



## AUASB International Update

This Update summarises the significant news of the IAASB and other national auditing standards-setting bodies for the period June 2010 to mid-July 2010.

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

#### 1. IAASB Projects in Progress

- (a) The June 2010 IAASB meeting included discussion and consideration of the following proposed pronouncements:
- Draft of revised IAPS 1012 *Auditing Complex Financial Instruments*;
  - Exposure draft of revised ISA 610 *Using the Work of Internal Auditor*;
  - Exposure draft of revised ISA 315 *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment*;
  - Draft of new ISAE 3410 *Assurance on a Greenhouse Gas Statement*;
  - Draft of revised ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*;
  - Draft of revised *International Framework for Assurance Engagements*; and
  - Draft of revised ISRE 2400 *Engagements to Review Historical Financial Statements*.
- (b) At its June 2010 meeting, the IAASB also considered the following:
- A proposal from its Audit Quality Task Force on how it can effectively contribute to the global debate on audit quality  
The Task Force recommended the development and issuance of a consultation paper to assist the IAASB in (i) identifying significant contemporary issues that impact audit quality; and (ii) formulating specific projects/actions in response to such issues.
  - An initial Task Force proposal to develop guidance on agreed-upon procedures engagements relating to XBRL.
- (c) The IAASB also discussed at its June 2010 meeting the Task Force report on the ISA Implementation Monitoring project. Phase 1 of the project included a survey of the national auditing standard setters that have adopted or will implement the Clarity ISAs. The Task Force proposed to undertake further actions for the remainder of 2010, including:
- Conducting a survey of feedback from SMPs in using the Clarity ISAs for SME audits; and
  - Preparing a public report on findings of Phase 1 of the ISA implementation monitoring project.

The AUASB Technical Group will continue monitoring the progress of the above projects and consider their implications on our work program and projects, as appropriate.

### Auditing and Assurance Standards Board (AASB) (Canada)

#### 1. Assurance on a Greenhouse Gas Statement

At its June 2010 meeting, the AASB approved the proposal to develop a Canadian Standard on Assurance Engagements (CSAE) *Assurance on a Greenhouse Gas Statement*. In line with this, the

AASB will monitor the progress of the IAASB's project on developing the proposed ISAE 3410 *Assurance on a Greenhouse Gas Statement*. The AASB will decide at a later date whether to fully adopt ISAE 3410 as a CSAE, or develop a CSAE based on ISAE 3410, but amend it as appropriate for the Canadian environment.

## **Public Company Accounting Oversight Board (PCAOB) (USA)**

### **1. U.S. Supreme Court Decision in Lawsuit vs. PCAOB**

The U.S. Supreme Court has recently issued its decision in the lawsuit against the PCAOB, affirming the constitutionality of the PCAOB. Consequently, there will be no changes in the U.S. SEC oversight functions, and the PCAOB's structure, programs and activities. Such decision however, has clarified that the U.S. SEC has power to remove PCAOB members at will, and not only for good cause.

### **2. Practice Alert on Auditor Considerations Regarding Using the Work of Other Auditors and Engaging Assistants from Outside the Firm**

The PCAOB has issued a Staff Audit Practice Alert on *Auditor Considerations Regarding Using the Work of Other Auditors and Engaging Assistants from Outside the Firm*. Recent PCAOB inspections have indicated that some auditors do not comply with the PCAOB standards in respect of using the work of overseas auditors in the audits of U.S. entities' foreign operations. The Practice Alert, therefore, aims to remind auditors of U.S. entities with significant foreign operations about their responsibilities when using the work of overseas audit firms, or consultants located outside of the U.S., in the audit of the foreign operations. In particular, the Practice Alert highlights:

- the considerations for determining whether a U.S.-based auditor may serve as a principal auditor in an audit of an entity that has significant foreign operations being audited by an overseas auditor; and
- the responsibilities of a principal auditor relating to the use of the overseas auditor's work and report.

### **3. Proposed New Auditing Standard on Confirmation**

The PCAOB has issued the exposure draft of the proposed new Auditing Standard on *Confirmation* for public comment. The proposed new Auditing Standard will replace the current Auditing Standard on *Confirmation Process*. It includes procedures in response to risks of material misstatement due to error or fraud, and addresses advances in technology, and their implications on the confirmation process in an electronic environment. The comment period ends on 13 September 2010.

## **Auditing Practices Board (United Kingdom)**

### **1. Practice Note (Revised) 25 Attendance at Stocktaking**

The UK APB has issued an Exposure Draft on Practice Note (Revised) 25 *Attendance at Stocktaking*. The proposed revised Practice Note 25 reflects updates resulting from the implementation of clarified ISAs (UK and Ireland). The comment period ends on 5 October 2010.

## **Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA)**

### **1. Proposed Auditing Standard on *Filings with the SEC Under the Securities Act of 1933***

As part of its Clarity Project, the AICPA's Auditing Standards Board has issued the exposure draft of the proposed Auditing Standard on *Filings with the SEC Under the Securities Act of 1933*. This proposed Auditing Standard will replace SAS 37 *Filings Under Federal Securities Statutes*. The comment period ends on 2 August 2010.

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

### **1. ISAE 3420 *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus***

At its June 2010 meeting, the PSB noted that the proposed ISAE 3420 *Assurance Reports on the Process to Compile Pro Forma Financial Information* "would have limited relevance in New Zealand". The PSB will prepare a submission to the IAASB relating to the Exposure Draft of ISAE 3420, which will be considered at the September 2010 PSB meeting.

The AUASB Technical Group is in the process of preparing a submission to the IAASB relating to the proposed ISAE 3420. Please refer to Agenda 13(e).1 for the Issues Paper.