



Auditing Standards and Practices Council

**PREFACE TO THE INTERNATIONAL
STANDARDS ON QUALITY CONTROL, AUDITING,
REVIEW, OTHER ASSURANCE
AND RELATED SERVICES**

AND

**PREFACE TO THE PHILIPPINE
STANDARDS ON QUALITY CONTROL, AUDITING,
REVIEW, OTHER ASSURANCE
AND RELATED SERVICES**

**PREFACE TO THE INTERNATIONAL STANDARDS ON QUALITY
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CONTROL, AUDITING, REVIEW, OTHER ASSURANCE
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CONTENTS

	<u>Pages</u>
Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services	1-12
Preface to Philippine Standards on Quality Control, Auditing, Review, Other Assurance and Related Services	13-20
Appendix: Structure of Pronouncements issued by the IAASB and ASPC	

Preface

The “Preface to the International standards on Quality Control, Auditing, Review, Other Assurance and Related Services” has been approved by the Board of the International Federation of Accountants in July 2003. Minor conforming amendments have been reflected subsequent to July 2003. Further changes have been reflected based on the proposed amendments issued in July 2004 relating to the IAASB due process and working procedures.

In the year 2001, the Auditing Standards and Practices Council (ASPC) of the Philippines has decided to adopt International Standards on Auditing (ISAs) and International Auditing Practice Statements (IAPs) issued by the then International Auditing Practices Committee (IAPC), now the International Auditing and Assurance Standards Board (IAASB) which was established by the International Federation of Accountants (IFAC) to take over the development and issuance of International Standards on Quality Control, Auditing, Assurance and Related Services, collectively referred to as IAASB’s Standards and Practice Statements.

As part of its decision to adopt IAASB’s technical pronouncements, the ASPC has adopted the “Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services” presented in this document. At the same time, for the information of interested parties, the ASPC has also adopted a similar Preface called “Preface to Philippine Standards on Quality Control, Auditing, Review, Other Assurance and Related Services” presented starting on page 13 which supersedes the “Preface to Philippine Standards on Auditing and Related Services” previously issued by the ASPC.

**PREFACE TO THE INTERNATIONAL STANDARDS ON QUALITY
CONTROL, AUDITING, REVIEW, OTHER ASSURANCE
AND RELATED SERVICES**

CONTENTS

	<u>Paragraphs</u>
Introduction	1-4
The International Auditing and Assurance Standards Board	5-9
The Authority Attaching to International Standards Issued by the International Auditing and Assurance Standards Board	10-19
The Authority Attaching to Practice Statements Issued by the International Auditing and Assurance Standards Board	20-21
Other Papers Published by the International Auditing and Assurance Standards Board	22
Working Procedures	23-48
Language	49

INTRODUCTION

1. This preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services (“International Standards” or “IAASB’s Standards”) is issued to facilitate understanding of the objectives and operating procedures of the International Auditing and Assurance Standards Board (IAASB) and the scope and authority of the pronouncements it issues, as set forth in the IAASB’s Interim Terms of Reference.
2. The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “the worldwide development and enhancement of an accountancy profession with harmonized standards, able to provide services of consistently high quality in the public interest.” In pursuing this mission, the IFAC Board has established the IAASB to develop and issue, under its own authority, high quality standards on auditing, assurance and related services engagements (“Engagement Standards,” as defined in paragraph 13), related Practice Statements and quality control standards for use around the world.
3. The IAASB’s pronouncements govern audit, assurance and related services engagements that are conducted in accordance with International Standards. They do not override the local laws or regulations that govern the audit of historical financial statements or assurance engagements on other information in a particular country required to be followed in accordance with that country’s national standards. In the event that local laws or regulations differ from, or conflict with, the IAASB’s Standards on a particular subject, an engagement conducted in accordance with local laws or regulations will not automatically comply with them. A professional accountant should not represent compliance with the IAASB’s Engagement Standards unless the professional accountant has complied fully with all of those relevant to the engagement.
4. The IAASB is committed to the goal of developing a set of International Standards generally accepted worldwide. To further this goal, the IAASB works cooperatively with national standard setters, and takes a lead role in joint projects with them, to promote convergence between national and international standards and achieve acceptance of IAASB’s Standards.

THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

5. The IAASB is a Board established by IFAC.

6. The members of the IAASB are appointed by the IFAC Board to serve on the IAASB. The IAASB comprises eighteen members, ten of whom are put forward by member bodies of IFAC, five of whom are put forward by the Forum of Firms,¹ and three public members who may be members of IFAC member bodies but shall not be members in public practice. Candidates for appointment as public members may be put forward by any individual or organization. In addition, a limited number of observers, from bodies that have an appropriate interest in issuing or endorsing standards, may be appointed who will have the privilege of the floor but will be entitled to vote. These observers would be expected to possess the technical skills to participate fully in IAASB debates and attend IAASB meetings regularly to maintain an understanding of current issues. Candidates put forward, including the Chair of the IAASB, are considered for appointment by IFAC's Nominating Committee. The selection process is based on the principle of "the best person for the job." IAASB members serve for three years, with one third of the IAASB membership rotating every year. Continuous service by a member on the IAASB is limited to two (2) consecutive three (3) year terms, unless that member is appointed to serve as Chair for a further period of not more than three years. IAASB members act in the common interest of the public at large and the worldwide accountancy profession. This could result in their taking a position on a matter that is not in accordance with current practice in their country or firm or not in accordance with the position taken by those who put them forward for membership of the IAASB. Each IAASB member has the right to appoint one technical advisor who may participate in the discussions at IAASB meetings.
7. IAASB members who absent themselves from two meetings in any twelve month period may be requested to resign from the IAASB.
8. The IAASB may appoint task forces to assist it in the development of materials. These task forces may include individuals who are not members of the IAASB.
9. IAASB meetings to discuss the development, and to approve the issuance, of International Standards, Practice Statements or other papers are open to the public. Agenda papers, including minutes of the meetings of the IAASB, are published on the IAASB's web site.

¹ The Forum of Firms is a collaboration of public accounting firms that share the common objective to promote consistently high standards of financial reporting and auditing worldwide in the interest of users of the profession's services and the general public.

**THE AUTHORITY ATTACHING TO INTERNATIONAL STANDARDS ISSUED
BY THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS
BOARD**

10. International Standards on Auditing (ISAs) are to be applied in the audit of historical financial information.
11. International Standards on Review Engagements (ISREs) are to be applied in the review of historical financial information.
12. International Standards on Assurance Engagements (ISAEs) are to be applied in assurance engagements dealing with subject matters other than historical financial information.
13. International Standards on Related Services (ISRSs) are to be applied to compilation engagements, engagements to apply agreed-upon procedures to information and other related services engagements as specified by the IAASB.
14. ISAs, ISREs, ISAEs and ISRSs are collectively referred to as the IAASB's Engagement Standards.
15. International Standards on Quality Control (ISQCs) are to be applied for all services falling under the IAASB's Engagement Standards.
16. The IAASB's Standards contain basic principles and essential procedures (identified in bold type lettering) together with related guidance in the form of explanatory and other material, including appendices. The basic principles and essential procedures are to be understood and applied in the context of the explanatory and other material that provide guidance for their application. It is therefore necessary to consider the whole text of a Standard to understand and apply the basic principles and essential procedures.
17. The nature of the IAASB's Standards requires professional accountants to exercise professional judgment in applying them. In exceptional circumstances, a professional accountant may judge it necessary to depart from a basic principle or essential procedure of an Engagement Standard to achieve more effectively the objective of the engagement. When such a situation arises, the professional accountant should be prepared to justify the departure.
18. Any limitation of the applicability of a specific International Standard is made clear in the standard.

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19. In circumstances where specific International Standards or guidance contained in an International Standard are not applicable in a public sector environment, or when additional guidance is appropriate in such an environment, IFAC's Public Sector Committee so states in a Public Sector Perspective (PSP). When no PSP is added, the International Standard is to be applied as written to engagements in the public sector.

