and conduct of the audit. The audit programmes set out the nature, timing and extent of planned audit procedures required to implement the overall audit plan. These will vary depending on the size, nature and geographical diversity of the entity whose financial statements are being audited; the auditor would also consider the specific assessments of inherent and control risks and the assurance to be provided by substantive procedures. ISA 400
- Substantive procedures are tests performed to obtain audit evidence to detect material misstatements in the financial statements. These procedures are set out in a number of standards. Not all of these standards will apply in every situation; however, they set out the considerations that will apply: in selecting procedures to obtain audit evidence; in selecting samples of transactions for testing; in auditing estimates for which full transaction data may not yet be available; and in applying analytical procedures to assess the consistency of relationships of items in the financial statements. ISA 500, ISA 501 ISA 530, ISA 540 ISA 520

Performance of the audit programme

· The performance of the audit programme is an iterative process. For example, tests on the design and operation of the internal control systems must support the assessed level of control risk. If the control environment proves to be weaker than originally assessed, more substantive procedures will need to be performed. To a large extent, therefore, the audit programme must be re-considered and revised as the work progresses.	ISA 400
· All the standards referred to above (in terms of planning) also set out considerations relevant to audit execution. For example, the auditor should, throughout the execution of his work, be alert to the fact that there may be material effects on the financial statements from non-compliance with laws and regulations, from fraud or error, and from the risk that the entity may no longer be a going concern.	ISA 250, ISA 240 ISA 570
· In addition to documenting his plans, the auditor should also prepare working papers sufficiently complete to provide an overall understanding of the work performed, the results thereof, and the conclusions drawn.	ISA 230
· If using the work of another auditor, internal auditors, or an expert, certain specific procedures are required of the auditor to provide confidence that such work is adequate for the purposes of the audit. Similar specific considerations are appropriate when using the report of a service organisation auditor.	ISA 600, ISA 610 ISA 620 ISA 402
· Events arising subsequent to the balance sheet date may also have a material impact on the financial statements and consequently on the audit opinion and these should be considered by the auditor.	ISA 560
· The auditor should obtain specific representation from management in relation to matters material to the financial statements when appropriate audit evidence cannot be reasonably expected to exist. For example, he should obtain written representations that management has disclosed to him all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements.	ISA 580 ISA 250

Reporting

Error! Bookmark not defined.Having evaluated all the audit evidence obtained, the auditor should express his opinion on the financial statements in the audit report.

· The auditor is required either to qualify his opinion on the financial statements or to disclaim opinion, if he is unable to obtain sufficient appropriate audit evidence during his work, to support his conclusion on the financial statements.	for example: ISA 500, ISA 580 ISA 600
· In addition, a number of standards have specific requirements in relation to the auditor's evaluation of the results of his work, and his communication of and action on those conclusions. Particular examples relate to: fraud and error; laws and regulations; the assessment of the accounting and internal control systems; accounting for or disclosure of subsequent events; concerns as to the entity as a going concern; and the disclosure of related party transactions.	ISA 240, ISA 250 ISA 400, ISA 560 ISA 570, ISA 550
· Two standards consider in detail the auditor's report on the financial statements and on comparatives (corresponding figures or comparative financial statements). If the auditor disagrees with management regarding a matter of accounting or disclosure which has a material impact on the financial statements, he should qualify his opinion or issue an adverse	ISA 700, ISA 710

opinion, depending on the circumstances.

- The auditor is also required to consider other information which may be published with the audited financial statements but on which he has no obligation to report. ISA 720

Overall

- The auditor should ensure that quality is built into the process at every stage, from the acceptance of the client audit, through selection of the personnel for the assignment, to review of the work done and consultation on problems arising. ISA 220

The International Standards on Auditing extant at 31 December 1997, and to which reference is made above, are listed on the next page.

INTERNATIONAL STANDARD ON AUDITING
EXTANT AT 31 DECEMBER 1997

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501	Audit Evidence - Additional Considerations for Specific Items
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550	Related Parties
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<u>Using Work of Others</u>

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<u>Audit Conclusions and Reporting</u>

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720	Other Information in Documents Containing Audited Financial Statements

<u>Specialised Areas</u>

800	The Auditor’s Report on Special Purpose Audit Engagements *
810	The Examination of Prospective Financial Information *

<u>Related Services</u>

910	Engagements to Review Financial Statements *
920	Engagements to Perform Agreed-Upon Procedures Regarding Financial Information *
930	Engagements to Compile Financial Information *

* These standards are not directly applicable to statutory audit, and thus are not considered in Appendix D.

Since 31 December 1997, only one ISA has been revised and no new standards issued. In January 1998, ISA 530 on Audit Sampling and Other Selective Testing Procedures was revised to reflect changes towards a risk based audit approach which has reduced the impact of sampling, and to consider other forms of gathering items for audit testing. IAPC is also now in the final stages of reviewing and revising ISA 570 on Going Concern. National Standard Setting bodies will be considering the extent to which local standards should be revised to reflect these changes.

Overview

The following pages provide a summary of the results of a study by FEE Member Bodies from 19 countries as to whether compliance with their own national auditing standards also ensures compliance with International Standards on Auditing (ISAs). Results are included for fourteen Member States of the European Union, plus the Czech Republic, Norway, Romania, Slovenia and Switzerland. For Italy, it should be noted that two separate groups of standards, relevant to the two different groups of auditors, are considered in this Appendix. One of the FEE Member Bodies, the Soma Orkoton Elegton, the professional accountancy institute in Greece, did not unfortunately feel able to commit resources to this project at the current time.

Methodology

The scope of this study was confined to those 28 ISAs which set out procedures directly related to statutory audit. A detailed questionnaire was designed based on the basic principles and essential procedures (identified in bold lettering) contained in each ISA covering a specific subject matter. FEE Member Bodies in the relevant countries were requested to compare the requirements of their own national auditing standards or law to the requirements of the ISAs on each subject matter relating to statutory audit.

In order to enhance the comparability of the results, the survey responses from each member body were reviewed by another member body of FEE.

It should of course be appreciated that Europe's various national auditing standards are written in different languages and in different formats and styles. The focus of the work of each FEE Member Body was, nevertheless, on the material which is recognised by both auditors and regulators as the national professions' written commitment to a stated audit approach.

SUMMARY OF INTERNATIONAL STANDARDS ON AUDITING (ISA) WITHIN THE

SCOPE OF STATUTORY AUDIT COVERED BY THE SURVEY

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It should be noted that the summaries given for each standard provide only an outline of the basic principles and essential procedures. Reference should be made to the relevant International Standards on Auditing for a proper understanding of the format of the standards, the exact wording used and the extensive additional material designed to discuss aspects of the audit and to provide guidance on how the auditor can achieve the objectives of the basic principles and essential procedures.

ISA 200 OBJECTIVE AND GENERAL PRINCIPLES GOVERNING AN AUDIT OF FINANCIAL STATEMENTS

ISA 200 establishes standards and provides guidance on the objective and general principles governing an audit of financial statements. The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework.

In undertaking the audit, ISA 200 requires that the auditor should conduct an audit in accordance with International Standards on Auditing (ISAs). The procedures required to conduct an audit in accordance with ISAs should be determined by the auditor having regard to the requirements of ISAs, relevant professionals bodies, legislation, regulations and, where appropriate, the terms of the audit engagement and reporting requirements. [For the purpose of this study, the reference to ISAs is considered to be to relevant national standards on auditing].

The standard requires the auditor to plan and perform the audit with an attitude of professional scepticism recognising that circumstances may exist which cause the financial statements to be materially misstated.

It also requires the auditor to comply with the "Code of Ethics for Professional Accountants" issued by the International Federation of Accountants. [For the purpose of this study, this is interpreted as reference to national ethical standards].

ISA 200	OBJECTIVE AND GENERAL PRINCIPLES GOVERNING AN AUDIT OF FINANCIAL STATEMENTS

Country	Overall Complianc e	Commentary
1. Austria	Yes	Except that requirement of an attitude of professional scepticism is not explicitly stated. However it is implied in the standard.
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	Yes	
5. Finland	Yes	Except that there is no requirement of an attitude of professional scepticism. However in practice professional scepticism is considered as GAAS (Generally Accepted Auditing Standards).
6. France	Yes	Except that the concept of professional scepticism is not explicitly mentioned as such, but is inherent to the audit process described.
7. Germany	Yes	
8. Italy Collegio Sindacale	Yes	Except that there is no explicit requirement to follow relevant ethical standards, nor reference to scepticism.
9. Italy Regulated Audit Firms	Yes	Except that the concept of professional scepticism is not explicitly stated.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	
14. Romania	Yes	
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	Except that the concept of professional scepticism is inherent in Swedish standards but is not explicitly stated.
18. Switzerland	Yes	Except that there is no requirement of an attitude of professional scepticism. However for banks, circular (93/3) of the federal banking authorities requires specifically that the report of the auditors demonstrates professional scepticism.
19. United Kingdom 20. Ireland	Yes	Except that a requirement concerning the auditor's attitude is considered inappropriate. However guidance is given in SAS 100, § 11 and 'The Auditor's Code'.

ISA 210 TERMS OF AUDIT ENGAGEMENTS

ISA 210 establishes standards and provides guidance to the auditor on agreeing with clients the terms of engagements, and on the auditor's response to a request by a client to change the terms of an engagement to one that provides a lower level of assurance.

The standard requires that the auditor and the client should agree on the terms of engagement. For recurring audits, it requires the auditor to consider whether circumstances require the terms of the engagement to be revised and therefore whether there is a need to remind the client of the existing terms of the engagement.

The standard requires an auditor who, before the completion of the engagement, is requested to change the engagement to one which provides a lower level of assurance, to consider the appropriateness of doing so. The auditor should not agree to a change of engagement where there is no reasonable justification for doing so.

If the terms of the engagement are changed, ISA 210 requires the auditor and the client to agree on the new terms. If the auditor is unable to agree to a change of the engagement and is not permitted to continue the original engagement, the auditor should withdraw and consider whether there is any obligation, either contractual or otherwise, to report to other parties, such as the board of directors or shareholders, the circumstances necessitating the withdrawal.

Country	Overall Compliance	Commentary
1. Austria	Yes	The audit appointment and retirement process are regulated by law.
2. Belgium	Yes	Except that in statutory audits, an engagement which limits the extent of the audit cannot be made i.e. not possible for a lower level of assurance. The terms of an audit engagement are defined by law, and the fees are fixed in advance for 3 years.
3. Czech Republic	No	
4. Denmark	Yes	Except that in statutory audits, an engagement which limits the extent of the audit cannot be made i.e. not possible for a lower level of assurance.
5. Finland	Yes	Except that it is the Auditing Act that determines the scope of the statutory audit. It is not possible for a lower level of assurance. However there are no specific provisions relating to withdrawal.
6. France	Yes	Except that the content of the engagement is defined by law and regulations. Thus it is not possible to change to one which provides a lower level of assurance.
7. Germany	Yes	Except that under German Commercial code HGB § 318 a change of a statutory audit engagement to one which provides a lower level of assurance is not permitted.

ISA 210 TERMS OF AUDIT ENGAGEMENTS		
8. Italy Collegio Sindacale	No	But the engagement is committed by shareholder's meeting in accordance with civil law.
9. Italy Regulated Audit Firms	No	There is no national standard but there is a CONSOB Recommendation on this subject. In addition, a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	Except that in statutory audits, an engagement which limits the extent of the audit cannot be made i.e. not possible for a lower level of assurance.
13. Portugal	Yes	Except that the law determines the required level of assurance and the terms of engagement cannot be changed.
14. Romania	Yes	
15. Slovenia	Yes	
16. Spain	Yes	Except that in accordance with the Audit Law 1988, a statutory audit should be a "full audit" i.e. not possible for a lower level of assurance. There is a draft standard which would provide guidance on agreeing terms of an audit engagement, other than terms which would affect the level of assurance.
17. Sweden	Yes	Except that the law determines the scope of the statutory audit to be "full audit" i.e. not possible for a lower level of assurance.
18. Switzerland	Yes	Except that there is a legal requirement for a full audit for all companies incorporated in the form of Société Anonyme. Engagements with lower level of assurance are not common in Switzerland.
19. United Kingdom 20. Ireland	Yes	Except that no specific requirement is considered necessary in situation where auditor is unable to agree to change of engagement, and resigns or is removed, as auditor's statutory duty is laid out in law. Guidance is also included in SAS 140, §12,13.

