

MINUTES

MEETING OF: THE AUDITING PRACTICES BOARD

DATE AND TIME: Monday 31 March 2003, at 9.30 am

PLACE: CIPFA
3 Robert Street
London WC2

PRESENT:

Members	RJH Fleck (Chairman)	WID Plaistowe
	GNC Ward (Vice-chairman)	P Smith
	JEC Grant (Executive director)	Ms G Saunders
	L Hughes	S Turley
	S Murray	D Thomas

Observer R Thorpe (representing the Financial Services Authority)

In attendance	Ms K Cearns	R Charlesworth
	K Douthwaite (for item 4)	

Staff	K Billing	S Leonard
	DC Marston	H Morgan

APOLOGIES:

Members	M Evans	A Palmer
	G Pimlott	

Observers	J Grewe	(representing the United Kingdom Department of Trade and Industry)
	P Donegan	(representing the Republic of Ireland Department of Enterprise, Trade and Employment)
	C Wobschall	(representing the Accountancy Foundation)

1. Chairman's introduction

A summary of relevant publications and events which had occurred since the last APB meeting had been distributed in advance to the Board. The following matters were discussed:

EC Transparency Directive

Mr Richard Thorpe noted that the Directive had now been published. The intention was to require a full interim statement to be issued at the half year and limited financial information at the end of quarters 1 and 3. The Board noted that there was no requirement for auditors to review the interim release.

DTI Consultation Paper

The Chairman referred to a recently-issued DTI consultation paper concerning proposed legislation establishing the new regulatory structure for the accountancy profession. He noted that further discussions would take place with respect to statutory backing for APB; this might include a requirement for the accountancy bodies to require their members to comply with APB Standards.

EC Committee on Auditing

Mr Jon Grant reported on a meeting of the EC Committee on Auditing which he had attended the previous week. The committee was still awaiting the finalisation of a statement of policy, 'The Communication', which amongst other things would set out the detailed arrangements for the implementation of International Auditing Standards in Europe. There were also discussions concerning European arrangements for the oversight of the auditing profession.

International Auditing and Assurance Standards Board

Mr Ian Plaistowe reported on a recent meeting of the IAASB in Melbourne, which both he and Mr Grant had attended. He reported that the level of activity continues to be high and the IAASB has now scheduled a fifth meeting for 2003, in addition to separate working party meetings. Mr Plaistowe noted that the IAASB had approved the IAPS on Compliance with IFRSs and exposure drafts of the Framework for Assurance Engagements, ISAE 2000 on Assurance Engagements and IAPS 1005. Proposed exposure drafts on interim reviews and quality control had however not as yet been approved. Mr Plaistowe also noted that the IFAC President had presented to IAASB possible changes to the Board's constitution which were designed further to increase the transparency of its operations.

Anti-money laundering

Mr Grant reported that a firm of solicitors had now been appointed to provide legal advice on the new anti-money laundering regulations. Practice Note 12 would then be revised with an aim to publishing it as an exposure draft in June. He noted that the CCAB were planning to issue guidance for accountancy firms in parallel with the exposure draft. CCAB were represented on the APB working party with the intention that both documents would be as consistent as possible.

2. Minutes of previous meeting

The Chairman noted that the minutes of the APB meeting held on 25 February had been approved following circulation to the Board. As a matter arising from the minutes, he noted that the Smith report on audit committees seemed to have been well received, and that an APB letter of comment on the report would be submitted shortly.

3. Scope and Authority of Pronouncements

Mr Lew Hughes introduced a revision of the APB's Scope and Authority of Pronouncements, following its recent exposure for public comment. In accordance with the Board's discussion at its February meeting, an introductory paragraph had been inserted which referred to the planned changes in audit regulation and hence the transitional nature of the document. In addition the 'fundamental principles for auditors' had been removed from the statement pending the APB's further work on the independence, objectivity and integrity of auditors. Mr Hughes also reported that he had met staff of the ACCA to discuss their response to the exposure draft.

The Board approved the statement for issue in final form, subject to a small number of drafting amendments which would be agreed by the Chairman and Mr Hughes.

4. Response to IAASB risk standards

Mr Grant introduced a discussion on the exposure drafts of three IAASB standards entitled 'Understanding the entity and its environment and assessing the risks of material misstatement', 'The auditors' procedures in response to assessed risks' and 'Audit evidence'. These exposure drafts had been discussed by the APB's Technical Advisory Group the previous week, and a number of CCAB bodies had conducted surveys of their members on the proposals.

Mr Grant reported that the surveys suggested that the proposed standards would only have a marginal beneficial effect on the quality of audits, especially smaller audits. The introduction of the standards would, however, lead to an increase in audit costs particularly for smaller firms, who may need at least eighteen months to implement them. It was thought that this response might be due in part to smaller practitioners not fully understanding the implications of the documents which were very long and detailed and, in certain places, contradictory.

The Board agreed that the main point to be made to the IAASB was that the clarity of the draft standards needed to be improved and hopefully that the documents could be simplified and shortened. Changes to the style of the document, and therefore improvements to its understandability, would help to reduce the possible costs associated with its implementation and reduce training and translation difficulties. The Board supported the ICAEW's efforts to redraft 'Understanding the entity and its environment and assessing the risks of material misstatement', in order to demonstrate to IAASB how the draft ISA might be simplified as well as to provide additional guidance on the audit of smaller entities. It was agreed that a draft letter of comment to the IAASB should be prepared and distributed to the Board before being submitted.

5. Public sector Bulletins on corporate governance

Mr Hughes and Mr Keith Douthwaite of the Audit Commission introduced draft Bulletins covering the responsibilities of public sector auditors in relation to corporate governance issues in three areas - central government, the NHS and local government. The intention was to issue the first two as exposure drafts. The draft on local government would be used to support discussions with those developing guidance for local authorities on their requirements following the recent Accounts and Audit Regulations 2003.

A number of comments were made on the drafts. It was agreed that the authority for requiring statements on internal control to be reviewed by auditors should be clearly stated in the introduction to each document, and it should be made clear as to when the various requirements become effective. The Bulletins for central government and the NHS were approved for issue as exposure drafts for a two-month consultation period, subject to certain amendments which would be agreed by the Chairman and Mr Hughes.

6. Any other business

The Chairman reported that, following a letter received from the chairman of the ICAEW Pensions sub-committee, it had been decided that Practice Note 15 should be updated. This was also necessary due to the revision of Opra Note 1, concerning the auditors' reporting duties to the regulator, which was shortly to be issued by Opra.

7. Next meeting

It was noted that the next meeting of the Board was due to be held on 29th April commencing at 9.30am.

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