



# International Update

**Subject:** AUASB International Update

## Introduction

This edition of the AUASB International Update summarises the significant news and activities for the period June 2010 to mid-August 2010 of the following standards-setting bodies and professional organisations:

- International Auditing and Assurance Standards Board (IAASB)
- Auditing and Assurance Standards Board (AASB) (Canada)
- Auditing Practices Board (APB) (UK)
- Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA)
- Canadian Institute of Chartered Accountants (CICA)
- Professional Standards Board (PSB) (New Zealand)
- Public Company Accounting Oversight Board (PCAOB) (USA)

We would like to know what you think about the content being provided in the AUASB International Updates; please send your feedback to [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au).

## International Auditing and Assurance Standards Board (IAASB)

### 1. Prof. Schilder Reappointed as IAASB Chair

Prof. Arnold Schilder has been [reappointed](#) by the Board of the International Federation of Accountants as Chair of the IAASB from 2012 to 2014. Prof. Schilder became IAASB Chair in January 2009; his new three-year term will commence in January 2012.

Prof. Schilder visited Australia in May 2010, to meet and hold discussions with the AUASB and other stakeholders regarding international developments in auditing.

### 2. Exposure Drafts on Revised ISA 610 and ISA 315

The IAASB has issued Exposure Drafts on revised International Standards on Auditing, [ISA 610 Using the Work of Internal Auditors](#) and [ISA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment](#). The proposed revisions in ISA 610 are intended to provide an auditor of a financial report with a better framework for evaluating and using the work of an entity's internal auditors. Conforming changes were made to ISA 315 due to the proposed revisions to ISA 610. The comment periods for both exposure drafts end on 15 November 2010.

For more information, please [click](#) here.

## Auditing and Assurance Standards Board (AASB) (Canada)

### 1. Assurance on a Greenhouse Gas Statement

At its June 2010 meeting, the Canadian AASB approved the proposal to develop a Canadian Standard on Assurance Engagements (CSAE) *Assurance on a Greenhouse Gas Statement*. In line with this, the AASB will monitor the progress of the IAASB's project on developing the proposed ISAE 3410 *Assurance on a Greenhouse Gas Statement*; and determine whether the proposed ISAE is appropriate for use in Canada.

### 2. Risk Alert on Auditor Review of Interim Financial Statements

The Canadian AASB Staff issued a Risk [Alert](#) called *Amendments to Section 7050 to Reflect Securities Regulatory Exemptions* to explain the recent changes to the Assurance Standard, AASB Section 7050 *Auditor Review of Interim Financial Statements*. The Risk Alert clarifies that the changes will help maintain consistency between Section 7050 and securities regulations regarding the public issuance of auditor's review reports on interim financial statements.

## Auditing Practices Board (APB) (UK)

### 1. A Feedback and Consultation Paper on the Provision of Non-Audit Services by Auditors

The APB has issued a Feedback and Consultation [Paper](#), *The Provision of Non-Audit Services by Auditors*, which:

- provides the stakeholders' feedback from a consultation conducted by the APB in October 2009 on whether auditors should be prohibited from providing non-audit services to their audit clients; and
- describes the proposed changes to the APB *Ethical Standards for Auditors* that address the stakeholders' feedback from the October 2009 consultation.

In line with the APB paper, the UK Financial Reporting Council (FRC) has issued a Consultation Paper, *Revisions to FRC Guidance on Audit Committees: Non-Audit Services*. This consultation paper reflects the proposed changes to the FRC *Guidance to Audit Committees*, which provides audit committees with updated guidance on determining when it would be appropriate for auditors to perform non-audit services.

The comment periods for both consultations end on 23 October 2010.

### 2. Exposure Drafts on Revised Practice Notes

The APB has issued exposure drafts on the following revised practice notes:

- Practice Note (PN) [15](#) *The Occupational Pension Schemes in the United Kingdom (Revised)*;
- Practice Note (PN) [19](#) *The Audit of Banks and Building Societies in the United Kingdom (Revised)*; and
- Practice Note (PN) [16](#) *Bank Reports for Audit Purposes in the United Kingdom (Revised)* .

The comment period for all exposure drafts ends on 29 October 2010.