ISA 220 QUALITY CONTROL FOR AUDIT WORK

ISA 220 establishes standards and provides guidance on quality control relating to the policies and procedures of an audit firm regarding audit work generally, and procedures regarding the work delegated to assistants on an individual audit.

The standard requires that quality control policies and procedures should be implemented at both the level of the audit firm and on individual audits. The audit firm should implement quality control policies and procedures designed to ensure that all audits are conducted in accordance with International Standards on Auditing or relevant national standards or practices [interpreted as national standards on auditing, for the purposes of this study.]

The standard suggests that the quality control policies to be adopted by an audit firm will normally incorporate:

- professional requirements [personnel in the firm are to adhere to the principles of independence, integrity, objectivity, confidentiality and professional behaviour];

- skills and competence [the firm is to be staffed by personnel who have attained and maintain the technical standards and professional competence required to enable them to fulfil their responsibilities with due care];

- assignment [audit work is to be assigned to personnel who have the degree of technical training and proficiency required in the circumstances];

- delegation [there is to be sufficient direction, supervision and review of work at all levels to provide reasonable assurance that the work performed meets appropriate standards of quality];

- consultation [whenever necessary, consultation within or outside the firm is to occur with those who have appropriate expertise];

- acceptance and retention of clients [an evaluation of prospective clients and a review, on an ongoing basis, of existing clients is to be conducted. In making a decision to accept or retain a client, the firm's independence and ability to serve the client properly and the integrity of the client's management are to be considered]; and

- monitoring [the continued adequacy and operational effectiveness of quality control policies and procedures is to be maintained].

ISA 220 requires the firm's general quality control policies and procedures to be communicated to its personnel in a manner that provides reasonable assurance that the policies and procedures are understood and implemented. The auditor should implement those quality control procedures which are, in the context of the policies and procedures of the firm, appropriate to the individual audit.

ISA 220 QUALITY CONTROL FOR AUDIT WORK

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	Yes	
5. Finland	Yes	
6. France	Yes	
7. Germany	Yes	
8. Italy Collegio Sindacale	No	
9. Italy Regulated Audit Firms	No	But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	
14. Romania	Yes	Except that the requirement for the audit firm to adopt specific policies relating to professional skills, competence, etc. is not found in the auditing standard but in the standard for auditors' behaviour.
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	
18. Switzerland	Yes	Except that policies on consultation and communication are not required. However, these are expected to be incorporated in the standard soon.
19. United Kingdom 20. Ireland	Yes	

ISA 230 DOCUMENTATION

ISA 230 establishes standards and provides guidance regarding documentation in the context of the audit of financial statements. The standard requires the auditor to document matters which are important in providing evidence to support the audit opinion and evidence that the audit was carried out in accordance with International Standards on Auditing [national standards on auditing, for the purpose of this study].

The standard requires the auditor to prepare working papers which are sufficiently complete and detailed to provide an overall understanding of the audit. The auditor should record in working papers information on planning, the audit work, the nature, timing and extent of the audit procedures performed, the results thereof, and the conclusions drawn from the audit evidence obtained.

ISA 230 requires that the auditor should adopt appropriate procedures for maintaining the confidentiality and safe custody of the working papers and for retaining them for a period sufficient to meet the needs of the practice and in accordance with legal and professional requirements of record retention.

ISA 230 DOCUMENTATION

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	Yes	
5. Finland	Yes	
6. France	Yes	
7. Germany	Yes	
8. Italy Collegio Sindacale	Yes	
9. Italy Regulated Audit Firms	Yes	
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	
14. Romania	Yes	
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	
18. Switzerland	Yes	
19. United Kingdom 20. Ireland	Yes	Except that there are no legal nor professional requirements on retention of records because it is considered inappropriate. However guidance is included in SAS 230 § 17.

ISA 240 FRAUD AND ERROR

ISA 240 establishes standards and provides guidance on the auditor's responsibility to consider fraud and error in an audit of financial statements. The standard requires that when planning and performing audit procedures and in evaluating and reporting the results thereof the auditor should consider the risk of material misstatements in the financial statements resulting from fraud or error.

In planning the audit, the standard requires the auditor to assess the risk that fraud and error may cause the financial statements to contain material misstatements and to inquire of management as to any fraud or significant error which has been discovered. Based on the risk assessment the auditor should design audit procedures to obtain reasonable assurance that misstatements arising from fraud and error that are material to the financial statements taken as a whole are detected.

Unless the audit reveals evidence to the contrary, the auditor is entitled to accept representations as truthful and records and documents as genuine. However, the auditor should plan and perform the audit with an attitude of professional scepticism, recognising that conditions or events may be found that indicate that fraud or error may exist.

When the application of audit procedures designed from the risk assessment indicates the possible existence of fraud or error, the auditor should consider the potential effect on the financial statements. If the auditor believes the indicated fraud or error could have a material effect on the financial statements, the auditor should perform appropriate modified or additional procedures. Where suspicion of fraud or error is not dispelled by the results of modified or additional procedures, the auditor should discuss the matter with management and consider whether the matter has been properly reflected or corrected in the financial statements. The auditor should consider the possible impact on the auditor's report.

The standard requires that the auditor should communicate factual findings to management as soon as practicable if:

- the auditor suspects fraud may exist, even if the potential effect on the financial statements would be immaterial; or
- fraud or significant error is actually found to exist.

If he concludes that the fraud or error has a material effect on the financial statements and has not been properly reflected or corrected in the financial statements, the auditor should express a qualified or an adverse opinion.

ISA 240 requires that if the auditor is precluded by the entity from obtaining sufficient appropriate audit evidence to evaluate whether fraud or error that may be material to the financial statements, has, or is likely to have, occurred, he should express a qualified opinion or a disclaimer of opinion on the financial statements on the basis of a limitation on the scope of the audit. If the auditor is unable to determine whether fraud or error has occurred because of limitations imposed by the circumstances rather than by the entity, the auditor should consider the effect on the auditors' report.

The auditor should consider the implications of fraud and significant error in relation to other aspects of the audit, particularly the reliability of management representations.

The auditor may conclude that withdrawal from the engagement is necessary. ISA 240 requires that, on receipt of an inquiry from the proposed auditor the existing auditor should advise whether there are any professional reasons why the proposed auditor should not accept the appointment. If permission from the client to discuss its affairs with the proposed auditor is denied by the client, that fact should be disclosed to the proposed auditor.

ISA 240 FRAUD AND ERROR

Country	Overall Complianc e	Commentary
1. Austria	Yes	Although there is no explicit standard dealing with fraud and error, the requirements of other standards, general auditing principles and law are considered adequate to enable compliance. In addition, according to KFS PG1 (Principles of Generally Accepted Auditing Procedures of Financial Statements), ISAs are additional sources to be considered. In Austrian company law there are regulations providing for criminal procedures in the case of issuing intentionally misstated financial statements and wrong management representations. There are also special regulations for withdrawal from the engagement.
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	No	But an exposure draft based on ISA 240 was released in Dec 96 and the process of finalising the standard will continue in 1998.
5. Finland	No	But: · error, as distinguished from fraud, is covered in Finnish standard; · audit of corporate governance is imposed by law (Auditing Act); · all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	Except that the obligation to inquire of management at the planning stage about discovered fraud and error is not explicit.
7. Germany	Yes	In Germany the auditor has the legal obligation to describe cases of fraud, which could not be finally assessed by the auditor, in his long-form audit report to the management and the supervisory board. This exceeds the respective ISA requirement.
8. Italy Collegio Sindacale	No	
9. Italy Regulated Audit Firms	No	But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	In addition, a limitation on the scope of the audit imposed by the entity rather than by circumstances requires the auditor to withdraw from the engagement.
12. Norway	Yes	
13. Portugal	Yes	Except that withdrawal is not possible.

ISA 240 FRAUD AND ERROR		
14. Romania	Yes	In the long form audit report to management the auditor has to systematically mention all anomalies discovered.
15. Slovenia	Yes	
16. Spain	No	But the requirements of other standards and general auditing principles are considered adequate to enable best practice.
17. Sweden	Yes	Except that: · there is no obligation to inquire of management about discovered fraud and error; however, on 29 May 1998, the Swedish Parliament amended the Companies Act to require the auditor to inquire of management about discovered fraud and to take certain actions in specific situations. · explicit guidance is not given in the situation where fraud or error is indicated, except that management should be informed; professional scepticism is inherent in Swedish standards but is not explicitly stated.
18. Switzerland	Yes	Except that the outgoing auditor is not authorised to communicate with the proposed auditor without client approval. However the outgoing auditor should state the reason for his resignation to the Board of Directors, which should be documented by the company in the minutes of the meetings of the Board of Directors.
19. United Kingdom 20. Ireland	Yes	Except that there is no obligation to inquire of management about any discovered fraud or significant error. However guidance is provided in SAS 110 § 26e.

ISA 250 CONSIDERATION OF LAWS AND REGULATIONS IN AN AUDIT OF FINANCIAL STATEMENTS

ISA 250 establishes standards and provides guidance on the auditor’s responsibility to consider laws and regulations in an audit of financial statements. When planning and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognise that non-compliance by the entity with laws and regulations may materially affect the financial statements; he should plan and perform the audit with an attitude of professional scepticism recognising that the audit may reveal conditions or events that would lead to questioning whether an entity is complying with laws and regulations.

The standard requires that in planning the audit, the auditor should obtain a general understanding of the legal and regulatory framework applicable to the entity and the industry and how the entity is complying with that framework. After obtaining the general understanding, the auditor should perform procedures to help identify instances of non-compliance with those laws and regulations where non-compliance should be considered when preparing financial statements, specifically: inquiring of management as to whether the entity is in compliance with such laws and regulations; and inspecting correspondence with the relevant licensing or regulatory authorities.

ISA 250 also requires the auditor to obtain sufficient appropriate audit evidence about compliance with those laws and regulations generally recognised by the auditor to have an effect on the determination of material amounts and disclosures in financial statements. The auditor should have a sufficient understanding of these laws and regulations in order to consider them when auditing the assertions related to the determination of the amounts to be recorded and the disclosures to be made. The auditor should be alert to the fact that procedures applied for the purpose of forming an opinion on the financial statements may bring instances of possible non-compliance with laws and regulations to the auditor's attention. The standard also requires that the auditor should obtain written representations that management has disclosed to the auditor all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

When the auditor becomes aware of information concerning a possible instance of non-compliance, the standard requires him to obtain an understanding of the nature of the act and the circumstances in which it has occurred, and sufficient other information to evaluate the possible effect on the financial statements. When the auditor believes there may be non-compliance, the auditor should document the findings and discuss them with management. He should also consider the implications of non-compliance in relation to other aspects of the audit, particularly the reliability of management representations.

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The auditor should, as soon as practicable, either communicate with the audit committee, the board of directors and senior management, or obtain evidence that they are appropriately informed, regarding non-compliance that comes to the auditor's attention. If in the auditor's judgement the non-compliance is believed to be intentional and material, the auditor should communicate the finding without delay. If the auditor suspects that members of senior management, including members of the board of directors, are involved in non-compliance, the auditor should report the matter to the next higher level of authority at the entity, if it exists, such as an audit committee or a supervisory board.

ISA 250 requires that when adequate information about the suspected non-compliance cannot be obtained, the auditor should consider the effect of the lack of audit evidence on the auditor's report. If the auditor concludes that the non-compliance has a material effect on the financial statements, and has not been properly reflected in the financial statements, the auditor should express a qualified or an adverse opinion.

If the auditor is precluded by the entity from obtaining sufficient appropriate audit evidence to evaluate whether non-compliance that may be material to the financial statements, has, or is likely to have, occurred, the auditor should express a qualified opinion or a disclaimer of opinion on the financial statements on the basis of a limitation on the scope of the audit. If the auditor is unable to determine whether non-compliance has occurred because of limitations imposed by the circumstances rather than by the entity, the auditor should consider the effect on the auditor's report.

The auditor may conclude that withdrawal from the engagement is necessary. On receipt of an inquiry from the proposed auditor, the existing auditor should advise whether there are any professional reasons why the proposed auditor should not accept the appointment. If permission from the client to discuss its affairs with the proposed auditor is denied by the client, that fact should be disclosed to the proposed auditor.

