

No: RES/2021/028

**Council's Resolution on Approval of International Standards on Auditing (ISAs) and Other Pronouncements of International Auditing and Assurance Standards Board (IAASB) in the Maldives, Passed on 23<sup>rd</sup> November 2021**

**WHEREAS**, under Section 2(b) of Maldives Chartered Accountants Act (No: 13/2020), Institute of Chartered Accountants of the Maldives was established as a separate legal entity charged with the responsibility of determining rules and processes required to create and develop the accountancy profession and regulate all matters pertaining to the profession;

**WHEREAS**, under section 6(e) of the Maldives Chartered Accountants Act, Institute of Chartered Accountants of the Maldives has the power to determine and enforce the financial accounting and auditing standards to be adopted by the private sector;

**RESOLVED**, to endorse the International Standards on Auditing (ISAs) and other pronouncements of International Auditing and Assurance Standards Board (IAASB) for use in private sector of the Maldives.

We, the undersigned, hereby certify that the Institute of Chartered Accountants of the Maldives is comprised of nine members, of whom nine, were present at a meeting duly and regularly called, noticed, convened and held this 23<sup>rd</sup> Day of November 2021, and that the foregoing Resolution was duly adopted at said meeting by the affirmative vote of nine members and that said Resolution has been duly recorded in the Minute Book and is in full force and effective.

**SIGNED BY:**

 Hussain Niyazy President	 Hassan Mohamed Vice President	 Fathuhulla Jameel Member
 Fathimath Razeena Member	 Ahmed Salih Member	 Fareeha Shareef Member
 Ibrahim Fazeel Member	 Mohamed Haleem Member	 Rifaath Jaleel Member

**Attachment:** ISAs and Other Pronouncements of IAASB Adoption Project

# APPROVAL OF PROJECT

ENDORISING INTERNATIONAL STANDARDS ON  
AUDITING (ISAs) AND OTHER PRONOUNCEMENTS OF  
IAASB IN THE MALDIVES

September 2021

Technical and Standards Committee  
Institute of Chartered Accountants of the Maldives

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## 1. SUBJECT

This project addresses the endorsement of International Standards on Auditing (ISAs) and other pronouncements of International Auditing and Assurance Standards Board (IAASB) for the purpose of providing audit and assurance services in the Maldives.

## 2. BACKGROUND

The application of International Standards on Auditing is stipulated in the following Regulations:

### 1. Statutory Audit Regulation

The Regulation on Statutory Audit issued by the Auditor General's Office states in Clause 27 (a) that in conducting audit quality reviews, the application of International Standards on Auditing (ISAs) or auditing standards issued by Accounting and Auditing Organization for Islamic Financial Institutions Standards (AAOIFI) will be reviewed.

### 2. Maldives Banking Act

Maldives Banking Act No. 24 of 2010 Clause 49 (f) states that the external auditor shall audit the bank's operations on a consolidated basis in compliance with internationally recognized auditing standards and any standards issued through regulation or otherwise by MMA. In practice this is interpreted to include International Standards on Auditing (ISA).

It is noted that upon inception of the Institute of Chartered Accountants of the Maldives (CA Maldives) as the Professional Accounting Organization (PAO) of the Maldives on 8<sup>th</sup> September 2020, the relevant jurisdictional authority to set auditing standards shall be CA Maldives.

In addition, the Technical and Standards Committee of the CA Maldives is mandated with the task to consider, review and recommend if deem fit to the Council, the adoption of Auditing and assurance standards issued by International Auditing and Assurance Standards Board (IAASB).

Therefore, as part of its mandate, the Committee is required to consider, review and recommend to the Council of CA Maldives, to formally endorse the ISAs as the auditing standards for adoption in the Maldives.

## 3. PROJECT OBJECTIVES

The project objective is to formalize the adoption of the ISAs as the auditing standards applicable in the Maldives after carrying out the required due process.

## 4. SCOPE

The complete list of International Standards on Auditing (ISAs) and other pronouncements of International Auditing and Assurance Standards Board (IAASB) that are endorsed through this project are set out in the Annex.

## 5. MAJOR ISSUES THAT WILL BE ADDRESSED

As noted in Section 2 (Background), there are various laws and regulations which prescribe auditing standards that are to be followed by those that are within the purview of such laws and regulations. However, as it is the responsibility of CA Maldives to formalize and inform stakeholders of the auditing standards that should be applicable in the Maldives, completion of this project would harmonize the auditing practices.

## 6. IMPACT ANALYSIS CONSIDERATIONS

Adopting auditing standards that are already in practice can alleviate the concerns of stakeholders as these standards have already been tried and tested by preparers and users of Financial Statements. Furthermore, developing domestic standards will require significant effort, time and resources.

