



AUASB International Update

This Update summarises the significant news of the IAASB, other national auditing standards-setting bodies and professional organisations for the period 21 February 2012 to 2 April 2012.

International Auditing and Assurance Standards Board

1. Highlights of the meeting held in Toronto, Canada from 12-16 March 2012 are now available at <http://www.ifac.org/auditing-assurance/meetings/50th-meeting-iaasb-march-12-16-2012-toronto-canada>
2. Audio recordings of the 12 March (pm session) and 15 March (am session) are now available.
3. The IAASB discussed the scope and timing of the project to revise ISA 700, *Forming an Opinion and Reporting on Financial Statements*, and other related ISAs.
4. The IAASB approved for issue, subject to confirmation by the Public Interest Oversight Board (PIOB) that due process has been followed, new International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*.
5. The IAASB approved for issue, subject to confirmation by the PIOB, the *IAASB Strategy and Work Program 2012-2014*: http://www.ifac.org/sites/default/files/meetings/files/20120312-IAASB-Agenda_Item_5A-Revised_Strategy_and_Work_Program-v2.pdf
6. The IAASB considered significant comments received on the exposure draft of proposed International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. A revised draft will be considered for approval as a final standard at the June 2012 meeting. For comments, refer to http://www.ifac.org/sites/default/files/meetings/files/20120312-IAASB-Agenda-Item-3A_Review-Engagements_Summary_of_Comments_Recieved_-v4.pdf

International Auditing and Assurance Standards Board (IAASB)

1. IAASB strengthens standard on Using the Work of Internal Auditors

Recognising that effective coordination and communication between external and internal auditors can contribute positively to the external audit, the IAASB released ISA 610 (Revised), *Using the Work of Internal Auditors*, which addresses the external auditor's responsibilities if using the work of an internal audit function in obtaining audit evidence. The revision of this standard involved extensive input from, and liaison with, the regulatory community, which is believed has helped enhance the quality of the final standard. The revised standard is aimed at enhancing the external auditor's performance by providing a more robust framework for evaluating and using the work of an entity's internal audit function. In revising ISA 610, the IAASB also agreed on requirements and guidance that specify the conditions and establish responsibilities of the external auditor if the external auditor intends to use internal auditors to provide direct assistance during the audit. The IAASB is engaging closely with the International Ethics Standards Board for Accountants (IESBA) in relation to this matter.

For a copy of the revised standard, refer to:

<http://www.ifac.org/publications-resources/international-standard-auditing-isa-610-revised-using-work-internal-auditors>

2. IAASB revises standard on Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

Changes have been made to ISA 315 to explain how the internal audit function and its findings can usefully inform the external auditor's risk assessments, as a result of ISA 610 (Revised), *Using the Work of Internal Auditors*. The Basis for Conclusions explains the IAASB's deliberations in revising ISA 610 and ISA 315.

For a copy of the revised standard, refer to:

<http://www.ifac.org/publications-resources/international-standard-auditing-isa-315-revised-identifying-and-assessing-ris>

3. IAASB publishes Q&A on professional scepticism in an audit of financial statements

This IAASB staff Q&A publication focuses on the requirements and application material in the International Standards on Auditing (ISAs) and the IAASB's quality control standard that are of particular relevance to the proper understanding and application of professional scepticism during an audit of financial statements. In addition, answers are provided regarding what audit firms and auditors can do to enhance awareness of the importance of professional scepticism, identify aspects of an audit where professional scepticism may be partially important, and how professional scepticism can be evidenced.

For a copy of the publication, refer to:

<http://www.ifac.org/publications-resources/staff-questions-answers-professional-skepticism-audit-financial-statements>

CANADA

The Canadian Institute Of Chartered Accountants (CICA)

1. Auditing Considerations in an Uncertain Economic Environment

This bulletin updates the January 2009 Risk Alert to make reference to the Canadian Auditing Standards (CASs), as well as the uncertainties in the current economic environment. The degree to which a particular entity, and its financial statements, will be affected by an uncertain economic environment will depend on various matters such as the industry in which the entity operates and the likely severity of an economic downturn or services, an entity's financing or credit arrangements, including its ability to continue to obtain financing from financial institutions and other creditors, and the extent to which an entity has invested in financial instruments, the market for which has been hit hard by a severe economic downturn. The bulletin discusses communications with those charged with governance, going concern considerations, planning the overall audit strategy, understanding of the entity and its environment and assessing and responding to the risks of material misstatement, auditing accounting estimates and audit considerations for selected financial reporting areas.

For a copy of the bulletin, refer to:

<http://www.frascanada.ca/canadian-auditing-standards/resources/reference-material/item63400.pdf>

2. Other Reporting where no assurance is provided

Auditors are often asked by third parties to report matters that have come to the auditor's attention during the audit engagement. The auditor is not asked to perform additional procedures on this information – and often the client does not want to pay extra to have the information audited. The AASB has undertaken a project to develop a new Related Services Standard dealing with these types of circumstances as guidance currently does not exist. The project proposes to introduce a new Related Services Standard that would cover financial information (for e.g. supplemental schedules) and non-financial information (transactions or conditions) reported to a third party (for e.g. regulators or funding bodies) as a by-product of a financial statement audit.

