



AUASB International Update

This Update summarises the significant news of the IAASB, other national auditing standards-setting bodies and professional organisations for the period 1 September to 15 November 2010.

International Auditing and Assurance Standards Board (IAASB)

1. Report on Clarified ISAs Implementation Monitoring

The IAASB has issued *Implementation of the Clarified International Standards on Auditing (ISAs)*, a progress report on its project for monitoring the implementation of clarified ISAs. The report highlights the key findings from the first phase of the project, which was focused on obtaining information from various countries and firms regarding their experiences in adopting clarified ISAs. The key findings in the report include:

- (a) Use of clarity drafting conventions and added rigour in the revised standards viewed as helpful
- (b) Robust implementation plan at firm level is a significant factor in the success of the implementation of clarified ISAs
- (c) Conformity of national auditing standards of many countries with clarified ISAs
- (d) Translation difficulties, in particular, those relating to use of complex language and long sentences
- (e) Issue in terms of applying ISA 600 *Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)* when a group has significant influence, but not control, over a component

See Agenda Item 11(a)(v) for a copy of the report.

2. IAASB Staff Q&A on Auditor Considerations Regarding Significant Unusual or Highly Complex Transactions

The IAASB has released *Auditor Considerations Regarding Significant Unusual or Highly Complex Transactions*, a Q&A publication that highlights considerations addressed in the clarified ISAs which relate to auditing of significant or highly complex transactions. The publication was developed in response to requests to the IAASB for more information regarding how the clarified ISAs address issues relating to significant unusual or highly complex transactions.

3. Exposure Drafts of Guidance on Auditing Complex Financial Instruments and Standard on Compilation Engagements

The IAASB has issued the exposure drafts of the following pronouncements:

- (a) International Auditing Practice Statement (IAPS) 1000 *Special Considerations in Auditing Complex Financial Instruments*, which emphasises key considerations for auditing complex financial instruments, particularly those relating to valuation and disclosures. Comments are due on 11 February 2011. The AUASB has drafted a submission; see Agenda Item 11(a)(iv).
- (b) International Standard on Related Services (ISRS) 4410 *Compilation Engagements*; comments are due on 31 March 2011.

4. Convergence of Chinese Auditing Standards with Clarified ISAs

The IAASB and the Chinese Auditing Standards Board have jointly announced the convergence of the Chinese Standards of Audit (CSAs) with the clarified ISAs. The revised CSAs (released in November 2010) are effective for audits of financial statements for the periods commencing on or after 1 January 2011.

Auditing Practices Board (APB) (UK)

1. Revised Practice Note on UK Anti-Money Laundering Legislation

The UK APB has issued Practice Note 12 (Revised) *Money Laundering – Guidance for Auditors on UK Legislation*, which provides guidance to auditors to enable them to meet their anti-money laundering responsibilities when auditing and reporting on financial statements.

2. Exposure Drafts of Revised Pronouncements

The UK APB has issued exposure drafts of the following proposed revised pronouncements:

- (a) SIR 2000 *Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information*, which reflects conforming amendments arising from the adoption of clarified ISAs (UK and Ireland); comment period ends on 26 November 2010.
- (b) ISA (UK and Ireland) 700 *The Auditor's Report on Financial Statements*, which explains the proposed addition to the short-form description of an audit, of the auditor's responsibility to read narrative information in annual reports to identify material inconsistencies with audited financial statements; comment period ends on 26 November 2010.
- (c) Practice Note 27 *The Audit of Credit Unions in the United Kingdom*, revised primarily to reflect changes due to adoption of clarified ISAs (UK and Ireland); comment period ends on 7 January 2011.
- (d) Practice Note 11 *The Audit of Charities in the United Kingdom*, revised primarily to reflect changes due to adoption of clarified ISAs (UK and Ireland); comment period ends on 21 January 2011.

3. Revised Guidance on the Audit of Financial Statements of Public Sector Bodies in the United Kingdom

The UK APB has issued Practice Note 10 (Revised) *Audit of Financial Statements of Public Sector Bodies in the United Kingdom*. The revised practice note provides guidance on the application of the clarified ISAs to audits of UK public sector organisations.

