

MINUTES

MEETING OF: THE AUDITING PRACTICES BOARD

DATE AND TIME: Tuesday 27 February 2007 at 9.30am

PLACE: Aldwych House
71-91 Aldwych
London WC2

PRESENT:

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

Observers J Bellingham (UK Department of Trade and Industry)
D Loweth (ASB)
Ms P Sucher (Financial Services Authority)

In attendance	P Boyle	P Rowley (for item 4)
	Ms K Cearns	

Staff	K Billing	D Marston
	S Leonard	Mrs H O'Sullivan

ABSENT:

Member G Pimlott

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

1. Introduction

IAASB

Mr Jon Grant reported on a meeting of the IAASB held recently in New York. He noted that exposure drafts of revisions of two ISAs (550 on Related Parties and 570 on Going Concern) had been approved, and that a number of other proposed exposure drafts had been discussed.

Mr Grant also noted that changes to IAS 1 likely to be exposed by IASB in the autumn, and parallel changes to ISA 700, could impact disclosure of differences between EU-endorsed IFRS and IFRS and whether the auditors should include an emphasis of matter in their reports.

He also alerted the Board to a likely new IAASB project on the development of standards for accountants reporting on prospectuses. The Board agreed to monitor the development of this project as it could have implications for the APB SIRs.

ISA 580

Mr Grant reported back on a recent meeting of interested parties held by the APB to discuss a proposed revision of ISA 580 on Written Representations. The comments made would be reflected in a draft APB letter of comment for the Board to consider at its March meeting.

Public sector

Mr Grant reported that a recent meeting of the APB Public sector sub-committee had provided helpful input to draft APB letters of comment on a number of proposed clarified ISAs. Mr Lew Hughes noted that Messrs Tim Drew and Simon Edge and Ms Caroline Al-Beyerty would be joining the sub-committee as new members.

CRAG

Mr Grant noted a meeting the previous day with investor representatives on the Corporate Reporting Action Group to discuss the subject of audit quality.

PN 16

In connection with the current revision of PN 16: Bank reports for audit purposes, Mr Grant noted that bank representatives had proposed that auditors should in future provide sort codes and account numbers for all companies in a group when submitting bank confirmation requests. Board members were surprised that this would be needed by banks given the 'know your customer' requirements and recommended that this matter be discussed further with the British Bankers' Association.

Meeting with ICAEW

The Chairman noted that a meeting was planned during March with the new ICAEW President and the Chief Executive to discuss a number of issues of common interest, including developments on auditing and ethical standards, the provision of training on ISAs (UK and Ireland) and the Letters of Understanding between the APB and the CCAB Bodies. It would also be useful to discuss the provision of audit/review services to companies below the statutory audit threshold.

SIRs

Mr Tom Troubridge reported on a recent meeting of the SIRs sub-committee. He noted that as well as progressing a new SIR on GAAP reconciliations the sub-committee was preparing a paper that summarised the status of SIRs within the current regulatory framework.

2. Minutes of previous meeting

It was noted that the minutes of the meeting held on 31 January had been approved following circulation to Board members.

3. Ethical Standards

Mr Grant introduced a discussion on the timing of the review of the APB's Ethical Standards (ESs). There were three principal factors relevant to the decision:

- experience on issues arising in practice since the ESs were implemented,
- the need to adopt the Statutory Audit Directive (SAD), and
- the revision of the independence requirements of the IFAC Code of Ethics.

Mr Jim Bellingham noted that the SAD had to be adopted in the UK by June 2008. The Directive includes more specific ethical requirements than were in previous European pronouncements, and Mrs Hazel O'Sullivan noted a small number of differences between the requirements in the SAD and the ESs.

The Chairman noted that the EC had an interest in the revision of the IFAC Code as it might be used as a standard of third country equivalence.

It was agreed that it was appropriate to complete the update of the ESs in line with the timetable for SAD implementation in the UK and that APB would seek to have completed its revision of the ESs by summer 2008.

4. PN 15

Mr Peter Rowley introduced a proposed revision of PN 15: The audit of occupational pension schemes in the United Kingdom. He noted that thirteen letters of comment had been received during the consultation period. In particular, a number of commentators expressed satisfaction with the length and detailed content of the revision, and most of the detailed comments made had been incorporated into the latest draft.

A small number of commentators had suggested that more guidance should be given on the application of Ethical Standards. Board members agreed that it would not be appropriate for Practice Notes to give extensive guidance on this, but that it would be appropriate for a new paragraph to be inserted highlighting issues specific to the audit of pension schemes. The Chairman also indicated the need for a final review of the guidance on trustee responsibilities. Subject to the approval of the Chairman of the small number of outstanding matters the revised Practice Note was approved for issue in final form. The Chairman thanked Mr Rowley for his assistance in finalising the document.

5. True and Fair

Mr Paul Boyle introduced a draft public statement on 'True and Fair'. He noted that, following the recent enactment of the Companies Act 2006, the FRC statement: The implications of new accounting and auditing standards for the 'true and fair view' and auditors' responsibilities, issued in August 2005 now needed revision. A number of helpful comments were made during the discussion. Mr Boyle noted that the FRC would consider the comments received on the draft statement with a view to publishing a final statement in early April.

6. ISA Clarity drafts

Mr Keith Billing introduced first drafts of APB letters of comment on proposed clarity revisions of ISA 230: Audit documentation, ISA 560: Subsequent events, ISA 610: Internal audit and ISA 720: Other information. Mr Billing drew attention to the following matters in the draft letters of comment:

- concerning ISA 230, it was suggested that further clarification was needed as to what to document regarding 'shall consider' requirements,
- in draft ISA 560, it was suggested that restrictions on audit procedures should only be appropriate in relation to amended financial statements when matters are identified after the original financial statements have been issued,
- the redrafted ISA 610 was considered to be less clear than the current ISA. Suggested rewording is included in the response, and
- in ISA 720, it was suggested that further consideration should be given to materiality in relation to material inconsistencies and misstatements of fact.

It was agreed that final drafts of the letters of comment would be considered by the Board at its March meeting.

7. Next meeting

It was noted that the next meeting of the Board would be held on Wednesday 21 March.

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