

MINUTES

MEETING OF: THE AUDITING PRACTICES BOARD

DATE AND TIME: Tuesday 31 March 2009 at 9.30am

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

PRESENT:

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

Observers J Bellingham (UK Department for Business, Enterprise and Regulatory Reform)
R Thorpe (Financial Services Authority)
D Loweth (ASB)

In attendance

Staff	K Billing	Mrs H O'Sullivan
	D Marston	

ABSENT:

Members	G Pimlott	T Troubridge
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Observer	I Drennan (Republic of Ireland Auditing and Accounting Supervisory Authority)	
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1. Introduction

Publications

Mr Jon Grant noted the issuance of a press announcement on adoption of the Clarity ISAs and the publication of:

- a consultation paper on revisions to the Ethical Standards,
- Bulletin 2009/1 on charity auditor reports and
- ISA (UK and Ireland) 700 (Revised) 'The Auditor's Report on financial statements'.

Recent meetings

Mr Grant reported on the following recent meetings:

- CCAB audit committee chairs.
- The EGAOB ISA sub-group.
- The IAASB, which discussed pro-forma information in a prospectus, XBRL and internal audit among other topics related to their new projects.

New members

The Chairman announced that 5 new Board members had been appointed; these were Alyson Coates, Russell Frith and Ian Pickering (as non-practitioner members) and John Hughes and Allister Wilson (as practitioner members). It was noted that the APB Away day on Tuesday 5th May would include both retiring and new board members.

2. Minutes of previous meeting

It was noted that the minutes of the meeting held on 18 February had been approved following circulation to Board members and one minor amendment.

3. Clarity ISAs (UK and Ireland) – discussion of additional requirements and guidance

By way of introduction Mr Grant noted that when the APB adopted the ISAs in 2004, it supplemented them with additional standards and guidance where necessary to maintain the requirements and clarity of the previous UK and Irish auditing standards. The current ISAs (UK and Ireland) contain over 60 additional requirements. As discussed at previous meetings the APB is planning to retain supplementary requirements specific to the UK and Ireland only where they relate to compliance with UK and Irish specific law or regulation or continue to add to audit quality.

Mr Grant reported that many of the supplementary requirements and guidance in the current ISAs (UK and Ireland) have been rendered unnecessary by improvements made to the ISAs as part of the Clarity Project and as a result it is possible to reduce the number of requirements considerably. The draft ISAs (UK and Ireland) circulated to the Board contained the working party's proposal to retain 25 supplementary requirements (17 relating to legal and regulatory matters and 8 in relation to audit quality). Most of the regulatory supplementary requirements are found in the two ISAs (UK and Ireland) dealing with the auditor's right and duty to report to regulators (250B) and the auditor's statutory reporting responsibility in relation to directors' reports (720B). The others relate to money laundering issues (250A), accounting records (402) and the future period that directors and auditors need to consider for

going concern (570).

Board members reviewed all of the 'pluses' and a number of changes were proposed as a result. The APB will finalise the exposure drafts at its April meeting. At the same time the Board would be presented with a consultation paper which will accompany the exposure drafts which will make it clear that, as the APB has already made the decision to adopt the international standards, respondents should focus on the supplementary requirements and guidance.

4. Clarity ISAs (UK and Ireland) – additional guidance for auditors of SMEs

Mr Grant outlined the four possible approaches which had been discussed at a meeting of the accountancy bodies' ISA Implementation Group earlier in the month and he described reactions to them. The APB agreed that it would update Practice Note 26 and, in conjunction with the SME audit sub-committee, include some more documentation examples on other aspects of an audit.

It was also agreed that further consideration should be given to how best to communicate the main changes in the new standards. One option might be to summarise in a document the changes in the standards and the reasons for them. This would however result in a relatively long document which might be thought to be 'self-standing' by practitioners. Some board members expressed concern that any such guidance should not include material on the implications of the changes. As an alternative it was suggested that a shorter document might be produced as a cover paper to the standards when they are issued. It was agreed that a sample of both approaches would be produced so as to enable an agreement to be reached on the approach to be taken.

5. APB Future work programme

Mr Grant noted that the forthcoming Awayday would be focussed on developing APB's future strategy and work programme. However, the publication of the APB's Annual Review of Activities provided an opportunity for obtaining views from third parties in advance of the Awayday. The Board discussed a draft 2009/10 work programme for inclusion in the Annual Review and made a number of changes to it. It was suggested that the work programme should make it clear that it would be amended during the year as changes occur in the national and international regulatory environments.

6. Other business

The Chairman noted that this was Mr David Marston's last meeting before his retirement. He expressed the Board's appreciation of Mr Marston's contribution as a member of staff of the APB over a period of 10 years.

7. Next meeting

It was noted that the next meeting of the Board would be held on Wednesday 15th April.