Following factors that drive the adoption of International Standards on Auditing (ISAs) and other pronouncements of International Auditing and Assurance Standards Board (IAASB) can be considered.

ISAs are considered as important as International Financial Reporting Standards (IFRS) and corporate governance codes in ensuring a sound financial system of a country. This is because financial statements audited under ISAs are considered credible and of good quality and, therefore, gives investors more comfort when making economic decisions.

The World Bank in its Reports on Observation of Standards and Codes (ROSC) emphasize the importance of ISA adoption as a tool to enhance confidence in the financial system of a country. Investors, regulators as well as international agencies such as the International Monetary Fund (IMF), the World Bank (WB), the European Union (EU), the International Auditing and Assurance Board (IAASB), the World Economic Forum (WEF), and the World Trade Organization (WTO) are interested in the auditing standards being followed by auditors while conducting financial statements audit of entities in a country. For example, the WEF uses the adoption of and compliance with ISA by a country as a proxy for the strength of the country's auditing and reporting system, as a national competitive index.

The WB emphasizes the importance of the strength of auditing standards to determine the transparency of financial information in a country. The WTO requires countries to comply with international standards (Al-Akra et al., 2009) before they can obtain membership since such compliance enhances the harmonization of systems and practices among its members, in addition to increasing reliability and transparency of financial information. Also, aids from international agencies such as the IMF and the



International Bank of Research and Development are tied to a condition that international standards (in this paper ISAs) are adopted by the borrowing country (Judge et al., 2010).

The assurance provided by external audit on financial reports is fundamental in capitalist economies as investors rely on financial statements to make critical investment and risk management decisions (Francis and Wang, 2008). In every episode of economic crisis, concerns were raised about auditing quality. In the Asian crisis for example, there was a call for more attention to the development of and compliance with ISAs to enhance financial statements quality (Mennicken, 2008; Humphrey et al., 2009). Similarly, during the global financial crisis in 2008, auditors were criticized for failing to uncover the risks and properly reporting these to users of accounts (See Aziz and Omoteso, 2014). As such, there was a call for reshaping the profession including review of auditing standards and auditor's report.

Rationales to adopt ISAs in full exist for developing countries like Maldives considering the fact that it could save costs involved in training and implementation (Boolaky, 2012) and key development partners like the World Bank are keen on countries to follow the ISAs.

There is a positive relationship between minority investor protection and ISA adoption. In order to ensure that listed companies are transparent, they are required to have their financial statements audited in accordance with international standards so as to reduce the risk of information asymmetry.

As in the case of adoption of IFRS, ISAs adoption in the Maldives ensures harmonization of local practice with international best norms. This move towards a global set of standards including ISAs is important both at country and corporate levels. At country level, it brings harmony into governance practices and enables regulators to better monitor auditing practices by virtue of a common auditing practice. At corporate level, adopting and complying with ISAs in the audit of financial statements will enhance the reliability of financial statements; this is particularly true in the case of those involved in international trade or are multi-national corporations.

## 7. PROJECT TIMELINE

Timing	Action
01 April 2021	Approval of project proposal and consultation paper by the Committee
06 April 2021	Presentation of project proposal to Council of CA Maldives
06 April 2021	Council approval of project proposal and consideration of specific issues
12 April 2021	Circulation of consultation paper among key stakeholders and obtaining comments, for a 30-day comment period
27 May 2021	Review and consideration of comments received from stakeholders
6 June 2021	Circulation of consultation paper among key stakeholders and obtaining comments, for a 5 day comment period
30 September 2021	Draft a circular for the decision taken and present to council for approval
12 October 2021	Approval by the Council



## 8. CONSULTATION OF STAKEHOLDER

The consultation paper was brought to the notice of the stakeholders by placing it on the Institute's website and emailing it to some of the institutional stakeholders such as; MIRA, CMDA, MMA, Banks, listed companies, State Owned entities on 12 April 2021 giving a period of 30 days to comment. Further the consultation paper was recirculated on 6 June 2021 giving a 5 days' period to comment.

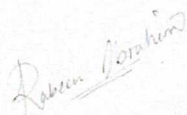
## 9. REVIEW AND CONSIDERATION OF COMMENTS RECEIVED FROM STAKEHOLDERS

Comments were received from two stakeholders in response to endorsement of International Standards on Auditing (ISAs) and other pronouncements of International Auditing and Assurance Standards Board (IAASB). Both the stakeholders did not have any objection for endorsements.

