



AUASB International Update

This Update summarises the significant news of the IAASB, other national auditing standards-setting bodies and professional organisations for the period 18 April to 13 June 2011.

International Auditing and Assurance Standards Board (IAASB)

1. Consultation Paper on *Enhancing the Value of Auditor Reporting: Exploring Options for Change*

The IAASB has issued *Enhancing the Value of Auditor Reporting: Exploring Options for Change*, a consultation paper seeking to determine whether there are common views among users of audited financial statements and other stakeholders about the usefulness of auditor reporting. It describes issues with current financial reporting, including a perceived “information gap”, identified by some stakeholders. It then sets out possible options for change and seeks input as to whether such options might be effective in enhancing auditor reporting and the communicative value of the auditor’s report.

A copy of the consultation paper can be located on the AUASB website (<http://www.ifac.org/Guidance/EXD-Details.php?EDID=0163>). A hard copy of the consultation paper is also enclosed at Agenda Item No. 9(d)(ii).1.

The AUASB has scheduled a roundtable discussion on this topic for Tuesday 28th June 2011. After this consultation process with AUASB constituents, a formal response on the Consultation Paper will be completed for the Board’s approval at the 12 September 2011 AUASB meeting.

2. Proposed International Standard on *Engagements Other Than Audits or Reviews of Historical Financial Information*

The IAASB has issued an exposure draft to seek views from practitioners and other stakeholders in relation to proposed International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. The proposed revised ISAE provides requirements and guidance on assurance engagements, other than audit or reviews of historical financial information. It is a principles-based standard that is capable of being applied effectively to a broad range of underlying subject matters, and that will provide a basis for current and future subject-specific ISAEs.

A copy of the consultation paper can be located on the AUASB website (<http://www.ifac.org/Guidance/EXD-Details.php?EDID=0161>). A hard copy of the consultation paper is also enclosed at Agenda Item No. 9(d)(i).1.

The AUASB has scheduled a roundtable discussion on this topic for Tuesday 28th June 2011. Post this consultation process with AUASB constituents, a formal response on proposed ISAE 3000 will be completed for the Board’s approval prior to 1 September 2011.

CANADA

Canadian Institute of Chartered Accountants (CICA)

1. Exposure Draft on *Commenting in a Comfort Letter on Pro Forma Financial Information*

The IAASB has issued an exposure draft proposing, subject to comments received following exposure, to add new requirements and guidance to Auditor Assistance to underwriters and others, Section 7200, relating to an auditor’s responsibilities when he or she is commenting in a comment letter on pro forma

financial information. Subject to comments received from stakeholders, the AASB expects to complete the revisions to Section 7200 in late 2011.

A copy of the consultation paper can be located on the CICA website (<http://www.aasbcanada.ca/documents-for-comment/item49641.pdf>)

EUROPEAN COMMISSION

1. Report on audit policy: lessons from the crisis

The European Commission issued the Report on 30 May 2011. The Report seeks to examine the role of auditors as a component of possible financial market reforms. It welcomes the fundamental issue raised in the Green Paper, namely that of how auditors can do more to report what they do and explain their opinions. A company's audit committee already plays a vital role and its importance should be emphasised. The Report then goes on to suggest that independence rules might be changed regarding who appoints auditors, audit firm rotation, how long an auditor can remain in office, providing non-audit services and limiting total fees from any one client. Such proposals also represent mechanisms to decrease audit market concentration. The Report then raises the question as to whether there needs to be transparency of the financial statements of audit firms and whether further measures could be envisaged in the governance of audit firms. It also suggests that supervision of audit firms in the EU could be more integrated, with a firmer base to ensure closer cooperation between the national audit oversight systems. Finally, the Report exposes ideas for a 'statutory review' as an alternative to an audit and proportionate rules on quality control and oversight by audit regulators

A hard copy of the consultation paper is enclosed at Agenda Item No. 9(f).

