

## MINUTES

**MEETING OF:** THE AUDITING PRACTICES BOARD

**DATE AND TIME:** Tuesday 29 April 2008 at 9.30am

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

### PRESENT:

<b>Members</b>	R Fleck (Chairman)	K Nicholson
	J Grant (Executive director)	W Rainey
	A Chambers	T Troubridge
	L Hughes	S Turley
	P Lee	M Ward

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

**In attendance** Ms K Cearns Ms M Measures (for item 4)

<b>Staff</b>	K Billing	D Marston
	S Leonard	Mrs H O'Sullivan

### ABSENT:

<b>Members</b>	R Nolan	M Powell
	G Pimlott	D Thomas

## **1. Introduction**

### Publications

Mr Jon Grant noted the recent publication of the final revised Ethical Standards, the final version of ISA (UK and Ireland) 600 (Revised), four new Bulletins giving guidance on aspects of the Companies Act 2006 and a consultation draft of a revision of Practice Note 11: The audit of charities in the United Kingdom,. He also noted the publication by the FRC of its final plan and budget for 2008/09.

### National Standard Setters' meetings

Mr Grant reported on a recent meeting between the major national standard setters and IAASB. Matters discussed included where each country was in the process of implementing ISAs, national activity on review engagements and the need for implementation guidance on ISAs. In this connection, Mr Grant noted a draft of an IFAC guide for smaller practitioners on the implementation of ISAs, and that this would be discussed by the APB's SME audit sub-committee to assist the APB in submitting comments to IFAC in due course.

A meeting of European national standard setters had also been held recently. One topic discussed was the process proposed for translating the 'clarified' ISAs into each European language. Mr Grant expressed his concern that there was a danger that this issue could delay adoption of the ISAs for use in the EU.

## **2. Minutes of previous meeting**

The Chairman noted that the minutes of the meeting held on 25 March had been approved following circulation to Board members.

## **3. Audit reports**

Mr Steven Leonard reported on the status of the consultation on audit reports. 31 comment letters have been received to date, and a public meeting was held on 26 March attended by approximately 30 individuals. The working party would be meeting twice during May and intended to bring proposals forward to the June meeting of the Board.

In this connection the Chairman commented that there appeared to be a consensus view that audit reports should be shorter than at present. He also drew attention to two on-going FRC projects, one on the 'true and fair' view and the other on the adequacy of accounting records, which were relevant.

## **4. Public sector audit reports**

Mr Lew Hughes introduced an update of Bulletin 2006/2 on illustrative audit reports on public sector financial statements, to accompany Practice Note 10, which had been developed by the APB Public Sector sub-committee. It was anticipated that the Bulletin would need revision again in the foreseeable future due to the adoption of IFRSs by public sector bodies in 2009. Board members made a number of comments on drafting and on terminology used and, subject to these, the revised Bulletin was approved for publication.

## **5. Engagement letters**

Mr Keith Billing introduced a draft APB letter of comment on an exposure draft of a clarity revision of ISA 210: Agreeing the terms of audit engagements. He noted that the wording in the draft ISA relating to the preconditions for an audit was the main issue for discussion. Board members took the view that the requirements of ISA 210 will be seen as imposing obligations on preparers of financial statements in a manner that extends their duties beyond those established by law and regulation. In particular the requirement in paragraph 6 of ISA 210 (that the auditor should not accept the engagement unless management agree to the specified preconditions of an audit) and the linked requirement in ISA 580 (that, if at the end of the audit, management will not provide written representations that it has fulfilled the responsibilities the auditor must disclaim an opinion) will inhibit the adoption of the Clarified ISAs in the EU. As the draft APB letter needed some amendment to reflect the comments made, it was agreed that a further draft would be circulated to the Board for approval before it was submitted to the IAASB.

## **6. Service organisations**

Mr Billing introduced a draft APB letter of comment on an exposure draft of a clarity revision of ISA 402: Audit considerations relating to an entity using a third party service organization. The main concern expressed in the draft letter was in connection with the proposed structure of the ISA, and a suggested reordering of the draft was attached to the APB letter.

Board members discussed whether the draft ISA adequately addressed situations where the maintenance of accounting records are outsourced. While the draft ISA was thought to address this issue satisfactorily some suggestions were made as to how related guidance might be improved. Subject to a small number of drafting amendments the letter was approved for submission to the IAASB.

## **7. Comparative information**

Mr Billing introduced a further draft APB letter of comment on an exposure draft of a clarity revision of ISA 710: Comparative information – Corresponding figures and comparative financial statements. Board members approved the letter for submission to the IAASB.

## **8. Control weaknesses**

Mr Grant introduced an APB letter of comment on an exposure draft of a new ISA 265: Communicating deficiencies in internal control. The Board supported the staff's proposal that ISA 265 was unnecessary and should not be issued but agreed to also include in its comment letter suggestions as to how the drafting could be improved in case IAASB decided to continue with a separate ISA on this subject. Board members agreed with the structure of the draft letter of comment, and approved it for submission to the IAASB.

## **9. Controls at service organisations**

Mr Grant introduced a discussion of issues relating to an exposure draft of a new ISAE 3402: Assurance reports on controls at a third party service organization. He noted that a meeting was being held on 7 May to obtain the views of preparers and users of such reports. The views of other stakeholders would be taken into consideration when drafting the APB letter of comment on the proposed ISAE. Board

members agreed that the draft response on ISAE 3402 should be discussed at the next APB meeting.

#### **10. APB's future structure**

In the light of the increasing trend to standard-setting on an international basis, Board members held an initial discussion on the future remit of the APB and whether this might lead to changes in the Board's membership and working arrangements.

#### **11. Any other business**

The Chairman explained that the intention was to discuss the timing of the implementation of the Clarity ISAs at the July meeting. For this meeting staff will have prepared:

- a draft regulatory impact assessment,
- a summary of how IAASB has responded to the issues APB has raised in its comment letters, and
- a chart setting out when each clarified revised ISA was likely to be issued in final form by the IAASB.

#### **12. Next meeting**

It was noted that the next meeting of the Board would be held on Friday 13 June.

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