



# International Update

**Subject:** AUASB International Update

## Introduction

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

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

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

## International Auditing and Assurance Standards Board (IAASB)

### 1. Launch of Online Questionnaire for Consultation on IAASB Strategy

The IAASB recently launched an online [questionnaire](#) to consult with stakeholders and determine the most relevant issues that need to be addressed in the development of its strategic direction and work program for the years 2012 to 2014. The online questionnaire is the initial undertaking in an 18-month consultation process of the IAASB for the development of its 2012-2014 strategies and work program. Responses to the online questionnaire will be used to develop a Consultation Paper, which will outline the IAASB's proposed strategies and potential projects for the period 2012-2014. The Consultation Paper is expected to be released in December 2010.

### 2. IAASB Supports New Auditing Research Initiative

The IAASB welcomes and supports the auditing-related [research](#) projects that will be undertaken by the Association of Chartered Certified Accountants (ACCA) and the International Association for Accounting Education and Research (IAAER). International teams from Australia, Germany, Holland, the United States and the United Kingdom will undertake the research projects. The research project topics include:

- international consistency and convergence in the application of auditing standards
- implications of XBRL for audits of, or other assurance services on, financial statements
- use of risk-based audit methodology by small and medium-sized practices
- nature of professional judgement in auditing

The IAASB expects the results of the research projects to contribute to the implementation of international standards and the development of the IAASB's future standard-setting decisions. The interim results are expected to be available in the second quarter of 2011, with the final results expected to be released in October 2011.

### 3. Exposure Draft on Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus

The IAASB has issued an Exposure Draft on the proposed [ISAE 3420 Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus](#). The proposed ISAE deals with the assurance practitioner's responsibilities when performing and reporting on a reasonable assurance engagement, in respect of the process to compile pro forma financial information included in a prospectus. The comment period ends on 30 September 2010.

Please refer to the [IAASB](#) website for further information.

## Auditing Practices Board (APB) (UK)

## 1. Exposure Draft of Guidance for Auditors on UK Legislation for Money Laundering

The UK APB has issued an Exposure Draft of Practice Note 12 (Revised) [Money Laundering – Guidance for Auditors on UK Legislation](#). The proposed revised Practice Note aims to provide guidance to auditors on their anti-money laundering responsibilities when performing audit work. The comment period ends on 30 June 2010.

For more details, please see the UK APB [website](#).

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

### 1. Exposure Draft of Standard for Reporting on Controls at a Service Organization

The Canadian Auditing and Assurance Standards Board has issued an Exposure Draft of the proposed Canadian Standard on Assurance Engagements (CSAE) for [Reporting on Controls at a Service Organization](#). The proposed CSAE aims to establish the requirements for, and provide guidance to, practitioners who report on controls at service organisations, with such controls being relevant to user entities' internal controls over financial reporting. The comment period ends on 6 May 2010.

This proposed CSAE has been aligned with the new Statement on Standards for Attestation Engagements (SSAE) on *Reporting on Controls at a Service Organization*, issued by the US AICPA, which will replace Statement on Auditing (SAS) 70 *Service Organizations*. The decision to align the CSAE with the new SSAE (instead of ISAE 3402 *Assurance Reports at a Service Organization*) was made after the Canadian AASB consulted with its stakeholders and the stakeholders expressed a strong preference for such alignment. Such a preference stems from the fact that the Canadian and US markets for this type of engagement are highly integrated.

### 2. Exposure Draft on Dating of the Practitioner's Report for Review and Other Assurance Engagements

The Canadian AASB has issued an Exposure Draft that covers:

- the issuance of a new Assurance and Related Services Guideline on [Dating of the Review Engagement Report](#); and
- the revision of CSQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, certain standards on assurance engagements, and other pronouncements that address matters relating to the dating of the practitioner's report.

The Exposure Draft addresses the apparent inconsistency between:

- the Canadian Auditing Standard (CAS) 700 *Forming an Opinion and Reporting on Financial Statements* that requires the auditor's report be dated no earlier than the date when the auditor obtains sufficient appropriate audit evidence on which to base the auditor's opinion; and
- the concept of "substantial completion" of the engagement in dating the auditor's report, which is found in certain Canadian pronouncements.

The comment period ends 15 May 2010.

For more information, please see the Canadian AASB [website](#).

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

### 1. Proposed Auditing Standard on Communications with Audit Committees

The PCAOB has issued an exposure draft of the proposed Auditing [Standard on Communications with Audit Committee](#). The proposed Auditing Standard addresses the requirements for auditors to communicate with audit committees of public companies. The comment period ends on 28 May 2010.

