



AUASB International Update

Subject: AUASB International Update for the period September 2015 to November 2015 inclusive.

International Federation of Accountants (IFAC)

1. IFAC issued the Call for Nominations for the Independent Standard-Setting Boards and IFAC Board and Committees on 29 October 2015 and 16 November 2015 respectively. The Calls set out the upcoming opportunities for membership on the IAASB, IAESB, IESBA, and IPSASB as well as on the IFAC Board, Compliance Advisory Panel (CAP), and four committees—Professional Accountancy Organization (PAO) Development Committee, Professional Accountants in Business Committee (PAIBC), Small and Medium Practices Committee (SMPC), and Nominating Committee.

International Audit and Assurance Standards Board (IAASB)

1. IAASB issued [the Companion Manual](#) in November 2015. This manual is developed to help member organisations IFAC and other professional accountancy organisations make the best use of:
 - [the Guide to Quality Control for Small and Medium Sized Practices \(QC Guide\)](#),
 - [the Guide to Using International Standards on Auditing in the Audits of Small-and Medium-Sized Entities \(ISA Guide\)](#),
 - [the Guide to Review Engagements, and](#)
 - [the Guide to Compilation Engagements](#).

Public Interest Oversight Board of IFAC (PIOB)

1. In September 2015, the PIOB issued [Standard Setting in the Public Interest: A Description of the Model](#) in order to provide greater clarity and broaden the general understanding of the governance functions supporting audit related standard setting. This document reflects the current state of the standard-setting model in audit, assurance, ethics, and education for accountants. It sets forth the aims and features of the governance arrangements, with links to governing or other documents that provide further details as appropriate.

International Integrated Reporting Council (IIRC)

1. IIRC and IFAC released the publication, [Materiality in Integrated Reporting](#) on 20 November 2015 which offers guidance for the preparation of integrated reports.
2. The IIRC is calling for action to continue to strengthen the overall credibility of, and trust in <IR>. This is a key message in the '[Overview of feedback and call to action](#)' published by the IIRC, which summarizes significant matters raised in the debate engendered by our Assurance on <IR> publications, '[Assurance on <IR>: an introduction to the discussion](#)' and '[Assurance on <IR>: an exploration of issues](#)' released in July 2014. That debate included roundtables contributed to by around 400



people globally and resulted in [63 written submissions](#) being received. As well as summarising significant issues emerging from the debate, the *Overview* identifies the most important actions the IIRC believes should be considered to ensure the debate progresses and is fruitful.

International Ethics Standards Board for Accountants (IESBA)

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

International Organization of Securities Commissions (IOSCO)

1. A new international statement on, and guide to, best practice audit firm transparency reporting has been published by the International Organisation of Securities Commission (IOSCO). The two documents form part of its recently published report "[Transparency of Firms that Audit Public Companies](#)". It is the outcome of several years of investigation by IOSCO into the communication practices that audit firms worldwide undertake with their investors and other stakeholders, particularly in relation to governance and quality control issues.

The report noted that some jurisdictions, including Australia, the EU and Japan, already have mandatory audit transparency reporting while other jurisdictions collect this information via other regulatory processes. IOSCO is of the view that transparency reports can influence an investor's decision making and because of this the way these reports are presented is important. It has therefore prepared a statement setting out what information it believes a high quality transparency report should contain and the qualities that the information presented should possess. Its guide then provides further information on the interpretation of its statement in relation to specific types of information expected.

International Forum of Independent Audit Regulators (IFIAR)

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

New Zealand

New Zealand Auditing and Assurance Standards Board (NZAuASB)

1. The NZAuASB published on 9 September 2015, its [Communique No. 17](#) for the NZAuASB Meeting 2 September 2015. The main matters discussed included Auditor Reporting; Directors' Responsibilities; Financial Markets Authority; Non-Compliance with Laws and Regulations (NOCLAR); Compliance Engagements; Service Performance Reporting.
2. The NZAuASB published on 11 September 2015, its [Communique No. 18](#) announcing the issuance of an amending standard *Amendments to the ISAs (NZ) to describe the Responsibilities of Those Charged with Governance*. The effective date for the amendments will be for audits of financial statements for periods ending on or after 15 December 2016. Early adoption is permitted.



3. The NZAuASB published on 2 October 2015, its [Communique No. 19](#) announcing the issuance of one new and six revised auditor reporting standards, plus conforming amendments to other ISAs (NZ), designed to enhance auditors' reports for users of financial statements. The new and revised standards will be effective for audits of financial statements for periods ending on or after 15 December 2016. Early adoption is permitted. This revised package also includes changes to the standard dealing with the auditor's responsibilities relating to other information included in the annual report.

[Amendments to ISAs \(NZ\) to promote greater focus on Financial Statement Disclosures](#)

The NZAuASB also issued on 10 September 2015, an [amending standard](#) *Amendments to the International Standards on Auditing (New Zealand) to Describe the Responsibilities of Those Charged with Governance* that will amend a number of ISAs (NZ) to reflect amendments made to address disclosures in the audit of financial statements.