**THE AUTHORITY ATTACHING TO PRACTICE STATEMENTS ISSUED BY
THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD**

20. International Auditing Practice Statements (IAPSs) are issued to provide interpretive guidance and practical assistance to professional accountants in implementing ISAs and to promote good practice. International Review Engagement Practice Statements (IREPSs), International Assurance Engagement Practice Statements (IAEPSs) and International Related Services Practice Statements (IRSPSs) are issued to serve the same purpose for implementation of ISREs, ISAEs and ISRSs, respectively.
21. Professional accountants should be aware of and consider Practice Statements applicable to the engagement. A professional accountant who does not consider and apply the guidance included in a relevant Practice Statement should be prepared to explain how the basic principles and essential procedures in the Engagement Standard(s) addressed by the Practice Statement have been complied with.

**OTHER PAPERS PUBLISHED BY THE INTERNATIONAL AUDITING AND
ASSURANCE STANDARDS BOARD**

22. Other papers, for example Discussion Papers, are published to promote discussion or debate on auditing, assurance and related services and quality control issues affecting the accounting profession, present findings, or describe matters of interest relating to auditing, assurance, related services and quality control issues affecting the accounting profession. They do not establish any basic principles or essential procedures to be followed in audit, assurance or related services engagements.

IAASB DUE PROCESS AND WORKING PROCEDURES

IAASB's Standards and Practice Statements

Project Identification, Prioritization and Approval

23. Projects to develop new, or revise existing, International Standards or Practice Statements are identified based on international and national developments, input from IAASB members and their technical advisors, or recommendations received from interested parties including, but not limited to, audit oversight authorities, regulators, national standard setters, the IAASB Consultative Advisory Group² (CAG) and the Public Interest Oversight Board³ (PIOB).
24. Based on research and appropriate consultation with the IAASB CAG, a project proposal is prepared for consideration by the IAASB Steering Committee.⁴ Project proposals are circulated to other IFAC Committees and Task Forces,⁵ including the IFAC Ethics Committee, the IFAC Transnational Auditors Committee, the IFAC Small- and Medium-Sized Practices Task Force and the IFAC Developing Nations Task Force, to identify matters of possible relevance to the project.

² The objective of the IAASB Consultative Advisory Group (CAG) is to provide a forum where the IAASB can consult with individuals, or representatives of organizations, interested in the development of high quality international standards on quality control, audits, reviews, other assurance and related services designed to serve the public interest in order to obtain: (a) views on the IAASB's agenda and project timetable (work program), including project priorities; (b) technical advice on projects; and (c) the views of CAG on other matters of relevance to the activities of the IAASB. The membership, terms of reference and operating procedures of CAG are published on the IAASB website.

³ The Public Interest Oversight Board (PIOB) oversees IFAC standard setting activities in the areas of audit standards, independence, and other ethical standards for auditors, audit quality control and assurance standards. It also oversees IFAC's proposed Compliance Program. The objective of the PIOB is to increase the confidence of investors and others that the public interest activities of IFAC (including the setting of standards by IFAC boards and committees) are properly responsive to the public interest. The membership, terms of reference and operating procedures of the PIOB are published on the IFAC website.

⁴ The IAASB Steering Committee (Steering Committee) is a standing committee of the IAASB. The purpose of the Steering Committee is to formulate views and advise the IAASB on matters of strategic and operational importance to the IAASB, while also relieving the IAASB of the need to address certain administrative matters that do not necessarily require deliberation by the IAASB. The membership, terms of reference and operating procedures of the Steering Committees are published on the IAASB website.

⁵ The membership, terms of reference and operating procedures of IFAC Committees and Task Forces are published on the IFAC website.

25. The IAASB Steering Committee determines whether to recommend the project proposal for approval by the IAASB. If a project proposal is recommended to the IAASB, the IAASB discusses the proposal in an open meeting and if it accepts the proposal, approves the commencement of the project. The IAASB Chair determines the priorities of approved projects in consultation with the IAASB Steering Committee. Where the IAASB CAG or the PIOB has recommended a project for consideration by the IAASB, the IAASB Chair informs the IAASB CAG and the PIOB of the decisions of the IAASB.

