



International Update

Subject: International Update for the period 23 October 2013 to 26 November 2013 inclusive

International Federation of Accountants (IFAC)

International Audit and Assurance Standards Board (IAASB)

There have been no developments related to audit and assurance to report in the period.

Public Interest Oversight Board of IFAC (PIOB)

There have been no developments related to audit and assurance to report in the period.

International Ethics Standards Board for Accountants (IESBA)

There have been no developments related to audit and assurance to report in the period.

New Zealand

New Zealand Auditing and Assurance Standards Board (NZAuASB)

Communiqué of 18 October 2013 Board meeting issued on 25 October 2013

Matters considered included:

1. Approval of ISRE (NZ) 2400 and ISRE (NZ) 2410. The effective date of the standards is for reviews of financial statements for periods ending on or after 31 December 2014. The standards supersede Review Standard 1 (RS-1). The standards are harmonised with the equivalent AUASB Standards. Additionally, with their issue, the NZAuASB has now completed its process of convergence with the IAASB Standards.
2. Approval of an amending standard to adopt IESBA's updated definition of "those charged with governance". The amendments aligned PES 1 (Revised) definition to the definition in ISA (NZ) 260 *Communication with Those Charged with Governance*.
3. A draft Invitation to Comment (ITC), outlining NZAuASB specific changes proposed to the IAASB Auditor Reporting Standards in respect of the NZAuASB equivalent standards. The NZAuASB specific changes are in accordance with the NZAuASB "compelling reason" policy and have been clearly identified in the ITC. The NZAuASB then discussed drafts of the separate Exposure Drafts of the proposed auditor reporting standards.
4. Approval of an ITC and Exposure Draft (ED) resulting from legislative changes contained in the *Financial Market Conducts Act 2013* and *Financial Reporting Bill 2012*. The ITC explains the changes proposed to the existing suite of ISA (NZ) Auditing Standards contained in the ED. The ED also reflects changes to the auditor's report as a result of the new multi-standard accounting framework.
5. Approval of a project plan to develop an ITC to issue a New Zealand specific Exposure Draft (ED) on proposed ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. The ED is to be discussed at the December 2013 board meeting.

United Kingdom

UK Financial Reporting Council (UK FRC)

1. The UK FRC's Financial Reporting Lab has published on 24 October 2013 its report: [Reporting of Audit Committees](#). This report is designed to provide insights from companies and investors on the effective approaches to audit committee reporting, particularly within the context of the October 2012 revisions to the UK Corporate Governance Code which required audit committees to describe in more detail the work that they perform (for example: key issues considered, how they assessed the audit process in terms of independence and effectiveness).
2. The UK FRC published a [thought piece](#) on 29 October 2013 calling for action from both preparers and auditors to improve the quality of annual report disclosures and reiterating support for the IASB to develop a financial reporting disclosure framework.
3. The UK FRC published on 29 October 2013 its [summary of presentations and disclosures from its audit committee members seminar meeting](#) held on 23 October 2013. Issues discussed included: an update on the UK Competition Commission, European Union update, presentation on the IAASB Auditor Reporting project; an update on the Financial Reporting Lab's project on Audit Committee Reporting as well as the FRC's work on audit quality inspection and corporate reporting review.
4. The UK FRC published on 1 November 2013 its [summary of presentations and discussions](#) from its 24 October 2013 Joint Forum with the Association of Chartered Certified Accountants on the IAASB's proposals to make auditor's reports more informative.
5. The UK FRC published on 6 November 2013 its [Feedback Statement: Implementing the recommendations of the Sharman Panel](#). This statement seeks to summarise the stakeholder comments received from earlier consultations on the Sharman Panel topics. The UK FRC has proposed changes that seek to address these comments, through the issue of a Consultation Paper, that seeks to amend existing [Guidance for Directors of Banks on Solvency and Liquidity Risk Management and the Going Concern Basis of Accounting](#), and through proposed revisions to existing Auditing Standards through Exposure Draft: [Revised Auditing Standards \(ISA\) \(UK and Ireland\) 260, 570, 700](#). The revisions are proposed to apply to reporting periods beginning on or after 1 October 2014. Stakeholder comments are requested to be received by 24 January 2014.
6. The UK FRC published on 11 November 2013 a new Practice Note 095: [Auditor Regulatory Sanctions Procedure and Guidance](#). The changes are effective immediately. The Practice Note is applicable for all audit firms which are registered with the ICAEW and subject to independent monitoring by the FRC's Audit Quality Review and follows recent amendments to the *Companies Act 2006*. These Companies Act changes enabled the FRC (through its monitoring committee) or an Independent Sanctions Tribunal to determine sanctions against statutory auditors when they have not complied with the rules relevant to statutory audit, rather than refer to the matter to one of the recognised supervisory bodies (RSB).

The UK Competition Commission (UK CC)

There have been no developments related to audit and assurance to report in the period.

Institute of Chartered Accountants in England and Wales (ICAEW)

1. The ICAEW published on 1 November 2013 an [article](#) titled: *4 Ways to increase confidence in small businesses* as audit thresholds rise. The article explains that entity's turnover thresholds and balance sheet totals, on which the requirement for an audit is determined, change next year or in 2015. This is as a result of the new EU Accounting Directive. It explains the alternate services assurance practitioners may offer to entity's which no longer require audits.

2. The ICAEW published on 26 November 2013 a [thought piece](#) *ICAEW warms against global fragmentation of auditor reporting*. The article highlights issues associated with the differing timeframes and approaches taken by the IAASB, EU, PCAOB and UK FRC to proposed changes to auditor reporting.