ISA 250 CONSIDERATION OF LAWS AND REGULATIONS IN AN AUDIT OF FINANCIAL STATEMENTS

Country	Overall Compliance	Commentary
1. Austria	Yes	Except that no specific requirements on withdrawal from the engagement are considered necessary in the standard because this is covered by the code of professional ethics.
2. Belgium	Yes	
3. Czech Republic	No	
4. Denmark	No	But there are specific requirements on legal and regulatory framework, written management representations, expression of qualified or adverse opinion in certain circumstances and withdrawal procedures. In practice, an audit in accordance with generally accepted auditing practice can only be performed under consideration of some of the rules set up in ISA 250.
5. Finland	No	The auditor is required to consider compliance with legislation relating to companies. Non-compliance with other legislation does not, as such, cause actions to be taken by the auditor. However, all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	Except that obtaining written representation that management has disclosed to the auditor known actual or possible non-compliance with laws and regulations is not a requirement.
7. Germany	Yes	Except that in the case where the existing auditor is not permitted by the client to discuss the relevant circumstances with the proposed auditor, the auditor is not permitted by law to disclose this fact to the proposed auditor.
8. Italy Collegio Sindacale	No	But this subject is regulated by civil law.
9. Italy Regulated Audit Firms	No	But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	In addition: · a limitation on the scope of the audit that is imposed by the entity rather than by circumstances, requires a withdrawal from the engagement; · the Rules of Conduct and Professional Practice 1994 do not consider it a breach of confidentiality if the existing auditor informs the proposed auditor without permission of the entity.

12. Norway	Yes	Except that there is no obligation for written management representation on non-compliance. The auditor is required to consider obtaining such representations but not necessarily in writing.
13. Portugal	Yes	Except that withdrawal would constitute change in terms of engagement and the law does not provide for such changes.
14. Romania	Yes	Except that there are no specific requirements to: · obtain written management representation; · understand the nature of non-compliance and obtain sufficient information to evaluate effect on financial statements. If withdrawal from engagement is necessary, there are no specific requirements on procedures vis-à-vis proposed auditor.
15. Slovenia	Yes	
16. Spain	No	However, in practice, an audit in accordance with generally accepted auditing principles can only be performed under consideration of the rules set up in ISA 250.
17. Sweden	No	The Swedish standard clearly states that the auditor must have regard to relevant/applicable laws and regulations but no special procedures have been considered necessary to define to help identify non-compliance. Professional scepticism is inherent in Swedish standards but is not explicitly stated.
18. Switzerland	No	There are no standards defining special procedures to help identify non-compliance, requiring the auditor to obtain sufficient appropriate audit evidence. The outgoing auditor is not authorised to communicate with the proposed auditor without client approval. However the outgoing auditor should state the reason for his resignation to the Board of Directors which should be documented by the company in the minutes of the meeting of the Board.
19. United Kingdom 20. Ireland	Yes	

ISA 300 PLANNING

ISA 300 establishes standards and provides guidance on planning an audit of financial statements. It is framed in the context of recurring audits; in a first audit, the auditor may need to extend the planning process beyond the matters discussed in ISA 300.

The standard requires the auditor to plan the audit work so that the audit will be performed in an effective manner. The auditor should develop and document an overall audit plan describing the expected scope and conduct of the audit. ISA 300 requires that the auditor should develop and document an audit program setting out the nature, timing and extent of planned audit procedures required to implement the overall audit plan. The overall audit plan and the audit program should be revised as necessary during the course of the audit.

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	Yes	
5. Finland	Yes	
6. France	Yes	
7. Germany	Yes	
8. Italy Collegio Sindacale	Yes	
9. Italy Regulated Audit Firms	Yes	
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	
14. Romania	Yes	
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	
18. Switzerland	Yes	
19. United Kingdom 20. Ireland	Yes	

ISA 310 KNOWLEDGE OF THE BUSINESS

ISA 310 establishes standards and provides guidance on what is meant by a knowledge of the business, why it is important to the auditor and to members of the audit staff working on an engagement, why it is relevant to all phases of an audit, and how the auditor obtains and uses that knowledge.

The standard requires the auditor, in performing an audit of financial statements, to have or obtain a knowledge of the business sufficient to enable the auditor to identify and understand the events, transactions and practices that, in the auditor's judgement, may have a significant effect on the financial statements or on the examination or audit report. The auditor should also ensure that assistants assigned to an audit engagement obtain sufficient knowledge of the business to enable them to carry out the audit work delegated to them.

ISA 310 requires that, to make effective use of knowledge about the business, the auditor should consider how it affects the financial statements taken as a whole and whether the assertions in the financial statements are consistent with the auditor's knowledge of the business.

ISA 310 KNOWLEDGE OF THE BUSINESS

Country	Overall Complianc e	Commentary
1. Austria	Yes	
2. Belgium	Yes	Except that there are no requirements relating to the subject of assistants.
3. Czech Republic	Yes	
4. Denmark	Yes	Except that the standard does not directly express the requirements relating to the subject of assistants and the effective use of knowledge about the business.
5. Finland	Yes	Except that the standard does not elaborate on the requirements relating to the subject of assistants and the effective use of knowledge about the business. However all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	
7. Germany	Yes	
8. Italy Collegio Sindacale	Yes	Except that the requirement to use the knowledge of the business in the audit is not explicit.
9. Italy Regulated Audit Firms	Yes	
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	
14. Romania	Yes	
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	
18. Switzerland	Yes	Except that there is no requirement on the effective use of knowledge about the business. However the standard is due to be revised.
19. United Kingdom 20. Ireland	Yes	

ISA 320 AUDIT MATERIALITY

ISA 320 establishes standards and provides guidance on the concept of materiality and its relationship with audit risk.

The standard requires that the auditor should consider materiality and its relationship with audit risk when conducting an audit. The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework.

ISA 320 requires that materiality should be considered by the auditor when:

- determining the nature, timing and extent of audit procedures; and
- evaluating the effect of misstatements.

In evaluating the fair presentation of the financial statements the auditor should assess whether the aggregate of uncorrected misstatements that have been identified during the audit is material.

The standard requires that, if management refuses to adjust the financial statements and the result of extended audit procedures do not enable the auditor to conclude that the aggregate of uncorrected misstatements is not material, the auditor should consider the appropriate modification to the auditor's report in accordance with ISA 700 "The Auditor's Report on Financial Statements" [for the purposes of this study - in accordance with relevant national standards on auditing]

ISA 320 AUDIT MATERIALITY

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	Yes	
5. Finland	Yes	Except that the standard does not deal with a modification to the auditor's report. However guidelines, although not binding on the auditors, cover this situation (see ISA 700). In any case all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	
7. Germany	Yes	
8. Italy Collegio Sindacale	Yes	
9. Italy Regulated Audit Firms	No	There is no requirement for the auditor to consider materiality when evaluating the effect of identified misstatements (assessment of the aggregate of uncorrected misstatements), and to consider the appropriate modification to the auditor's report. But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	
14. Romania	Yes	
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	
18. Switzerland	Yes	Except that the auditor will consider the aggregate of uncorrected misstatements in relation to evaluating compliance with legal requirements rather than fair presentation of the financial statements.
19. United Kingdom 20. Ireland	Yes	Except that the objective of an audit is considered inappropriate to be presented as a requirement in the form of a standard because it is only a definition. However guidance is included in SAS 100 §1.

ISA 400 RISK ASSESSMENTS AND INTERNAL CONTROL

ISA 400 establishes standards and provides guidance on obtaining an understanding of the accounting and internal control systems and on audit risk and its components: inherent risk, control risk and detection risk. The standard requires that the auditor should obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. The auditor should use professional judgement to assess audit risk and to design audit procedures to ensure it is reduced to an acceptably low level.

In developing the overall audit plan, the auditor should assess inherent risk at the financial statement level. In developing the audit program, the auditor should relate such assessment to material account balances and classes of transactions at the assertion level, or assume that inherent risk is high for the assertion.

ISA 400 requires that the auditor should obtain an understanding of the accounting system sufficient to identify and understand:

(a) major classes of transactions in the entity's operations;
(b) how such transactions are initiated;
(c) significant accounting records, supporting documents and accounts in the financial statements; and
(d) the accounting and financial reporting process, from the initiation of significant transactions and other events to their inclusion in the financial statements.

The auditor should obtain an understanding of the control environment sufficient to assess directors' and management's attitudes, awareness and actions regarding internal controls and their importance in the entity. He should also obtain an understanding of the control procedures sufficient to develop the audit plan.

After obtaining an understanding of the accounting and internal control systems, the standard requires that the auditor should make a preliminary assessment of control risk, at the assertion level, for each material account balance or class of transactions. The preliminary assessment of control risk for a financial statement assertion should be high unless the auditor:

- is able to identify internal controls relevant to the assertion which are likely to prevent or detect and correct a material misstatement; and
- plans to perform tests of control to support the assessment.

The auditor should document in the audit working papers:

- the understanding obtained of the entity's accounting and internal control systems; and
- the assessment of control risk.

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The standards requires that the auditor should obtain audit evidence through tests of control to support any assessment of control risk which is less than high. The lower the assessment of control risk, the more support the auditor should obtain that accounting and internal control systems are suitably designed and operating effectively. Based on the results of the tests of control, the auditor should evaluate whether the internal controls are designed and operating as contemplated in the preliminary assessment of control risk.

Before relying on procedures performed in prior audits the auditor should obtain audit evidence which supports this reliance. The auditor should also consider whether the internal controls were in use throughout the period. Before the conclusion of the audit, based on the results of substantive procedures and other audit evidence obtained by the auditor, the auditor should consider whether the assessment of control risk is confirmed.

ISA 400 requires that the auditor should consider the assessed levels of inherent and control risks in determining the nature, timing and extent of substantive procedures required to reduce audit risk to an acceptable level. Regardless of the assessed levels of inherent and control risks, the auditor should perform some substantive procedures for material account balances and classes of transactions. The higher the assessment of inherent and control risk, the more audit evidence the auditor should obtain from the performance of substantive procedures. When the auditor determines that detection risk regarding a financial statement assertion for a material account balance or class of transactions cannot be reduced to an acceptably low level, the auditor should express a qualified opinion or a disclaimer of opinion.

The standard requires that the auditor should make management aware, as soon as practical and at an appropriate level of responsibility, of material weaknesses in the design or operation of the accounting and internal control systems, which have come to the auditor's attention.

ISA 400 RISK ASSESSMENTS AND INTERNAL CONTROL

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	Except there is no presumption on preliminary assessment that internal control risk is high, although in practice there is no deviation from ISA 400.
3. Czech Republic	Yes	
4. Denmark	Yes	Except there is no presumption on preliminary assessment that internal control risk is high, although in practice there is no deviation from ISA 400.
5. Finland	Yes	Except that standards are not written in great detail on the following issues : · assessment of inherent risk; · procedures to enable full understanding of the accounting system and its impact on financial statements assertions; · assessment of management's attitudes to internal control; · obtaining audit evidence through tests of control to evaluate whether reliance can be made on internal controls; · assessment of control risk and the documentation thereof; · impact on audit opinion, if detection risk cannot be reduced to an acceptable (low) level; · making management aware of weaknesses of control systems. However all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	Except that assessment of inherent and control risks and its implications are covered as practical guidance developed in "notes d'informations" rather than standards.
7. Germany	Yes	Except that some of the ISA requirements are not explicitly mentioned in the existing German standards, which are however based upon the concept of risk assessment and internal control.
8. Italy Collegio Sindacale	Yes	Evaluation of internal controls is a specified procedure. However, guidance on the detailed components and relationships of audit risk is not given.
9. Italy Regulated Audit Firms	Yes	Except that no guidance is given on the concept of audit risk, its components and relationships between them. However, the assessment of the internal control is presented as a compulsory phase in order to decide the nature, timing and extent of audit procedures.
10. Luxembourg	Yes	
11. Netherlands	Yes	

ISA 400 RISK ASSESSMENTS AND INTERNAL CONTROL		
12. Norway	Yes	Except that the phrasing "at the assertion level" is not included in the assessment of control risk.
13. Portugal	Yes	Except that procedures for assessment of control risk are not in such great detail as outlined in ISA 400. However, general principles are the same.
14. Romania	Yes	
15. Slovenia	Yes	
16. Spain	Yes	Except that the audit risk components and in particular the risk assessments are presented in a summarized way and thus most of the detailed ISA requirements are not contained in the Spanish Standards. However, the audit methodology is based on the concept of risk and internal control.
17. Sweden	Yes	Except that procedures for assessment of control risk are not in such great detail as outlined in ISA 400. However, the general principles are the same.
18. Switzerland	Yes	
19. United Kingdom 20. Ireland	Yes	Except that: · it is considered inappropriate to require documentation of the assessment of control risk, because in some cases control risk may be assumed high without formal assessment. Only when an assessment of control risk at 'less than high' is to be the basis for reduced substantive procedures, is documentation likely to be necessary; · there is no requirement to reconsider assessment of control risk based on results of substantive procedures; · there is no requirement to obtain more audit evidence from substantive procedures, the higher the assessment of inherent and control risk. However, guidance is provided in SAS 300 and SAS 230.