Considering the fact that ISAs, ISRS, ISAE, ISRE, ISQC & ISQM (herein after termed as 'ISAs') have been practiced in the Maldives for long period and reflect the prevailing accepted practice and it is highly unlikely that any other stakeholder (e.g., practitioner, reporting entity, or user) would object and therefore the Committee proceeded with the approval of endorsement.

## 10. APPROVAL BY THE TECHNICAL AND STANDARDS COMMITTEE

Accordingly, the Technical and Standards Committee approved the endorsement of International Standards on Auditing (ISAs) and other pronouncements of the International Auditing and Assurance Standards Board (IAASB) on 30<sup>th</sup> September 2021 and decided to forward to the Council for approval.



Rabeea Ibrahim  
Secretary



Ibrahim Fazeel  
Chairperson

## ANNEX

### SCOPE – LIST OF STANDARDS TO BE ENDORSED

#### 1. International Auditing and Assurance Standards;

- 1.1 ISA 200: Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing
- 1.2 ISA 210: Agreeing the Terms of Audit Engagements
- 1.3 ISA 220: Quality Control for an Audit of Financial Statements
- 1.4 ISA 220 (Revised): Quality Management for an Audit of Financial Statements
- 1.5 ISA 230: Audit Documentation
- 1.6 ISA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
- 1.7 ISA 250 (Revised): Consideration of Laws and Regulations in an Audit of Financial Statements
- 1.8 ISA 260 (Revised): Communication with Those Charged with Governance
- 1.9 ISA 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
- 1.10 ISA 300: Planning an Audit of Financial Statements
- 1.11 ISA 315 (Revised): Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
- 1.12 ISA 320: Materiality in Planning and Performing an Audit
- 1.13 ISA 330: The Auditor's Responses to Assessed Risks
- 1.14 ISA 402: Audit Considerations Relating to an Entity Using a Service Organization
- 1.15 ISA 450: Evaluation of Misstatements Identified during the Audit
- 1.16 ISA 500: Audit Evidence
- 1.17 ISA 501: Audit Evidence-Specific Considerations for Selected Items
- 1.18 ISA 505: External Confirmations
- 1.19 ISA 510: Initial Audit Engagements-Opening Balances
- 1.20 ISA 520: Analytical Procedures
- 1.21 ISA 530: Audit Sampling
- 1.22 ISA 540 (Revised): Auditing Accounting Estimates and Related Disclosures
- 1.23 ISA 550: Related Parties
- 1.24 ISA 560: Subsequent Events
- 1.25 ISA 570 (Revised): Going Concern
- 1.26 ISA 580: Written Representations
- 1.27 ISA 600: Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)
- 1.28 ISA 610 (Revised 2013): Using the Work of Internal Auditors



- 1.29 ISA 620: Using the Work of an Auditor's Expert
- 1.30 ISA 700 (Revised): Forming an Opinion and Reporting on Financial Statements
- 1.31 ISA 701: Communicating Key Audit Matters in the Independent Auditor's Report
- 1.32 ISA 705 (Revised): Modifications to the Opinion in the Independent Auditor's Report
- 1.33 ISA 706 (Revised): Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
- 1.34 ISA 710: Comparative Information-Corresponding Figures and Comparative Financial Statements
- 1.35 ISA 720 The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements
- 1.36 ISA 720 (Revised): The Auditor's Responsibilities Relating to Other Information
- 1.37 ISA 800 (Revised): Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- 1.38 ISA 805(Revised): Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
- 1.39 ISA 810 (Revised): Engagements to Report on Summary Financial Statements

## **2. International Standard of Quality Control (ISQC) and International Standard on Quality Management (ISQM);**

- 2.1 ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements
- 2.2 ISQM 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements
- 2.3 International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews

## **3. International Standard on Review Engagements (ISRE)**

- 3.1 ISRE 2400 (Revised) Engagements to Review Historical Financial Statements
- 3.2 ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity

## **4. International Standard on Assurance Engagements (ISAE)**

- 4.1 ISAE 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information
- 4.2 ISAE 3400 The Examination of Prospective Financial Information
- 4.3 ISAE 3402 Assurance Reports on Controls at Service Organization
- 4.4 ISAE 3410 Assurance Engagements on a Greenhouse Gas Statements
- 4.5 ISAE 3420 Assurance Engagements to Report of the Compilation of Pro Forma Financial Information Included in a Prospectus

## **5. International Standards on Related Services (ISRS)**

- 5.1 ISRS 4400 (Revised) Engagements to Perform Agreed-Upon Procedures Regarding Financial Information
- 5.2 ISRS 4410 (Revised) Compilation Engagements