

MINUTES

MEETING OF: THE AUDITING PRACTICES BOARD

**DATE AND
TIME:**

Wednesday 25th November 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
P Lee	A Wilson
R Nolan	

Observers

J Bellingham (UK, Department for Business, Innovation and Skills)
D Loweth (ASB)
Ms P Sucher (Financial Services Authority)

In attendance

Ms K Cearns	J Rowden (item 4)
P George	

Staff

K Billing	Mrs H O'Sullivan
S Leonard	

ABSENT:

Members

I Pickering	G Pimlott
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Observers

I Drennan (Republic of Ireland, Auditing and Accounting Supervisory Authority)

1. Introduction

Recent meetings

Mr Jon Grant noted a recent meeting of the EGAOB ISA sub-group and a CCAB event for training providers and audit firms on training in the Clarity ISAs. He also reported back on a meeting of the Audit Quality Forum to discuss the provision of non-audit services and observed that the debate had focused more on corporate governance and disclosure issues than on the specifics of APB's Ethical Standards. The debate had also highlighted the longer term issue of the nature, and value of, the audit service. The Board discussed this and observed that it was a complex subject involving amongst other things legislation, the financial reporting model, the skills and experience of audit teams and the role of the audit committee as well as matters within the APB's remit. It was agreed that this would be discussed further at the next APB awayday.

2. Minutes of previous meeting

The minutes of the meeting held on 1st October were approved following their circulation to Board members.

3. Extended external audit services

Mr Jon Grant reported that KPMG had given a presentation on their extended audit service at a recent APB Ethics sub-committee meeting. He observed that while it is not unusual for some additional work to be undertaken at the request of the audit committee the structured approach that was involved in the new service appeared to be an innovative approach which may give rise to particular issues. He noted that the AIU would be gathering information from the larger audit firms regarding the nature and extent of both extended and internal audit services currently provided to larger listed companies. This should enable the APB to look again at the issue in 2010 alongside responses to its consultation on non-audit services. In discussing the issues that are likely to be relevant it was observed that there may be benefit in understanding the extent to which extended and internal audit services are provided to smaller listed companies and how such work is described by companies in their annual reports.

4. XBRL – implications of HMRC's new filing requirement

Mr Jon Rowden illustrated Inline XBRL financial statements and explained the alternative ways in which companies may implement the HMRC requirement. It was noted that there was no audit requirement of the XBRL tagging required by HMRC. It was agreed that an APB Bulletin on the topic would be valuable to highlight the HMRC requirement and to clarify that auditing standards do not impose an obligation on auditors to consider XBRL tagging (consistent with guidance expected to be issued by the IAASB). This might include a note to raise awareness of the potential ethical issues associated with using the work done on tagging now in XBRL financial statements produced in the future.

5. Update to Practice Note 26

Mrs Hazel O'Sullivan outlined the process that had been followed since the exposure draft of Practice Note 26 (Revised) was issued in July 2009. A small number of minor changes were suggested and the document was approved for publication.

6. Corporate Governance – discussion of a draft Bulletin

Mr Steven Leonard introduced a proposed Bulletin which provides an update for auditors relating to the following developments in corporate governance:

- The issuance of the FRC’s Guidance for Directors on Going Concern;
- Responsibilities of the auditor in respect of Corporate Governance Statements; and
- Changes to the Listing Regime which provide that UK companies can opt to be either a premium or standard listed company.

The proposed Bulletin was approved for publication. It was agreed that a full update of Bulletin 2006/5 “The Combined Code on Corporate Governance: Requirements of Auditors under the Listing Rules of the Financial Services Authority and the Irish Stock Exchange” would be undertaken in 2010 to pick up the changes that will become necessary as a result of the Clarified ISAs being in force and for updates to the Combined Code which should be finalised in mid 2010.

7. External confirmations – discussion of an IAASB Staff Alert

Mr Jon Grant introduced the recent IAASB Staff Alert on external confirmations and asked whether this should be promulgated in all, or in part, by APB. It was observed that a number of the topics addressed in the Alert seemed to be specific to the US. The Board concluded that it was appropriate to consider IAASBs non-authoritative guidance on a case by case basis but there did not seem to be a pressing need to promulgate this particular Staff Alert in the UK and Ireland. The view was also expressed that IAASB needed to be clearer as to the objectives of its non-authoritative guidance and the quality and approval processes that relate to it.

8. IAASB December meeting

Mr Jon Grant introduced a number of topics for discussion at the forthcoming IAASB meeting. In relation to a draft standard on pro forms the Board supported Mr Grant’s view that it was unnecessary for the unadjusted numbers to be audited or reviewed. In relation to proposal for the IAASB to issue authoritative guidance the Board urged caution. There is a danger that this could lead to the proliferation of guidance and that it might complicate the EC adoption process.

9. Next meeting

It was noted that the next meeting of the Board will be held on Tuesday 15th December.