



Monthly International News

Issue 4 / 2011

April 2011

In This Issue

- IAASB's Annual Report Highlights Focus on Clarity, Quality and Relevance
- IFRS Doesn't Fit with XBRL Technology, Says US Watchdog
- PCAOB Enters into First Cooperative Agreement with Swiss Regulators
- US Probes Accountants' Role in Preventing Financial Crisis
- IAESB Proposes Clarified Standard on Assessment of Professional Competence
- IFRS Foundation Issues Strategy Review Report
- IAASB Issues Enhanced Overarching Assurance Standard for Comment

IAASB's Annual Report Highlights Focus on Clarity, Quality and Relevance

The International Auditing and Assurance Standards Board (IAASB) today released its 2010 annual report. The report highlights the IAASB's ongoing work to promote the adoption and implementation of its clarified International Standards on Auditing (ISAs), and the issuance of a number of proposals in areas where there is demand for new and innovative assurance and related services other than audits of financial statements.

"A number of projects underway are addressing issues that are at the forefront of our stakeholders' minds, and our efforts can be best summarized as a pursuit of three goals: clarity, quality, and relevance," said IAASB Chairman Prof. Arnold Schilder. "Developing assurance standards in new areas has taught us that wide consultation becomes even more critical to ensure the public interest is being met." Accordingly, the annual report details the

extensive outreach and liaison activities undertaken during 2010 with key groups, such as regulators and audit oversight bodies, national auditing standard setters, accounting standard setters, governments and public sector organizations, and accounting firms.

Noted James Gunn, IAASB Technical Director, "The IAASB's debates on its 2010 standard-setting proposals are likely to evolve during 2011 as stakeholder responses are received. We hope that the new interactive format of the 2010 annual report allows those interested in the IAASB's work to more easily stay abreast of developments in our initiatives." The annual report also catalogues the tools and resources that have been developed to support the clarified ISAs and makes reference to the ongoing consultation on the IAASB's work program for 2012–2014.

A report from Linda de Beer, the newly appointed chairman of the IAASB Consultative Advisory Group (CAG), describes the work of the CAG in providing input to the IAASB. The IAASB also continues to receive oversight from the Public Interest Oversight Board (PIOB).

The 2010 IAASB annual report can be downloaded from www.ifac.org/IAASB/About.php.

<http://press.ifac.org/news/2011/03/iaasb-s-annual-report-highlights-focus-on-clarity-quality-and-relevance>

IFRS Doesn't Fit with XBRL Technology, Says US Watchdog

Criticism has been levelled at international accounting standards claiming they do not fit with new technology to aid financial reporting.

The warning comes from Mike Starr, chief accountant at the SEC, the US financial watchdog, who claims International Financial Reporting Standards are too limited to use the new highlighting tool - XBRL, [Reuters](#) reports.

The technology is designed to automatically highlight key information contained in financial reports and tax filings. It allows financial information to be "tagged" with digital markers so returns can be made online in a standardised format.

However, Starr said there is still "concern about the adequacy of IFRS" information highlighted by XBRL, resulting in reports that are not standardised.

He believes the information is more limited than the US' own GAAP reporting style.

Hans Hoogervorst, incoming chairman of the [International Accounting Standards Board](#), which works on IFRS rules, said proposals due in April will increase information that can be tagged.

"I am hopeful we can address the problems the SEC is seeing and hopefully the use of IFRS taxonomy can be allowed. A lot of these problems will be solved," Hoogervorst said.

Currently about 1,500 US companies file using XBRL with a further 8,000 to be added in June when it will become mandatory for listed companies.

The SEC has refused to allow companies filing in IFRS to use XBRL.

The UK has required all corporation tax to be submitted in a newer version of the technology, iXBRL (inline eXtensible Business Reporting Language), by 1 April 2011.

<http://www.accountancyage.com/aa/news/2038428/ifrs-doesnt-fit-xbrl-technology-watchdog>

PCAOB Enters into First Cooperative Agreement with Swiss Regulators

The Public Company Accounting Oversight Board today announced that it has entered into a Statement of Protocol with Swiss regulators, establishing a cooperative framework for supervisory oversight of auditors that practice in each country.

The agreement with the Swiss Federal Audit Oversight Authority and Financial Market Supervisory Authority allows the Board to commence joint inspections of accounting firms in Switzerland that audit, or participate in audits, of companies whose securities trade on U.S. markets.

In addition, the agreement includes provisions governing the sharing of confidential information, consistent with a recent amendment to the Sarbanes-Oxley Act that permits the PCAOB to share such information with its non-U.S. counterparts in certain circumstances.

