



International Update

Subject: International Update for the period 3 September 2013 to 22 October 2013 inclusive

International Financial Reporting Standards Foundation (IFRS)

IFRS and the International Organization of Securities Commissions (IOSCO) [announced](#) on 18 September 2013 that they had agreed “on a set of protocols under which the two organisations will deepen their co-operation in support of their shared commitment to the highest standards of financial reporting globally.”

International Accounting Standards Board (IASB)

The IASB continues its outreach activities on its recently issued [Discussion Paper](#) on possible changes to the *Conceptual Framework for Financial Reporting* (issued 18 July 2013). Changes proposed affect the definitions of assets and liabilities; recognition and derecognition; the distinction between equity and liabilities; measurement; presentation and disclose and other comprehensive income. Comments closed on 14 January 2014.

International Federation of Accountants (IFAC)

IFAC issued on 11 October 2013 issued its policy position paper (No. 8) [Enhancing Organizational Reporting](#). The paper emphasises the importance and usefulness of “reporting broad-based information beyond that which is provided in traditional financial reporting”. It includes details of the organisation’s position, performance and longer term potential and sustainability to assist internal and external stakeholders in managing and directing the entity’s operations, in decision making, promoting transparency and the discharge of accountability. The paper also re-iterated IFAC’s strong support for the work of the IIRC in the development of the <IR> Framework.

International Audit and Assurance Standards Board (IAASB)

1. The IAASB [announced](#) on 10 September 2013 the reappointment of Professor Arnold Schilder as chairman of the IAASB for the period 2015-2017.
2. The IAASB issued on 11 September 2013 its regular [SMP eNews newsletter](#). Issues covered included the recent issuance by the IAASB of proposed enhancements to auditor reporting; IFAC SMP quick poll results; IAASB Post implementation review of clarified ISAs; IESBA considerations related to suspected illegal acts; IASB deliberations around its review of IFRS for SMEs and the SMP’s response to the proposed framework of the IIRC.
3. The IAASB [announced](#) on 19 September 2013 the issuance of its *2013 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Service Pronouncements*.
4. The IAASB published its IAASB meeting [highlights](#) and decisions from the 16-20 September 2013 board meeting. Refer Agenda Item 9(a).
5. The IAASB published on 23 September 2013 its [process](#) for commenting on IASB Exposure Drafts that may have potential verifiability or auditability issues. The IAASB have established a working group made up of IAASB members and technical advisors to monitor selected IASB projects and provide comments to the IASB (such comments not constituting the IAASB’s official position).

6. Public Interest Oversight Board of IFAC (PIOB)

The PIOB issued its [September 2013 newsletter](#).

International Ethics Standards Board for Accountants (IESBA)

IESBA announced on 23 September 2013 that it had approved final changes to the definition of “those charged with governance” within its publication *Code of Ethics for Professional Accountants*. The changes are intended to align more closely with the definition within the IAASB’s Auditing Standard ISA 260 *Communication with Those Charged with Governance*, thereby eliminating any potential confusion. The changes have been confirmed by the PIOB and are effective 1 July 2014.

New Zealand

New Zealand Auditing and Assurance Standards Board (NZAuASB)

1. The NZAuASB and AUASB conducted a joint board meeting in Australia on 10 September 2013. The AUASB issued [highlights](#) of the meeting. Issues discussed by both boards included the joint due process and Trans-Tasman harmonisation and respective perspectives on the IAASB’s Auditor Reporting Exposure Draft.
2. The NZAuASB issued on 23 September 2013 its [Communique](#) advising that it had issued amendments to International Standards on Auditing (New Zealand) to promote improved audit quality. The standards amended include ISA (NZ) 220, ISA (NZ) 260, ISA (NZ) 501 and ISA (NZ) 570. The amendments are effective for audits of financial statements of periods ending on or after 31 December 2014.
3. The NZAuASB posted the [board meeting agenda](#) for the 18 October 2013 meeting. Matters for discussion included harmonisation and Trans-Tasman matters, proposed amendments to ISRE (NZ) 2400; Omnibus amendments (legislative update); IAASB’s Auditor Reporting Exposure Draft; proposed changes to ISAE (NZ) 3000; discussion on the IESBA’s change of “those charged with governance” definition; and the Domestic and International monitoring update.

United Kingdom

UK Financial Reporting Council (UK FRC)

1. The UK FRC [announced](#) on 26 September 2013 a project that will enable the electronic filing of accounts based on its new financial reporting standards. The project is intended to improve the quality of electronic “tagging” of financial statements from 1 January 2015 onwards, which will enhance investors’ ability to compare and analyse the financial statements.
2. The UK FRC has published the first of its new quarterly financial reporting related [e-newsletters](#) (June-September 2013) titled *Setting the Standard*. Topics covered included improving the quality of annual reports; influencing IFRS; the IASB Conceptual Framework project; and changes to UK accounting standards related to Financial Statements.