ISA 401 AUDITING IN A COMPUTER INFORMATION SYSTEMS ENVIRONMENT

ISA 401 establishes standards and provides guidance on procedures to be followed when an audit is conducted in a computer information systems (CIS) environment. For the purposes of International Standards on Auditing, a CIS environment exists when a computer of any type or size is involved in the processing by the entity of financial information or significance to the audit, whether that computer is operated by the entity or by a third party.

The standard requires that the auditor should consider how a CIS environment affects the audit. The auditor should have sufficient knowledge of the CIS to plan, direct, supervise and review the work performed. He should also consider whether specialised CIS skills are needed in an audit. If the use of such a professional is planned, the auditor should obtain sufficient appropriate audit evidence that such work is adequate for the purposes of the audit, in accordance with ISA 620 "Using the Work of an Expert" [or, for the purposes of this study, an equivalent national standard on auditing].

In accordance with ISA 400 "Risk Assessments and Internal Control" [or, for the purposes of this study, an equivalent national standard on auditing] the auditor should obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach.

In planning the portions of the audit which may be affected by the client's CIS environment, the auditor should obtain an understanding of the significance and complexity of the CIS activities and the availability of data for use in the audit.

The standard requires that when the CIS are significant, the auditor should also obtain an understanding of the CIS environment and whether it may influence the assessment of inherent and control risks. In accordance with ISA 400 "Risk Assessments and Internal Control" [or, for the purposes of this study, an equivalent national standard on auditing] the auditor should make an assessment of inherent and control risks for material financial statement assertions. The auditor should also consider the CIS environment in designing audit procedures to reduce audit risk to an acceptably low level.

Country	Overall Compliance	Commentary
1. Austria	Yes	There is no standard specifically relating to CIS environment. However according to KFS PG 1 (Principles of Generally Accepted Auditing Procedures of Financial Statements), ISAs are additional sources to be considered, as far as they do not contradict Austrian regulations or other standards.
2. Belgium	Yes	
3. Czech Republic	Yes	Except that the use of CIS professional is not provided for nor regulated. However, the Chamber of Auditors circulated a manual in late 1997 on the Audit Approach of computer systems.

ISA 401 AUDITING IN A COMPUTER INFORMATION SYSTEMS ENVIRONMENT		
4. Denmark	Yes	
5. Finland	No	Although CIS has not been specifically addressed in standards, the subject is indirectly covered in standards regarding planning and risk assessment when discussing interim control environment. It has also been programmed that all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	No	There is no standard which specifically addresses the situation where CIS is significant. However Norm 2102.09 is on internal control in a CIS environment and practical guidance has been developed in "notes d'informations".
7. Germany	Yes	Except that the German standard does not explicitly differentiate between situations where CIS is significant and where CIS is not significant.
8. Italy Collegio Sindicale	No	
9. Italy Regulated Audit Firms	Yes	
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	There is no standard specifically relating to CIS environment. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	No	
15. Slovenia	Yes	
16. Spain	No	Specific and detailed guidance on procedures to be followed when auditing in a CIS is not developed in the Spanish standards. The requirements of ISA 401 are considered as implicitly covered in more general standards.
17. Sweden	No	There is no standard which specifically addresses the situation where CIS is significant.
18. Switzerland	No	Although the Institute has decided not to issue any standard comparable to ISA 401. It considers that the basic principles and procedures of an audit do not depend on the nature of the entity's information system and that the requirements of ISA 401 are covered by planning and other risk assessment.
19. United Kingdom 20. Ireland	No	APB considers that the nature of an entity's information system (e.g. CIS) does not call for a separate standard. All the requirements of ISA 401 serve only to reinforce the requirements of other ISAs.

ISA 402 AUDIT CONSIDERATIONS RELATING TO ENTITIES USING SERVICE ORGANIZATIONS

ISA 402 establishes standards and provides guidance to an auditor whose client uses a service organisation. The standard also describes the service organisation auditor's reports which may be obtained by client auditors.

The standard requires that the auditor should consider how a service organisation affects the client's accounting and internal control systems so as to plan the audit and develop an effective audit approach. The auditor should determine the significance of service organisation activities to the client and the relevance to the audit. If the client auditor concludes that the activities of the service organisation are significant to the entity and relevant to the audit the auditor should obtain sufficient information to understand the accounting and internal control systems and to assess control risk at either the maximum, or a lower level if tests of control are performed.

ISA 402 states that if the client auditor uses the report of a service organisation auditor, the auditor should consider making inquiries concerning that auditor's professional competence in the context of the specific assignment undertaken by the service organisation auditor.

When using a service organisation auditor's report the client auditor should consider the nature of and content of that report.

The client auditor should consider the scope of work performed by the service organisation auditor and should assess the usefulness and appropriateness of reports issued by the service organisation auditor.
For those specific tests of control and results that are relevant, a client auditor should consider whether the nature, timing and extent of such tests provide sufficient appropriate audit evidence about the effectiveness of the accounting and internal control systems to support the client auditor's assessed level of control risk.

The standard requires that when a client auditor uses a report from the auditor of a service organisation, no reference should be made in the client auditor's report to the auditor's report on the service organisation.

ISA 402 AUDIT CONSIDERATIONS RELATING TO ENTITIES USING SERVICE ORGANIZATIONS

Country	Overall Compliance	Commentary
1. Austria	Yes	There is no standard relating to the use of service organisations. However, according to KFS PG 1 (Principles of Generally Accepted Auditing Procedures of Financial Statements), ISAs are additional sources to be considered as far as they do not contradict Austrian regulations or other standards.
2. Belgium	No	
3. Czech Republic	No	
4. Denmark	No	But in practice the requirements are based on standard relating to auditing in a C.I.S. environment.
5. Finland	No	This subject has not yet been addressed. However all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	No	
7. Germany	Yes	Except that the German auditor has to report on the work of experts in his long form audit report according to §321 HGB (German Commercial Code).
8. Italy Collegio Sindacale	No	
9. Italy Regulated Audit Firms	No	But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	No	
15. Slovenia	Yes	
16. Spain	No	
17. Sweden	No	
18. Switzerland	No	
19. United Kingdom 20. Ireland	No	But is currently developing a standard on this subject.

ISA 500 AUDIT EVIDENCE

ISA 500 establishes standards and provides guidance on the quantity and quality of audit evidence to be obtained when auditing financial statements, and the procedures for obtaining that audit evidence.

The standard requires that the auditor should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion. When obtaining audit evidence from tests of control, the auditor should consider the sufficiency and appropriateness of the audit evidence to support the assessed level of control risk. When obtaining audit evidence from substantive procedures, the auditor should consider the sufficiency and appropriateness of audit evidence from such procedures together with any evidence from tests of control to support financial statement assertions.

ISA 500 requires that, if he is unable to obtain sufficient appropriate audit evidence, the auditor should express a qualified opinion or a disclaimer of opinion.

ISA 500 AUDIT EVIDENCE

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	Yes	
5. Finland	No	But all existing standards will be revised with objective of bringing them in line with all ISAs by 1999.
6. France	Yes	
7. Germany	Yes	
8. Italy Collegio Sindacale	Yes	
9. Italy Regulated Audit Firms	Yes	
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	
14. Romania	Yes	
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	
18. Switzerland	No	But consideration of sufficiency and appropriateness of audit evidence to support assessed level of control risk or to support financial statement assertions is covered in professional guidance rather than in the current auditing standards.
19. United Kingdom 20. Ireland	Yes	

ISA 501 AUDIT EVIDENCE - ADDITIONAL CONSIDERATIONS FOR SPECIFIC ITEMS

ISA 501 establishes standards and provides guidance additional to that in ISA 500 “audit evidence”, with respect to certain specific financial statement amounts and other disclosures.

The standard requires that when inventory is material to the financial statements, the auditor should obtain sufficient appropriate audit evidence regarding its existence and condition by attendance at physical inventory counting unless impracticable. If unable to attend the physical inventory count on the date planned due to unforeseen circumstances, the auditor should take or observe some physical counts on an alternative date and, when necessary, perform tests of intervening transactions. Where attendance is impracticable, due to factors such as of the nature and location of the inventory, the auditor should consider whether alternative procedures provide sufficient appropriate audit evidence of existence and condition to conclude that the auditor need not make reference to a scope limitation.

The standard requires that when the accounts receivable are material to the financial statements and when it is reasonable to expect debtors will respond, the auditor should ordinarily plan to obtain direct confirmation of accounts receivable or individual entries in an account balance. When it is expected that debtors will not respond, the auditor should plan to perform alternative procedures. If a reply to a positive confirmation is not received, alternative procedures should be applied or the item treated as an error.

When management requests the auditor not to confirm certain accounts receivable balances, the auditor should consider whether there are valid grounds for such a request. Before accepting a refusal as justified, the auditor should examine any available evidence to support management's explanations. In such cases, the auditor should apply alternative procedures to the accounts receivable not subjected to confirmation.

The standard requires that the auditor should carry out procedures in order to become aware of any litigation and claims involving the entity which may have a material effect on the financial statements.
When litigation or claims have been identified or when the auditor believes they may exist, the auditor should seek direct communication with the entity's lawyers. The letter, which should be prepared by management and sent by the auditor, should request the lawyer to communicate directly with the auditor. If management refuses to give the auditor permission to communicate with the entity's lawyers, this would be a scope limitation and should ordinarily lead to a qualified opinion or a disclaimer of opinion.

The standard requires that when long-term investments are material to the financial statements, the auditor should obtain sufficient appropriate audit evidence regarding their valuation and disclosure.

The standard requires that when segment information is material to the financial statements. the auditor should obtain sufficient appropriate audit evidence regarding its disclosure in accordance with the identified financial reporting framework.

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	Except that neither standards nor recommendations refer to situation where inventory attendance is impracticable.

ISA 501 AUDIT EVIDENCE - ADDITIONAL CONSIDERATIONS FOR SPECIFIC ITEMS		
3. Czech Republic	Yes	Except that the standard does not cover situation when management requests auditor not to confirm certain receivable balances and alternative procedures required.
4. Denmark	No	However, in practice, the requirements of ISA 501 are followed according to general rules in the legislation on auditors and auditing standards as well as opinions expressed by FSR's Expert Opinions Committee.
5. Finland	No	The Finnish institute considers it inappropriate for standards to require specific procedures as these are based on the auditor's professional judgement. However, Finnish standard includes detailed description of procedures in respect of accounts receivable and inventories as examples. In any case, all existing ISAs will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	Except that: · certain alternative detailed procedures required by ISA 501 are not stated in French standards. However, practical guidance is provided in "notes d'information CNCC"; · obtaining sufficient and appropriate audit evidence for long-term investments and segment information are not covered by standards but considered inherent to the objectives of an audit.
7. Germany	Yes	In addition: · the German standard is also applicable to accounts payable, contingencies and forward contracts. · FG 1/1988 recommends consultation with lawyers to identify litigation risks.
8. Italy Collegio Sindacale	Yes	Except that certain alternative procedures, and the requirement to communicate with lawyers, are not specifically required.
9. Italy Regulated Audit Firms	Yes	Except that no guidance is given when management requests the auditor not to confirm certain accounts receivable and when management refuses to give the auditor permission to communicate with the entity's lawyers. But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	In addition, if management refuses to give the auditor permission to communicate with the entity's lawyers the situation is considered to create a scope limitation imposed by the entity. The auditor should not accept such scope limitations. If no alternative audit procedures are available, the auditor should consider withdrawal from the engagement.

