

MINUTES

MEETING OF: THE AUDITING PRACTICES BOARD

DATE AND TIME: Tuesday 30 September 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	S Turley
	R Nolan	M Ward
Observer	I Drennan (Republic of Ireland Auditing and Accounting Supervisory Authority)	
	R Leyland (UK Department for Business, Enterprise and Regulatory Reform)	
	D Loweth (ASB)	
	R Thorpe (Financial Services Authority)	
In attendance	P George	D Stubbs (for part of agenda item 1)
	Ms K Cearns	
Staff	K Billing	S Leonard
	Mrs H O'Sullivan	

1. Introduction

Publications

Mr Jon Grant reported on the publication of an Exposure Draft of ISA (UK and Ireland) 700 and an associated Bulletin (2008/8) on auditor reports for short accounting periods.

IAASB

At its recent meeting in Miami, the IAASB had approved a number of proposed clarity ISAs and continues to be on target to complete the Clarity Project by the end of 2008.

Revised Guidance on the use of firms from more than one network

At a previous meeting the Board had reviewed this draft FRC guidance, which arose out of a recommendation of the FRC Market Participants Group. Mr Paul George reported on the responses received which were supportive of the need for guidance, but sceptical about the impact it might have. Board members provided a number of comments on the current draft. The guidance is likely to be appended to the Smith Guidance, it was suggested that it should be linked to the audit committee's work on reviewing external audit effectiveness.

APB – its future remit

The Chairman reported that a paper on the strategic review of the APB was due to be tabled at the FRC Board meeting on 7 October to support a discussion on the APB's future remit. Board members made a number of comments relevant to the future remit and how it related to broader goals of the FRC.

2. Minutes of previous meeting

It was noted that the minutes of the meeting held on 29 July had been approved following circulation to Board members.

3. Clarity ISAs

Mr Grant noted that the Board had previously discussed on several occasions the approach APB should adopt to the adoption of Clarity ISAs ahead of any EU endorsement. A draft Consultation Paper had been circulated and it was hoped that this could be issued in the next two weeks, so that responses could be received by mid-January. The Board supported the way in which the draft Consultation Paper set out the issues that the Board had considered in relation to the possible options.

Full support was given to the view that the same standards should apply to audits of entities of all sizes. It was agreed that a statement would be added to the Consultation Paper that applying the same auditing standards does not preclude other types of engagement being undertaken for smaller entities such as compilation services.

Board members felt that more emphasis was needed on the fact that the costs arise mostly from the revisions to the ISAs, rather than the clarification process. It was also suggested that more emphasis could be placed on the need for APB to promulgate the best auditing standards available to maintain the reputation of UK and Irish auditing internationally.

It was agreed that an amended version of the Consultation Paper would be circulated to Board members for approval prior to publication in the next week or so.

4. Ethics

Mr Grant introduced a proposed APB letter of comment to IESBA on an exposure draft of the IFAC Code of Ethics. He highlighted that there were two themes to the letter:

- One explaining why the IFAC Code was not suitable for replacing the APB Ethical Standards in the UK and Ireland,
- A second indicating APB's support for the direction in which IESBA was going, but explaining additional steps APB believes need to be taken in the short term.

An amendment to the draft response was circulated in the meeting to address a point raised by the Ethics Group on the paragraph relating to an exception for a temporary departure. It was agreed that the APB response should encourage specific overrides to certain requirements rather than a generic approach which was unlikely to be used in practice. A particular concern was raised relating to the interaction between the IFAC Code, as it applies to assurance services, and the work undertaken in the UK by reporting accountants on prospectuses.

It was agreed that an updated letter would be sent to the Board before it was submitted to IESBA.

5. Miscellaneous reports

In connection with the proposed publication of this Bulletin, Mr Grant highlighted an issue relating to auditors undertaking valuations of non-cash consideration for shares. The Board indicated a preference for making a more explicit link to the Ethical Standards but requested APB staff to clarify with BERR whether the substance of the law had changed and, if so, whether it is necessary to update ES 5. Subject to reflecting this clarification of CA 2006 the Bulletin was approved for publication.

6. Credit crunch

Mr Grant outlined a number of publications that will be issued in the near future by IAASB staff and the FRC. It was agreed that:

- APB staff would review Bulletin 2008/1 to determine whether it needs updating.
- PN23 would be updated, incorporating material from the IAASB Staff audit practice alert as appropriate.
- An outline of a longer term project would be prepared to develop guidance on the work an auditor is required to do on non-financial disclosures under IAS 1 and IFRS 7.

7. Next meeting

A meeting by teleconference would be organised on Friday 24th October to discuss an FRC document on 2008/09 Corporate reports – Key Questions for Audit committees. Given this, it is unlikely that the pre-scheduled meeting on 28th October will be required. The next APB meeting will be held on Tuesday 25th November.

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