Institute of Chartered Accountants in Scotland (ICAS)

There have been no developments related to audit and assurance to report in the period.

International Integrated Reporting Council (IIRC)

The IIRC issued on 26 November 2013 its [November 2013 newsletter](#). A key matter noted was that the IIRC will issue on 9 December 2013 the International <IR> Framework, after its Council meets to approve the Framework on 4 December 2013.

United States

American Institute of Certified Public Accountants (AICPA)

There have been no developments related to audit and assurance to report in the period.

Public Company Accounting Oversight Board (PCAOB)

1. The PCAOB [issued](#) a Staff Audit Practice Alert on 24 October 2013 titled: Staff Audit Practice Alert No. 11: [Considerations for Audits of Internal Control over Financial Reporting](#). The alert comes in light a significant number of audit deficiencies related to audits of internal control over financial reporting (ICFR) identified in a report published in December 2012 (covering past 3 years). Alert No. 11 discusses how to plan and perform such an audit in accordance with Auditing Standard No. 5 [An Audit of Internal Control over Financial Reporting That is Integrated with an Audit of Financial Statements](#).
2. The PCAOB [announced](#) on 6 November 2013 that it was establishing a Center for Economic Analysis. The Center is expected to begin operations in early 2014 and its Founding Director has been named as Professor Luigi Zingales. The Center's role is to advise the PCAOB on "how economic theory, analysis, and tools can be better used to enhance the effectiveness of PCAOB program areas, including standard setting, inspections and other oversight activities. Additionally the Center will promote and encourage economic research related to the role of the audit in capital formation and investor protection."
3. The PCAOB [hosted](#) its seventh annual International Auditor Regulatory Institute on 18-20 November 2013. The Institute provided participants with the opportunity to learn about the PCAOB and its ongoing work programs, as well as facilitated the exchange of participant views on a variety of audit-related issues affecting auditor oversight in the U.S and abroad. Participants included representatives of the UK FRC, European Commission, Association of Southeast Asian Nations (ASEAN), and the International Forum of Independent Audit Regulators (IFIAR).

Center for Audit Quality (CAQ)

1. CAQ published on 6 November 2013 a [thought piece](#) titled *Public Company Auditing is Critical to Investor Protection and the Health of Capital Markets*. The article was in response to recent U.S press suggesting that policymakers should eliminate the requirement for U.S public companies to obtain an annual independent audit.
2. CAQ published on 21 November 2013 a paper: [Enhancing the Audit Committee Report: A Call to Action](#). The publication calls for U.S public company audit committees to proactively consider "strengthening their public disclosures to more effectively convey the critical work of audit committees to investors and stakeholders". The paper was published in collaboration with various U.S organisations and contains specific sections dealing with drivers of change, emerging

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practices, and concludes “The effective communication of high-quality information among the key players in our financial markets promotes investor confidence – the engine that drives capital formation and the efficiency of markets. Therefore, we strongly encourage audit committees to respond to this Call to Action by exploring ways to continually improve the information they provide to the marketplace.”

Canada

Canadian Public Accountability Board (CPAB)

There have been no developments related to audit and assurance to report in the period.

Auditing and Assurance Standards Oversight Council (AASOC)

There have been no developments related to audit and assurance to report in the period.

Canadian Auditing and Assurance Standards Board (CAASB)

1. The CAASB issued an [Exposure Draft](#) (ED): *Section 7060 Auditor Review of Interim Financial Statements* on 1 November 2013. The ED is for a new standard dealing with the review of an entity’s interim financial statements by its auditor. The Standard would replace existing Standard, Section 7050 of the same name, and contains a mixture of new requirements and requirements elevated from existing guidance contained in Section 7050. The new standard is proposed to apply for interim periods of fiscal years beginning on or after 15 December 2014. Comments are invited by 15 January 2014.
2. The CAASB issued on 5 November 2013 a [decision summary](#) in respect of CAASB’s Exposure Draft on auditor reporting titled *Reporting on Audited Financial Statements*. The CAASB discussed stakeholder comments received and matters to be included in CAASB’s response to the IAASB’s Exposure Draft of the same title.
3. The CAASB issued on 15 November 2013 a [decision summary](#) in respect of CAASB’s deliberations on the draft response letter to the IAASB’s Exposure Draft *Reporting on Audited Financial Statements*. The CAASB will review a final draft prior to submission to the IAASB due on 22 November 2013.

Chartered Professional Accountants of Canada (CPA Canada formerly CICA)

1. CPA Canada issued a [thought piece](#) on 24 October 2013 titled *Enhanced Reliability or cold comfort? Auditor association with information outside of audited financial statements*.
2. CPA Canada issued a [thought piece](#) on 8 November 2013 titled *Who’s on first? Deterring and detecting fraud*.
3. CPA Canada issued a [thought piece](#) on 27 November 2013 titled *Made to Measure? Using Indicators to enhance Audit Quality*.

Federation of European Accountants (FEE)

FEE published its [regular e-newsletter \(No.9\)](#) on 31 October 2013. Of audit significance was the noting of continuing EU developments on developing final proposed legislative text for the Directive and Regulation on statutory audit, and FEE’s comments on the UK Competition Commissions’ statutory audit services final report.

European Union (EU)

Council of the EU

There have been no developments related to audit and assurance to report in the period.

European Parliament (EP) of the EU

There have been no developments related to audit and assurance to report in the period.