



January 2013

A&A Update

The Technical Standards Update of Crowe Horwath International

From the A&A Group

From the Standards Setters

AICPA Issues Technical Questions and Answers Related to Group Audits

The American Institute of CPAs has released 23 Technical Questions and Answers related to group audits. These Q&A provide non-authoritative guidance regarding the implementation of AU-C section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*. Although written by the AICPA from the perspective of AU 600, as AU 600 is now very similar to ISA 600, these Q&A provide useful guidance to auditors around the world regardless of whether the audit is being conducted pursuant to ISA or U.S. GAAS. This document can be downloaded from ShareFile in the Group Audits Toolkit or [here](#):

Three Substantive Changes in the AICPA Clarified Auditing Standards (AU-C)

Three of the substantive changes in the AU-C effective for audits of 2012 calendar year financial statements that will likely affect every auditor are the new requirements for (1) headings and changed language for each section of the auditor's report, (2) the requirement to conduct substantive audit work for new clients in order to rely on the opening balances, and (3) an engagement letter for each year instead of relying on a multiyear letter.

From the Regulators

SEC/DOJ Issue FCPA Resource Guide

On November 14, the Department of Justice (DOJ) and the SEC issued their long-awaited "guidance" on the Foreign Corrupt Practices Act (FCPA) in the form of a "guide" called FCPA: A Resource Guide to the U.S. Foreign Corrupt Practices Act. The guide's stated aim is to "provide helpful information to enterprises of all shapes and sizes" about the approach taken by the DOJ and the SEC in enforcing the FCPA.

You can access the guide [here](#).

PCAOB Issues Alert 10 - *Maintaining and Applying Professional Skepticism in Audits*

This document reminds auditors of the need for professional skepticism and the importance of the "tone from the top" in achieving audit quality. You can access the document [here](#).

Audit Committee Communications Standard Is Approved in Release No. 34-68453

As expected, the SEC approved the PCAOB's new communications standard, AS 16. It bolsters communications that auditors have with board audit committees. The standard is effective for audits that start after December 15, 2012, for public companies, including emerging growth companies.

Headlines from around the world

ICAEW Calls to End Convergence in Favor of Global IFRS Adoption

In December, the Institute of Chartered Accountants of England and Wales (ICAEW) urged the IASB to end the era of convergence, suggesting instead that all listed companies around the world should be able to report using IFRS.

Noting that in the last ten years progress towards the development of global accounting standards has been made with the focus on convergence between IASB and FASB standards, but with lack of agreement on some key areas, the ICAEW feels the time has come for the convergence effort to be called off, and instead that all listed companies in major countries currently not part of the 'IFRS family,' including the US, should be given the option of reporting under IFRS.

Audit Firms Charged with Obstructing Investigation into Chinese Fraud

In December, the SEC initiated proceedings against Chinese affiliates of the five large audit firms, citing the firms for their refusal to turn over documents sought as part of investigations into accounting fraud. The complaint charges the firms with violating SEC rules and will be heard before an administrative law judge.

The firms covered by the order are BDO China Dahua Co. Ltd. in Beijing, Deloitte Touche Tohmatsu Certified Public Accountants Ltd. in Shanghai, Ernst & Young Hua Ming LLP in Beijing, KPMG Huazhen, Special General Partnership, in Beijing, and PricewaterhouseCoopers Zhong Tian CPAs Ltd. in Shanghai.

The complaint charges the firms with violating SEC rules from the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002 and will be heard before an administrative law judge. Administrative law judges are covered by the SEC's rules and have authority to bar the firms from auditing financial statements for companies that issue shares to U.S. investors under Rule 102(e) of the rules that govern the SEC's disciplinary actions.

No date has been set for the hearing, but it's expected to take place in 2013. The law requires the judge to issue a decision by the fall of 2013. The audit firms have 20 days from the time the order was served to their Chinese offices to respond.

Useful Links

- International Accounting Standards Board (IASB) www.iasb.org
- IASB Exposure Drafts open for comment www.iasb.org/Open+to+Comment/International+Accounting+Standards+Board+-+Open+to+Comment.htm
- International Auditing and Assurance Standards Board (IAASB) www.ifac.org/iaasb
- International Federation of Accountants (IFAC) www.ifac.org
- IFRS Interpretations Committee (IFRIC) www.iasb.org/Updates/IFRIC+Updates/IFRIC+Updates.htm
- Financial Accounting Standards Board (FASB) www.fasb.org
- Public Company Accounting Oversight Board (PCAOB) www.pcaob.org
- American Institute of CPAs Auditing Standards Board (AICPA ASB) www.aicpa.org/InterestAreas/AccountingAndAuditing/Pages/AccountingandAuditing.aspx
- United States Securities and Exchange Commission (SEC) www.sec.gov
- European Commission (EC) ec.europa.eu/internal_market/index_en.htm
- Forum of Firms (FoF) www.ifac.org/Forum_of_Firms
- Transnational Auditors Committee (TAC) www.ifac.org/TransnationalAuditors
- TAC Guidance Statement No. 1, Definition of Transnational Audit - web.ifac.org/download/TAC_Guidance_Statement_1.pdf
- UK Financial Reporting Council www.frc.org.uk
- AICPA Center for Audit Quality document explaining PCAOB inspections <http://www.theacaq.org/resources/pdfs/GuidetoPCAOBInspections.pdf>

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