



## **AUASB International Update**

This Update summarises the significant news and activities of the IAASB and other foreign standard setting bodies for the period February – March 2009.

### **International Auditing and Assurance Standards Board (IAASB)**

#### **1. IAASB Finalises Clarity Project**

The IAASB has released its final seven clarified International Standards on Auditing (ISAs) which completes its Clarity Project. The final seven clarified ISAs are as follows:

- ISA 210 (Redrafted) *Agreeing the Terms of Audit Engagements*;
- ISA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*;
- ISA 402 (Revised and Redrafted) *Audit Considerations Relating to an Entity Using a Service Organisation*;
- ISA 700 (Redrafted) *Forming an Opinion and Reporting on Financial Statements*;
- ISA 800 (Revised and Redrafted) *Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*;
- ISA 805 (Revised and Redrafted) *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*;
- ISA 810 (Revised and Redrafted) *Engagements to Report on Summary Financial Statements*.

All of the 36 clarified standards are effective for audits of financial statements for periods beginning on or after 15 December 2009. Auditors worldwide can access all the clarified ISAs, including the clarified International Standard on Quality Control (ISQC), in the new Clarity Center on the IAASB website.

#### **2. Projects in Progress**

**(a) Proposed ISAE 3402 Assurance Reports on a Service Organisation's Controls**

Further analysis of the responses to the Exposure Draft of Proposed ISAE 3402 (commenting period closed on 31 May 2008) and a revised draft ISAE will be considered in the IAASB June 2009 meeting.

**(b) Fair Value Auditing Guidance**

Aimed at determining how best to develop any further guidance on fair value auditing. A project proposal will be presented to the IAASB at its June 2009 meeting.

**(c) Assurance Engagements on Carbon Emissions Information**

A draft proposed ISAE will be presented to the IAASB at its June 2009 meeting.

## Auditing Practices Board (United Kingdom)

### 1. Adoption of Clarified ISAs

The Auditing Practices Board of the United Kingdom (APB UK) will update its auditing standards to adopt the clarified ISAs. The new UK standards will be effective for audits of financial statements for periods ending on or after 15 December 2010.

### 2. Issuance of Pronouncements

The APB UK issued the following in March 2009:

- (a) **International Standard on Auditing (UK and Ireland) ISA 700 *The Auditor's Report on Financial Statements*** – This will be effective for audits of financial statements of UK companies, except for those that are charities, for periods commencing on or after 6 April 2008 and ending on or after 5 April 2009; and all other UK entities for periods ending on or after 15 December 2010. For earlier accounting periods and for audits carried out in the Republic of Ireland, the previous version of ISA (UK and Ireland) 700 is applicable.
- (b) **Consultation Paper and Exposure Draft of Amendments to Ethical Standards for Auditors** – The amendments relate to topics such as: (a) rotation period for audit partners on audits of listed companies; (b) remuneration and evaluation policies for key audit partners involved in audit engagements; (c) provision of non-audit services relating to securitisation and restructuring services; (d) direct assistance by internal auditors to audit teams; and (e) definition of an audited entity's affiliates. The commenting period ends on 15 June 2009.
- (c) **Bulletin 2009/1 *The Auditor's Reports – Supplementary Guidance for Auditors of Charities with March 2009 Year Ends*** – This Bulletin contains illustrative examples of Charity Auditor reports to supplement Practice Note 11 *The Audit of Charities in the UK*.

## Public Company Accounting Oversight Board (USA)

### 1. PCAOB Chief Auditor Returns to the Private Sector

Thomas Ray resigned in March 2009 from his position as PCAOB Chief Auditor and Director of Professional Standards to return to the private sector. No permanent replacement has been announced yet.

### 2. Proposed Auditing Standard on *Engagement Quality Review*

The PCAOB has issued in March 2009 a revised proposed Auditing Standard on *Engagement Quality Review* which establishes the framework for an objective evaluation by an engagement quality reviewer of the significant judgements and conclusions reached during an audit. The comment period ends in April 2009.

## Auditing Standards Board (ASB) of the AICPA (USA)

The ASB has issued several new pronouncements, as follows:

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**1. Exposure Drafts of Proposed Statements on Auditing Standards under its Clarity Project:**

- (a) *Consideration of Fraud in a Financial Statement Audit (Redrafted);*
- (b) *Consideration of Laws and Regulations in an Audit of Financial Statements;*
- (c) *Risk Assessment Standards - Audit Evidence (Redrafted); Materiality in Planning and Performing an Audit (Redrafted); Evaluation of Misstatements During the Audit; Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement (Redrafted); Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained (Redrafted);*
- (d) *Initial Audit Engagements, Including Reaudits – Opening Balances;*
- (e) *Audit Sampling (Redrafted).*

**2. Statement on Auditing Standard *Interim Financial Information*** – This amended AU section 722 *Interim Financial Information* (AICPA Professional Standards) and is applicable to reviews of interim financial information for interim periods beginning after 15 December 2009.

**Auditing and Assurance Standards Board (AASB) of Canada**

**1. Adoption of Clarified ISAs**

The Canadian AASB continues its process of adopting all the clarified ISAs as Canadian Auditing Standards (CAS), and the ISQC as the Canadian Standard on Quality Control (CSQC) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*. These are effective for audits of financial statements for periods ending on or after 14 December 2010.

The Canadian AASB has already approved 35 CAS and the CSQC. The remaining CAS to be approved is CAS 210 *Agreeing the Terms of Audit Engagements* which was re-exposed for comment, with a deadline in April 2009.

**2. Staff Risk Alert on New *Quality Control Standard for Firms***

The Staff Alert differentiates the requirements of the new CSQC and the current *General Standards of Quality Control for Firms Performing Assurance Engagements* (referred to as GSF-QC) relative to: (a) the timing of completion of engagement quality control reviews; and (b) who can perform inspections of completed engagements. The Staff Alert also compares the 2 standards in respect of rotation of senior engagement personnel.

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

The activities of the New Zealand PSB in recent months have been predominantly related to the adoption of the clarified ISAs.