"Switzerland is home to a number of companies that have a significant impact upon U.S. and global capital markets," said PCAOB Chairman James R. Doty. "We look forward to working cooperatively with our Swiss colleagues to meet our shared objective to protect investors."

"We are pleased that the PCAOB and Swiss FAOA and FINMA have established this framework for working together, and we appreciate the cooperative spirit and professionalism consistently demonstrated by our Swiss colleagues," said Rhonda Schnare, PCAOB Director of International Affairs.

"We are continuing to work with our counterparts in other countries to establish similar cooperative arrangements," she added.

The Sarbanes-Oxley Act directs the PCAOB to oversee and periodically inspect all accounting firms that regularly audit companies whose securities trade on U.S. markets. More than 900 audit firms currently registered with the PCAOB are located outside of the United States, spanning 84 countries. Eight of these firms are located in Switzerland.

http://pcaobus.org/News/Releases/Pages/04062011_SwissAgreement.aspx

US Probes Accountants' Role in Preventing Financial Crisis

A US probe into the role of accountants in preventing another financial crisis has been launched, and its parameters mirror questions being asked in the UK.

The Senate Committee on Banking heard from James Kroeker, chief accountant of US regulator the Securities and Exchange Commission. He said transparent reporting and objective auditing assume even greater importance during times of financial crisis, and highlighted the importance of effective standards setting.

Other witnesses included James Doty, chairman of the Public Company Accounting Oversight Board (pictured above), who strongly called for the body's disciplinary proceedings to be made public. He said this would benefit investors, issuers and auditors, claiming it would prevent them being "kept in the dark" after hearings resulting in adverse findings.

The first session took place yesterday, and experts in audit, financial standards and commerce gave evidence to the board, which is chaired by Democrat senator Tim Johnson.

<http://www.accountancyage.com/aa/news/2041517/probes-accountants-role-preventing-financial-crisis>

IAESB Proposes Clarified Standard on Assessment of Professional Competence

The International Accounting Education Standards Board (IAESB) today released for public exposure a proposed revision of International Education Standard (IES) 6, *Assessment of Professional Competence*. The revised education standard will assist IFAC member bodies and other professional accountancy organizations in understanding both the learning and development requirements for areas of assessment of professional competence, and their obligations in upholding the standards.

IES 6, originally drafted in 2004, currently prescribes the requirements for a final assessment of a candidate's professional capabilities and competence before qualification. The revised standard addresses elements that are essential to assessing professional competence over the career of a professional accountant. Specifically, it proposes:

- A principles-based approach, which specifies the requirements for the assessment of professional competence across the Initial Professional Development (IPD) and Continuing Professional Development (CPD) of a professional accountant;
- Principles of individual assessment used by member bodies to assess professional competence—applied across IPD and CPD career stages—that shall be reliable, valid, equitable, transparent, and sufficient; and
- A requirement that IFAC member bodies undertake a formal evaluation of the adequacy of competence of aspiring professional accountants prior to their admission to the profession and have a systematic process to verify whether professional accountants meet CPD requirements.

"An overall assessment of the competence of aspiring professional accountants before qualification is essential in sustaining public trust. Professional accountants must engage in development and assessment activities to maintain competence throughout their careers due to a constantly changing work environment," explained Mark Allison, chairman of the IAESB. "The IAESB believes that the features of these proposed revisions, which demonstrate our desire to move to a more principles-based approach in standard setting, will be more useful to

IFAC member bodies and other professional accountancy organizations, educational institutions, regulators, and other interested parties than the current approach.”

The IAESB has undertaken a project to redraft all eight of its IESs in accordance with its new clarity drafting conventions, as outlined in its *2010-2012 Strategy and Work Plan*. This project began in December 2010 with the proposed revision of IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*. A proposed revision of IES 4, *Professional Values, Ethics, and Attitudes* was released for exposure earlier this month, and the comment period is still open. The current timetable envisages that all IESs will have been revised and redrafted, or redrafted only, by the first quarter of 2013.

How to Comment

The IAESB invites all stakeholders to comment on its proposals. To access the exposure draft and submit a comment, visit the IAESB's website at www.ifac.org/Education/ExposureDrafts.php. Comments on the exposure draft are requested by **July 28, 2011**.

<http://press.ifac.org/news/2011/04/iaesb-proposes-clarified-standard-on-assessment-of-professional-competence-1>

IFRS Foundation Issues Strategy Review Report

The IFRS Foundation has made a series of recommendations in a strategy review report, including methods to enforce its new strategy.

Released today, the strategy review sets out recommendations in four areas - the IFRS Foundation's mission, governance, the standard-setting process and financing, including operational aspects of due process and standard-setting oversight.

