

## **Minutes of the Auditing Practices Board's Public Sector Sub-Committee meeting held on 2 December 2009**

- Held at: APB Offices, Aldwych, London
- Members attending: Russell Frith (APB, Audit Scotland and chair of PSSC)  
Andrew Baigent (National Audit Office)  
Caroline Al-Beyerty (Audit Commission)  
Tim Drew (PKF)  
Janet Eilbeck (PriceWaterhouseCoopers)  
Jon Grant (APB)  
Nigel Johnson (Deloitte)  
Louise Mason (Northern Ireland Audit Office) (for Kieran Donnelly)  
Mike Suarez (London Borough of Lambeth)
- Apologies from: Bob Alexander (Department of Health)  
Kieran Donnelly (Northern Ireland Audit Office)  
Simon Edge (Wales Audit Office)  
David Richards (Formerly of The Welsh Assembly Government)  
Gerry Smyth (OCAG Ireland)
- Also in attendance: Keith Billing (APB) - secretary  
Andrew Jones (AIU) for items 1 and 2  
Steven Leonard (APB) for item 7  
Mark Shennan (AIU) for items 1 and 2

## **Introduction**

### Membership changes

Russell Frith was welcomed as the new Chair, taking over from Lew Hughes who had retired from the APB and the Public Sector Sub-Committee after many years of outstanding service.

It was noted that Keith Billing of the APB staff was taking over the role of secretary. The Sub-Committee noted its thanks to David Hughes of the National Audit Office who had formerly acted as secretary.

### **1. Minutes of previous meeting**

The minutes of the previous meeting had been previously circulated and agreed.

### **2. Summary of AIU work in the public sector**

Mr Jones gave a summary of the history of the AIU and its activities. Public sector audits do not fall within the scope of the legal requirements for monitoring of regulated audits. However, the AIU has undertaken inspections of some public sector audits at the request of audit agencies. The AIU reports on the results of these voluntary inspections are private for the bodies concerned and the costs are met by the audit agencies.

### **3. Public sector risk factors**

There was a general discussion of risk factors for public sector financial reporting in the current economic climate. It was agreed that it might be appropriate for guidance to be developed and issued by the Public Audit Forum and that the Chairman and Mr Baigent would discuss this with them.

### **4. Developments at APB and IAASB**

Mr Grant updated the committee on the main activities of the APB and IAASB and the pronouncements they had been promulgated since the last PSSC meeting. This included:

- Finalisation of the Clarity ISAs and the adoption of them for the UK and Ireland with a small amount of supplementary APB material. ISA 700 on auditor reports, however, has not been adopted as the APB has its own version which addresses the requirements of company law and also provides for a more concise auditor's report, reflecting the feedback to APB consultations.
- Changes to APB's Ethical Standards for Auditors, including ES3 and the requirements relating to the rotation period for audit engagement partners

Mr Grant also gave a brief summary of planned future activities, including IAASB projects to revise ISAs 610 and ISA 720 which address using the work of internal auditors and the external auditor's responsibilities relating to other information in documents containing audited financial statements.

Priorities for APB in 2010 include the project on auditor reports, non-audit services and updating the Practice Notes for the new auditing standards.

## **5. INTOSAI Practice Notes**

Mr Baigent gave a summary of the status of the INTOSAI project to develop Auditing Guidelines, which is nearing completion. The Level 4 Auditing Guidelines adopt the Clarity ISAs issued by the IAASB, each with an accompanying Practice Note setting out considerations for public sector auditing. The Practice Notes have been endorsed by the IAASB as consistent with the ISAs.

The NAO is considering how it should apply the INTOSAI Auditing Guidelines particularly in relation to its audit work for international bodies. Following the ISAs (UK and Ireland) and APB's Practice Note 10 should achieve compliance with the INTOSAI Auditing Guidelines.

## **6. Revision of Practice Note 10**

Mr Baigent introduced the proposed revision of Practice Note 10, "Audit of financial statements of public sector bodies in the United Kingdom," and outlined the process that had been followed in updating it.

With respect to the issue relating to contracted out audits that had been identified in the agenda paper, the Sub-Committee agreed with the majority view of the working group that this was a risk management consideration for the contract partner and did not need to be addressed in Practice Note 10.

A number of small number of minor changes were agreed. The draft Practice Note will be presented to the APB at its meeting on 15 December with a request that they approve it for exposure.

## **7. Bulletin 2008/7**

It was agreed that Bulletin 2008/7, "Illustrative auditor's reports on public sector financial statements in the United Kingdom," should be updated in time for application on audits of December 2010 period ends.

The project will be coordinated by staff from Audit Scotland and the APB.

With respect to the location of the description of scope of an audit it was agreed that this should remain in the auditor's report rather than being maintained on a website.

## **8. IFRS**

There was general discussion of how public sector bodies and auditors have responded to the challenge of implementing IFRS for the first time. Difficulties mainly arise from a lack of knowledge and experience of IFRS. No actions for APB were identified.

## **9. Ethical Standard 3 – Partner rotation**

There was general discussion of the implications of the change in ES 3 concerning requirements for rotation of audit partners. Whilst public sector bodies are not listed entities some are treated by the audit agencies as equivalent. It was observed that there is variation in practice concerning the rotation of partners with mixed views as to whether 5 or 7 years is more appropriate. No actions for APB were identified.

## **10. Corporate governance Bulletins**

It was agreed that the corporate governance Bulletins that provide public sector specific guidance should be updated (Bulletins 2003/1, 2003/2, 2004/2). A timetable will be agreed at the next PSSC meeting.

## **11. Membership of the PSSC**

The members present at the meeting confirmed that they were willing to continue in 2010. The members not present will be contacted and asked if they are also willing to continue in 2010. New members will be sought if necessary.

## **12. Next Meeting**

The next meeting will be arranged for Spring 2010 at an appropriate time to allow consideration of the responses to the consultation on Practice Note 10.