4. The NZAuASB published on 2 November 2015, its [Communique No. 20](#) for the most recent NZAuASB Meeting held on 21 October 2015. The main matters considered at the meeting were Service Performance Reporting; Auditor Reporting; Compliance Engagements; Non-Compliance with Laws and Regulations (NOCLAR); Summary Financial Statements.

United Kingdom

UK Financial Reporting Council (UK FRC)

1. The UK FRC published on 22 October 2015, its [annual report of the FRC Corporate Reporting Review](#) (CRR) activities, which found that the overall quality of corporate reporting remains generally good, particularly by large public companies. The report also shows that there has been a good response to the FRC's call for enhanced disclosures about complex supplier arrangements.

The UK FRC's assessment is based on a review of 252 sets of reports and accounts in the year to 31 March 2015, of which 76 (30%) companies were approached for further information and explanation. Nine companies were the subject of a press notice or 'Committee Reference' as a result of more significant concerns about their financial reports.

2. The UK FRC announced on 28 October 2015, its [2016/19 strategy](#) outlining priority areas for the next three years. The UK FRC's mission remains to promote high quality corporate governance and reporting to foster investment. The UK FRC will:
 - Seek to put the UK indisputably in first place in terms of the quality of corporate reporting, giving investors globally the greatest possible confidence in UK investment. The UK FRC will do so by working with companies to make the most of the changes to codes, standards and regulations introduced since the financial crisis, and by avoiding the distraction of introducing further changes to codes and standards wherever possible.
 - Seek to put the UK indisputably in first place too for the quality of its auditing, making the most of its new role as the Single Competent Authority for audit under the new EU legislation. The aim is that by 2019 at least 90% of FTSE 350 audits will require no more than limited improvements as assessed by the UK FRC's



monitoring programme. The UK FRC will work in collaboration with the profession to give assurance and confidence to investors globally.

3. The UK FRC published on 9 November 2015, its Standard for audit firms on [Providing Assurance on Client Assets to the Financial Conduct Authority](#).

The Assurance Standard covers the work auditors do when reporting to the Financial Conduct Authority (FCA) on the compliance by financial services firms, with the FCA's Client Asset (CASS) rules. These provide for the effective safekeeping of client assets and client monies. More than 1,500 firms hold more than £100 billion of client assets and £11 trillion of other custody assets.

4. Audit Committee Chairs (ACCs) consider that audit quality has improved according to the [Audit Committee Chairs Survey 2015](#). This is the second year of the survey and the first to be overseen by the UK FRC.

ACCs scored their auditors highly across all questions. There was also evidence of improvement in all categories with the highest being that of independence and objectivity. The lowest overall scores, for a second year, were for questions on professional scepticism and the auditor's response to regulatory oversight suggesting there is still some work for firms to do in this area.

The survey was sent to ACCs at all FTSE 350 and at some smaller listed companies to provide a suitable sized sample for the six largest audit firms. Response rates increased from 2014 with nearly half of ACCs completing the survey.

Institute of Chartered Accountants in England and Wales (ICAEW)

1. ICAEW has been granted Recognised Supervisory Body (RSB) status for local audit by the FRC. The new powers mean ICAEW is now a regulator of firms that wish to undertake local audits for organisations such as councils and health bodies in England.

The change is a result of the Local Audit and Accountability Act 2014, which sets out a new framework for the appointment and regulation of auditors for local public bodies in England. These local bodies will be able to appoint their own auditors and appointed audit firms will need to be registered with an RSB.

United States

American Institute of Certified Public Accountants (AICPA)

1. The AICPA Peer Review Board issued an exposure draft Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews that describes proposed changes to the AICPA's current standards for performing and reporting on peer reviews. The proposals are designed to help audit firms increase their focus on the proper design and operating effectiveness of their systems of quality control.
2. [Changing market needs lead to new assurance opportunities for auditors](#). These opportunities include:
 - Legal and regulatory compliance. New assurance needs driven by legislation and regulation include SEC requirements for reporting on conflict minerals and guidance.



In addition, activities of various governmental and nongovernmental agencies relating to the reporting of greenhouse gas emissions information may result in voluntary requests for assurance. The ASB has worked to ensure that CPAs have adequate guidance in these areas, and ASEC has developed white papers for legislators and regulators to help them design credible verification programs that can be carried out by CPAs.

- Performance audits. The ASB is considering standards for a new category of engagements in the private sector to provide flexibility to better meet client assurance needs.
- Risk management. In the United States, the current demand for CPA services related to risk management is limited to advisory engagements, for which the AICPA recently developed a guide, *Enterprise Risk Management: Guidance for Practical Implementation and Assessment*. From a public sector perspective, the Office of Management and Budget may start requiring executive branch agencies to implement enterprise risk management, which could lead to a need for effectiveness audits.
- Information security. ASEC and the ASB are collaborating to develop practitioner guidance for performing examination-level attestation engagements related to cybersecurity.

