



International Update

Subject: AUASB International Update

Introduction

This seventh edition of the *AUASB International Update* summarises the significant news and activities for the period December 2009 - February 2010 of the following standards-setting bodies and professional organisation:

- the International Auditing and Assurance Standards Board (IAASB);
- the UK Auditing Practices Board (APB);
- the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA);
- the Canadian Institute of Chartered Accountants (CICA); and
- the Public Company Accounting Oversight Board (USA).

We would like to know what you think about the content being provided in the international updates; please send your feedback to enquiries@auasb.gov.au.

International Auditing and Assurance Standards Board (IAASB)

1. Issue of ISAE 3402 Assurance Reports on Controls at a Service Organization

The IAASB issued in December 2009 the International Standard on Assurance Engagements (ISAE) *3402 Assurance Reports on Controls at a Service Organization*, a new standard that deals with the responsibilities of assurance practitioners when performing engagements to report on controls at service organisations. ISAE 3402 is effective for service auditors' assurance reports covering periods ending on or after 15 June 2011.

Reports prepared in accordance with ISAE 3402 may be used by user organisations and their auditors, and may serve as appropriate audit evidence under ISA 402 *Audit Considerations Relating to an Entity Using a Service Organization*.

2. XBRL Q&A Publication

The IAASB Staff released *XBRL: The Emerging Landscape*, a Question and Answer publication that answers questions relating to how XBRL-tagged data are prepared and their potential impact on financial reporting. The key messages of the publication include:

- the International Standards on Auditing do not require auditors to perform procedures on XBRL-tagged data as part of their financial report audit.
- the IAASB is conducting a consultation to assess whether there is a need to develop a pronouncement relating to auditor association with and assurance on XBRL-tagged data.

3. Projects in Progress

The [IAASB Project Timetable](#), as of January 2010, indicated the following expected timelines:

- ISAE 3410 *Assurance on a Greenhouse Gas Statement* – Initial Board consideration of the draft for exposure in June 2010
- ISAE 3420 *Assurance Reports on the Proper Compilation of Pro Forma Financial Information Included in Prospectuses* – Approval of draft for exposure in March 2010
- Revision of ISRE 2400 *Engagements to Review Financial Statements* – Initial Board consideration of the draft for exposure in June 2010
- Revision of ISRE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* – Initial Board consideration of the draft for exposure in June 2010
- Guidance on *Auditing Complex Financial Instruments* (revision of IAPS 1012 *Auditing Derivative Financial Instruments*) – Initial Board consideration of the draft for exposure in March 2010
- Revision of ISA 610 *Using the Work of Internal Auditors* – Initial Board consideration of draft for exposure in March 2010

- Revision of ISA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* – Initial Board consideration of draft for exposure in December 2010
- Revision of ISAE 3400 *The Examination of Prospective Financial Information* – Project proposal for Board consideration in December 2010

For more details relating to the above, please see the [IAASB website](#).

Auditing Practices Board (UK)

2. Updated Guidance on Audit Documentation for Smaller Entities

The UK APB updated Practice Note 26 (Revised) [Guidance on Smaller Entity Documentation](#) to provide guidance and assist auditors of smaller entities in applying the documentation requirements of the clarified ISAs (UK and Ireland).

2. Exposure Draft of Guidance on Audits of Financial Statements of UK Public Sector Bodies

The UK APB issued the exposure draft of the revised Practice Note (PN) 10 [Audit of Financial Statements of Public Sector Bodies in the United Kingdom](#). The changes to PN 10 were primarily due to the revisions in the clarified ISAs (UK and Ireland). The comment period ends on 9 April 2010.

3. Guidance on XBRL

The UK APB released a Bulletin called [XBRL Tagging of Information in Audited Financial Statements – Guidance for Auditors](#) which provides:

- background information regarding the requirements for tagging of financial statements for tax purposes;
- guidance for auditors on the APB's ethical standards, in connection with non-audit engagements relating to XBRL tagging of financial statements; and
- explanation that XBRL tagging is not included in the scope of audits performed under ISAs (UK and Ireland).

