

MINUTES

MEETING OF: THE AUDITING PRACTICES BOARD

DATE AND TIME: Tuesday 28 October 2003, at 9.30am

PLACE: CIPFA
3 Robert Street
London WC2

PRESENT:

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

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

Staff	K Billing	D Marston
	R Charlesworth	H Morgan
	S Leonard	

APOLOGIES:

Members	M Evans	S Turley
	I Plaistowe	

Observers P Donegan (Republic of Ireland Department of Enterprise, Trade and Employment)
C Wobschall (Accountancy Foundation)

1. Chairman's introduction

New observers

The Chairman welcomed two audit practitioners - Mr Jonathan Beckerlegge of CGA Accountancy and Mr Minnow Powell of Deloitte - to observe this and future Board meetings.

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:

Listing rules

Mr Richard Thorpe reported briefly on a Consultation Paper issued by the FSA concerning the review of the listing rules. It was noted that some of the possible changes to the listing rules might impact auditors and the APB would discuss a draft response to the Consultation Paper at its December meeting.

IAASB meeting

Mr Jon Grant reported on a meeting of the IAASB which he and Mr Ian Plaistowe had attended during the previous week in Tokyo. In particular, he noted that new 'audit risk' Standards had been approved for issue.

European standard setters

The Chairman reported on a recent meeting of European audit standard setters

OFRs

The Chairman noted a recent meeting he had held with representatives of the ASB and DTI to discuss the proposed role of auditors with respect to Operating and Financial Reviews. The APB would discuss proposals on this matter at its November meeting.

Public Interest Oversight Board

Mr Graham Ward noted a recent IFAC press release concerning the setting up of the Public Interest Oversight Board.

2. Minutes of previous meeting

The Chairman noted that the minutes of the meeting held on 30 September had recently been approved, following circulation to Board members.

3. Ethical Standards

The Chairman introduced a discussion of the draft Ethical Standards, and again expressed thanks to the Ethics Working Group and its secretary Mr Robert Charlesworth for their considerable efforts in developing the documents to this stage.

The Chairman noted that the aim was to issue consultation drafts of the Ethical Standards by the end of November 2003 with final versions, hopefully, no later than July 2004.

A review was carried out of each of the 5 draft Ethical Standards (ESs) in turn, alongside relevant sections from the draft Consultation Paper entitled 'Ethical Standards for Auditors'. The Board made a number of comments on the documents.

ES 1 - Integrity, objectivity and independence : It was agreed that further guidance should be inserted in the front of ES 1 concerning how smaller audit firms could address the different partner roles.

ES 2 - Financial, business, employment and personal relationships: It was noted that the definition of 'close family' in the glossary was narrower than in the EC Recommendation.

ES 3 - Long association with the audit engagement: Discussion took place on the rotation requirements of 'key audit partners'. It was agreed that, consistent with the EC position, a key audit partner would exclude subsidiary engagement partners unless such individuals were involved at a group level and were responsible for key decisions or judgments.

ES 4 - Fees, economic dependence, remuneration and evaluation policies, litigation, gifts and hospitality: The implications of the 10% limit on fees earned from one client on firms that were starting up or winding down was discussed.

ES 5 - Non-audit services for audit clients: In relation to ES 5, it was agreed that auditors should not provide tax services that involved inappropriate accounting or which would involve acting as advocate before a tribunal or court. It was noted that the guidance on the provision of recruitment services would need to be strengthened to comply with the EC Recommendations.

General: It was agreed that further consideration would need to be given to the need for transitional arrangements and that this would be addressed by a question in the Consultation Paper.

It was agreed that the Consultation Paper and the ESs should be amended to take account of the comments made by the Board and should then be re-circulated to members of the Board for comment. An extra meeting of the Board would be held on the afternoon of 7 November to finalise the documents for exposure.

4. IAASB Exposure Drafts

It was agreed that discussion of draft APB responses to two IAASB exposure drafts 'The auditor's responsibility to consider fraud in the audit of financial statements' and 'Planning the audit' should be postponed to the next meeting.

5. Next meeting

It was noted that the next regular meeting of the Board would be held on Tuesday 25 November commencing at 9.30 am.

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