### 2. Staff Audit Practice Alert on Auditor Considerations of Significant Unusual Transactions

The PCAOB has issued a Staff Audit Practice [Alert on Auditor Considerations of Significant Unusual Transactions](#) "to remind auditors of public companies about their responsibilities to assess and respond to the risk of material misstatement of the financial statements due to error or fraud posed by significant unusual transactions". The Audit Practice Alert highlights the requirements from the PCAOB auditing standards relating to auditors' responsibilities when auditing significant unusual transactions.

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

### 1. Statements on Auditing Standards Relating to Auditing Supplementary and Other Information

The Auditing Standards Board has issued the following Statements on Auditing Standards (SAS) that deal with the auditor's responsibilities when auditing supplementary and other information:

- SAS 118 *Other Information in Documents Containing Audited Financial Statements* – This deals with the auditor's responsibilities relating to other information included in a document that contains the audited financial statements.
- SAS 119 *Supplementary Information to the Financial Statements as a Whole* – This deals with the auditor's responsibilities relating to supplementary information, in addition to the audited basic financial statements.
- SAS 120 *Required Supplementary Information* – This defines "required supplementary information" which a designated standard setter (also defined in SAS 120) may require to accompany an entity's basic financial statements, and establishes the auditor's objectives and responsibilities relating to the required supplementary information.

The above standards are effective for audits of financial statements for periods beginning on or after 15 December 2010.

## **2. Exposure Draft of Proposed Standards on *Consideration of Omitted Procedures After the Report Release Date***

The Auditing Standards Board has issued the Exposure Drafts of the following proposed Statements on Auditing Standards (SAS):

- Proposed SAS on *Consideration of Omitted Procedures After the Report Release Date* – This deals with the auditor's responsibilities when, after the auditor's report release date, the auditor discovers that one or more auditing procedures were not performed during the audit of the financial statements and such procedures are considered necessary to be performed in the circumstances existing at the time of the audit. The comment period ends on 31 May 2010.
- Proposed SAS on *Consistency of Financial Statements* – This establishes the auditor's responsibilities for the evaluation of the consistency of the financial statements between the periods covered by the auditor's report. In particular, this proposed standard establishes the requirements to evaluate whether the comparability of the financial statements has been affected by a change in accounting principle or by adjustment to correct a material misstatement in the prior year financial statements. The comment period ends on 19 May 2010.

## **3. Revised Accounting Interpretation on Internal Control - Related Terms**

The Auditing Standards Board has issued the revised Accounting Interpretation No. 1 of SAS 115 *Communicating Internal Control Related Matters Identified in an Audit*. The Accounting Interpretation highlights the updated definitions for "deficiency in internal control", "significant deficiency", and "material weakness", as they specifically relate to reporting on internal control over compliance in single audits.

## **4. Issuance of SSAE No. 16 *Reporting on Controls at a Service Organization***

The Auditing Standards Board has issued the Statement on Standards for Attestation Engagements (SSAE) No. 16 *Reporting on Controls at a Service Organization*. This new standard establishes the requirements and provides guidance for auditors reporting on a service organisation's controls. It replaces SAS No. 70 *Service Organizations* and is effective for service auditors' reports for periods ending on or after 15 June 2011.

Please see the AICPA [website](#) for more details.

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

### **1. February and April 2010 PSB Meetings**

The PSB covered the following key topics at its February and April 2010 meetings:

#### **February**

- PS1 *Quality Control* – The PSB has considered the comments received on the redrafted PS1 *Quality Control*. The aim is to make PS1 effective for engagements commencing on or after 1 July 2010. Firms would be required to comply with this standard by 1 July 2010.
- Revised AGS 1012 – The PSB has approved the revised AGS 1012 *Audit Implications of the Transition to New Zealand Equivalents to International Financial Reporting Standards*, which provides guidance to auditors of entities that undertake a transition to using New Zealand Equivalents to IFRS in preparing financial statements.

#### **April**

- Revised AGS 1003 *Audit Issues Relating to the Electronic Presentation of Financial Reports* - The PSB has approved the revised AGS 1003 *Audit Issues Relating to Electronic Presentation of Financial Reports*, which provides guidance to auditors of entities that use the internet for presenting their audited financial reports.
- ISAE (NZ) 3402 *Assurance Reports on Controls at a Service Organisation* - The PSB has approved ISAE (NZ) 3402 *Assurance Reports on Controls at a Service Organisation*, for final

approval of the Board of the Institute of Chartered Accountants of New Zealand. The PSB has recommended that the standard be effective for service auditor's assurance reports covering periods ending on or after 15 June 2011.

Please refer to the NZICA-PSB [website](#) for more information.

Auditing and Assurance Standards Board, Level 7, 600 Bourke Street, Melbourne, VIC, 3000  
**Telephone:** +61 3 8080 7400 **Facsimile:** +61 3 8080 7450 **Email:** [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au)  
[www.auasb.gov.au](http://www.auasb.gov.au)

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