



AUASB International Update

This Update summarises the significant news of the IAASB and other national auditing standards-setting bodies for the period *16 February 2010 – 9 April 2010*.

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 – 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 that is expected to be released in December 2010. Such Consultation Paper will outline the IAASB's proposed strategies and potential projects for the period 2012-2014.

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, US and the UK will undertake the research projects.

The topics for the research projects are:

- 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 at the second quarter of 2011, with the final results anticipated to be released in October 2011.

Auditing Practices Board (APB) (UK)

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

The UK APB issued the Exposure Draft of Practice Note 12 (Revised) *Money Laundering – Guidance for Auditors on UK Legislation*. The Practice Note is aimed at providing guidance to auditors relating to their anti-money laundering responsibilities when performing their audit work. The comment period ends on 30 June 2010.

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 issued the Exposure Draft of the proposed Canadian Standard on Assurance Engagements (CSAE) for *Reporting on Controls at a Service Organization*. The proposed CSAE is aimed at establishing the requirements for and providing guidance to practitioners who reports on controls at service organisations, and such controls are

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) for *Reporting on Controls at a Service Organization* issued by the US AICPA, which is aimed to 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 highly integrated Canadian and US markets for this type of engagements.

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

The Canadian AASB issued an Exposure Draft that covers:

- (a) the issuance of a new Assurance and Related Services Guideline on *Dating of the Review Engagement Report*; and
- (b) 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:

- (a) the Canadian Auditing Standard (CAS) 700 *Forming an Opinion and Reporting on Financial Statements* that requires the auditor's report be dated on which the auditor obtains sufficient appropriate audit evidence on which to base the auditor's opinion; and
- (b) 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 on 15 May 2010.

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

- (a) 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.
- (b) 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.
- (c) 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):

- (a) 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.
- (b) 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.

Professional Standards Board (PSB) (New Zealand)

1. February 2010 PSB Meeting

The PSB covered the following key topics at their February 2010 meeting:

- (a) **PS1 Quality Control** – The PSB 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.

- (b) **Revised AGS 1012** – The PSB 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.