ISA 501 AUDIT EVIDENCE - ADDITIONAL CONSIDERATIONS FOR SPECIFIC ITEMS		
12. Norway	Yes	Except that, for inventory, standard allows the use of other procedures which are equally or more efficient than attendance of physical inventory count. In situations of scope limitation relating to litigation, a disclaimer is required. Qualified opinion is not acceptable.
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	No	There is no standard which fully develops the methodology for audit evidence for specific items. But direct confirmation and attendance at physical inventory count procedures are in another standard and other general procedures in the Audit Guide.
15. Slovenia	Yes	
16. Spain	No	It is considered inappropriate for auditing standards to specify procedures as these are based on auditors's professional judgement to obtain sufficient audit evidence. Spanish standards include as examples of procedures, the attendance of physical inventory and confirmation of accounts receivable.
17. Sweden	Yes	Except that certain of the alternative detailed procedures required by ISA 501 are not specifically stated in Swedish standards. However, in substance, these procedures correspond to normal practice.
18. Switzerland	No	Swiss standards do not cover the following issues as specific requirements: · third party confirmation is not an obligation but recommended only if there is poor internal control or if procedure is considered more efficient than any other alternative procedure; · obtaining sufficient and appropriate audit evidence for long-term investments and segment information is not covered by specific audit standards.
19. United Kingdom 20. Ireland	No	It is considered that auditing standards should represent the basic principles and essential procedures of an audit. Accordingly, no standard comparable to ISA 501 has been issued. Standards do include a requirement to obtain 'sufficient appropriate audit evidence' (SAS 400.1). However, it is inappropriate for auditing standards to specify detailed procedures which auditors must follow in order to obtain such evidence. The selection of appropriate, cost-effective procedures is always a matter for the auditors' professional judgement taking account of the particular circumstances.

ISA 510 INITIAL ENGAGEMENTS - OPENING BALANCES

ISA 510 establishes standards and provides guidance regarding opening balances when the financial statements are audited for the first time or when the financial statements for a prior period were audited by another auditor. This standard would also be considered so the auditor may become aware of contingencies and commitments existing at the beginning of the period.

The standard requires that for initial audit engagements, the auditor should obtain sufficient appropriate audit evidence that:

- the opening balances do not contain misstatements that materially affect the current period's financial statements;
- the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, have been restated; and
- appropriate accounting policies are consistently applied or changes in accounting policies have been properly accounted for and adequately disclosed.

If, after performing appropriate procedures, the auditor is unable to obtain sufficient appropriate audit evidence concerning opening balances, the standard requires that the auditor's report should include:

- a qualified opinion;
- a disclaimer of opinion; or
- in those jurisdictions where it is permitted, an opinion which is qualified or disclaimed regarding the results of operations and unqualified regarding financial position.

If the opening balances contain [material] misstatement and the effect of the [material] misstatement is not properly accounted for and adequately disclosed, ISA 510 requires that the auditor should express a qualified opinion or an adverse opinion, as appropriate. If the current period's accounting policies have not been consistently applied in relation to opening balances and if the change has not been properly accounted for and adequately disclosed, the auditor should express a qualified opinion or an adverse opinion as appropriate.

The standard requires that if the entity's prior period auditor's report was modified and if a modification regarding the prior period's financial statements remains relevant and material to the current period's financial statements, the auditor should modify the current auditor's report accordingly.

ISA 510 INITIAL ENGAGEMENTS - OPENING BALANCES

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	No	But the Board of IRE has published a statement of interpretation which is consistent with ISA 510.
3. Czech Republic	Yes	
4. Denmark	Yes	
5. Finland	No	However the procedures described in ISA 510 are followed in practice. All existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	Except that the option of qualified/disclaimer opinion on results and unqualified opinion on financial position is not permitted because of French jurisdiction.
7. Germany	Yes	
8. Italy Collegio Sindacale	No	
9. Italy Regulated Audit Firms	No	There is no specific standard on this subject which provides explicit guidance regarding opening balances when the financial statements are audited for the first time. But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	Except that the option of qualified/disclaimer opinion on results and unqualified opinion on financial position is not included.
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	No	
15. Slovenia	Yes	
16. Spain	Yes	Except that some of the specific guidance on opening balances is not developed in the Spanish standards. The requirements of ISA 510 are considered as implicitly covered in more general standards.
17. Sweden	Yes	Except that Swedish standard does not cover situations where: · auditor is unable to obtain audit evidence concerning opening balances · opening balances contain material misstatement · accounting policies have not been consistently applied · prior period auditor's report was modified

ISA 510 INITIAL ENGAGEMENTS - OPENING BALANCES		
18. Switzerland	No	Because according to Swiss laws, the shareholders' AGM approves the financial statements. Once this is done, the figures cannot be changed. When opening balances are approved that auditor does not need to report on them. Misstatement in previous year's figures must be corrected through the extraordinary item in current year's figures.
19. United Kingdom 20. Ireland	Yes	

ISA 520 ANALYTICAL PROCEDURES

ISA 520 establishes standards and provides guidance on the application of analytical procedures during an audit.The standard requires that the auditor should apply analytical procedures at the planning and overall review stages of the audit.

The auditor should apply analytical procedures at the planning stage to assist in understanding the business and in identifying areas of potential risk. He should also apply analytical procedures at or near the end of the audit when forming an overall conclusion as to whether the financial statements as a whole are consistent with the auditor's knowledge of the business.

When analytical procedures identify significant fluctuations or relationships that are inconsistent with other relevant information or that deviate from predicted amounts, the standard requires that the auditor should investigate and obtain adequate explanations and appropriate corroborative evidence.

ISA 520 ANALYTICAL PROCEDURES

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	Yes	
5. Finland	No	However, analytical procedures are implemented in practice. All existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	
7. Germany	Yes	
8. Italy Collegio Sindacale	No	
9. Italy Regulated Audit Firms	Yes	
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	Yes	
15. Slovenia	Yes	
16. Spain	Yes	Except the obligation to apply analytical procedures at both the planning stage (to assist in identifying potential risk) and at the end of the audit (when forming an overall conclusion) is not explicitly stated.
17. Sweden	Yes	
18. Switzerland	No	But guidance is given in the Swiss Audit Manual.
19. United Kingdom 20. Ireland	Yes	

ISA 530 AUDIT SAMPLING

ISA 530 establishes standards and provides guidance on the design and selection of an audit sample and the evaluation of the sample results. The standard applies equally to both statistical and non-statistical sampling methods. Either method, when properly applied, can provide sufficient appropriate audit evidence.

The standard requires that when using either statistical or non-statistical sampling methods the auditor should design and select an audit sample, perform audit procedures there on and evaluate sample results so as to provide sufficient appropriate audit evidence.

When designing an audit sample, the auditor should consider the specific audit objectives, the population from which the auditor wishes to sample and the sample size. When determining the sample size, the auditor should consider sampling risk, the tolerable error and the expected error. ISA 530 requires that the auditor should select sample items in such a way that the sample can be expected to be representative of the population.

Having carried out, on each sample item, those audit procedures that are appropriate to the particular audit objective, the standard requires that the auditor should:

- analyse any errors detected in the sample;
- project the errors found in the sample to the population; and
- re-assess the sampling risk.

Note:

This description relates to the International Standard on Auditing effective at 31 December 1997. Since then, ISA 530 has been revised and re-issued to reflect changes towards a risk based approach which has reduced the impact of sampling, and to consider other forms of gathering items for audit testing. National Standard Setting bodies will be considering the extent to which local standards should be revised to reflect these changes.

ISA 530 AUDIT SAMPLING

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	No	But internal manuals of audit firms often set up detailed procedures which will satisfy the requirements of ISA 530.
5. Finland	No	However, all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	No	But guidance on sampling is developed in "notes d'informations".
7. Germany	Yes	
8. Italy Collegio Sindacale	Yes	Except that the details of sampling risk, tolerable error and expected error are not specified, nor is there guidance on the evaluation of the sample results.
9. Italy Regulated Audit Firms	Yes	Except that there is no explicit requirement for the auditor to consider sampling risk, the tolerable error and the expected error and that no guidance is given on the evaluation of the sample results. But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	No	But references to statistical sampling are given in the Audit Guide.
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	No	
18. Switzerland	No	But guidance on use of results on sampling is given in Swiss Audit Manual.
19. United Kingdom 20. Ireland	Yes	

ISA 540 AUDIT OF ACCOUNTING ESTIMATES

ISA 540 establishes standards and provides guidance on the audit of accounting estimates contained in financial statements. The standard is not intended to be applicable to the examination of prospective financial information, though many of the procedures outlined in the standard may be suitable for that purpose.

The standard requires that the auditor should obtain sufficient appropriate audit evidence regarding accounting estimates. The auditor should obtain sufficient appropriate audit evidence as to whether an accounting estimate is reasonable in the circumstances and, when required, is appropriately disclosed.

ISA 540 requires that the auditor should adopt one or a combination of the following approaches in the audit of an accounting estimate:

- review and test the process used by management to develop the estimate; or
- use an independent estimate for comparison with that prepared by management; or
- review subsequent events which confirm the estimate made.

The auditor should make a final assessment of the reasonableness of the estimate based on the auditor's knowledge of the business and whether the estimate is consistent with other audit evidence obtained during the audit.

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	No	But a standard has been drafted.
4. Denmark	Yes	Except there is no requirement for a final assessment of the reasonableness of the estimate.
5. Finland	No	But in practice, "Yes". Although it is not considered necessary to include detailed procedures in standards, all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	Except that there is no specific reference in the standard to the prescribed audit approaches, because they constitute practical guidance and are given elsewhere.
7. Germany	Yes	Except that there is no specific reference in the standard to the prescribed audit approaches because they are part of generally accepted auditing principles.
8. Italy Collegio Sindacale	Yes	Except that prescribed audit approaches are not specified.

ISA 540 AUDIT OF ACCOUNTING ESTIMATES		
9. Italy Regulated Audit Firms	Yes	Except that there is no specific standard on this subject defining the prescribed audit approaches. But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	No	
15. Slovenia	Yes	
16. Spain	Yes	Except that there is no specific reference in the standard to the prescribed audit approaches because they constitute practical guidance and are part of generally accepted principles.
17. Sweden	No	However, in practice, the answer would be "Yes" based on Swedish general principles of audit.
18. Switzerland	No	But practical guidance has been published in the Swiss Audit Manual.
19. United Kingdom 20. Ireland	Yes	

ISA 550 RELATED PARTIES

ISA 550 establishes standards and provides guidance on the auditor's responsibilities and audit procedures regarding related parties and transactions with such parties regardless of whether International Accounting Standard (IAS) 24, Related Party Disclosures, or similar requirement, is part of the financial reporting framework.

The standard requires that the auditor should perform audit procedures designed to obtain sufficient appropriate audit evidence regarding the identification and disclosure by management of related parties and the effect of related party transactions that are material to the financial statements. Where there is any indication that such circumstances exist, the auditor should perform modified, extended or additional procedures as are appropriate in the circumstances.

ISA 550 requires that the auditor should review information provided by the directors and management identifying the names of all known related parties and should perform the following procedures in respect of the completeness of this information:

- review prior year working papers for names of known related parties;
- review the entity's procedures for identification of related parties;
- inquire as to the affiliation of directors and officers with other entities;
- review shareholder records to determine the names of principal shareholders or, if appropriate, obtain a listing of principal shareholders from the share register;
- review minutes of the meetings of shareholders and the board of directors and other relevant statutory records such as the register of directors' interests;
- inquire of other auditors currently involved in the audit, or predecessor auditors, as to their knowledge of additional related parties; and
- review the entity's income tax returns and other information supplied to regulatory agencies.

If in the auditor's judgement the risk of significant related parties remaining undetected is low the standard indicates that these procedures may be modified as appropriate.

The standard requires that where the financial reporting framework requires disclosure of related party relationships, the auditor should be satisfied that the disclosure is adequate.

The auditor should review information provided by directors and management identifying related party transactions and should be alert for other material related party transactions. When obtaining an understanding of the accounting and internal control systems and making a preliminary assessment of control risk, the standard requires that the auditor should consider the adequacy of control procedures over the authorization and recording of related party transactions. In examining the identified related party transactions, the auditor should obtain sufficient appropriate audit evidence as to whether these transactions have been properly recorded and disclosed.

ISA 550 requires that the auditor should obtain a written representation from management concerning:

- the completeness of information provided regarding the identification of related parties; and
- the adequacy of related party disclosures in the financial statements.

If the auditor is unable to obtain sufficient appropriate audit evidence concerning related parties and transactions with such parties or concludes that their disclosure in the financial statements is not adequate, the standard requires that auditor should modify the audit report appropriately.

