

MINUTES

MEETING OF: THE AUDITING PRACTICES BOARD

DATE AND TIME: Tuesday 16 December 2003, at 9.30am

PLACE: ACCA
29 Lincoln's Inn Fields
London WC2

PRESENT:

Members	R Fleck (Chairman)	G Pimlott
	G Ward (Vice-chairman)	I Plaistowe
	J Grant (Executive director)	P Smith
	M Evans	Ms G Saunders
	L Hughes	D Thomas
	S Murray	S Turley
	A Palmer	

Observers

J Beckerlegge (CGA Accountancy)
J Grewe (United Kingdom Department of Trade and Industry)
K Nicholson (KPMG)
M Powell (Deloitte)
W Rainey (Ernst & Young)
R Thorpe (Financial Services Authority)

In attendance	Ms K Cearns	Ms T Sienkiewicz (for item 5)
	Ms R Low (for item 5)	

Staff	K Billing	D Marston
	R Charlesworth	H Morgan

APOLOGIES:

Members M Evans

Observers

P Donegan (Republic of Ireland Department of Enterprise, Trade and Employment)

1. Chairman's introduction

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

Recent legislation

The Chairman noted that the new Money Laundering Regulations had now been laid and became effective on 1 March 2004. The Companies (Audit, Investigations and Community Enterprise) Bill had also been published which, inter alia, establishes the responsibilities of the FRC, strengthens the auditors' rights to receive information from company employees and directors and establishes the concept of 'community interest' companies. A Consultative Document addressing auditors' liability is to be published shortly.

8th Directive

Mr John Grewe reported that a first draft of a revised 8th Directive had recently been circulated by the EC and a meeting had been arranged with Member States to discuss it.

IAASB

Mr Jon Grant reported on a meeting of the IAASB the previous week in Berlin that both he and Mr Ian Plaistowe had attended. The highlights included:

- approval of an exposure draft of a revision of ISA 700 on audit reports. The exposure draft proposes that audit reports would be divided in two parts: standard wording for the first part and specific national requirements in the second part. The APB staff would prepare an illustrative UK version for consideration at the next Board meeting.
- approval of an exposure draft of the revision of ISA 600 on using the work of other auditors together with an exposure draft IAPS on group audits.
- the IAASB were likely to approve by postal ballot a framework relating to assurance engagements together with an ISAE.
- the IAASB had discussed a staff paper on how the clarity of ISAs could be improved. Several IAASB members had expressed concern as to the possible increase in the use of 'should's and 'must's in the international standards that might result and a consequential move towards US-style prescriptive rules for auditors rather than standards based on principles. This project is to be discussed further at the meeting of IAASB with National Standard Setters in January 2004.

SIRs sub-committee

Mr Grant reported on a recent meeting of the sub-committee, at which the PFI project and a response to the FSA on its draft new listing rules were discussed. It was noted that the Chairman would be meeting with the chairman of the sub-committee in January to discuss its future work programme.

2. Minutes of previous meeting

The Chairman noted that the minutes of the meeting held on 25 November had recently been approved, following circulation to Board members.

3. Harmonisation strategy

Mr Grant introduced a paper concerning the APB strategy for harmonising UK and international auditing standards. He noted that the timetable for the adoption of ISAs in the EU was currently uncertain and that the adoption of ISAs might not now be required for Member States in 2005. In these circumstances the Board had an opportunity to reconsider its plan to adopt ISAs by 1 January 2005 although Mr Grant explained that his preferred option was to continue for integration of ISAs and SASs (the ISA+ model) by 1 January 2005.

The Board confirmed that it would continue with its plan to integrate ISAs and SASs by 1 January 2005. The Board thought this approach was likely to help influence future revisions to ISAs as well as allow APB to maintain its leadership position within Europe. It was also noted that the CCAB had established an ISA implementation group which was working towards their adoption by 2005 and that the work was reasonably well advanced.

It was observed that the APB was an independent standard setter shortly to be established under statute, whereas the IAASB largely comprised audit practitioners. It was noted that by 1 January 2005 IFAC would have established a Public Interest Oversight Board to provide oversight of IAASB and furthermore APB could protect its independence from the profession by requiring additions to international standards (pluses).

4. SAS 120 and SAS 620

Mr Hugh Morgan introduced revisions to SASs 120 and 620 to reflect recent changes to money laundering legislation in the UK and Ireland. He noted that the revisions had taken account of the relevant parts of the new regulations and particularly the 'tipping off' provisions. The Board agreed a small number of detailed changes to the draft SASs, and agreed to their issue as exposure drafts.

5. Revision of PN 15

Ms Teresa Sienkiewicz introduced a revision of PN 15 - The audit of occupational pension schemes in the United Kingdom. The revision had been carried out primarily to reflect a recent revision of Opra Note 1 concerning the duty of auditors to report to Opra, and to address various practical issues that had arisen since PN 15 was originally issued in 1997. Ms Sienkiewicz also drew attention to a revised section on auditors' statements about contributions, and suggested that further guidance could be added to the effect that auditors did not need to report immaterial breaches of the regulations; Ms Sienkiewicz noted that staff of both Opra and the DWP supported this proposal.

The Board decided that it would be premature to recommend that auditors did not need to report immaterial breaches of the contributions regulations prior to the

regulations themselves being amended. The Board approved PN 15 (Revised) for issue as a consultation draft, and the Chairman thanked Ms Sienkiewicz and Ms Low of Opra for their contribution to its development.

6. Attendance at stocktaking

Mr David Marston introduced a final draft of PN 25 - Attendance at stocktaking, which had recently been exposed for public comment. The draft incorporated many of the detailed drafting points that had been submitted but no change had been made, as requested by some commentators, to expand upon the relationship between the PN and ISA 501. The Board approved the PN for issue in final form.

7. Audit partner rotation

Mr Grant introduced a draft APB response to an IFAC consultation on audit partner rotation. The Board approved the letter for submission to IFAC subject to requesting an addition to request IFAC to consider the issue of the rotation of other senior members of the engagement team.

8. Preliminary announcements

Mr Grant introduced a revision of Bulletin 1998/7 concerning preliminary announcements, which had been amended primarily to include additional guidance on non-statutory financial information. The Board discussed whether the term preliminary announcement should extend to the press release and whether it was appropriate for APB to encourage auditors to consider the treatment of non-statutory information in the absence of substantive guidance for companies on this issue.

The Board agreed (with one member dissenting) that press releases should not be covered by the auditors' review work on preliminary announcements unless the press release was also to be released on the Regulatory Information System. It was similarly agreed that auditors should consider whether the presentation of non-statutory information was balanced, consistent and not misleading but such consideration would not, at this time, be extended to whether the non-statutory information was fair. The Board suggested that the FSA should be requested to support the views expressed by the Board. The draft would be circulated to Board members for final approval.

9. Any other business

The Chairman noted that this was Mr Robert Charlesworth's last Board meeting before his retirement. Mr Charlesworth had been a member of staff and Secretary of both the APC and the APB over a period of 19 years, and the Chairman expressed the Board's considerable appreciation of Mr Charlesworth's outstanding contribution during that time.

9. Next meeting

It was noted that the next meeting of the Board would be held on Wednesday 21 January 2004 commencing at 9.30 am.

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