GERMANY

Institut der Wirtschaftsprüfer (IDW)

1. Comments on four IAASB's Exposure Drafts

The IDW commented on the following:

1. IAASB's Exposure Draft Proposed International Standard on Review Engagements ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*
2. IASB Exposure Draft 2011/1 *Offsetting Financial Assets and Financial Liabilities*
3. European Commission's Consultation on *financial sector taxation*.

NEW ZEALAND

Professional Standards Board (PSB)

1. PSB Developments

At its May 2011 meeting, the PSB considered the following:

- (a) Code of Ethics: *Independence in Assurance Engagements*

The PSB agreed on the approach to converge with the International Code of Ethics, in particular, deciding to distinguish between the independence requirements for audit/reviews of historical financial statements and other assurance engagements as done in the international code rather than extending all requirements to all assurance engagements as proposed in the exposure draft. However, the structure of the exposure draft will be retained and paragraphs that have restricted application will be clearly marked as such. The PSB approved additional scope paragraphs to emphasize that certain paragraphs only apply to audit and reviews of historical financial statements. The PSB also agreed that these tighter independence paragraphs should also

apply to other assurance engagements where the subject matter is an offer document prepared by issuers, as defined in the Financial Reporting Act.

(b) Review Engagements

The PSB approved, by circular resolution, the submission on the IAASB exposure draft International Standard on Review Engagements (ISRE) 2400. The PSB is supportive of the revision of ISRE 2400. The key concern raised in its submission was the extent of additional proposals proposed when a practitioner reaches the trigger point as the PSB believes that this further blurs the distinction between an audit and a review engagement.

SOUTH AFRICA

Independent Regulatory Board For Auditors (IRBA)

1. Companies Act and Regulations – feedback on independent review

The Companies Act, 71 of 2008, and the Companies Regulations, 2011, became effective on 1 May 2011. There is a requirement that private companies determine their public interest score in order to ascertain whether they are subject to audit or independent review. Regulation 29(4)(a) states the following: “An independent review of a company’s annual financial statements must be carried out in the case of a company whose public interest score for the particular year was at least 100, by a registered auditor, or a member in good standing of a professional body that has been accredited in terms of Section 33 of the Auditing Professions Act.” The IRBA recently met with the Commissioner and Deputy Commissioner of the Companies and Intellectual Properties Commission to discuss how best to deal with the implications for the IRBA, arising from this regulation.

UNITED KINGDOM

Auditing Practices Board (APB)

1. Revised Practice Note on *The audit of credit unions in the United Kingdom*

The UK APB has issued a revision of Practice Note 27 *The audit of credit unions in the United Kingdom*. An exposure draft of the revised Practice Note was issued in October 2010 for public comment. The revised Practice Note updates the guidance for auditors to reflect the issuance of the new ISAs (UK and Ireland) which apply to audits of financial statements for periods ending on or after 15 December 2010.

2. Bulletin outlining developments in Corporate Governance affecting auditors of Irish companies

The UK APB has issued Bulletin 2011/1 ‘Developments in Corporate Governance Affecting the Responsibilities of Auditors of Companies Incorporated in Ireland.’ The Bulletin describes the Irish legislative requirements in respect of the Corporate Governance Statement required to be made by certain companies whose securities are admitted to trading on a regulated market and illustrates how APB’s previously published illustrative auditor’s reports applicable to Irish companies are required to be amended when a Corporate Governance Statement is required.

UNITED STATES

American Institute of Certified Public Accountants (AICPA)

1. AICPA's Accounting and Auditing Whitepaper – *The AICPA's Guide to Clarified and Converged Standards for Auditing and Quality Control*

The AICPA's Auditing Standards Board (ASB) is nearing completion of its Clarity Project. This white paper addresses the background, status and implications of the Clarity Project and the ASB's new clarified standards. In addition, it discusses how auditors may start planning for these changes.

A copy of the whitepaper can be located on the AICPA website (http://www.aicpa.org/InterestAreas/AccountingAndAuditing/Resources/AcctgFinRptg/AcctgFinRptgGuidance/DownloadableDocuments/AICPA_Guide_to_Clarity.pdf).