Note:

ISA 550 adopts, for the purposes of the International Standard on Auditing, the definition of related parties given in International Accounting Standard (IAS) 24, ie:

- Related parties - parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

- Related party transactions - a transfer of resources or obligations between related parties, regardless of whether a price is charged.

This definition is not reflected in all European accounting law and standards, and resultant disclosure in financial statements is not required in all countries. There is thus a consequent divergence of auditing practice within Europe in this area.

ISA 550 RELATED PARTIES

Country	Overall Compliance	Commentary
1. Austria	Yes	There is no Austrian standard on related parties; however in Austrian commercial code there are many regulations concerning related parties. Also, according to KGS PG 1, ISAs are additional sources to be considered, as far as they do not contradict regulations or other standards.
2. Belgium	Yes	Except that obtaining written management representation is not compulsory although considered good practice.
3. Czech Republic	No	The Ministry of Finance requires disclosure of some related party transactions; but the definition of related party is not as broad as IAS 24.
4. Denmark	No	But a special auditing standard on related parties is in the process of being developed. However the information is part of the accounts to be audited and there are some information requirements in the accounting legislation which as a consequence must be audited. The only direct requirement regarding related parties is that by auditing group accounts, transactions between group companies must be considered.
5. Finland	No	The Companies Act regulates the disclosure of certain related party transactions (loans, etc.) otherwise there are no other specific disclosure requirements concerning related party transactions. Thus it is not included in GAAS (generally accepted auditing standard) as audit procedure.
6. France	No	However, French law contains special requirements for management to provide the auditor with detailed information concerning certain related party transactions. A specific standard defines detailed audit and reporting procedures to be followed on the identified related party transactions.

ISA 550 RELATED PARTIES		
7. Germany	Yes	Except that German auditing standards do not specifically itemize the required detailed auditing procedures in respect of obtaining complete information on related parties.
8. Italy Collegio Sindacale	No	But the Principles cross-refer to civil law articles 2424 and 2428, which specify the auditor's legal approach.
9. Italy Regulated Audit Firms	No	But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	No	The standard is in draft stage, closely based on ISA 550. However reporting requirements are not very specific.
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	No	
15. Slovenia	Yes	
16. Spain	No	However, the Plan General de Contabilidad 1990 (decree on accounting and reporting requirements) requires that information on related parties should be disclosed in the accounts to be audited. The auditor's role in relation to these disclosures then falls under statutory audit procedures.
17. Sweden	No	But ISA 550 requirements are consistent with Swedish general principles of audit. Also, for public companies additional disclosure requirements on related parties has the same impact on the audit along the lines of ISA 550 requirements. The introduction of ISA 550 into the Swedish standard is scheduled for 1998.
18. Switzerland	No	The audit of related party transactions falls under common audit procedures. A specific statement on this subject is envisaged.
19. United Kingdom 20. Ireland	Yes	Except that it is considered inappropriate to require auditors to: · obtain evidence regarding the identification of all related parties; · perform specific procedures directed towards all known related parties identified by management; · consider adequacy of control procedures over related party transactions; · obtain written management representation on completeness of information provided. To do so would involve extensive audit procedures which would generally not be cost-effective. Accordingly, SAS 460 only addresses the auditors'role in relation to those disclosures of related party transactions (and of control) that are required by the relevant accounting standards.

ISA 560 SUBSEQUENT EVENTS

ISA 560 establishes standards and provides guidance on the auditor's responsibility regarding subsequent events. The term "subsequent events" is used to refer to both events occurring between the period end and the date of the auditor's report, and facts discovered after the date of the auditor's report

The standard requires that the auditor should consider the effect of subsequent events on the financial statements and on the auditor's report. The auditor should perform procedures designed to obtain sufficient appropriate audit evidence that all events up to the date of the auditor's report that may require adjustment of, or disclosure in, the financial statements have been identified. When the auditor becomes aware of events which materially affect the financial statements, ISA 560 requires that the auditor should consider whether such events are properly accounted for and adequately disclosed in the financial statements.

When, after the date of the auditor's report but before the financial statements are issued, the auditor becomes aware of a fact which may materially affect the financial statements, the standard requires that the auditor should consider whether the financial statements need amendment, should discuss the matter with management, and should take the action appropriate in the circumstances. When management does not amend the financial statements in circumstances where the auditor believes they need to be amended and the auditor's report has not been released to the entity, the auditor should express a qualified opinion or an adverse opinion.

When, after the financial statements have been issued, the auditor becomes aware of a fact which existed at the date of the auditor's report and which, if known at that date, may have caused the auditor to modify the auditor's report, ISA 560 requires that the auditor should consider whether the financial statements need revision, should discuss the matter with management, and should take the action appropriate in the circumstances. The new auditor's report should include an emphasis of a matter paragraph referring to a note to the financial statements that more extensively discusses the reason for the revision of the previously issued financial statements and to the earlier report issued by the auditor.

The standard requires that in cases involving the offering of securities to the public, the auditor should consider any legal and related requirements [for subsequent events] applicable to the auditor in all jurisdictions in which the securities are being offered.

ISA 560 SUBSEQUENT EVENTS

Country	Overall Compliance	Commentary
1. Austria	Yes	Except for the requirement of emphasis of matter paragraph in new auditor's report and public offering of securities as a subsequent event.
2. Belgium	Yes	Except that there is no requirement to consider legal plus related requirements concerning the public offering of securities.
3. Czech Republic	Yes	Except that there is no specific requirement to consider legal and related requirements for subsequent events in all jurisdictions in which securities are being offered.
4. Denmark	Yes	Except that there is no requirement to consider legal and related requirements concerning the public offering of securities.
5. Finland	No	This subject matter is not specifically covered. However the Companies Act states that the report of the directors must include material subsequent events; and this report is subject to a statutory audit.
6. France	Yes	Except that French law does not permit revision of financial statements after their approval by the shareholder's meeting. If a correction is needed, it will be made in the current year financial statements in accordance with applicable accounting standards. In cases involving public offering of securities French law requires the legal auditor to design specific controls which go beyond ISA 560.
7. Germany	Yes	Except that German legislation regarding statutory audits does not extend to public offering of securities.
8. Italy Collegio Sindacale	Yes	There is no specific standard but the civil law states the auditor's obligations.
9. Italy Regulated Audit Firms	Yes	Although there is no standard on this subject, national civil law article 2428 states the auditor's responsibility regarding subsequent events. But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	
14. Romania	No	But the concepts of impact of subsequent events are featured in the Audit Guide.

ISA 560 SUBSEQUENT EVENTS		
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	Except that: · modification of auditor's report for subsequent events is not yet regulated, but the requirements follow from normal audit principles. Financial statements are finalised when the AGM has agreed to adopt them and auditor may appear at the AGM. · there is no requirement to consider legal and related requirements concerning the public offering of securities.
18. Switzerland	Yes	Except that there is no requirement in Swiss standard to consider legal and related requirements concerning the public offering of securities. However, this has no practical relevance since in case of security offerings abroad, the auditor will normally report under ISA or US GAAS.
19. United Kingdom 20. Ireland	Yes	Except that there is no requirement that the new auditor's report should include an emphasis of matter paragraph referring to a note to the financial statements that more extensively discusses the reason for the revision. Guidance is included in SAS 150, paragraphs 18 (a) and (b). The obligation to report on subsequent events relating to offering of securities is not applicable because the statutory audit is not part of an offering of securities to the public. However, APB is currently developing standards on this subject.

ISA 570 GOING CONCERN

ISA 570 establishes standards and provides guidance on the auditor’s responsibilities in the audit of financial statements regarding the appropriateness of the going concern assumption as a basis for the preparation of the financial statements.

The standard requires that when planning and performing audit procedures and in evaluating the results thereof, the auditor should consider the appropriateness of the going concern assumption underlying the preparation of the financial statements. The auditor should consider the risk that the going concern assumption may no longer be appropriate.

When a question arises regarding the appropriateness of the going concern assumption, the standard requires that the auditor should gather sufficient appropriate audit evidence to attempt to resolve, to the auditor's satisfaction, the question regarding the entity's ability to continue in operation for the foreseeable future.

If adequate disclosure is made in the financial statements, ISA 560 requires that the auditor should ordinarily express an unqualified opinion and modify the auditor's report by adding an emphasis of a matter paragraph that highlights the going concern problem by drawing attention to the relevant note in the financial statements. If adequate disclosure is not made in the financial statements, the auditor should express a qualified or adverse opinion, as appropriate. If the result of the inappropriate assumption used in the preparation of the financial statements is so material and pervasive as to make the financial statements misleading, the auditor should express an adverse opinion.

Note:

IAPC is in the final stages of reviewing and revising ISA 570.

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	Yes	
5. Finland	Yes	
6. France	Yes	
7. Germany	Yes	Except that the standard does not require the auditor to issue an explanatory paragraph in the audit report in the situation where adequate disclosure is made. However, once the revision to the HGB becomes effective in 1999 (§ 322 Sec. 2 S. 2 HGB) this issue will be resolved to conform to ISA 570.

ISA 570 GOING CONCERN		
8. Italy Collegio Sindacale	Yes	
9. Italy Regulated Audit Firms	Yes	
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	Yes	Except that the standard does not address the issue of an explanatory paragraph in the audit report in the situation where adequate disclosure is made.
15. Slovenia	Yes	
16. Spain	Yes	Except that specific guidance on the auditor's responsibilities regarding the appropriateness of the going concern assumption is not developed and that the auditor will qualify his opinion (instead of adding an emphasis of a matter paragraph) when a going concern uncertainty exists.
17. Sweden	Yes	Except that the following issues are not specifically dealt with in the standard but follow from general principles of audit: · resolving doubts of going concern · explanatory paragraph in the audit report in the situation where adequate disclosure is made.
18. Switzerland	Yes	Except that if doubts exist about the continuity of the entity, the auditor should, in accordance with Swiss standards, issue a qualified opinion, which refers to the uncertainty of the underlying going-concern assumptions.
19. United Kingdom 20. Ireland	Yes	

ISA 580 MANAGEMENT REPRESENTATIONS

ISA 580 establishes standards and provides guidance on the use of management representations as audit evidence, the procedures to be applied in evaluating and documenting management representations and the action to be taken if management refuses to provide appropriate representations.

The standard requires that the auditor should obtain appropriate representations from management. The auditor should obtain evidence that management acknowledges its responsibility for the fair presentation of the financial statements in accordance with the relevant financial reporting framework, and has approved the financial statements.

The standard requires that the auditor should obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. If a representation by management is contradicted by other audit evidence, the auditor should investigate the circumstances and, when necessary, reconsider the reliability of other representations made by management.

If management refuses to provide a representation that the auditor considers necessary, this constitutes a scope limitation and the standard requires that the auditor should express a qualified opinion or disclaimer of opinion.

ISA 580 MANAGEMENT REPRESENTATIONS

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	Except that no formal representation that management acknowledges its responsibility for the fair presentation of the financial statements is required, as Belgian law clearly states management's responsibility for the presentation of the financial statements.
3. Czech Republic	Yes	
4. Denmark	Yes	
5. Finland	No	Finnish standard setters have specifically concluded that ISA 580 is inappropriate. According to the Companies Act the financial statements are signed off by the company's management and the management is primarily responsible for the statements. Auditor signs off the financial statements after management's signature. No separate management representations are considered necessary.
6. France	No	There are no French standards requiring auditors to obtain written representations from management. However, the auditor has to obtain evidence that management acknowledges its legal responsibilities before issuing the audit report.
7. Germany	Yes	Except that no formal representation that management acknowledges its responsibility for the fair presentation of the financial statements is required, as German law clearly states management's responsibility for the presentation of the financial statements.
8. Italy Collegio Sindacale	No	
9. Italy Regulated Audit Firms	Yes	Except that no guidance is given when management refuses to provide a representation that the auditor considers necessary. But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	In addition, if the auditor has reasons to believe that either information is kept behind wilfully or representations are untrue, the auditor would consider to withdraw from the engagement.
12. Norway	Yes	However, a disclaimer (not a qualified opinion) is required in situation where management refuses to provide a representation.
13. Portugal	Yes	
14. Romania	No	Obtaining written representation from the management is not mandatory but only recommended.

