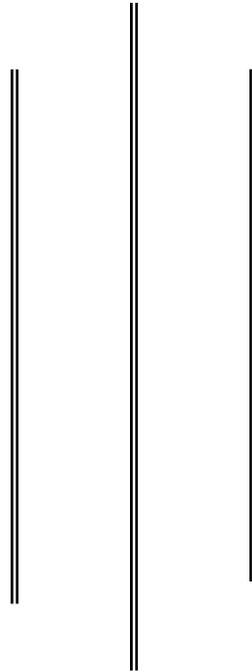




# **AUDITING STANDARDS BOARD**

(Established by the Government of Nepal under the Nepal Chartered Accountants Act, 1997)

## **AN INTRODUCTION**



### **Secretariat**

### **Auditing Standards Board**

P.O. Box # 24862, Babarmahal, Kathmandu

Tel # 2030020, 4231949, Fax # 4258568

Email: [ausb@standards.org.np](mailto:ausb@standards.org.np)

Website: [www.standards.org.np](http://www.standards.org.np)

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# ***Auditing Standards Board***

## **1. Introduction**

The Auditing Standards Board (AuSB) is an independent statutory body with the responsibility to develop and formulate Auditing standards for Accounting and Auditing Professionals in Nepal. The AuSB was established in March 10, 2003 under the authority and provision of Section 15(gh) of the Nepal Chartered Accountants Act. As the national standards setting Board - AuSB is committed to developing a single set of high quality Nepal Standards on Auditing for true and fair presentation of General Purpose Financial Statements. International Standards on Auditing (ISA) issued by International Auditing and Assurance Board (IAASB) is the main source of formulation and revision of Nepal Standards on Auditing (NSAs). In pursuit of the above, the AuSB co-operates with different regulating authorities on auditing. The AuSB is represented by the members from Public Sector Organizations and professional bodies having broad range of professional background for operation of AuSB whereas financial support to the Board is provided by the Government of Nepal.

### **1.1 Objective of the Board**

The objective of the Board is to formulate Auditing Standards compatible with International Auditing Standards that include auditing, review, assurance, quality control and related services.

### **1.2 Composition of AuSB**

The AuSB consists of seven members including a chair person nominated by the Government, three Chartered Accountants and one Registered Auditor by the Council of the Institute of Chartered Accountants of Nepal, and one nominee each from Office of the Auditor General and Ministry of Finance.

**Nepal Chartered Accountants Act, 1997**



**Auditing Standards Board**



**Chairman**  
**FCA, Nominated by the Government of Nepal**



<b>Board Members</b>	
• Representative, Ministry of Finance	1
• Representative, Office of Auditor General	1
• Chartered Accountants nominated by the Government on the recommendation of the Institute of Chartered Accountants of Nepal	3
• Registered Auditor nominated by the Government on the recommendation of the Institute of Chartered Accountants of Nepal	1



**Secretariat**

### **1.3 Tenure of the Members:**

The term of the Chairman and members of the board is three years.

### **1.4 Attendance at the Meeting:**

Each AuSB meeting requires at least fifty percent of the members of the Board to be present in person.