Center for Audit Quality (CAQ) (affiliated with AIPCA)

1. In 2014, the CAQ and Audit Analytics, undertook their initial effort to gauge how public company audit committees approach the public communication of their oversight activities, by measuring the robustness of proxy disclosures among companies in the S&P Composite 1500. This index is comprised of the S&P 500 (large-cap companies), the S&P MidCap 400, and the S&P SmallCap 600. The second edition of the [Audit Committee Transparency Barometer](#) report was issued on 3 November 2015. The second edition of the Barometer provides a year-over-year comparison in key audit committee disclosure areas. Among other findings, the Barometer shows the following:
 - One-quarter of S&P 500 companies show enhanced discussion of the audit committee's considerations in recommending the appointment of the audit firm, up from 13 percent in 2014.
 - Sixteen percent of S&P 500 companies explicitly stated the role audit committees play in determining the audit firm's compensation, doubling from 8 percent in 2014.
 - Disclosure of the criteria considered when evaluating the audit firm more than tripled among S&P MidCap 400 companies, rising from 7 percent to 25 percent. Disclosure of the criteria among S&P Small Cap 600 companies increased from 15 percent to 22 percent.
2. These and other Barometer data suggest that audit committees are responding to an increasing interest by investors, regulators, and other stakeholders in the roles and responsibilities of audit committees by providing the marketplace with meaningful information about their role in external auditor oversight. The Barometer also offers some examples of leading disclosure practices that show audit committees are also tailoring these enhanced disclosures specifically to the company, and not using a one-size-fits-all approach.



Public Company Accounting Oversight Board (PCAOB)

1. PCAOB issued a "[Concept Release on Audit Quality Indicators](#)" on 1 July 2015. The release sought comment on, among other matters, the content and possible uses of a group of potential indicators and explained that the indicators might provide insights into evaluating audit quality, inform discussions together with qualitative context among those concerned with financial reporting, strengthen audit planning and execution, and stimulate competition among audit firms based on quality.

A total 47 responses were received by the Board. PCAOB staff published [an analysis of these responses](#) for presentation to the Standing Advisory Group (SAG) meeting on 12 and 13 of November 2015. Twenty-two of the letters were from audit firms or representatives of the audit profession (including the Centre for Audit Quality). In general, audit firms were not supportive of these indicators. They raised concern that there was no standard group of AQIs that could advance understanding of audit quality. In their view, variations in auditor and issuer made it impossible to identify a single group of meaningful indicators. They also expressed concern over the publication of AQI information (in large part because they believed that such publication would cause confusion and that investors would not understand the meaning of the information), but they expressed support for firms voluntarily publishing information in annual information documents.

Representatives of institutional investors submitted comments endorsing the project and the need to make AQI information public, citing the recommendations of the Treasury Advisory Committee on the Auditing Profession. These commenters suggested that the data could be used to stimulate competition in quality among auditors, remedy the deficiency of information about audits provided to shareholders, and give shareholders for the first time meaningful information to help them participate in voting to ratify auditor selection.

Canada

Auditing and Assurance Standards Oversight Council (AASOC)

1. The AASOC published on 14 September 2015 its Auditing and Assurance Standards Oversight Council Public Report for the period ended August 31, 2015, entitled [Providing Effective Oversight](#). This report highlights AASOC's major activities and accomplishments over the past year.

Canadian Auditing and Assurance Standards Board (CAASB)

1. The CAASB published on 24 November 2015 its Exposure Draft of proposed Canadian amendments to ISA 720, [The Auditor's Responsibilities Relating to Other Information: Canadian Amendments](#). The CAASB noted that the comment period ends on 12 February 2016.
2. The CAASB published on 2 July 2015 its [Basis for Conclusions on CSAEs 3000 and 3001 Attestation and Direct Engagements](#).



Canadian Chartered Professional Accountants Canada (CPA Canada, formerly CICA)

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

Canadian Public Accountability Board (CPAB)

1. The CPAB published on 30 November 2015 its [2015 Big Four Public Inspections Report](#). 2015 inspections indicate that audit quality across Canada's four largest public accounting firms (Big Four – Deloitte LLP, EY LLP, KPMG LLP, PwC LLP) was inconsistent. Significant inspection findings increased across all four firms as a group compared to the prior year and improvement in the firms' quality systems is required.

Federation of European Accountants (FEE)

1. FEE published in November 2015 an information paper *Overview of Audit Quality Indicators Initiative*. FEE's [new overview](#) sets out what audit quality indicators (AQIs) have been developed by nine different organisations worldwide, including regulators, oversight bodies, professional bodies, and audit firms. With this new publication, FEE adds a European perspective to the global discussion on audit quality. AQIs can increase comparability and transparency between audits and audit firms.
2. FEE has responded to the PCAOB's request for public comment on the content and possible use of a set of potential [Audit Quality Indicators](#) (AQIs).

European Union (EU)

Council of the EU (JURI)

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

European Parliament (EP) of the EU

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European Commission (EC)

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