



International Update

Subject: AUASB International Update

Introduction

This fifth edition of the AUASB International Update summarises the significant news and activities for the months of September and October 2009 of the following standards-setting bodies, and professional organisations:

- the International Auditing and Assurance Standards Board (IAASB);
- the Auditing and Assurance Standards Board (AASB) of the Canadian Institute of Chartered Accountants (CICA);
- the Auditing Practices Board (United Kingdom);
- the Public Company Accounting Oversight Board (PCAOB) (USA);
- the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA); and
- the Professional Standards Board (PSB) of the New Zealand Institute of Chartered Accountants (NZICA).

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.

International Auditing and Assurance Standards Board (IAASB)

1. New Tools to support Clarity ISA implementation

The IAASB has released a series of "ISA Modules" comprising short video presentations and slides aimed at providing support to those responsible for the implementation of clarified ISAs, such as practicing auditors and trainers. These modules explain the key principles of, and significant changes in, individual ISAs, as well as the audit implications of clarified ISAs for small and medium-sized entities. These modules focus on some of the new ISAs and those with major changes, such as the ISAs that cover related parties, auditing accounting estimates, including fair value estimates, communication with those charged with governance, and communicating deficiencies in internal control. These modules are available online at the [IAASB Clarity Center](#).

2. Release of Consultation Papers

The IAASB has recently released Consultation Papers that seek views on the following significant topics:

- [Auditing Complex Financial Instruments](#), regarding the development of guidance on auditing complex financial instruments, including fair value auditing. The Consultation Paper is leveraged on the work of the UK Auditing Practices Board on the same topic. The comment period ends on 15 January 2010.
- [Reporting on Greenhouse Gases](#), relating to the development of a new assurance standard on Greenhouse Gas Statements. The comment period ends on 19 February 2010.

3. Issue of ISAE 3402 Assurance Reports on Controls at a Service Organization

The IAASB has approved for issue (subject to confirmation by the Public Interest Oversight Board) the International Standard on Assurance Engagements (ISAE) 3402 *Assurance Reports on Controls at a Service Organization*, which will be effective for service auditors' assurance reports for the periods ending on or after 15 June 2011. Details are available at the IAASB September 2009 [Meeting Highlights](#) and Decisions.

4. Other Ongoing Projects

The IAASB discussed the following projects at its [September 2009 meeting](#):

- Proposed ISAE 3420 *Pro Forma Financial Information Included in Prospectuses*
- Revision of ISRE 2400 *Engagements to Review Financial Statements*
- Revision of ISA 610 *Using the Work of Internal Auditors*

- XBRL

For more information, please refer to the [IAASB website](#).

Auditing and Assurance Standards Board (AASB) of CICA

1. Canadian participation in IAASB Consultation Papers

The AASB has requested its stakeholders to provide comments to the IAASB on its Consultation Papers for the development of:

- [Proposed ISAE 3410 Assurance on a Greenhouse Gas Statement](#); and
- guidance on auditing complex [financial instruments](#).

2. Consultation Paper on Review Engagements

The AASB has released a [Consultation Paper](#) that is aimed at helping the AASB to better understand how the current review standards are being used in practice. It is also intended to generate responses from stakeholders that will result in improvements in the current review standards.

3. Risk Alert CSQC1 - Transition Issues

The AASB Staff issued Risk Alert [CSQC1 – Transition Issues](#) to assist firms performing assurance engagements in dealing with issues related to the adoption of CSQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*. CSQC1 comes into effect on 15 December 2009, in preparation for the implementation of clarified Canadian Auditing Standards (CASs), which will be effective for audits of financial periods ending on or after 15 December 2010.

4. CICA's Guide to New CASs in Canada

CICA has released the latest version of the [CICA's Guide to New CASs in Canada](#). This publication is a reference guide to assist auditors and assurance practitioners in implementing the clarified CASs, together with CSQC1.

For further information, please see the [CICA website](#).

Auditing Practices Board (APB) (UK)

1. Issue of Clarified ISAs (UK and Ireland)

The APB has issued [clarified International Standards on Auditing](#) (UK and Ireland), as follows:

- 33 new International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland));
- a new International Standard on Quality Control (UK and Ireland) 1 (ISQC (UK and Ireland) 1); and
- a revised Statement of the Scope and Authority of APB Pronouncements.

The above apply to audits of financial statements for periods ending on or after 15 December 2010.

2. Updated Interim Guidance on Auditing Complex Financial Instruments

The APB has issued the updated version of Practice Note (PN) 23 [Auditing Complex Financial Instruments](#), which provides guidance to auditors when auditing derivatives and other complex financial instruments. The APB has released this updated publication only as an interim version because:

- related accounting standards are currently being reviewed and any changes in such accounting standards may have implications on the audit of complex financial instruments; and
- changes have to be made to the interim PN 23 to reflect the impact of relevant clarified ISAs (UK and Ireland), in particular, ISA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures*.

Please see the [APB website](#) for further details.

Public Company Accounting Oversight Board (PCAOB) (USA)

Report on First-Year Implementation of Auditing Standard No. 5

The PCAOB has issued a report on the results of the first-year implementation of [Auditing Standard No. 5](#) *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*. The report was based on the PCAOB's inspections of audits of internal control over financial reporting performed by the eight largest auditing firms in the US. The report also

includes recommendations to auditors on how to improve integrated audits.

For further information, please refer to the [PCAOB website](#).

Auditing Standards Board of the AICPA

Exposure Drafts under the Clarity Project

The ASB has released the [exposure drafts](#) of the following Proposed Statements on Auditing Standards under its Clarity Project:

- *Audits of Group Financial Statements (Including the Work of Component Auditors)* – comments are due by 15 December 2009.
- *Related Parties* – comments are due by 15 December 2009.
- *Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures* – comments are due by 30 November 2009.

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

Professional Standards Board (PSB) of NZICA

1. Financial Advisory Engagements Standard

The PSB has approved the [Financial Advisory Engagement Standard](#) which will be applicable to engagements to provide financial advice existing or commencing on or after 1 July 2010.

2. Quality Control

The PSB has issued the Exposure Draft of the redrafted [PS-1 Quality Control](#). Comments are requested by 15 December 2009.

For further information, please see the [NZICA website](#).

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
www.auasb.gov.au

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