Research, Consultation and Debate

26. After approval of a project proposal and appropriate consultation with the IAASB as necessary, the IAASB Steering Committee assigns responsibility for the project to a Project Task Force established for that purpose. The Project Task Force will ordinarily be chaired by a member of the IAASB and may contain participants, such as external experts who are not members of the IAASB but have experience relevant to the subject matter being addressed by the Project Task Force. In addition, a separate group of experts may be established to advise a Project Task Force. The IAASB may also conduct projects jointly⁶ with a national standard setter(s) or others. In such cases, the joint Project Task Force is ordinarily chaired by a member of the IAASB, or chaired jointly.
27. The Project Task Force has the initial responsibility for the preparation of a draft International Standard or Practice Statement. The Project Task Force develops its positions based on appropriate research and consultation, which may include, depending on the circumstances: commissioning research, consulting with the IAASB CAG, practitioners, regulators, national standard setters and other interested parties, as well as reviewing professional pronouncements issued by IFAC member bodies and other parties. Project Task Force meetings are not open to the public.
28. Agenda papers, including issues papers and draft International Standards or Practices Statements prepared by Project Task Forces, for the IAASB's review and debate are published on the IAASB website in advance of each IAASB meeting.⁷ IAASB meetings to discuss the development, and to approve the

⁶ Joint projects are subject to the due process described in this paper. If exposed separately both internationally and by the national standard setter with whom the project is being jointly developed, IAASB may additionally have regard to comments received by the national standard setter, where they may be relevant internationally. The final document approved by IAASB becomes an International Standard or Practice Statement in the normal way. It may differ from the corresponding document, if any, approved by the collaborating national standard setter.

⁷ Historical copies of agenda papers are retained on the IAASB website and highlights of each meeting and updated project summaries are posted to the website after each meeting.

issuance, of International Standards and Practice Statements are open to the public.⁸ The meetings and agenda papers are in English which is the official working language of IFAC. Minutes of the immediately preceding meeting of the IAASB are published on the IAASB website in advance of each IAASB meeting.

29. The Project Task Force recommends, and the IAASB specifically considers, whether there is a need to hold a public forum or roundtable, or issue a consultation paper, soliciting views on a matter under consideration at any stage, whether before or after a draft International Standard or Practice Statement is issued for public exposure. Web cast technology may be used to conduct a public forum or roundtable in an economic and efficient manner. In deciding upon the need to hold a public forum or roundtable or to issue a consultation paper, the IAASB considers whether the subject of the International Standard or Practice Statement, the level of interest, the need for additional information in order to further the IAASB's deliberative process, or some other reason indicates that wider or further consultation would be appropriate.

Public Exposure

30. When approved, the IAASB exposes proposed International Standards for public comment, and ordinarily exposes proposed Practice Statements for public comment.
31. Each exposure draft is accompanied by an explanatory memorandum that highlights the objective(s) of, and the significant proposals contained in, the draft International Standard or Practice Statement. The explanatory memorandum may also direct respondents to aspects of the draft International Standard or Practice Statement on which specific feedback is sought.
32. Exposure drafts are placed on the IAASB's website where they can be accessed free of charge and are widely distributed to member bodies of IFAC, regulatory bodies, organizations that have an interest in quality control, auditing, review, other assurance and related services standards and practice statements, and the general public. To allow adequate time for due consideration and comment from all interested parties, the exposure period will ordinarily be 90 days.

⁸ Matters of a general administrative nature or with privacy implications may be dealt with in closed sessions.

Responses to Exposure Drafts and Consideration of Respondents' Comments

33. An acknowledgement of receipt is sent to every respondent to an exposure draft. Respondents' comments are considered a matter of public record and are posted in a readily accessible format on the IAASB website after the end of the exposure period. IAASB members, their technical advisers and task force members who are not members of the IAASB are notified when comment letters have been made available on the IAASB website. A number of printed copies of the exposure draft and comment letters are also made available for the reference purpose of IAASB members at the IAASB meeting in which the project is scheduled for discussion. Task Force members may request such printed copies at any time if they prefer to work with this format rather than electronic copies.
34. The comments and suggestions received within the exposure period as a result of public exposure are read and considered by the Project Task Force.⁹ To facilitate the deliberative process the IAASB is ordinarily provided with a revised proposed International Standard or Practice Statement and an Issues Paper that analyzes the comments received, summarizes the main issues raised and outlines the recommendations of the Project Task Force. The Issues Paper also includes the rationale of the Project Task Force in arriving at its conclusions and, as considered appropriate by the Task Force, the reason(s) why significant changes recommended by a respondent(s) were or were not accepted. In addition to careful study of the Issues Paper, IAASB members make themselves aware of key points made by respondents within the context of the response letters.
35. Before a final International Standard or Practice Statement is issued, the IAASB gives due consideration to comments received.⁹ The IAASB deliberates significant matters raised in comment letters received, with significant decisions made by the IAASB recorded in the minutes of the meeting of the IAASB. The IAASB may decide to discuss with respondents their letters of comment or to explain to them the reason(s) for not having accepted their proposals. It is expected that this will be regular practice for comments received from members of the Monitoring Group.¹⁰ The nature and outcome of such discussions are

