



# International Update

**Subject:** AUASB International Update

## Introduction

This third edition of the AUASB International Update summarises the significant news and activities for the month of June 2009 of the following standards-setting bodies:

- the International Auditing and Assurance Standards Board (IAASB);
- the Auditing and Assurance Standards Board (Canada);
- the Public Company Oversight Board (USA);
- the Auditing Standards Board (ASB) of the American Institute of Certified Accountants (USA);
- the Professional Standards Board (New Zealand); and
- the Auditing Practices Board (UK).

We would like to know what you think about the content being provided in the updates; please send constructive feedback to [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au).

## International Auditing and Assurance Standards Board (IAASB)

More details of the projects below are found at the IAASB's June 2009 Meeting [Background Papers](#).

### 1. Reviews, Compilations and Other Alternatives to Audit

The IAASB discussed during its June 2009 meeting key directional considerations relating to its project to develop standards for acceptable alternative services to an audit of financial report. The project's initial focus is to revise ISRE 2400 *Engagements to Review Financial Statements*, and ISRS 4410 *Engagements to Compile Financial Statements*, aimed at establishing robust standards for reviews and compilations which are recognised as the main alternatives to an audit.

The project is part of the IAASB's strategy to address the needs of small and medium sized entities and practices, in circumstances where an audit is not a mandatory requirement. This project recognises that there is a need for alternative services in certain environments where an audit may exceed the users' requirements in terms of service and cost.

An Issues Paper on the subject will be considered in the September 2009 IAASB meeting.

### 2. Assurance on a Greenhouse Gas Statement

The IAASB considered during its June 2009 meeting the initial draft of the proposed International Standard on Assurance Engagements (ISAE) 3410 *Assurance on a Greenhouse Gas Statement*. This proposed ISAE addresses the responsibilities of assurance practitioners with specialist skills when undertaking assurance engagements to report on greenhouse gas statements. In addition to its requirements, the proposed ISAE 3410 also requires compliance with ISAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* when performing an assurance engagement on a Greenhouse Gas Statement.

A revised draft of this ISAE for exposure will be considered at the IAASB September 2009 meeting.

### 3. Guidance for Auditing Complex Financial Instruments

The IAASB approved during its June 2009 meeting a project proposal to revise International Auditing Practice Statement (IAPS) 1012 *Auditing Derivative Financial Instruments*. The revision will involve aligning IAPS 1012 with the clarified ISAs, with the view of providing additional guidance to auditors in the application of ISAs when auditing complex financial instruments.

### 4. Other Projects

(a) Development of ISAE 3402 *Assurance Reports on Controls on a Service Organisation* – A revised draft of the proposed ISAE 3402, containing the changes arising from comments received during exposure, was discussed at the June 2009 IAASB meeting. In addition, the IAASB also discussed during the same meeting the Task Force recommendations in response to the IAASB's consideration of significant comments from exposure.

(b) Revision of ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* – An initial Issues Paper was discussed during the IAASB June 2009 meeting, which included seeking directions from the IAASB regarding (a) the extent of bringing clarified ISA

requirements into ISAE 3000, and (b) the target users of the proposed ISAE 3000 (i.e. for whom is the ISAE being written). Another Issues Paper will be presented at the September 2009 IAASB meeting.

(c) Issues Paper for the following projects will also be considered at the September 2009 IAASB meeting:

- Development of Guidance on XBRL Reporting
- Revision of ISA 610 *Using the Work of Internal Auditors*
- Proposed ISAE on *Assurance Reports on Pro Forma Financial Information*

(d) Rapid Response Mechanism - The IAASB discussed at its June 2009 meeting a proposed approach on how to address urgent and emerging issues on a rapid response basis, including matters that may be considered in determining whether a rapid response is necessary, various options to effect a response, and the process for developing a particular response. This will be further considered by the IAASB in late 2009.

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

### 1. Guide on Assurance Implications of the Changeover to IFRSs

The Task Force on Assurance Implications of the Changeover to IFRSs has developed a [Guide](#) with the same title. The Guide provides guidance to auditors on how to deal with the complexities of auditing entities that changed their accounting and financial reporting policies from the extant Canadian Generally Accepted Accounting Principles to IFRSs. It is applicable to audits prior to the adoption of the clarified ISAs as Canadian Auditing Standards (CAS). CAS will be effective for audits of financial statements for periods ending on or after 14 December 2010.

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

### 1. New PCAOB Acting Chairman

Mr. Daniel Goelzer was named [Acting Chairman](#) of the PCAOB by the US Securities and Exchange Commission, effective 1 August 2009. Mr. Goelzer was a PCAOB Board Member prior to his appointment as Acting Chairman. His appointment follows the announcement of the resignation of PCAOB Chairman Mr. Mark Olson, effective 31 July 2009.

### 2. Rule Amendment on the Timing of Certain Non-U.S. Inspections

The PCAOB has approved an amendment to a rule on the timing of certain inspections of registered foreign public accounting firms. As a result of this amendment, the PCAOB is now able to postpone, for up to 3 years, the first inspection of any non-U.S. registered public accounting firms that it is required to undertake before the end of 2009, including those that are in a jurisdiction in which the PCAOB has not conducted an inspection prior to 2009. The amendment provides the PCAOB ample time to coordinate these inspections with its foreign counterparts, and possibly address any potential legal conflicts and concerns of local authorities in foreign jurisdictions.

## Auditing Standards Board (ASB) of the AICPA (USA)

### 1. Clarity Project Pronouncements

The ASB issued the following [Exposure Drafts](#) under its Clarity Project:

- Proposed Statement of Auditing Standards *External Confirmations*;
- Proposed Statement of Auditing Standards *Quality Control for an Audit of Financial Statements*; and
- Proposed Statement on Quality Control Standards *A Firm's System of Quality Control (Redrafted)*.

The comment period for the above ends on 31 August 2009.

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

### 1. Approval of ISAs

The PSB has approved the final batch of ISAs (New Zealand), for submission to the Council of the Institute of Chartered Accountants of New Zealand. These ISAs (NZ) are applicable to audits of financial reports commencing on or after 1 October 2009.

### 2. Compliance Engagements

The PSB approved the Standard on Assurance Engagements SAE 3100 *Compliance Engagements*, for submission to Council of the Institute. Subject to the Council's approval, this SAE is intended to be effective for compliance engagements beginning on after 1 January 2010.

### 3. Financial Advisory Engagements

The PSB considered the analysis of comments received on the Exposure Draft of the Proposed *Financial Advisory Engagements Standard*. A revised draft is expected to be presented to the PSB at

its September 2009 meeting.

Please refer to the July 2009 [PSB Update](#) for more details.

### Auditing Practices Board (United Kingdom)

No significant news or activities have been reported.

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