New standard issued on audit independence

After a long period of consideration, a new standard has finally been issued on audit independence. The current auditing standards were issued in 1995, to be effective on 1 July 1996. However, no auditing standard was issued for audit independence. The old *AUP 32 Audit Independence* remained in force. The failure to issue a standard on audit independence reflects the problems the audit profession was experiencing with this issue. The approval of the new standard took place just prior to the submission date for this month's edition of *Current Affairs in Auditing* and the author was unable to obtain a copy of the new standard. The following details have been taken from a media release issued by the Institute of Chartered Accountants in Australia. The media release notes the following changes to regulations involving audit independence:

- mandatory rotation every seven years of audit partners for listed companies

- retired audit partners to be subject to a two-year waiting period before they can become a director of a client company

- non-audit services are not to be undertaken where a firm is auditing their own work.

The standard is based upon the standard issued by the International Federation of Accountants and reflects the desire by the Australian accounting bodies to harmonise their auditing standards with those adopted internationally.

The Institute's chief executive, Stephen Harrison, states in the media release that

> (t)he new standard provides CPAs and CAs with clear guidelines on how to identify, assess and manage risks to professional independence, specifically in the provision of assurance services. Where appropriate safeguards cannot be implemented the member is obliged to reject or cease the engagement.

This suggests that the standard is reliant on audit firms controlling their own actions in relation to audit independence. This leads us into the next item noted on the media for April and May, auditing firms' reactions to the independence problem.