

PREFACE TO THE SRI LANKA AUDITING STANDARDS AND SRI LANKA STANDARD ON QUALITY CONTROL

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Introduction

1. This preface to the Sri Lanka Auditing Standards and Sri Lanka Standard on Quality Control (Sri Lanka Standards or ICASL's Standards) is issued to facilitate understanding of the scope and authority of the pronouncements the Institute of Chartered Accountants of Sri Lanka (ICASL) issues.
2. The ICASL is committed to the goal of developing a set of standards which are generally accepted worldwide. ICASL 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 ICASL.

The ICASL'S Pronouncements

3. The ICASL's pronouncements govern audit engagements that are conducted in accordance with Sri Lanka Auditing Standards. A professional accountant should not represent compliance with the Sri Lanka Auditing Standards unless the professional accountant has complied fully with all of those relevant to the engagement.

The Authority Attaching to Sri Lanka Standards Issued by the Institute of Chartered Accountants of Sri Lanka

4. Sri Lanka Auditing Standards (SLAuSs) are to be applied in the audit of historical financial information.
5. [Deleted]
6. [Deleted]
7. [Deleted]
8. [Deleted]
9. Sri Lanka Standard on Quality Control (SLSQC) 1 is to be applied for all services falling under the ICASL's Engagement Standards.

Sri Lanka Auditing Standards

10. SLAuSs are written in the context of an audit of financial statements¹ by an independent auditor. They are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. The authority of SLAuSs is set out in SLAuS 200.²

Sri Lanka Standard on Quality Control 1

11. SLSQC is written to apply to firms in respect of all their services falling under the ICASL's Engagement Standards. The authority of SLSQC is set out in the introduction to the SLSQC.

Other Sri Lanka Standards

12. The Sri Lanka Standards identified in paragraphs 5-7 contain basic principles and essential procedures (identified in bold type lettering and by the word "should") 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 provides guidance for their application. It is therefore necessary to consider the entire text of a Standard to understand and apply the basic principles and essentials procedures.
13. The basic principles and essential procedures of a Standard are to be applied in all cases where they are relevant in the circumstances of the engagement. In exceptional circumstances, however, a professional accountant may judge it necessary to depart from a relevant essential procedure in order to achieve the purpose of that procedure. When such a situation arises, the professional accountant is required to document how alternative procedures performed achieve the purpose of the procedure and, unless otherwise clear, the reasons for the departure. The need for the professional accountant to depart from a relevant essential procedure is expected to arise only where, in the specific circumstances of the engagement, that procedure would be ineffective.
14. Appendices, which form part of the application material, are an integral part of a Standard. The purpose and intended use of an appendix are

¹ Unless otherwise stated, "financial statements" mean financial statements comprising historical financial information.

² SLAuS 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Sri Lanka Auditing Standards."

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explained in the body of the related Standard or within the title and introduction of the appendix itself.

Professional Judgment

15. The nature of the Sri Lanka Standards requires the professional accountant to exercise professional judgment in applying them.

Applicability of the Sri Lanka Standards

16. The scope, effective date and any specific limitation of the applicability of a specific Sri Lanka Standard is made clear in the Standard. Unless otherwise stated in the Sri Lanka Standard, the professional accountant is permitted to apply a Sri Lanka Standard before the effective date specified therein.
17. Sri Lanka Standards are relevant to engagements in the public sector. When appropriate, additional considerations specific to public sector entities are included:
 - (a) Within the body of a Sri Lanka Standard in the case of SLAuSs and SLSQC; or
 - (b) In a Public Sector Perspective (PSP) appearing at the end of other Sri Lanka Standards.
18. [Deleted]
19. [Deleted]

Other Papers Published by the Institute of Chartered Accountants of Sri Lanka

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