Highlights of the recommendations include:

- The Foundation should remain committed to the long-term goal of the global adoption, in their entirety and without modification, of IFRSs as developed by the IASB;
- The current primary focus of the Foundation and the IASB should remain on developing standards for private sector entities i.e. both publicly traded entities and SMEs;
- The Monitoring Board, the Foundation and the IASB should enhance interaction and procedures to reinforce the principles of transparency, public accountability and independence. In doing so, the roles and responsibilities of each element of the organisation's governance should be clearly defined;
- The framework for the trustees in their oversight of the IASB's due process should be clarified. The trustees' Due Process Oversight Committee (TDPOC) should review and discuss due process compliance regularly throughout the standard-setting

process and at the end of the process before a standard is finalised. The TDPOC should report regularly on these activities to the Trustees and in its annual report; and

- The existing base of financing should be expanded to enable the Foundation to serve the global community better and fulfil the new strategy. Specifically, funding should be proposed by the trustees to be on a long-term basis at least three to five years, be publicly sponsored, be flexible to permit the use of differing mechanisms and to adjust to budgetary needs, be shared among jurisdictions on the basis of an agreed formula consistent with the principle of proportionality and provide sufficient organisational accountability.

The deadline to comment on the review is 25 July.

Working together

The trustees and the Monitoring Board have reaffirmed their commitment to working together more closely to ensure their respective reviews provide one co-ordinated governance and strategy package.

The Monitoring Board is currently conducting a Governance Review looking at its composition, respective responsibilities and its role as well as the trustees and IASB.

“The Monitoring Board will develop and publish an action plan for implementation of its governance review with a desire to present, along with the trustees, an integrated package of governance improvements,” IFRS Foundation Monitoring Board acting chair Masamichi Kono said.

IFRS Foundation Trustees co-chairs Aki Fujinuma and Robert Glauber added:

“The trustees initiated their review at the urging of our stakeholders in order to prepare for the Foundation’s second decade. The trustees are strongly committed to working with the Monitoring Board to ensure that the outcome of our respective reviews provide one co-ordinated package.”

<http://www.vrl-financial-news.com/aa/accountancy-asia/issues/2011/aa-21-22/ifrs-foundation-issues-strateg.aspx>

IAASB Issues Enhanced Overarching Assurance Standard for Comment

The International Auditing and Assurance Standards Board (IAASB) today released for public comment proposed revised International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

Proposed ISAE 3000 is a principles-based standard that can be applied effectively to a broad range of assurance engagements. Such engagements may range from assurance on statements about the effectiveness of internal control, for example, to direct engagements such

as performance or “value for money” audits, to possible future engagements addressing integrated reporting or corporate social responsibility reporting.

“Proposed ISAE 3000 includes requirements that enable consistent high-quality engagements, while being sufficiently flexible to apply to the broad range of relevant engagements,” noted Prof. Arnold Schilder, IAASB Chairman. “This is an important balance. ISAE 3000 is the overarching standard for current and future topic-specific ISAEs and assurance engagements where no separate ISAE exists. As a result, it needs to be sufficiently robust, yet not so unwieldy as to be impractical to apply. Equally, the ISAE should facilitate innovation in the evolving field of assurance, not act as an impediment.”

Proposed ISAE 3000 covers both reasonable and limited assurance engagements. Among other proposals, the ISAE introduces guidance designed to help readers better understand these two levels of assurance. It also includes guidance addressing direct engagements that have become common in the public sector and have been undertaken increasingly in the private sector. “Since 2003, when the existing standard was approved, practitioners and national standard setters have gained considerable experience with ISAE 3000 that has helped identify a number of opportunities to clarify how some of the core underlying concepts should be applied in practice,” explained James Gunn, IAASB Technical Director.

Proposed ISAE 3000 also includes material from the existing *International Framework for Assurance Engagements* that is necessary for the ISAE to be understood without reference to the Framework. Accompanying the exposure of the proposed ISAE are also proposed consequential amendments to the Framework reflecting the impact of the proposals in ISAE 3000.

How to Comment

The IAASB invites all stakeholders to comment on its proposals. To access the exposure draft or submit a comment, visit the IAASB’s website at www.iaasb.org/ExposureDrafts.php. Comments on the exposure draft are requested by **September 1, 2011**.

<http://press.ifac.org/news/2011/04/iaasb-issues-enhanced-overarching-assurance-standard-for-comment>

DISCLAIMER: All compiled news items are correct at the time of release. This document is for information only. AFA does not take any responsibility arising from the use of information contained in this document.