



Auditing and Assurance Standards Council

**Philippine Preface
to IFAC's Implementation Guide:**

**Guide to Using International Standards on
Auditing in the Audits of Small-and
Medium-sized Entities**

Philippine Preface to IFAC's Implementation Guide:

Guide to Using International Standards on Auditing in the Audits of Small-and Medium-sized Entities

(This Philippine Preface should be read in conjunction with the IFAC's Preface to the Guide.)

Introduction

1. In December 2007, the International Federation of Accountants (IFAC) released its first edition of the Implementation Guide, *Guide to Using International Standards on Auditing in the Audits of Small-and Medium-sized Entities* (the Guide). The Guide was commissioned by the IFAC Small and Medium Practices Committee (SMPC) to assist practitioners on the audit of small-and medium-sized entities (SMEs) and to promote consistent application of International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB).
2. The Guide provides non-authoritative guidance on applying ISAs issued by the IAASB as at December 31, 2006 as set out in the 2007 edition of IFAC's *Handbook of International Auditing, Assurance, and Ethics Pronouncements*. It is intended as a supplementary reference material to help practitioners, specially those with small-and-medium-sized practices, understand and consistently implement the ISAs on SME audits.
3. The SMPC intends to update the Guide on a regular basis. The next update is scheduled for late 2009 and will be based on the newly clarified ISAs that take effect for audit of periods beginning on or after December 15, 2009. The SMPC welcomes comments on the first edition of the Guide; the comments will be used to assess the Guide's usefulness and to improve it prior to publishing the second edition.

Review by AASC Task Force and Recommendations

4. As part of the primary purpose of the Auditing and Assurance Standards Council (AASC or Council) of adopting the pronouncements issued by the IAASB, the AASC has formed a Task Force to review the first edition of the Guide and to make recommendations on how best the Guide can be adopted and implemented in the Philippines.
5. Based on its review, the AASC Task Force concluded that the Guide will be very useful to all practitioners as it offers a practical "how-to" audit approach that practitioners may use when undertaking a risk-based audit of an SME. The Task Force, therefore, has recommended the adoption of the Guide in the Philippines.

6. The Task Force's recommendation to adopt the Guide includes the following points:
 - a. The Guide will be adopted and issued by the AASC without making the Guide Philippine-specific (similar to the process used in issuing PSAs, such as changing ISAs to PSAs, preparing footnotes to cite relevant regulatory requirements, etc.). Considering that the Guide is a thick document, making it Philippine-specific will be very tedious, especially of the graphs and process maps included in the Guide. But just the same, the Guide as presently written under international perspective can be understood and used as reference in the Philippines without difficulty. There would be not much value to be gained in trying to make the Guide Philippine-specific at this time.
 - b. The Case Study used in the Guide to demonstrate how the ISAs can be applied in practice will be retained in its entirety (i.e., names and currency will not be changed).
 - c. While the Guide has not been made Philippine-specific, users will be required to use the relevant Philippine Standards on Auditing (PSAs) corresponding to the specific ISAs referred to in the Guide. This is to ensure that the Philippine-specific changes made in the PSAs are considered in applying the Guide to audits of Philippine SMEs.
 - d. The Guide will no longer be exposed for comment before its release to the public as no new auditing standards are being established by the issuance of the Guide.
 - e. There is no need to have the Guide approved by the Professional Regulation Commission and the Board of Accountancy for the same reason that no new auditing standards are being established by the issuance of the Guide.

Approval by the AASC

7. During its meeting on July 28, 2008, the AASC approved the above recommendations of the Task Force and the issuance of the Guide with an accompanying Philippine Preface to the Guide.
8. The AASC encourages the immediate use and application of the Guide by audit practitioners.

This document, “Guide to Using International Standards on Auditing in the Audits of Small-and Medium-sized Entities,” issued by the IAASB, was unanimously approved for adoption on July 28, 2008 by the members of the Auditing and Assurance Standards Council.

Benjamin R. Punongbayan, *Chairman*

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