The UK Competition Commission (UK CC)

Audit Market final report key outcomes [announced](#) on 16 October 2013

1. “FTSE 350 companies must put their statutory audit engagement out to tender at least every ten years...”
2. UK FRC Audit Quality Review (AQR) team should review every audit engagement in the FTSE 350 on average every five years...

1. A prohibition of “Big 4 only” causes in loan agreements...
3. A prohibition of “Big 4 only” causes in loan agreements...
4. There must be a shareholders’ vote at the AGM on whether Audit Committee reports in company annual reports are satisfactory.
5. Measures to strengthen the accountability of the external auditor to the Audit Committee and reduce the influence of management, including a stipulation that only the Audit Committee is permitted to negotiate audit fees and influence the scope of audit work, initiate tender processes, make recommendations for appointment of auditors and authorise the external audit firm to carry out non-audit services.
6. The UK FRC should amend its articles of association to include an object to have due regard to competition.”

The full report will be published shortly.

Institute of Chartered Accountants in Scotland (ICAS)

1. ICAS published an [article](#) on 15 October 2013 welcoming the UK Competition Commissions’ final decision on the reform of the UK statutory audit market.
2. ICAS published an [article](#) on 17 October 2013 on the momentum continuing to build for positive assurance on narrative reporting.

International Integrated Reporting Council (IIRC)

1. The IIRC issued on 25 September 2013 its [September 2013 newsletter](#). A key topic discussed was an update on the development of the International <IR> Framework. The IIRC Technical Task Force is currently reviewing the 359 submissions received, with a view to “capturing the suggestions in order to enhance the Framework ahead of its release in December.” These submissions were received from all regions of the world and from a variety of sectors.
2. The IIRC issued on 22 October 2013 its [October 2013 newsletter](#).

United States

American Institute of Certified Public Accountants (AICPA)

The AICPA released its [agenda and materials](#) for the 15-17 October 2013 board meeting. Topics included considering revisions to Auditing Standards AUC Section 200 *Overall objectives of the independent auditor* (arising from the potential inclusion of AT Section 501 *An Examination of an Entity’s Internal Control Over Financial Reporting That is Integrated With an Audit of Its Financial Statements*), updates on the IAASB’s Auditor Reporting project; revisions to existing Auditing Standard AUC 610 *Using the Work of Internal Auditors* (based on IAASB’s revised ISA 610 of the same name); update on FASB’s proposed Going Concern standard; Auditing Standard AUC 315 (related to recent COSO Framework enhancements). Also included was proposed exposure drafts on Auditing Standards related to Reporting on controls at a service organisation; Financial forecasts and projects; and Reporting on pro forma financial information.

Public Company Accounting Oversight Board (PCAOB)

The PCAOB [announced](#) on 10 October 2013 that it had adopted two attestation standards relating to broker-dealer audits and an auditing standard on supplemental information. The attestation standards are: Attestation Standard No. 1, *Examination Engagements Regarding Compliance Reports of Brokers and Dealers* and Review Standard No. 2 *Review Engagements Regarding Exemption Reports of Brokers and Dealers* and the Auditing Standard is AS No. 17 *Auditing Supplemental Information*

Accompanying Audited Financial Statements. Subject to SEC approval, the attestation standards will be effective for audits of financial statements for fiscal years ending on or after 1 June 2014 and AS No. 17 will be effective for reports on supplemental information that accompanies financial statements for fiscal years ending on or after 1 June 2014. A [fact sheet](#) was also released explaining their application.

Center for Audit Quality (CAQ)

1. The CAQ issued on 26 September 2013 their [September 2013 monthly newsletter](#) (Volume 7, Issue 9).
2. The CAQ published on 23 September 2013 their [comment letter](#) to the FASB regarding proposed revised accounting standard *Presentation of Financial Statements (Topic 205): Disclosure of Uncertainties about an Entity's Going Concern Presumption*. The proposed accounting standard is “intended to provide preparers with guidance in U.S GAAP about management’s responsibilities for evaluating and disclosing going concern uncertainties and, thereby, reduce existing diversity in footnote disclosures. In doing so, the Board believes that the proposed amendments also would improve the timeliness and quality of footnote disclosures about going concern uncertainties.” The CAQ’s observations were primarily focused on the proposed standard’s effects on public companies. The CAQ commended the FASB on its efforts in developing a going concern model, noted that the proposed standard represented an improvement on the current model, and highlighted several areas of significant concern for the FASB’s attention.
3. The CAQ published the results of its [2013 Annual Main Street investor survey](#). This survey measures investor confidence in U.S and global capital markets, audited financial information and investing in U.S publicly traded companies. Of relevance to auditing, the survey found slightly improved confidence in audited financial information released by publicly traded U.S companies and investors expressed the most confidence in independent auditors among different service providers when it comes to their effectiveness in looking out for investors’ interests.

Canada

Canadian Public Accountability Board (CPAB)

The CPAB announced on 26 September 2013 that it had entered into a [memorandum of understanding](#) with the Audit Oversight Commission of Germany (AOC), the German audit regulator. The aim of the MOU is to “facilitate cooperation between the regulators in the area of public oversight, inspections and investigations of auditors subject to the regulatory jurisdictions of both CPAB and the AOC. The MOU will also facilitate the exchange of information and documents between the two regulators, such as audit working papers and inspection and investigation reports.”