For a copy of the associated documents, refer to:

<http://www.frascanada.ca/assurance-and-related-services-standards/projects/active/item55554.aspx>

FRANCE

Compagnie Nationale Des Commissaires Aux Comptes (CNCC)

1. Communication with Those Charged with Governance

Meeting clients on a more regular basis is key to achieving better audit results. More regular meetings provide an opportunity to the auditor to gain a better understanding of the entity and its risks, and obtain a better assessment of the internal control environment. The CNCC has issued a practice guide on communication with those charged with governance "*Norme de bon exercice: optimiser la communication du commissaire aux comptes avec son client*". The objective of this guide is to reinforce the importance of communication with clients, rather than being an additional constraint for the auditing profession.

GERMANY

Institut der Wirtschaftsprüfer (IDW)

1. Comments

The IDW commented on the following:

1. ESMA's Consultation Paper "*Considerations of materiality in Financial Reporting*";
2. PAIB's Exposure Draft "*Evaluating and Improving Internal Control in Organisations*"; and
3. IESBA's Proposed Changes to the Code of Ethics for Professional Accountants Addressing Conflicts of Interest

NEW ZEALAND

1. Feedback on the Quality of auditor reporting

The NZAuASB intends to proactively consult with stakeholders to ensure that as much of the relevant constituency as possible is aware of the issues and has an opportunity to respond to the issues. The NZAuASB is developing a program of discussions to be held from now through to April 2012 to discuss the issues and develop a New Zealand position on key matters / issues. The NZAuASB is keen to obtain

stakeholders' view on the usefulness and value of the auditor's report to users, and whether there is a problem with the current audit report, particularly in light of the current financial crisis, and the current international developments and the proposed IAASB initiatives to enhance the audit report, and to what extent the proposed international initiatives will address any issues with the audit report in New Zealand.

2. Professional scepticism in an audit of financial statements

The IAASB has released a Q&A publication that re-emphasises to auditors the importance of an attitude of professional scepticism when performing their role. The publication focuses on the requirements and application material in the ISAs and the IAASB's quality control standard that are of particular relevance to the proper understanding and application of professional scepticism during an audit of financial statements. In addition, answers are provided regarding what audit firms and auditors can do to enhance awareness of the importance of professional scepticism, identify aspects of an audit where professional scepticism may be particularly important, and how professional scepticism can be evidenced. The NZAuASB is closely monitoring this project.

For more information, refer to:

<http://www.xrb.govt.nz>

SOUTH AFRICA

Independent Regulatory Board for Auditors (IRBA)

There have been no new recent developments.

UNITED KINGDOM

Financial Reporting Council (FRC)

1. Professional scepticism

The Auditing Practices Board (APB) of the Financial reporting Council (FRC) issued a paper that sets out its views on the nature of professional scepticism and its role in auditing. The paper builds on the APB Discussion Paper published in 2010 Auditor Scepticism: Raising the Bar and the subsequent Feedback Paper, published in March 2011, which summarised the comments received and outlined the actions that the APB, and other parts of the FRC, intended to take. The paper is designed to provoke new thinking and broaden the understanding of the need for a meaning of scepticism in the context of auditing.

For a copy of the paper, refer to:

<http://www.frc.org.uk/apb/publications/pub2752.html>

2. Withdrawal of various documents

The APB of the FRC announced the withdrawal of the following documents:

- PN 14 "*The Audit of Registered Social Landlords in the United Kingdom (Revised)*" issued in March 2006;

- PN 27 “*The Audit of Credit Unions in the United Kingdom*” issued in January 2009;
- “*APB Statement of Standards for Reporting Accountants Applicable to Small (Charitable) Companies*” issued in February 2009;
- Bulletin 1997/3 “*The FRSSE: Guidance for auditors*”;
- Bulletin 2000/3 “*Departures from Statements of Recommended Practice for the Preparation of Financial Statements: Guidance for auditors*”;
- Bulletin 2001/1 “*The Electronic Publication of Auditor’s Reports*”;
- Bulletin 2002/2 “*The United Kingdom Directors’ Remuneration Report Regulations 2002*”;
- Bulletin 2002/3 “*Guidance for Reporting Accountants of Stakeholder Pension Schemes in the United Kingdom*”; and
- Bulletin 2005/3 “*Guidance for Auditors on First-time Application of IFRSs in the United Kingdom*”

UNITED STATES

American Institute of Certified Public Accountants (AICPA)

There have been no new recent developments.

Public Company Accounting Oversight Board (PCAOB)

1. Auditing Standard on Related Parties

The PCAOB has issued for public comment a proposed auditing standard, *Related Parties*. The proposed standard would improve the auditor’s evaluation of a public company’s identification of, accounting for, and disclosure about its relationships and transactions with related parties. The Board is also proposing amendments to enhance the auditor’s identification and evaluation of a company’s significant unusual transactions, which are significant transactions that are outside the normal course of business or that otherwise appear to be unusual due to their timing, size or nature. In addition, the Board is proposing amendments that, among other things, would improve the auditor’s understanding of a company’s financial relationships with its executive officers.

For a copy of the associated documents, refer to:

http://pcaobus.org/News/Events/Pages/02282012_OpenBoardMeeting.aspx