⁹ The Project Task Force, and thereby the IAASB, may not be able to give full consideration to comments received after the end of an exposure period.

¹⁰ The Monitoring Group includes representatives of the International Organization of Securities Commissions, the Basel Committee on Banking Supervision, the Financial Stability Forum, the European Commission, the International Association of Insurance Supervisors and the World Bank. The Monitoring Group's responsibilities include briefing the PIOB regarding significant events in the regulatory environment, and among other things, acting as the vehicle for dialogue between regulators and the international accountancy profession. The membership, terms of reference and operating procedures of the Monitoring Group are published on the IFAC website.

reported and recorded in the minutes of the IAASB meeting at which the related project is discussed.

36. Project agenda papers contain a cumulative summary of the significant decisions made by the IAASB on matters relating to the project, including its position on the main points raised in comment letters. In circumstances where several iterations of significant changes to an exposure draft are made, and where practicable, a summary comparative analysis of the proposed revised final International Standard or Practice Statement to the exposure draft is provided to the IAASB.

Re-exposure

37. The Project Task Force recommends to the IAASB whether re-exposure is necessary, and explains the basis for the recommendation. The IAASB formally votes whether re-exposure is required, subject to the same voting requirements as the publication of an exposure draft or the issuance of a final International Standard or Practice Statement.
38. In determining the need to re-expose an International Standard or Practice Statement, the IAASB assesses whether, as a result of the comments received on exposure, there has been substantial change to the exposed International Standard or Practice Statement and, if so, whether those changes warrant the need to re-expose. Situations that constitute potential grounds for a decision to re-expose may include, for example, substantial change to a proposal arising from matters not previously deliberated by the IAASB or aired in the exposure draft, or substantial change to the substance of an International Standard or Practice Statement.

Final International Standard or Practice Statement

39. At the point of approval of a final International Standard or Practice Statement, the IAASB Technical Director confirms to the IAASB that the IAASB's stated due process has been followed.
40. When the revised draft is approved, it is issued as a definitive International Standard or Practice Statement. The IAASB will set an effective date for the application of its International Standards. The IAASB will set a date from which professional accountants should be aware of and consider a relevant Practice Statement.

41. The features and transparency of IAASB's due process ordinarily obviate the need for the IAASB to issue a separate document explaining its basis for conclusions. In the rare circumstance where the IAASB decides that additional communication is necessary, however, such a document may be issued.

Other Papers Published by the International Auditing and Assurance Standards Board

42. For other papers, the IAASB Chair will appoint a review group of four IAASB members to consider whether a draft paper has sufficient merit to be added to the IAASB's assurance and auditing literature. The draft paper may come from any source and the IAASB need not have specifically commissioned it. If the review group believes that the paper has sufficient merit it recommends to the IAASB that the paper be published and added to its literature.

Voting

43. Each IAASB meeting requires the presence, in person or by simultaneous telecommunication link, of at least twelve appointed members.
44. The affirmative votes of at least two thirds of the members present at a meeting in person or by simultaneous telecommunications link or by proxy, but not less than twelve, is required to approve exposure drafts, re-exposure drafts, International Standards and Practice Statements. Dissenting votes, including the reason(s) therefor, will be included in the minutes of the meeting.
45. Each member of the IAASB has the right to one vote. A member has the right to appoint a proxy in writing. The proxy may be the member's technical advisor or another IAASB member. The appointment of a proxy is disclosed at an IAASB meeting and recorded in the minutes of the meeting.
46. The IAASB may also use ballots where exposure drafts or final International Standards and Practices Statements are discussed at an IAASB meeting and a final draft is distributed and approved electronically subsequent to the meeting. Ballots may also be used where final discussion of the exposure draft or final International Standard or Practice Statement yields a significant number of changes and additional time for further consideration is considered necessary.