Auditing and Assurance Standards Oversight Council (AASOC)

1. The AASOC published on 12 September 2013 the AASB [annual report for the year ended 31 March 2013](#).
2. The AASOC issued on 9 October 2013 its [meeting agenda for its 24-25 October 2013](#) meeting. Matters to be considered include a review of AASOC activities; a review of CAASB activities since the last AASOC meeting and of its operating plan for 2014-2015, and updates on activities of relevant bodies including CPAB, IAASB, IFAC and PIOB.

Canadian Auditing and Assurance Standards Board (CAASB)

[Decision summary](#) of the 9-10 September 2013 board meeting

1. CAASB discussed issues related to the IAASB project on the audit of financial statement disclosures.

2. The CAASB discussed key issues related to IAASB's project to revise ISA 720 *The Auditor's Responsibilities Relation to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon*.
3. The CAASB discussed issues related to revising and clarifying Section 5020 *Association*. The Exposure Draft is still expected to be issued in 2014.
4. Exposure Draft of proposed Section 7060 *Auditor Review of Interim Financial Statements* was unanimously approved by the CAASB and is expected to be issued in late October 2013. It will replace the extant Section 7050 of the same name.
5. The CAASB discussed issues related to its project to revise the *Joint Policy Statement Concerning Communications with Law Firms Regarding Claims and Possible Claims in Connection with the Preparation and Audit of Financial Statements*. The Exposure Draft is expected to be issued in early 2014.
6. The CAASB discussed issues related to revising and clarifying the following Auditing Standards: Section 5800 *Special Reports – Introductions*; Section 5815 *Special Reports – Audit Reports on Compliance with Agreements, Statutes and Regulations*; Section 8100 *General Review Standards*; and Section 8600 *Review of Compliance with Agreements and Regulations*. The CAASB plans to discuss a draft exposure draft covering these standards at its December 2013 board meeting.
7. The CAASB discussed issues related to IAASB's project related to the revision of ISAE 3000 *Assurance Engagements Other than Audits of Financial Statements and Other Historical Financial Information*. The CAASB decided that CSAE 3000 (of the same name as ISAE 3000) would be adopted from the finalised ISAE 3000 and CSAE 30001 *Direct Engagements* would be based on CSAE 3000 and revised as necessary to reflect the difference between attestation and direct engagements. A draft Exposure Draft of CSAE 3000 and CSAE 3001 is planned to be discussed at the December 2013 board meeting.

Proposed amendments to Standards on Review Engagements: [Engagements to Review Historical Financial Statements](#)

The CAASB extended the deadline on 27 September 2013 for constituent comments to be received on the proposed amendments to 11 December 2013 (previously 11 October 2013). This was to "allow sufficient time for consultation with stakeholders". The proposed standard is based on ISRE 2400 of the same name, and also contains relevant CAASB amendments.

Exposure Draft on [Auditor Reporting on Financial Statements](#)

The CAASB issued on 30 September 2013, an Exposure Draft (ED) that proposes new and revised auditing standards dealing with auditor reporting on financial statements. The ED is based on the IAASB's Exposure Draft of the same title. The CAASB Exposure Draft proposes, subject to constituent feedback and necessary amendments, to adopt the IAASB's proposed changes to existing standards (ISAE 260, ISA 570, ISA 700, ISA 705, ISA 706); conforming amendments to other existing standards and the new standard ISA 701 *Communicating Key Audit Matters in the Independent Auditors' Report*. Comments are invited to be received by the CAASB by 1 November 2013.

Chartered Professional Accountants of Canada (CPA Canada)

1. CPA Canada published a thought piece on 12 September 2013 [Audit Quality Reporting coming into the Light](#).
2. CPA Canada published a thought piece on 10 October 2013 [The future of auditor reporting in North America: A doomsday scenario](#).

Federation of European Accountants (FEE)

1. FEE published its [regular e-newsletter](#) (No.8) on 30 September 2013. Of audit significance is FEE's [comments](#) related to the proposed regulation "EU programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020". This proposed regulation relates to prolonging the current financing of the IFRS Foundation, EFRAG and the PIOB for that period. Also noted was the European Parliament's Committee on Legal Affairs (JURI) publishing of its draft opinion on the proposed fourth anti-money laundering directive, with additional amendments.
2. FEE published in September 2013 a [fact sheet](#) on cross-border audit oversight. The fact sheet provides a summary of the European Commission's recently published new decisions regarding the equivalent of systems of public oversight, quality assurance, investigation and penalties for the audit profession in the European Union (EU) and in non-EU countries. It also provides background information on the current EU legislative framework and explains the importance of timely information exchange and co-ordination of oversight in cross-border cases.

European Union (EU)

Council of the EU

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

European Parliament (EP) of the EU

The EP published on 3 September 2013 its [draft opinion](#) on the proposal for a directive of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.