

MINUTES

MEETING OF: THE AUDITING PRACTICES BOARD

DATE AND TIME: Thursday 1st October 2009 at 9.30am

PLACE: Aldwych House,
71-91 Aldwych,
London WC2

PRESENT:

Members

R Fleck (Chairman)	M Powell
Ms A Coates	D Thomas
R Frith	T Troubridge
J Grant (Executive director)	S Turley
J Hughes	M Ward
I Pickering	A Wilson

Observers

I Drennan (Republic of Ireland, Auditing and Accounting Supervisory Authority)
Ms P Sucher (Financial Services Authority)

In attendance

Ms K Cearns P George

Staff

K Billing Mrs H O'Sullivan
S Leonard

ABSENT:

Members

P Lee G Pimlott
R Nolan

Observers

J Bellingham (UK, Department for Business, Innovation and Skills)
D Loweth (ASB)

1. Introduction

Recent meetings

Mr Jon Grant reported on the outcome of an IAASB meeting that had taken place in the preceding week. One of the items on the agenda at that meeting was XBRL, which will be more relevant in the UK once the HMRC requires statutory accounts in iXBRL format. Mr Grant also noted that work is progressing on a draft ISAE on pro-forma information in prospectuses. It was agreed that APB will need to decide on its approach to the international assurance standards. It was agreed that XBRL and the assurance standards in general should be discussed at an APB meeting before the end of the year.

Forthcoming meetings

The Chairman reported that an open debate on the provision of non-audit services by audit firms was being organised by the ICAEW on 24th November. Board members would be invited to attend this meeting.

2. Minutes of previous meeting

The minutes of the meeting held on 17th September were approved following their circulation to Board members. It was agreed that in the rare circumstances when Board members vote against changes to APB standards that the name[s] of dissenting members would not be included in the minutes.

3. Ethical Standards – consultation on non-audit services

Following electronic circulation of an updated draft of the Consultation Paper, a small number of additional drafting amendments were agreed to both the draft Consultation Paper and the accompanying press release. It was agreed that these would be published in the following week once the Treasury Select Committee had been given a final chance to comment.

4. Ethical Standards – Rotation – approve feedback paper and press release

It was agreed that information would be provided in the feedback paper on the views of the two Board members who voted against the changes to ES3. Other drafting amendments to the feedback paper and the press release were also agreed.

5. ISAs – response to EC

A further draft of the APB response letter to the EC was circulated at the meeting. The Chairman explained that amendments had been made to further emphasise that the APB's view was that the application material in ISAs should be promulgated, but that this material was not suitable for incorporation into law. Board members agreed that the draft letter clearly set out the APB's views. Subject to drafting amendments agreed at the meeting, the letter was approved to be sent to the EC.

6. Clarity ISAs – approve summary of changes to UK&I standards due to adoption of Clarity ISAs

Mr Grant introduced a draft APB Staff Paper which had been developed to summarise the main changes in the new ISAs (UK and Ireland). It was planned that this document would be published at the same time as the new ISAs (UK and Ireland). It was agreed that further emphasis would be given to the fact that reading the Staff Paper is not a substitute for reading the relevant ISAs (UK and Ireland) for the full detail of the current requirements and application material. It was also agreed that

information on ISA (UK and Ireland) 700 would be moved to the front of the document and reference should be made to the supplementary regulatory requirements which are to be maintained in the new ISAs (UK and Ireland).

7. Going Concern – discuss ‘review’ responsibility

Mr Steven Leonard outlined how the Revised FRC Guidance for Directors on Going Concern could impact the scope of the auditor’s review of the directors’ statement which is required under the Listing Rules. The revised FRC Guidance is due to be published later in October and be effective for periods ending on or after 31 December 2009. It was agreed that the guidance on the auditor’s review of the directors’ process to consider going concern in Bulletin 2006/5 should be made more consistent with the approach taken to the auditor’s review of compliance with the principle on internal control from the Combined Code, which is contained in the same Bulletin.

8. Audit firm governance consultation paper

Mrs Hazel O’Sullivan introduced the topic and Mr Grant outlined a number of areas of the consultation which could be relevant to APB. It was agreed that a letter would be submitted to the ICAEW Working Group stating that commenting on the consultation paper is not within the remit of the APB, although the Working Group might wish to consider whether there are any areas where implementation of the Code might be facilitated by standards or guidance issued by the APB.

9. APB 2010/2011 work plan – discussion of priorities

Board members reviewed the outline work plan and suggested that projects might be added on the audit of client assets and the possibility of developing guidance about the impact that non-audit activity can have on the reputation of an audit firm. It was agreed that the main projects for the next year, which might be emphasised in the FRC’s consultation on priorities, were:

- Thought leadership projects on the relevance of the audit, covering:
 - Information value of audit reports
 - Audit effort in relation to disclosure of business risks in Directors’ Reports
- Actions taken in response to comments received on the Consultation Paper on non-audit services
- Impact of XBRL reporting on auditing practice
- FRC project on a new accounting and assurance model for micro-entities

10. Next meeting

It was noted that the next meeting of the Board will be held on Wednesday 25th November.