ISA 580 MANAGEMENT REPRESENTATIONS		
15. Slovenia	Yes	
16. Spain	No	But a draft standard has been approved by the Technical Committees of the three professional bodies. It is awaiting ratification by the ICAC, which is expected to take place in 1998.
17. Sweden	Yes	Except that the standard does not address the situation where management refuses to provide a representation.
18. Switzerland	Yes	Except that: · the purpose of the statutory audit is not the fair presentation of financial statements, but rather compliance with laws and by-laws · if evidence is not available, written representations from management will not suffice; the auditor would rather qualify his opinion.
19. United Kingdom 20. Ireland	Yes	

ISA 600 USING THE WORK OF ANOTHER AUDITOR

ISA 600 establishes standards and provides guidance when an auditor, reporting on the financial statements of an entity, uses the work of another auditor on the financial information of one or more components included in the financial statements of the entity. The standard does not deal with those instances where two or more auditors are appointed as joint auditors nor does it deal with the auditor's relationship with a prior auditor. Further, when the principal auditor concludes that the financial statements of a component are immaterial, this standard does not apply. When, however, several components, immaterial in themselves, are together material, the procedures outlined in this standard would need to be considered.

When the principal auditor uses the work of another auditor, the principal auditor should determine how the work of the other auditor will affect the audit. The auditor should consider whether the auditor's own participation is sufficient to be able to act as the principal auditor. When planning to use the work of another auditor, the principal auditor should consider the professional competence of the other auditor in the context of the specific assignment.

ISA 600 requires that the principal auditor should perform procedures to obtain sufficient appropriate audit evidence that the work of the other auditor is adequate for the principal auditor's purposes, in the context of the specific assignment. He should also consider the significant findings of the other auditor.

The standard requires that the other auditor, knowing the context in which the principal auditor will use the other auditor's work, should co-operate with the principal auditor.

When the principal auditor concludes that the work of the other auditor cannot be used and the principal auditor has not been able to perform sufficient additional procedures regarding the financial information of the component audited by the other auditor, the standard requires that the principal auditor should express a qualified opinion or disclaimer of opinion because there is a limitation in the scope of the audit.

The local regulations of some countries permit a principal auditor to base the audit opinion on the financial statements solely upon the report of another auditor regarding the audit of one or more components (ie much of the above would not apply). When the principal auditor does so, the principal auditor's report should state this fact clearly and should indicate the magnitude of the portion of the financial statements audited by the other auditor. [Please indicate if this paragraph is specifically applicable in your country].

ISA 600 USING THE WORK OF ANOTHER AUDITOR

Country	Overall Complianc e	Commentary
1. Austria	Yes	In addition there are special regulations in the Austrian commercial code in connection with consolidated financial statements.
2. Belgium	Yes	The principal auditor cannot base the audit opinion solely upon the report of another auditor.
3. Czech Republic	Yes	The principal auditor cannot base the audit opinion solely upon the report of another auditor.
4. Denmark	Yes	The principal auditor has full and independent responsibility and cannot base the audit opinion solely upon the report of another auditor.
5. Finland	No	This subject is currently not covered by Finnish standards. However, all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	Except that the auditor is not required to consider whether its own participation in the audit of the entity is sufficient to be able to act as the principal auditor. However guidance is given in other pronouncements. French law does not permit a principal auditor to base an opinion solely on another auditor's report (no division of responsibility).
7. Germany	Yes	Except that under German law the principal auditor is permitted to base the audit opinion solely upon the report of another auditor, if the other auditor is a German registered auditor or is - in the case of foreign subsidiaries - registered according to the EC-directive 84/253 or has a similar qualification. In such cases, however, the principal auditor is not permitted to refer to the work of another auditor in the auditor's report. In other cases the principal auditor has to comply with the requirements of ISA 600.
8. Italy Collegio Sindacale	No	In the case of consolidated financial statements, the members of the Collegio Sindacale of the parent company base their audit opinion upon the reports prepared by the members of the Collegio Sindacale of the subsidiary companies.
9. Italy Regulated Audit Firms	Yes	Except that the principal auditor can refer, in the auditor's report, to the report of another auditor. But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	The principal auditor is not permitted to base the audit opinion solely upon the report of another auditor.

ISA 600 USING THE WORK OF ANOTHER AUDITOR		
12. Norway	Yes	The principal auditor cannot base the audit opinion solely upon the report of another auditor.
13. Portugal	Yes	
14. Romania	No	
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	Except that the Swedish standard does not require the auditor to assess whether its own participation in the audit of the entity is sufficient to be able to act as the principal auditor. Swedish law does not permit a principal auditor to base the audit opinion solely upon the report of another auditor.
18. Switzerland	Yes	Except that the Swiss standard does not require the auditor to assess whether its own participation in the audit of the entity is sufficient to be able to act as the principal auditor. However, if the work of other auditors is important, the principal auditor can disclose the use of other auditors' work in his report. Further testing on the work of other auditors is only necessary if the principal auditor should reasonably assume that there is a qualification and independence problem with the other auditor. Swiss law permits a principal auditor to base the audit opinion solely upon the report of another auditor if the other auditor is a member of the Swiss institute (or equivalent), i.e. independent and competent. However, if the principal auditor does so, reporting this fact is optional and not an obligation.
19. United Kingdom 20. Ireland	Yes	The principal auditor cannot base the audit opinion solely upon the report of another auditor.

ISA 610 CONSIDERING THE WORK OF INTERNAL AUDITING

ISA 610 establishes standards and provides guidance to external auditors in considering the work of internal auditing. The standard does not deal with instances where personnel from internal auditing assist the external auditor in carrying out external audit procedures. The procedures noted in this standard needs only be applied to internal auditing activities which are relevant to the audit of the financial statements.

The standard requires the external auditor to consider the activities of internal auditing and their effect, if any, on external audit procedures. The external auditor should obtain a sufficient understanding of internal audit activities to assist in planning the audit and developing an effective audit approach.

During the course of planning the audit the standard requires that the external auditor should perform a preliminary assessment of the internal audit function when it appears that internal auditing is relevant to the external audit of the financial statements in specific audit areas. When the external auditor intends to use specific work of internal auditing, the external auditor should evaluate and test that work to confirm its adequacy for the external auditor's purposes.

ISA 610 CONSIDERING THE WORK OF INTERNAL AUDITING

Country	Overall Complianc e	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	No	
4. Denmark	Yes	
5. Finland	Yes	
6. France	Yes	
7. Germany	Yes	
8. Italy Collegio Sindacale	No	
9. Italy Regulated Audit Firms	Yes	
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	No	
15. Slovenia	Yes	
16. Spain	No	
17. Sweden	Yes	
18. Switzerland	Yes	
19. United Kingdom 20. Ireland	Yes	Except that it is considered inappropriate to require internal audit work to be tested, because other procedures may be available. However guidance is included in SAS 500 at §§ 18 and 19.

ISA 620 USING THE WORK OF AN EXPERT

ISA 620 establishes standards and provides guidance on using the work of an expert as audit evidence

The standard requires that when using the work performed by an expert, the auditor should obtain sufficient appropriate audit evidence that such work is adequate for the purpose of the audit. When planning to use the work of an expert, the auditor should assess the professional competence and objectivity of the expert. He should also obtain sufficient appropriate audit evidence that the scope of the expert's work is adequate for the purposes of the audit.

The auditor should assess the appropriateness of the expert's work as audit evidence regarding the financial statement assertion being considered. If the results of the expert's work do not provide sufficient appropriate audit evidence or if the results are not consistent with other audit evidence, the standard requires that the auditor should resolve the matter.

ISA 620 makes clear that, when issuing an unmodified auditor's report, the auditor should not refer to the work of an expert.

ISA 620 USING THE WORK OF AN EXPERT

Country	Overall Compliance	Commentary
1. Austria	Yes	
2. Belgium	Yes	
3. Czech Republic	No	
4. Denmark	No	Because the auditor has full and independent responsibility irrespective of the extent of the use of the work of an expert. The use of external experts is a part of the quality control policy of the individual audit firm, cf; auditing standard n° 4.
5. Finland	No	But in practice, "Yes". All existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	
7. Germany	Yes	The German auditor has to report on the work of experts in his long form audit report according to § 321 HGB (German Commercial Code). However referring to the work of an expert in the auditor's report is not permitted in order to avoid the impression of a division of responsibility.
8. Italy Collegio Sindacale	No	
9. Italy Regulated Audit Firms	No	But a draft standard approved by the "Commission for the Enactment of Auditing Standards" exists.
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	Yes	
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	No	
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	Except that not referring to the work of an expert in an unmodified auditor's report is not explicitly regulated but applied in practice.
18. Switzerland	No	But the development of such a standard is being considered.
19. United Kingdom 20. Ireland	Yes	Except that it is considered inappropriate for auditing standards to specify all the things auditors should not do. However guidance is included in SAS 520 at § 22.

ISA 700 THE AUDITOR'S REPORT ON FINANCIAL STATEMENTS

ISA 700 establishes standards and provides guidance on the form and content of the auditor’s report issued as a result of an audit performed by an independent auditor of the financial statements of an entity.

The standard requires that the auditor should review and assess the conclusions drawn from the audit evidence obtained as the basis for the expression of an opinion on the financial statements. The auditor's report should contain a clear written expression of opinion on the financial statements taken as a whole.

ISA 700 requires that the auditor's report should have an appropriate title. It should be appropriately addressed as required by the circumstances of the engagement and local regulations. The auditor's report should identify the financial statements of the entity that have been audited, including the date of and period covered by the financial statements. It should also include a statement that the financial statements are the responsibility of the entity's management, and a statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit, and should describe the scope of the audit by stating that the audit was conducted in accordance with ISAs or in accordance with relevant national standards or practices as appropriate.

The standard requires that the report should include a statement that the audit was planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. It should describe the audit as including: examining, on a test basis, evidence to support the financial statement amounts and disclosures; assessing the accounting principles used in the preparation of the financial statements; assessing the significant estimates made by management in the preparation of the financial statements; & evaluating the overall financial statement presentation. The report should include a statement by the auditor that the audit provides a reasonable basis for the opinion.

ISA 700 requires that the auditor's report should clearly state the auditor's opinion as to whether the financial statements give a true and fair view (or are presented fairly, in all material respects), in accordance with the financial reporting framework and, where appropriate, whether the financial statements comply with statutory requirements. In any situation where it is not evident which country's accounting principles have been used, the country should be stated.

The auditor should date the report as of the completion date of the audit. Since the auditor's responsibility is to report on the financial statements as prepared and presented by management, the auditor should not date the report earlier than the date on which the financial statements are signed or approved by management.

The report should be signed in the name of the audit firm, the personal name of the auditor, or both, as appropriate. It should name a specific location, which is ordinarily the city where the auditor maintains the office that has responsibility for the audit.

The standard requires that an unqualified opinion should be expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all material respects), in accordance with the identified financial reporting framework.

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ISA 700 requires that the auditor should modify the auditor's report by adding a paragraph to highlight a material matter regarding a going concern problem. The auditor should also consider modifying the auditor's report by adding a paragraph if there is a significant uncertainty (other than a going concern problem), the resolution of which is dependent upon future events and which may affect the financial statements.

The standard requires that a qualified opinion should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being `except for' the effects of the matter to which the qualification relates.

A disclaimer of opinion should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

An adverse opinion should be expressed when the effect of a disagreement is so material and persuasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Whenever the auditor expresses an opinion that is other than unqualified, a clear description of all the substantive reasons should be included in the report and, unless impracticable, a quantification of the possible effect(s) on the financial statements.

When there is a limitation on the scope of the auditor's work that requires expression of a qualified opinion or a disclaimer of opinion, the auditor's report should describe the limitation and indicate the possible adjustments to the financial statements that might have been determined to be necessary had the limitation not existed.

If disagreements [with management] are material to the financial statements, the auditor should express a qualified or an adverse opinion.