Other Matters

47. IAASB's annual report describes the manner in which the IAASB has complied with its due process during the period.

Matters of Due Process

48. If an issue over due process is raised with IAASB, whether by a third party or otherwise, the IAASB Steering Committee assesses the matter and, should it agree to pursue it, obtains relevant information from all parties concerned. If, based on the information so obtained, the Steering Committee concludes that there was a breach of the IAASB's stated due process, an appropriate resolution thereof is sought and communicated to the party raising the matter.

LANGUAGE

49. The sole authoritative text of an exposure draft, International Standard, Practice Statement or other paper is that published by the IAASB in the English language.

**PREFACE TO PHILIPPINE STANDARDS
ON QUALITY CONTROL, AUDITING, REVIEW,
OTHER ASSURANCE AND RELATED SERVICES**

CONTENTS

	<u>Paragraphs</u>
Introduction	1-4
The Auditing Standards and Practices Council	5-7
The Authority Attaching to Philippine Standards Issued by the ASPC	8-18
The Authority Attaching to Practice Statements Issued by the ASPC	19-20
Other Papers Published by the ASPC	21
Adoption of Philippine Standards and Practice Statements by the ASPC	22-30
Numbering of Philippine Standards and Practice Statements	31

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INTRODUCTION

1. This Preface to Philippine Standards on Quality Control, Auditing, Other Assurance and Related Services is issued to facilitate understanding of the objectives and operating procedures of the Auditing Standards and Practices Council (hereinafter referred to as “ASPC” or “Council”) and the scope and authority of the documents issued by the Council.
2. The mission of the ASPC as set out in its **Rules of Procedures** is “the promulgation of auditing standards, practices and procedures which shall be generally accepted by the accounting profession in the Philippines.”
3. It is the stated policy of the ASPC to make the International Standards and Practice Statements issued by the IAASB the applicable standards and practice statements in the Philippines. In this connection, to facilitate their implementation in the Philippines, the International Standards and Practice Statements are made Philippine-specific and are described as Philippine standards and practice statements as presented in paragraph 4. This process involves making Philippine-specific those paragraphs or sections in International Standards and Practice Statements that are addressed in broad terms to the international community as a whole to make them clearly applicable in the Philippines. It also involves providing additional information in certain paragraphs or sections, whenever necessary, to facilitate and clearly establish the application in the Philippines of the International Standards and Practice Statements. There are currently no fundamental differences between the IAASB International pronouncements and the equivalent ASPC Philippine pronouncements and no such differences are expected in the future.
4. The pronouncements of the ASPC shall be in the form of:
 - Philippine Standards on Quality Control (PSQCs)
 - Philippine Standards on Auditing (PSAs)
 - Philippine Standards on Review Engagements (PSREs)
 - Philippine Standards on Assurance Engagements (PSAEs)
 - Philippine Standards on Related Services (PSRSs)
 - Philippine Auditing Practice Statements (PAPSSs)
 - Philippine Review Engagement Practice Statements (PREPSs)
 - Philippine Assurance Engagement Practice Statements (PAEPSs)
 - Philippine Related Services Practice Statements (PRSPSs)

THE AUDITING STANDARDS AND PRACTICES COUNCIL

5. The ASPC was established by the Philippine Institute of CPAs (PICPA) and the Association of CPAs in Public Practice (ACPAPP).
6. The Council has 17 regular members coming from the following:

	<u>No. of Members</u>
Independent auditing firms	7
PICPA	5
ACPAPP	2
Board of Accountancy	1
Securities and Exchange Commission	1
Commission on Audit	1

Whenever there is a PICPA representative to the International Auditing and Assurance Standards Board (the then International Auditing Practices Committee), such PICPA representative becomes an ex-officio member of the Council.

