

## MINUTES

**MEETING OF:** THE AUDITING PRACTICES BOARD

**DATE AND TIME:** Wednesday 31 January 2007 at 9.30am

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

### PRESENT:

<b>Members</b>	R Fleck (Chairman)	R Nolan
	J Grant (Executive director)	G Pimlott
	A Chambers	D Thomas
	L Hughes	S Turley
	K Nicholson	

**Observers** R Thorpe/ Ms P Sucher (Financial Services Authority)

**In attendance** Ms K Cearns

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

### ABSENT:

<b>Members</b>	M Powell	T Troubridge
	W Rainey	M Ward

**Observers** J Bellingham (UK Department of Trade and Industry)  
I Drennan (Republic of Ireland Auditing and Accounting Supervisory Authority)  
D Loweth (ASB)

## **1. Introduction**

### Publications

Mr Jon Grant noted recent APB publications. In connection with the consultation papers on SME guidance and documentation, he commented that the Chairman had written to CCAB Chief Executives highlighting the training issue and proposing a meeting once the consultation process had been completed.

### AIDB action

The Chairman noted the conclusion of the AIDB's case in relation to 'Mayflower' and that he and Mr Grant would consider whether the findings of the case had any bearing on the content and status of auditing standards, in particular SAS 130.

### Audit Quality Forum

Mr Grant reported on a recent meeting of the Audit Quality Forum. He noted in particular that the AQF would soon issue a paper recommending changes to the auditors' report including the idea that there should be more narrative discussion in it relating to audit difficulties. It had been agreed at the APB away day that an APB working party should be set up to consider the paper and the first meeting would be arranged for March once the implementation timetable of the Companies Act 2006 was known.

### EC meeting

The Chairman noted that he was meeting with EC officials the following week to discuss the implementation of ISAs and ethical standards in Europe.

### CRAG

The Chairman also noted that he would shortly be meeting with the Corporate Reporting Action Group (a forum of institutional investors) to discuss audit quality.

### Audit liability

The Chairman reported that the FRC would shortly be preparing guidance on audit liability limitation agreements.

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

It was noted that the minutes of the meeting held on 15 December 2006 had been approved following circulation to Board members.

## **3. Clarity Preface**

Mr Grant introduced the final version of the IAASB's Preface, which describes the future structure of ISAs following the Clarity project and the status of objectives and requirements. He noted in particular the recent discussions between the IAASB and certain of its stakeholder regulatory bodies concerning whether the draft Preface should have been re-exposed for public comment, in view of the changes made following the initial consultation period.

Mr Grant then briefly reviewed a schedule setting out the principal changes between the exposure draft and final version of the Preface, noting that parts of the Preface

may be amended again during the forthcoming revision of ISA 200. The Board agreed that it would consider issues related to the Preface when looking at the corresponding proposed revisions to ISA 200.

#### **4. ISA 260**

Mr Keith Billing introduced a draft letter of comment to the IAASB on the Clarity redraft of ISA 260: Communications with those charged with governance. He noted that the proposed ISA picked up many of the additional requirements currently in ISA (UK and Ireland) 260.

Board members reviewed a summary of draft comments submitted by staff and representatives of the CCAB Bodies. The Board requested that the APB letter should emphasise that an objective of ISA 260 was to establish effective two-way communication with those charged with governance. It was agreed that a revised suggested objective should be circulated to Board members for approval.

#### **5. ISAs 320 and 450**

Mr Billing introduced letters of comment on the Clarity redrafts of ISA 320: Materiality in planning and performing an audit and ISA 450: Evaluation of misstatements identified during the audit. He noted that, as the APB had collaborated with the IAASB in the original revisions, there were few points of substance to be made. Board members approved the letters for submission to the IAASB.

#### **6. Company law review**

Mr Steven Leonard introduced a discussion on a relatively new aspect of company law: the provisions in the Companies (Audit, Investigations and Community Enterprise) Act 2004 relating to the disclosure of information to auditors. He noted that a number of firms of solicitors and accountants had issued guidance to directors on what information should be provided. The Board's views were sought on:

- whether the APB should recommend that the FRC issue guidance to directors and employees; and
- whether the APB should issue guidance for auditors.

On balance the APB took the view that it would be beneficial for guidance for directors on this subject to be prepared 'centrally', and the FRC was well suited for this role. It was agreed that the FRC should be recommended to consider the issues arising in this area and to decide on whether it should publish guidance for directors. The APB concluded that guidance for auditors on this subject was not needed, as relevant aspects were either already covered in various auditing standards, or could be picked up in future revisions of APB publications such as the Audit Reports Bulletin.

#### **7. Annual Review**

Mr Grant introduced a draft of the 2006 APB Annual Review, focussing particularly on the draft Chairman's statement. Board members thought that more emphasis should be given to the APB's international role in assisting with the work of the IAASB and various European bodies. It was agreed that a revised draft should be circulated to Board members for further comment.

## **8. ISA 550**

Mr Grant introduced a discussion of a revision of ISA 550: Related parties in advance of the next IAASB meeting in mid-February. Board members made a small number of comments which Mr Grant agreed to include in the IAASB discussions. He also drew attention to the DTI's forthcoming consultation paper on the implementation of amendments to the 4<sup>th</sup> and 7<sup>th</sup> Directives and the Statutory Audit Directive.

## **9. Next meeting**

It was noted that the next meeting of the Board would be held on Tuesday 27 February.

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