

MINUTES

MEETING OF: THE AUDITING PRACTICES BOARD

DATE AND TIME: Friday 13 June 2008 at 9.30am

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

PRESENT:

Members	R Fleck (Chairman)	G Pimlott
	J Grant (Executive director)	M Powell
	A Chambers	W Rainey
	L Hughes	D Thomas
	P Lee	T Troubridge
	K Nicholson	M Ward
	R Nolan	

Observers J Bellingham (UK Department for Business, Enterprise and Regulatory Reform)
I Drennan (Republic of Ireland Auditing and Accounting Supervisory Authority)
R Thorpe (Financial Services Authority)

In attendance Ms K Cearns

Staff	K Billing	D Marston
	S Leonard	Mrs H O'Sullivan

ABSENT:

Member S Turley

Observer D Loweth (ASB)

1. Introduction

Publications

Mr Jon Grant noted the recent publication of the APB's compendium of standards and guidance 2008 and the APB's Review of Activities for 2007-08. He also noted the publication of the FRC's Annual Report and a Counsel's opinion on the 'true and fair' audit opinion.

SIRs

Mr Grant reported on a recent meeting that he and Mr Tom Troubridge had held with the FSA to discuss the status of the APB Standards for Investment Reporting (SIRs). In this connection, he noted that the EC is carrying out a review of the implementation of the Prospectus Directive with a view to informing the EU of actions it could take to improve the functioning of the Prospectus Regime. It is intended that a response from the APB will be drafted which will address the question of the status of reporting accountant's reporting standards within Europe.

IAASB

Mr Grant noted the very heavy agenda for the forthcoming meeting of the IAASB in Athens; this was a critical meeting for IAASB if it was to keep to its timetable for completing the Clarity project by the end of 2008.

ISA Sub-group

Mr Grant reported on a recent meeting of the EGAOB ISA-Sub group that he had attended. He noted the EC's concerns regarding the current drafts of ISA 210 (Engagement letters) and ISA 265 (Reporting on internal controls).

SME Sub-committee

The Chairman noted that the SME audit sub-committee supported the APB's current plan to implement the Clarity ISAs in the UK at the same time as they became effective internationally; there was also full support for applying these standards to audits of all sizes rather than allowing 'two-tier' standards to develop.

Ethical standards

The Chairman noted a forthcoming meeting to discuss a significant outstanding issue with the APB's Ethical Standards (ESs), namely whether the rotation period for audit engagement partners of listed clients should be extended from 5 to 7 years. He offered Board members the opportunity to attend this meeting to listen to the arguments expressed both for and against the proposal.

2. Minutes of previous meeting

The minutes of the meeting held on 29 April were approved subject to the addition of a paragraph referring to discussion on the APB's future role and structure.

3. APB's future role and structure

Board members held a further discussion on the future remit of the APB and whether this might lead to changes in the Board's membership and working arrangements.

4. Auditor's report

Mr Steven Leonard introduced a report on the recommendations of the auditor's report working party arising from the responses received on the discussion paper - The auditor's report: A time for change? The report included a draft feedback paper and a proposed revision of ISA (UK and Ireland) 700 to facilitate a more streamlined audit report whilst meeting the requirements of ISA 700 (Redrafted).

Mr Leonard indicated that the proposal was for:

- an exposure draft of a revision of ISA (UK and Ireland) 700 to be issued in the Summer and which would be effective for financial periods ending on or after 5 April 2009,
- an updated Bulletin 2006/6 to be issued in the spring of 2009, which would contain illustrative examples of auditor's reports meeting the requirements of the Companies Act 2006 and ISA (UK and Ireland) 700 (Revised), and
- the APB website to include a summary of auditor's responsibilities and a description of an audit to allow such material to be cross-referred to from future UK audit reports.

Some Board members questioned whether it was appropriate to encourage a divergence from ISA 700 (Redrafted) at this time. Following discussion it was agreed that advantages in the proposed approach were that it might assist investor acceptance of the Clarity ISAs and would be an important element of the process of influencing the IAASB to further amend ISA 700. The working party's proposals were therefore approved and a refined version of the ISA (UK and Ireland) 700 exposure draft would be reconsidered at the next meeting of the Board.

5. Short accounting periods

Mr Leonard introduced a proposed Bulletin entitled: Auditor's reports for short accounting periods in compliance with the United Kingdom Companies Act 2006 (ie for accounting periods of less than one year commencing on or after 6 April 2008). He noted that the need for guidance on this matter had been identified during discussions on the auditor's report generally.

Board members made a small number of comments on the draft Bulletin and, subject to these changes, it was approved. The Board decided that the Bulletin should be published at the same time as the exposure draft of ISA (UK and Ireland) 700 (Revised) which was discussed under item 4.

6. Credit unions

The Chairman introduced a proposed draft of a new Practice Note (PN) 27: The audit of credit unions in the United Kingdom, noting that this was based on the recently-issued consultation draft of a PN in respect of credit unions in the Republic of Ireland.

Board members made a small number of detailed comments on the draft and, subject to these, the PN was approved for issue as a consultation draft.

7. Controls at service organisations

Mr Grant introduced a draft APB letter of comment to the IAASB on an exposure draft of a new ISAE 3402: Assurance reports on controls at a third party service organization. Possible issues for inclusion in the letter had been discussed by the Board at its meeting in April and at a subsequent meeting of interested parties.

Board members made a small number of detailed comments on the draft letter and, subject to these, the letter of comment was approved for submission to the IAASB.

8. Next meeting

It was noted that the next meeting of the Board would be held on Tuesday 29 July.

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