7. The Council members from PICPA represent the following sectors (one representative each):

Academe
Commerce and Industry
Public Practice:
Luzon
Visayas
Mindanao

THE AUTHORITY ATTACHING TO PHILIPPINE STANDARDS ISSUED BY THE ASPC

8. As set forth in the ASPC's **Rules of Procedures**, "pronouncements on generally accepted auditing standards, interpretations, and opinions issued by the ASPC apply whenever an independent examination of financial statements of any entity, whether profit-oriented or not, and irrespective of size or legal form, when such examination is conducted for the purpose of expressing an opinion thereon. They may also have application, as appropriate, to other related activities of auditors."
9. Philippine Standards on Auditing (PSAs) are to be applied, as appropriate, in the audit of historical financial information.
10. Philippine Standards on Review Engagements (PSREs) are to be applied in the review of historical financial information.
11. Philippine Standards on Assurance Engagements (PSAEs) are to be applied in assurance engagements dealing with subject matters other than historical financial information.
12. Philippine Standards on Related Services (PSRSs) are to be applied to compilation engagements, engagements to apply agreed-upon procedures to information and other related services engagements as specified by the ASPC.
13. PSAs, PSREs, PSAEs and PSRSs are collectively referred to as the ASPC's Engagement Standards.
14. Philippine Standards on Quality Control (PSQCs) are to be applied for all services falling under the ASPC's Engagement Standards.
15. The ASPC's Standards contain basic principles and essential procedures (identified in bold type lettering) together with related guidance in the form of explanatory and other material, including appendices. The basic principles and essential procedures are to be understood and applied in the context of the explanatory and other material that provide guidance for their application. It is therefore necessary to consider the whole text of a Standard to understand and apply the basic principles and essential procedures.

16. The nature of the Philippine Standards issued by the ASPC requires professional accountants to exercise professional judgment in applying them. In exceptional circumstances, a professional accountant may judge it necessary to depart from a basic principle or essential procedure of an Engagement Standard to achieve more effectively the objective of the engagement. When such a situation arises, the professional accountant should be prepared to justify the departure.
17. Any limitation of the applicability of a specific Philippine Standard is made clear in the standard.
18. With respect to International Standards, in circumstances where specific International Standards or guidance contained in an International Standard are not applicable in a public sector environment, or when additional guidance is appropriate in such an environment, IFAC's Public Sector Committee so states in a Public Sector Perspective (PSP). When no PSP is added, the International Standard is to be applied as written to engagements in the public sector. With respect to Philippine Standards, this guidance is also applicable. Hence, Philippine Standards are to be applied as written to engagements in public sector, unless so stated that they do not apply in a public sector environment or they are not appropriate in such an environment.

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THE AUTHORITY ATTACHING TO PRACTICE STATEMENTS ISSUED BY THE ASPC

19. Philippine Auditing Practice Statements (PAPSS) are issued to provide interpretive guidance and practical assistance to professional accountants in implementing PSAs and to promote good practice. Philippine Review Engagement Practice Statements (PREPSs), Philippine Assurance Engagement Practice Statements (PAEPSs), and Philippine Related Services Practice Statements (PRSPSs) are issued to serve the same purpose for implementation of PSREs, PSAEs and PSRSs, respectively.
20. Professional accountants should be aware of and consider Practice Statements applicable to the engagement. A professional accountant who does not consider and apply the guidance included in a relevant Practice Statement should be prepared to explain how the basic principles and essential procedures in the Engagement Standard(s) addressed by the Practice Statement have been complied with.

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OTHER PAPERS PUBLISHED BY THE ASPC

21. Other papers, for example Discussion Papers, are published to promote discussion or debate on auditing, assurance and related services and quality control issues affecting the accounting profession, present findings, or describe matters of interest relating to auditing, assurance, related services and quality control issues affecting the accounting profession. They do not establish any basic principles or essential procedures to be followed in audit, assurance or related services engagements.

ADOPTION OF PHILIPPINE STANDARDS AND PRACTICE STATEMENTS BY THE ASPC

Approach

22. To facilitate the implementation in the Philippines of International Standards and Practice Statements, the ASPC undertakes a review of the existing International pronouncements and those that may be issued in the future to make them Philippine-specific as stated in paragraph 3 of this Preface. When changes are made to the original International pronouncements to make them Philippine-specific, these changes are shown clearly in the ASPC exposure drafts referred to in paragraph 26 of this Preface, such that deletions are stricken through with one line and additions are italicized and underlined. In addition, any significant changes to the International pronouncements are explained both in the ASPC exposure drafts and final Philippine Standards or Practice Statements. The markings for the changes in the exposure drafts are cleaned after the exposure drafts are finally adopted as Philippine Standards or Practice Statements.
23. To keep in step with the phase of the IAASB's issuance of pronouncements, the ASPC shall endeavor to review IAASB's exposure drafts once released and will issue the same, after appropriate review in accordance with the ASPC's working procedures, as ASPC's EDs. However, to ensure that the changes made in the finalization of the IAASB's EDs are reflected in the final ASPC pronouncements, finalization of the ASPC's EDs shall be made only after the IAASB shall have issued the related final pronouncements.

