

# CHANGES OF SUBSTANCE FROM THE 2010 EDITION OF THE HANDBOOK AND RECENT DEVELOPMENTS

## References

This handbook contains references to International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs). Unless otherwise indicated, references to IASs and IFRSs are to the IASs and IFRSs in effect at the date of preparing a pronouncement. Accordingly, readers are cautioned that, where a revised IAS or IFRS has been issued subsequently, reference should be made to the most recent IAS or IFRS.

References to “country” in this handbook should be read as “country or jurisdiction.”

## Pronouncements Issued by the International Auditing and Assurance Standards Board

This handbook contains the complete set of International Auditing and Assurance Standards Board’s (IAASB) pronouncements on quality control, auditing, review, other assurance and related services, a glossary of terms, and a preface to the international standards, as well as the non-authoritative International Auditing Practice Notes (IAPNs). This handbook replaces the 2009 edition of the Handbook.

## Additions

### *IAPN 1000 and Changes to the Preface*

Part I of the handbook includes the International Auditing Practice Note (IAPN) 1000, *Special Considerations in Auditing Financial Instruments*, issued by the IAASB in December 2011. IAPN 1000 provides important practical assistance to auditors when addressing valuation and other considerations pertaining to financial instruments. It is non-authoritative and is organized in two sections to provide (i) background and educational material on financial instruments to assist auditors in understanding them, and (ii) relevant audit considerations, in particular in relation to valuation of financial instruments. Although IAPN 1000 focuses primarily on the needs of auditors who have less frequent contact with financial instruments, it is relevant to audits of entities of all sizes, as all entities may be subject to risks of material misstatement when using financial instruments. IAPN 1000 is currently effective.

In finalizing IAPN 1000, the IAASB evaluated the clarity and appropriateness of the authority of the existing International Auditing Practice Statements (IAPs.) The IAASB decided to withdraw the existing category of pronouncements known as IAPs and to establish IAPNs, as reflected in the amended *Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*. Part I of the handbook contains the amended Preface.

*ISA 610 (Revised), ISA 315 (Revised) and Conforming Amendments to Other ISAs*

Part I of the handbook includes the International Standard on Auditing (ISA) 610 (Revised), *Using the Work of Internal Auditors*, issued by the IAASB in March 2012. This revised standard deals with the external auditor's responsibilities if using the work of an internal audit function in obtaining audit evidence. Related changes have also been made to ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, to explain how the internal audit function and its findings can usefully inform the external auditor's risk assessments. Conforming amendments to other ISAs as a result of these revisions were also made.

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 has engaged closely with the IESBA in relation to this matter. While the IAASB has concluded its deliberations on the requirements addressing direct assistance, it intends to incorporate such material in ISA 610 (Revised) only after the IESBA concludes its deliberations on its February 2012 exposure draft of proposed changes to the definition of "engagement team" in the *Code of Ethics for Professional Accountants* (IESBA Code). The IESBA exposure draft proposes to resolve a perceived inconsistency between the ISAs and the IESBA Code regarding the ability of external auditors to use internal auditors to provide direct assistance.

When the IAASB finalizes the material on direct assistance, it will also consider whether further minor conforming amendments are necessary to its other international standards in light of the material in ISA 610 (Revised).

ISA 610 (Revised), ISA 315 (Revised), and the conforming amendments to other ISAs are effective for audits of financial statements for periods ending on or after December 15, 2013, at which time ISA 610 and ISA 315 will be withdrawn.

*ISAE 3410*

Part II of the handbook includes the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB in June 2012. This new standard deals with both limited assurance and reasonable assurance engagements undertaken by a practitioner to report on an entity's greenhouse gas statement. The ISAE can be applied to greenhouse gas statements prepared, for example, as part of a regulatory disclosure regime, as part of an emissions trading scheme, or to inform investors and others on a voluntary basis.

ISAE 3410 is effective for assurance reports covering periods ending on or after September 30, 2013.

### *ISAE 3420*

Part II of the handbook includes the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the IAASB in December 2011. This new standard deals with reasonable assurance engagements undertaken by a practitioner to report on the responsible party's compilation of pro forma financial information included in a prospectus. The ISAE applies where such reporting is required by securities law or the regulation of the securities exchange in the jurisdiction in which the prospectus is to be issued, or this reporting is generally accepted practice in such jurisdiction.

ISAE 3420 is effective for assurance reports dated on or after March 31, 2013.

### *ISRS 4410 (Revised)*

Part II of the handbook includes the International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements*, issued by the IAASB in March 2012. A revision of ISRS 4410, *Engagements to Compile Financial Information*, this revised standard deals with the practitioner's responsibilities when engaged to assist management with the preparation and presentation of historical financial information without obtaining any assurance on that information, and to report on the engagement in accordance with this ISRS.

ISRS 4410 (Revised) is effective for compilation engagement reports dated on or after July 1, 2013, at which time ISRS 4410 will be withdrawn.

### **Withdrawals**

When the category of IAPs was withdrawn, the six existing IAPs contained in Part II of the 2010 edition of the handbook were also withdrawn as the IAASB determined that they were largely outdated and inconsistent with the text of the clarified ISAs.

### **Final Pronouncements Issued Subsequent to June 30, 2012 and Exposure Drafts**

For information on recent developments and to obtain final pronouncements issued subsequent to June 30, 2012 or outstanding exposure drafts, visit the IAASB's website at [www.iaasb.org](http://www.iaasb.org).