### 3. Discussion Paper on Auditor Scepticism

The UK APB has issued a Discussion Paper called *Auditor [Scepticism: Raising the Bar](#)* to highlight the significance of professional scepticism in auditing and encourage a "debate about what actions may be needed to ensure that the appropriate degree of scepticism is applied by auditors in practice". The comment period for this paper ends on 31 October 2010.

For more information, please click [here](#).

## Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA)

### 1. Proposed Redrafted Standard on Letters for Underwriters and Certain Other Requesting Parties

As part of its *Clarity Project*, the ASB has issued the exposure draft of the proposed redrafted Statement on Auditing [Standards](#) (SAS), *Letters for Underwriters and Certain Other Requesting Parties*. This proposed SAS is intended to replace SAS 72 *Letters for Underwriters and Certain Other Requesting Parties*. The comment period ends on 30 September 2010.

For more information, please click [here](#).

## Canadian Institute of Chartered Accountants (CICA)

### 1. Audit Reporting Implications of New Auditing and Accounting Standards

CICA has issued a publication, *Audit Reporting Implications of New Auditing and Accounting Standards*, to promote consistency in audit reporting by providing guidance to auditors on audit reporting issues that may arise from the adoption of the new auditing and accounting standards.

### 2. Assurance Implications of the Changeover to IFRSs

CICA has issued a publication, *Assurance Implications of the Changeover to [IFRSs](#) (4th edition)*, to provide guidance to auditors on how to deal with complex issues arising from their clients' changeover from the Canadian Generally Accepted Accounting Principles to IFRSs.

For more information, please click [here](#).

## Professional Standards Board (PSB) (New Zealand)

## 1. ISAE 3420 Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus

At its June 2010 meeting, the PSB noted the Exposure Draft of proposed ISAE 3420 Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus. The PSB will prepare a submission to the IAASB, which will be considered at the September 2010 PSB meeting.

For more information, please click [here](#).

## Public Company Accounting Oversight Board (PCAOB) (USA)

### 1. U.S. Supreme Court Decision in Lawsuit vs PCAOB

The U.S. Supreme Court has issued its decision in the lawsuit against the [PCAOB](#), affirming the constitutionality of the PCAOB. Consequently, there will be no changes in the U.S. SEC oversight functions, and the PCAOB's structure, programs and activities. This decision has clarified that the U.S. SEC has power to remove PCAOB members at will, and not only for good cause.

### 2. Practice Alert on Auditor Considerations Regarding Using the Work of Other Auditors and Engaging Assistants from Outside the Firm

The PCAOB has issued a Staff Audit Practice [Alert](#), *Auditor Considerations Regarding Using the Work of Other Auditors and Engaging Assistants from Outside the Firm*. The Practice Alert reminds auditors of U.S. entities with significant foreign operations about their responsibilities when using the work of overseas audit firms, or consultants located outside of the U.S., in the audit of the entities' foreign operations.

### 3. Exposure Draft of New Auditing Standard on Confirmation

The PCAOB has issued an exposure draft for comment on the proposed new Auditing Standard on [Confirmation](#), which is intended to replace the current Auditing Standard on *Confirmation Process*. The proposed new Auditing Standard addresses advances in technology and their implications for the confirmation process in an electronic environment. The comment period ends on 13 September 2010.

### 4. New Auditing Standards on Risk Assessment

The PCAOB has adopted eight new Auditing [Standards](#) relating to the auditor's assessment of, and response to the risk of material misstatement in financial statements. These Auditing Standards (AS) are as follows:

- AS No. 8 *Audit Risk*
- AS No. 9 *Audit Planning*
- AS No. 10 *Supervision of the Audit Engagement*
- AS No. 11 *Consideration of Materiality in Planning and Performing an Audit*
- AS No. 12 *Identifying and Assessing Risks of Material Misstatement*
- AS No. 13 *The Auditor's Responses to the Risks of Material Misstatement*
- AS No. 14 *Evaluating Audit Results*
- AS No. 15 *Audit Evidence*

Once approved by the U.S. SEC, the above standards will replace the PCAOB's interim standards relating to risk assessment and will be effective for audits of fiscal periods commencing on or after 15 December 2010.

For more information, please click [here](#).

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