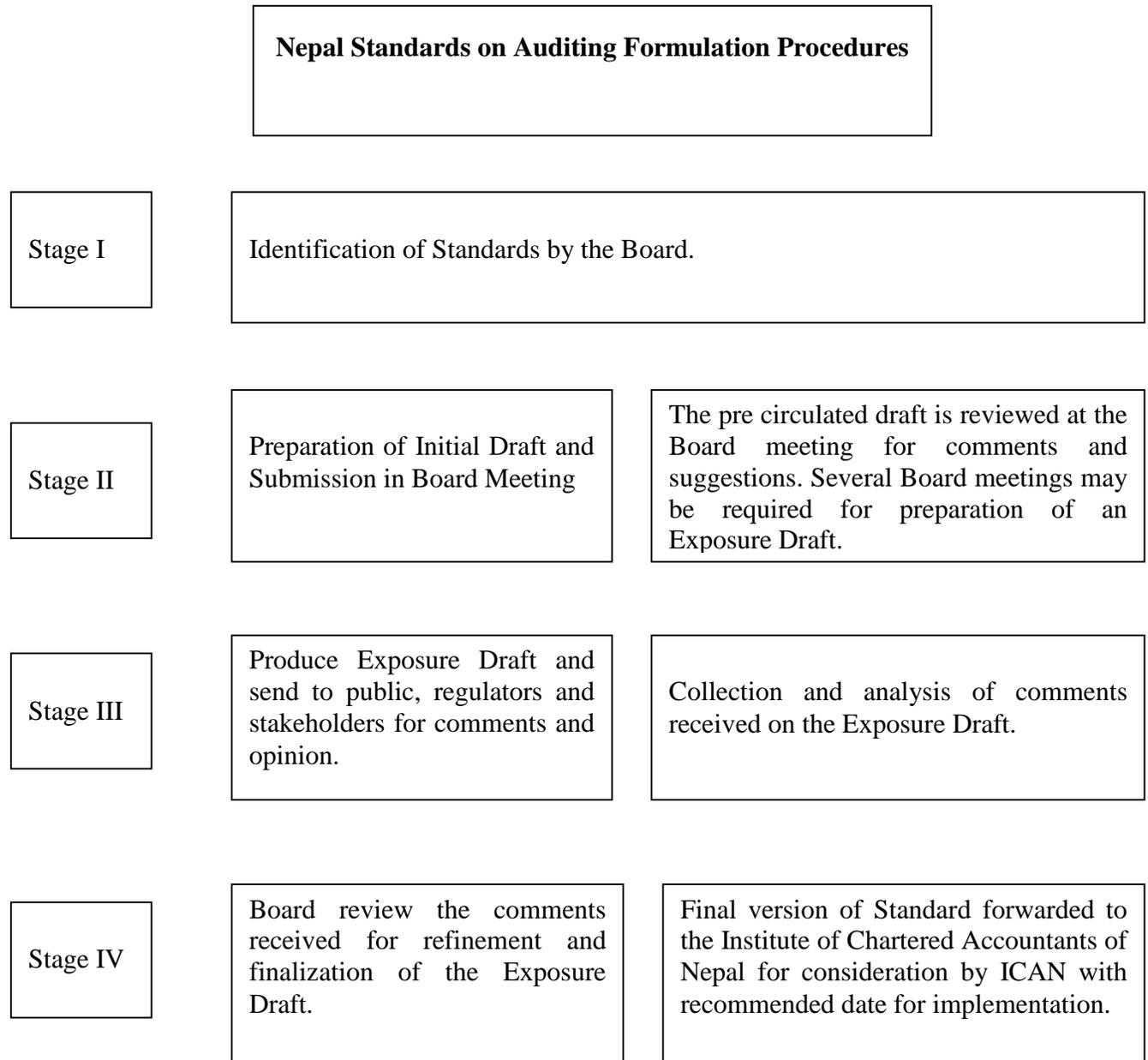
### **1.5 Functions:**

Pursuant to Section 3(kha) of Nepal Chartered Accountants Act, 1997, main functions of the Board are:

- Regulate and systematize auditing profession, formulation of auditing standards on the basis of International Standards on Auditing (ISA).
- Set procedures to develop auditing standards and publish materials related to auditing standards.
- Make improvement and revision of auditing standards in line with International Standards on Auditing.
- Interpretation of auditing standards.
- Prepare guidance notes.
- Facilitate application and publicity of standards.

## 2. NSA Formulation Process

Based on the provision of Nepal Chartered Accountants Act, 1997, the AuSB has adopted the following procedures in formulating Nepal Standards on Auditing.



## Stage I

### **2.1 Identification of Standards by the Board:**

The Board identifies relevant Standards and refers the secretariat to prepare the draft on those are Standards in line with International Standards on Auditing.

## Stage II

### **2.2 Preparation of Proposed Drafts By Secretariat:**

Drafts relating to Standards initially identified by the Board are prepared by the Secretariat in line with International Standards on Auditing and submit those to the Board.

### **2.3 Reading in the Board:**

Drafts prepared by the Secretariat are initially presented at the Board Meeting for first reading. After the first reading, one month's time is allowed to members of the Board to express their comments and opinion on such drafts.

The Secretariat, after considering the comments or opinion received from members of the Board, prepares improved version of the draft and presents those to the Board for second reading.

Sometimes a number of amendments or modification requiring more discussion at successive Board meeting may be required to agreeing on the final draft version.

## Stage III

### **2.4 Numbering of Exposure Drafts:**

The Board, after second or successive readings finalises the proposed standard as Exposure Draft (ED), which is then allotted a Serial Number and instructs the Secretariat to publish the ED for public discussion as exposure drafts.

### **2.5 Comments and opinion on Exposure Draft:**

The Secretariat distributes exposure drafts and, allows a period of two months to provide comments thereon from professionals, regulators and stakeholders. The Board where

deemed necessary may organize workshops and seminars to seek expert opinion and comments on such Exposure Draft.

#### **Stage IV**

#### **2.6 Exposure Drafts to be pronounced as Standards:**

Comments, opinions and recommendation received on the ED are compiled and analysed at the Secretariat and findings presented to the Board for consideration. The Board then compiles the final version of the ED as a Standard, assigns a Standard number and publicly declares it as Nepal Standards on Auditing (NSAs).

#### **2.7 Recommendation to ICAN for Notification:**

On approval of the Standard, the Board forwards it to ICAN with recommended date for implementation.

### **3. Language of the Standards:**

Unless specified otherwise, the Standards are pronounced in the English language. However, directives, guidelines and explanatory notes regarding the Standards may be published in English or Nepali or in both languages.

### **4. Process of Revision of Standards:**

In accordance with the ICAN Act, improvements and revision of existing standards is the function of the Board. Based on changes in the IFAC Standards Board, the AuSB also initiates its process of revising the prevailing standards so that Nepal Standards on Auditing are always compatible with ISAS. The AuSB has adopted the following procedures for revision of Nepal Standards on Auditing:

Line International Standards on Auditing are constantly subject to review and change, it is essential to adopt the same practice by the Board. As such, the Secretariat closely monitors changes and modification of ISAs and changes are presented to the Board, which considers such changes, discusses impact thereof, and prioritizes Standards

requiring such modifications. Changes to Standards are communicated to ICAN for implementation.

#### **4.1 Formation of Revision Committee:**

On the basis of need assessment for revision of NSA, AuSB may form a revision committee where necessary, to facilitate the task of revision of existing NSAs.

#### **4.2 Use of Experts:**

The Revision Committee may also appoint experts; determines their tenure and conditions of appointment, provides the guidelines and fix their remuneration. The Revision Committee and experts may organize joint discussion program on the matters of revision so as to consider all technical aspects and impact of revision work for recommendation of modifications and changes proposed to the Auditing Standards Board for its consideration.

#### **4.3 Renumbering in line with ISAs:**

AuSB has assigned new numbers to NSAs already pronounced to make them uniform with the numbers assigned in ISAs so as to make the Nepal Standards on Auditing in line with the International Auditing Standards.

### **5. Translation of Auditing Standards:**

Considering the request from ICAN members AuSB has adopted a policy for translation of Auditing Standards in the Nepali Language to enable better understanding of the standards. However, use of Nepali language is only for guidance and better understanding of the Standard. In any case as reiterated under paragraph 3 the English version of the Standards will prevail as being the official version.