4. Bulletin on Developments in Corporate Governance

The UK APB released a Bulletin titled [Developments in Corporate Governance Affecting the Responsibilities of Auditors of UK Companies](#) to provide guidance to auditors on their responsibilities in reviewing:

- the going concern statements of directors of UK listed companies; and
- the directors' Corporate Governance Statements required by the UK Financial Services Authority.

Please refer to the [UK APB website](#) for more information.

Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA)

1. Exposure Drafts under the Clarity Project

The [Exposure Drafts](#) of the following proposed Statements on Auditing Standards were released by the AICPA's Auditing Standards Board in January 2010:

- *Audit Evidence-Specific Considerations for Selected Items* (comments due by 30 April 2010);
- *Using the Work of an Auditor's Specialist* (comments due by 30 April 2010);
- *Communicating Internal Control Related Matters Identified in an Audit* (Redrafted) (comments due by 30 April 2010);
- *Reports on Application of Requirements of an Applicable Financial Reporting Framework* (comments due by 17 May 2010); and
- *Analytical Procedures* (Redrafted) (comments due by 3 May 2010).

2. Issue of SAS 117 Compliance Audits

The AICPA's Auditing Standards Board issued Statement on Auditing Standards (SAS) [117 Compliance Audits](#), which supersedes SAS 74 *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*. SAS 117 is effective for compliance audits for fiscal periods ending on or after 15 June 2010.

3. Issue of Clarified Statement on Auditing Standards

The Auditing Standards Board of the AICPA issued six clarified [Risk Assessment Statements on Auditing Standards](#) which are effective for audits of financial statements for periods beginning on or after 15 December 2010.

- *Planning an Audit*

- *Materiality in Planning and Performing an Audit*
- *Evaluation of Misstatements Identified During the Audit*
- *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement (Redrafted)*
- *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained (Redrafted)*
- *Audit Evidence (Redrafted)*

Please refer to the [AICPA website](#) for more details.

Canadian Institute of Chartered Accountants (CICA)

1. CSQC1 Quality Control for Firms

CICA's Auditing and Assurance Standards Board has adopted ISQC1, to be known as **CSQC1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements**, effective 15 December 2009 and applicable to all firms performing assurance engagements.

2. Guide on Assurance Implications of the Changeover to IFRSs

CICA's Taskforce on [Assurance Implications of the Changeover to IFRSs](#) developed a Question and Answer Guide to provide guidance to auditors on how to deal with the complexities arising from their clients' changeover from Canadian GAAP to IFRSs.

Please refer to the [CICA's website](#) for more information.

Public Company Accounting Oversight Board (USA)

1. U.S SEC Approves Standard on Engagement Quality Review

The PCAOB announced that Auditing Standard **No. 7 Engagement Quality Review** was approved by the Securities and Exchange Commission. The Standard is effective for engagement quality reviews of audits and interim reviews of public companies for fiscal years that commenced on or after 15 December 2009.

2. Staff Q & A on Engagement Quality Review Standard

Relative to the new Auditing Standard **No. 7 Engagement Quality Review**, the PCAOB issued a [Staff Question and Answer](#) article to assist auditors in implementing the documentation requirements of the new Auditing Standard.

3. Exposure of Risk Assessment Standards

The PCAOB has issued exposure drafts of seven proposed [auditing standards](#) related to the auditor's assessment of and response to risk. Comments are due by 2 March 2010. The proposed auditing standards are as follows:

- *Audit Risk*
- *Audit Planning and Supervision*
- *Consideration of Materiality in Planning and Performing an Audit*
- *Identifying and Assessing Risks of Material Misstatement*
- *The Auditor's Responses to the Risks of Material Misstatement*
- *Evaluating Audit Results*
- *Audit Evidence*

For more information relating to the above, please see the [PCAOB website](#).

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