Country	Overall Compliance	Commentary
1. Austria	Yes	Except that Austrian law does not allow a disclaimer of opinion. The report and its wording is prescribed by Austrian law.
2. Belgium	Yes	
3. Czech Republic	Yes	

ISA 700 THE AUDITOR'S REPORT ON FINANCIAL STATEMENTS		
4. Denmark	Yes	
5. Finland	Yes	Except that: · the Finnish standard on this subject matter applies only to unmodified auditor's report. There are only guidelines (which have lower status, i.e. not binding on auditor) to cover all other expressions of audit opinion; · as prescribed by the Auditing Act, the wording of the auditor's report does not include assessing significant estimates as part of audit procedures undertaken; · there is no written guidance on dating of report but the report is dated when issued; · there are no specific requirements on stating location (of auditor's office) nor which country's accounting principles have been used.
6. France	Yes	Except that the situation where it is not evident which country's accounting principles have been used is not envisaged.
7. Germany	Yes	Except that the following are not required by law nor standard: · title, addressee, date and period covered by the financial statements, clarification of respective responsibilities between management and auditors; · to state which country's accounting principles have been used in situation where it is not evident; · to highlight going concern problems which are properly reflected in the financial statements. However, the German auditor is not precluded from preparing an auditor's report according to ISA 700, if he uses the legally prescribed wording of the opinion in the opinion paragraph. According to legal regulations in Germany, the auditor has to issue an opinion (unqualified, qualified or adverse), i.e. disclaimer of opinion is not permitted. However, as a result of the revision of the German Commercial Code (KonTraG), the auditor will have to report in the form of an auditor's report with requirements covering those of ISA 700. The legal standard wording of the auditor's opinion will be eliminated.
8. Italy Collegio Sindacale	No	The existing standard complies with the requirements of the Civil Code (article 2429).
9. Italy Regulated Audit Firms	No	There is a standard but it is not followed by the auditors of listed companies because CONSOB regulates the form of audit report.
10. Luxembourg	Yes	
11. Netherlands	Yes	Except that disclaimer of opinion is not applicable as it relates to a scope limitation imposed by the entity which is not acceptable in the Netherlands.

12. Norway	Yes	Except that: · statements regarding key audit procedures do not include reference to planning and basis for opinion; · when there is a scope limitation, the limitation will be described, but possible adjustments will not be indicated.
13. Portugal	Yes	
14. Romania	Yes	
15. Slovenia	Yes	
16. Spain	Yes	Except that: · there is no requirement to include in the auditor's report, although it is obvious, a specific statement that the audit provides a reasonable basis for the opinion and that it was planned and performed to obtain a reasonable assurance about whether the financial statements are free of material misstatements; · a qualified opinion is expressed when there is a significant uncertainty instead of adding a paragraph to highlight the matter.
17. Sweden	Yes	Except that highlighting a material matter regarding a going concern problem is not a requirement but is generally applied in practice. However, a major project of adopting the national equivalent of ISA 700 is approaching its final stage, and implementation was made from beginning of 1998. Assessing significant estimates is not included in the description of the audit.
18. Switzerland	Yes	Except that Swiss law does not permit a disclaimer of opinion. The auditors have to recommend to the shareholders to either accept or reject the financial statements. A limitation of scope which is imposed by management would normally lead to a recommendation to reject the financial statements. If the nature of the limitation is such that it is not practical to be lifted, the auditor may then decide to qualify the accounts and to recommend the acceptance despite the scope limitation. It is also to be noted that in Switzerland, the financial statements are not required to give a true and fair view, as silent reserves are allowed. In such a case, the auditor will issue an unqualified compliance report rather than confirm a true and fair view.
19. United Kingdom 20. Ireland	Yes	Except that: · it is considered inappropriate to specify the financial reporting framework, because the opinion to be included in the auditors' report should follow the statutory requirements; · location does not have to be included because it is of little practical significance. However guidance is included in SAS 600 at § 77 · it is considered that a situation, where it is not evident which country's accounting principles have been used, cannot arise in a statutory audit.

ISA 710 COMPARATIVES

ISA 710 establishes standards and provides guidance on the auditor's responsibilities regarding comparatives. It does not deal with the situation when summarised financial statements are presented with the audited financial statements. The standard requires that the auditor should determine whether the comparatives comply in all material respects with the financial reporting framework relevant to the financial statements being audited. It recognises two distinct frameworks - that of "corresponding figures" and that of "comparative financial statements". [This summary focuses only on "corresponding figures."]

The auditor should obtain sufficient appropriate audit evidence that the corresponding figures meet the requirements of the relevant financial reporting framework

When the comparatives are presented as corresponding figures, the standard requires that the auditor should issue an audit report in which the comparatives are not specifically identified because the auditor's opinion is on the current period financial statements as a whole, including the corresponding figures.

When the auditor's report on the prior period, as previously issued, included a qualified opinion, disclaimer of opinion or adverse opinion and the matter which gave rise to the modification is unresolved, the auditor's report should be modified regarding the corresponding figures, whether or not the issue results in a modification of the auditor's report regarding the current period figures.

If the auditor becomes aware of a material misstatement that affects the prior period financial statements on which an unmodified report was previously issued, the auditor should consult ISA 560 "Subsequent events" [or, for the purposes of this study, the relevant national standard on auditing]. If the prior period financial statements have been revised and re-issued with a new auditor's report, the auditor should be satisfied that the corresponding figures agree with the revised financial statements. If the prior period financial statements have not been revised and reissued, and the corresponding figures have not been properly restated and/or appropriate disclosures have not been made, the auditor should issue a modified report on the current period financial statements modified with respect to the corresponding figures included therein.

In some jurisdictions, the incoming auditor is permitted to refer to the predecessor auditor's report on the corresponding figures; when he decides to refer to another auditor, the incoming auditor's report should indicate:

- that the financial statements of the prior period were audited by another auditor;
- the type of report issued by the predecessor auditor and, if the report was modified, the reasons there for; and
- the date of that report.

When the prior period financial statements are not audited, the incoming auditor should state in the auditor's report that the corresponding figures are unaudited.

In situations where the incoming auditor identifies that the corresponding figures are materially misstated, the auditor should request management to revise the corresponding figures or if management refuses to do so, appropriately modify the report.

ISA 710 COMPARATIVES

Country	Overall Compliance	Commentary
1. Austria	Yes	Referring to the predecessor auditor's report on the corresponding figures is not applicable. Modification of auditor's report may be necessary in specific circumstances; the fact must be disclosed in the auditor's report.
2. Belgium	No	But the Board of IRE has published a statement of interpretation which is consistent with ISA 710. Referring to the predecessor auditor's report on the corresponding figures is not applicable.
3. Czech Republic	No	But a standard has been drafted. In any case, there is a general recommendation of Chamber of Auditors to apply ISA in this situation (if applicable).
4. Denmark	Yes	Referring to the predecessor auditor's report on the corresponding figures applies only if the report is qualified.
5. Finland	No	Specific requirements relating to comparatives are considered unnecessary, since it is rare (due to statutory regulations) that prior period financial statements would not be audited. In any case, all existing standards will be revised with the objective of bringing them in line with all ISAs by 1999.
6. France	Yes	The incoming auditor is not permitted to refer to the predecessor auditor except if the auditor's report is modified because of a scope limitation on the opening balances. In any case, no revision and re-issue of financial statements is possible in the French context.
7. Germany	Yes	Except that: · a modification of the auditor's report in the case that incorrect prior year's figures and corresponding figures are shown as corresponding figures is not permitted by law, if the fact that current year's figures and corresponding figures are not comparable is adequately disclosed in the financial statements; · referring to the predecessor auditor's report is not permitted in German law. · there is no requirement to modify the auditor's report if the prior year's figures have not been audited. This fact has no implication on the audit procedures to be performed, as the standards on the audit of opening balances are applicable in the case of audited and unaudited prior year's financial statements.
8. Italy Collegio Sindacale	No	

ISA 710 COMPARATIVES		
9. Italy Regulated Audit Firms	No	The auditor's opinion is only on the current period figures and a reference is made to the prior period auditor's report.
10. Luxembourg	No	But the standard equivalent to ISA 710 is expected to be approved soon by the Audit Standards Committee and would then be submitted for formal Council approval in 1998.
11. Netherlands	Yes	
12. Norway	No	No explicit requirements concerning comparatives exist. But a standard based on ISA 710 is planned. The auditor's opinion is on the current period financial statements as a whole, including the corresponding figures. Due to extensive statutory audit requirements, it seldom occurs that prior period financial statements are not audited.
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.
14. Romania	No	
15. Slovenia	Yes	
16. Spain	Yes	
17. Sweden	Yes	Except that when the auditor's report on the prior period was qualified/disclaimer, modification of the current auditor's report regarding the corresponding figures is not an obligation in Sweden. However, a qualified opinion would be issued if the matter is still unresolved. Referring to the predecessor auditor's report is possible but the reporting is not as explicitly laid out as in ISA 710.
18. Switzerland	No	Because the Swiss principle is that of comparative financial statements (rather than corresponding figures) it is not considered necessary to have a specific standard.
19. United Kingdom 20. Ireland	Yes	Except that referring to the predecessor auditor's report on corresponding figures is not applicable in UK and Ireland. It is considered inappropriate to automatically require a modification in the auditor's report when the prior period's financial statement are not audited because the auditor may have been able to obtain sufficient appropriate audit evidence: guidance is included in SAS 450 at §24.

ISA 720 OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

ISA 720 establishes standards and provides guidance on the auditor's consideration of other information on which the auditor has no obligation to report, in documents containing audited financial statements. This standard applies when an annual report is involved, however, it may also apply to other documents, such as those used in securities offerings.

The standard requires that the auditor should read the other information to identify material inconsistencies with the audited financial statements. If on reading the other information, the auditor identifies a material inconsistency, the auditor should determine whether the audited financial statements or the other information needs to be amended.

If an amendment is necessary in the audited financial statements and the entity refuses to make the amendment, the standard requires that the auditor should express a qualified or adverse opinion. If an amendment is necessary in the other information and the entity refuses to make the amendment, the auditor should consider including in the auditor's report an emphasis of matter paragraph describing the material inconsistency or taking other actions.

If the auditor becomes aware that the other information appears to include a material misstatement of fact, the auditor should discuss the matter with the entity's management. When the auditor still considers there is an apparent misstatement of fact, the auditor should request management to consult with a qualified third party, such as the entity's legal counsel and should consider the advice received.

If the auditor concludes that there is a material misstatement of fact in the other information which management refuses to correct, the auditor should consider taking further appropriate action. When revision of the other information is necessary but management refuses to make the revision, the auditor should consider taking further appropriate action.

ISA 720 OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Country	Overall Complianc e	Commentary
1. Austria	Yes	There is no standard specifically relating to this subject. However, according to KGS PG 1, ISAs are additional sources to be considered, as far as they do not contradict Austrian regulations or other standards. If there is an apparent misstatement of fact, there is no requirement to request management to consult with a qualified third party.
2. Belgium	Yes	
3. Czech Republic	Yes	
4. Denmark	Yes	Except that the auditor is not obliged to request management to consult with a qualified third party.
5. Finland	No	There is formally no requirement for auditing other information contained in financial statements. However, in practice, ISA 720 requirements are followed.
6. France	Yes	
7. Germany	No	The German auditors have no general obligation to read other information containing audited financial statements. However, audit procedures in connection with subsequent events and the management report comprise a substantial part of other information in the sense of ISA 720. Material inconsistencies between other information and audited financial statements have no impact on the auditor's report, if they do not reflect material mistakes in the financial statements. If the auditor becomes aware of such inconsistencies he has to inform management accordingly.
8. Italy Collegio Sindacale	No	But guidance for members of the Collegio Sindacale on this subject is provided by the Civil Code (articles 2403-2423-2428).
9. Italy Regulated Audit Firms	No	But a document is being prepared by the "Commission for the Enactment of Auditing Standards".
10. Luxembourg	Yes	
11. Netherlands	Yes	
12. Norway	No	But basically, the requirements mentioned in ISA 720 are covered in practice. If necessary it should be emphasized in the audit that such other information has not been audited. If amendment is necessary in the audited financial statements, this will affect the audit opinion.
13. Portugal	Yes	There is no specific standard on this subject. However, where there is no standard, auditors are obliged to follow the relevant ISA.

ISA 720 OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS		
14. Romania	No	
15. Slovenia	Yes	
16. Spain	No	There is no specific standard on the auditor's consideration of other information on which he has no obligation to report, in documents containing audited financial statements.
17. Sweden	Yes	Except that there is no explicit requirement to identify a material inconsistency in the other information and consider amendments. However, it is applied in practice.
18. Switzerland	No	
19. United Kingdom 20. Ireland	Yes	Except that it is considered inappropriate to require: · modification of the auditor's report when the entity refuses to make amendments to the other information. Although it is a possible course of action for the auditors, they may need legal advice on how to proceed: SAS 160.3 requires auditors to consider appropriate action; · auditors to request management to obtain third party advice, because this may not be the most appropriate method of resolving the disagreement regarding an apparent misstatement of fact; · further appropriate action where management refuses to amend the information, because SAS 600.9 specifies that auditors do not express an opinion on the financial statements until the other information has been approved by the directors and considered by the auditors.