Auditing and Assurance Standards Board (AASB) (Canada)

1. Practice Advice on Review Engagement-Related Matters

The Canadian AASB Staff has issued *Practice Advice*, a publication written primarily for practitioners providing review and compilation services. The publication included an overview of recent projects being undertaken by the AASB and CICA relating to review and compilation engagements.

Canadian Institute of Chartered Accountants (CICA)

1. Assurance Implications of the Changeover to IFRSs

CICA has published the 5th edition of *Assurance Implications of the Changeover to IFRSs*. This publication provides guidance to auditors on how to deal with auditing and assurance issues relating to their clients changeover to IFRSs. This publication is updated periodically to address any further issues identified.

American Institute of Certified Public Accountants (AICPA)

1. AICPA and CIMA Paper on Enterprise Risk Management (ERM)

The AICPA and the Chartered Institute of Management Accountants (CIMA) jointly published *Enterprise Risk Oversight: A Global Analysis of Its Current State*, a paper based on the U.S and global surveys undertaken by the ERM Initiative at North Carolina State University. The paper provides an insight into the state of enterprise risk management in the U.S and around the globe in light of the recent global financial crisis. See Agenda Item 11(a)(i).2 for a copy of the paper.

Auditing Standards Board of the AICPA

1. Clarified Statements on Auditing Standards

The AICPA's Auditing Standards Board has released the following clarified Statements on Auditing Standards (SAS) as part of its convergence project with *Clarity* ISAs:

- (a) *Related Parties* (Redrafted);
- (b) *External Confirmations*;
- (c) *Subsequent Events and Subsequently Discovered Facts*;
- (d) *Communicating Internal Control Related Matters Identified in an Audit* (Redrafted);
- (e) *Audit Sampling* (Redrafted).

The above standards are applicable to audits of financial statements for periods ending on or after 5 December 2012.

Public Company Accounting Oversight Board (PCAOB) (USA)

1. Inspection Observation During the Economic Crisis

The PCAOB has issued its Report on *Observations of PCAOB Inspectors Related to Audit Risk Areas Affected by the Economic Crisis*. This report highlights the PCAOB's observations regarding audit risks and deficiencies identified through its inspection program during the economic crisis. Some of the key areas addressed in the report are as follows:

- (a) apparent non-compliance of auditors with PCAOB auditing standards, particularly those relating to audits of fair value measurements, valuation of intangibles and long-lived assets, off-balance sheet structures, revenue recognition and income taxes;
- (b) the need for firms to continue improving their quality control systems; and

- (c) PCAOB inspectors to continue focusing on audit firms' quality control systems, particularly those that address risks posed by the ongoing economic difficulties.

2. Annual International Auditor Regulatory Institute

The PCAOB has concluded its fourth annual International Auditor Regulatory Institute, a two-day event attended by representatives of auditor oversight bodies and government organisations from 42 countries. The Institute is part of the PCAOB's outreach program to its counterparts in other jurisdictions. It comprised seminars and panel discussions on a variety of topics, including structure of PCAOB auditor oversight programs, considerations relating to international inspections, and issues relating to international enforcement and standards-setting.

Professional Standards Board (PSB) (New Zealand)

1. Code of Ethics and Code of Ethics: Independence in Assurance Engagements

At its September meeting, the PSB considered the following:

- (a) responses to the exposure draft of the proposed revised *Code of Ethics: Independence in Assurance Engagements*;
- (b) a further revised draft of the Code of Ethics;
- (c) its approach to convergence of its *Code of Ethics* with the *International Code of Ethics*; and
- (d) whether to combine its *Code of Ethics* and *Code of Ethics: Independence in Assurance Engagements* into one Code.

European Commission (EC)

1. Green Paper on Audit Policy: Lessons from the Crisis

The EC has issued *Audit Policy: Lessons from the Crisis*, a green paper on how the European audit environment and the role of the auditor could be enhanced, in the wake of the recent global financial crisis. Comments are due on 8 December 2010. See Agenda Item 11(a)(vi) for a copy of the green paper.