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24. Once adopted, a Philippine Standard or Practice Statement will supersede or amend the specified ASPC Standards and Practice Statements previously adopted by the Council (or any Statement of Auditing Standards of the Philippines (SASP), the previous pronouncements of the ASPC). An effective date is set for the application of each Philippine Standard and Practice Statement adopted and any amendments to ASPC pronouncements, and until such effective date, the superseded pronouncement being superseded or amended continues to be applicable.
25. Other Philippine Standards or Practice Statements may be issued when deemed necessary by the ASPC to address any unique requirements imposed by Philippine law or practice. The reason for the issuance of such pronouncements shall be clearly indicated in the Philippine Standards or Practice Statements.

Working Procedures

26. To facilitate the initial work in adopting the existing International Standards and Practice Statements, the ASPC members have been assigned to workgroups, each with a designated group leader. Each workgroup is assigned specific International Standards and Practice Statements, or IAASB's exposure drafts, to review and has the initial responsibility for the preparation and drafting the exposure draft on the proposed Philippine Standard or Practice Statement for consideration by the ASPC en banc. If approved by the ASPC, the exposure draft is widely distributed to interested organizations and persons for comment. The exposure draft shall also be published in the PICPA Accounting Times and ACPAPP Bulletin to give it further exposure. Adequate time is allowed (generally not shorter than 90 days) for each exposure draft to be considered by the organizations and persons to whom it is sent for comment. Interested parties may send their comments direct to IAASB, with a copy to ASPC, on exposure drafts which are still under exposure by the IAASB. Interpretations, if issued by the ASPC, need not be exposed for comment, except when it is deemed desirable, in which case the exposure period will normally be the same as that of a proposed Philippine Standard or Practice Statement.
27. The development of additional auditing standards or statements to address the unique requirements of Philippine law or practice shall likewise undergo the same process and procedures described above.
28. The comments and suggestions received as a result of the exposure of proposed auditing standards or statements are then considered by ASPC and the exposure draft is revised as appropriate. If necessary and under applicable circumstances, the comments and suggestions may also be passed on to IAASB for its consideration. When the revised draft is approved by the ASPC, it is issued as a final Philippine Standard or Practice Statement.

29. Issuance of exposure drafts requires approval by a majority of the members of the Council; issuance of final Philippine Standards and Practice Statements, as well as interpretations, requires approval of at least ten members.
30. Each final Philippine Standard and Practice Statement, as well as interpretations, if deemed appropriate, shall be submitted to the Professional Regulation Commission through the Board of Accountancy for approval after which the pronouncements shall be published in the Official Gazette. After publication, the ASPC pronouncement becomes operative from the effective date stated therein.

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NUMBERING OF PHILIPPINE STANDARDS AND PRACTICE STATEMENTS

31. Philippine Standards and Practice Statements adopted from International pronouncements will use the same numbers as their counterpart International pronouncements. Philippine Standards and Practice Statements that are Philippine specific and are not adopted from International pronouncements will be numbered consecutively with suffix "Ph" as follows:
 - a. For Philippine Standards – starting from 100Ph
 - b. For Philippine Practice Statements – starting from 1000Ph

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This “Preface to International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services and Preface to Philippine Standards on Quality Control, Auditing, Review, Other Assurance and Related Services” was unanimously approved for adoption on May 31, 2004 by the members of the Auditing Standards and Practices Council and supersedes the “Preface to Philippine Standards on Auditing and Related Services” issued by the ASPC on June 25, 2001.

Benjamin R. Punongbayan, *Chairman*

Antonio P. Acyatan, *Vice Chairman*

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**STRUCTURE OF PRONOUNCEMENTS
ISSUED BY THE IAASB AND THE ASPC**

