

Minutes of the Auditing Practices Board's Public Sector Sub-Committee meeting held on 15 October 2007

- Meeting:** Auditing Practices Board (APB) Public Sector Sub-Committee (PSSC)
- Date:** 15 October 2007
- Held at:** APB offices, Aldwych, London
- Members attending:** Lew Hughes (APB and chair of PSSC)
- Bob Alexander (South East Coast NHS Strategic Health Authority)
- Caroline Al-Beyerty (Audit Commission)
- David Richards (National Leadership and Innovation Agency for Healthcare - Wales)
- John Buckley (OCAG Ireland)
- Kieran Donnelly (Northern Ireland Audit Office)
- Martin Sinclair (National Audit Office)
- Nigel Johnson (Deloitte)
- Russell Frith (Audit Scotland)
- Simon Edge (Wales Audit Office)
- Tim Drew (PKF)
- Apologies from:** Bob Alexander (Department of Health)
- David Cruden (HM Treasury)
- Janet Eilbeck (PricewaterhouseCoopers)
- Rita Greenwood (London Borough of Havering)
- Also in attendance:** David Aldous (Audit Commission) – Secretary
- Jon Grant (APB)
- Keith Billing (APB)
- Sarah Isted (PricewaterhouseCoopers) – for Janet Eilbeck

Item		Actions
1	The above apologies for absence were noted.	
2	<p>Minutes of previous meeting held on 23 February 2007 had been agreed prior to the meeting.</p> <p>Matters arising</p> <p>2.1 On membership of the sub-committee, Lew Hughes (LH) confirmed that he had reported the recent changes to the board and he welcomed Tim Drew (PKF) to his first meeting. LH also noted that Bob Alexander (BA) had recently taken on a new job at the department of health, and that this was the last meeting for which David Aldous (DA) would be secretary to the sub-committee. Mandy Measures (National Audit Office) has agreed to be the new secretary to the sub-committee.</p>	

3.3	<p>these and issue an exposure draft on revisions of these.</p> <p>Following the publication of FRC’s response to the <i>Promoting Audit Quality</i> consultation, JG also reported that a number of planned actions were being pursued as a result, including relating to:</p> <ul style="list-style-type: none"> • corporate governance of firms; • audit committees of listed companies; • audit reporting; and • the audit ‘staffing model’ of the firms. 	
4	<p>Recent and current IAASB consultations</p> <p>4.1 Keith Billing (KB) updated the sub-committee on recent and current consultations on revised and redrafted ISAs. The APB’s responses to exposure drafts were available on the website, and overall the programme has generally progressed in line with the expected timetable.</p> <p>4.2 LH invited comments on the exposure drafts of ISAs 700, 701 and 706. Key points raised were:</p> <p>ISA 700</p> <ul style="list-style-type: none"> • the potential impact on the need for new or more demanding auditor procedures – for example, in relation to consideration of the potential for management bias (eg para 10). This may have implications in the public sector where performance management pressures (such as break-even requirements in NHS bodies) could influence management behaviour; • while the strengthening of requirements had merit it was not clear how much extra audit work would be needed; • there was likely to be a need for more effective discussions with those charged with governance on the new requirements; and • in relation to the illustrative examples, the question was raised whether there had been any further thought to two-part reporting and whether roles and responsibilities would need to be repeated. JG responded that there are concerns about the potential length of audit reports. It was also acknowledged that two-part reporting is already used in parts of the public sector – for example as a way of reporting the conclusions on value for money arrangements at local government and NHS bodies under the Audit Commission’s Code of Audit Practice. <p>ISAs 705 & 706</p> <ul style="list-style-type: none"> • illustration 2 (ISA 705) – would an example for a group 	

	<p>be more helpful than the single entity example?</p> <ul style="list-style-type: none"> • LH referred to continuing discussions about what is meant by 'pervasive' in ISA 705 and JG reported that APB had asked for a definition; • comments on these ISAs (and ISA 700) will be made to IAASB by the end of November 2007. 	
4.3	LH also referred the work on ISQC 1 and ISA 220. There was previously a large amount of text in the present tense will be clarified as 'shalls'. This will mean that much that was previously guidance (although good practice) will be more clearly required in future. It was acknowledged that there was merit in ensuring that good practice was more universally and consistently adopted but it was noted that smaller audit firms had concerns about the implications of increased costs of compliance.	
4.4	While there may not be significant differences, there were pressures on auditors to expand and tighten documentation requirements.	
5	Audit reporting bulletin – update	
5.1	Martin Sinclair (MS) updated the sub-committee on plans for establishing a working group to update the public sector reporting bulletin and the proposed timetable for this.	
5.2	The sub-committee agreed that the focus this time would be on updating the bulletin to support audit reporting on 2007/08 only. There would be a need to make a further update for later years if proposals to bring in 'true and fair' forms for audit opinions in local government come in for England and Scotland for 2008/09, recognising that accounting requirements are now in line with UK GAAP.	
5.3	There was discussion about the need for the working group to consider the need for greater consistency on the question of positive assurance in relation to Directors' Reports / Annual Reports. The working group would consider this and report to the sub-committee. The working group's proposals and a draft updated bulletin would need to be considered at the sub-committee's next meeting.	Working group chaired by Martin Sinclair
6	Practice Note 10 – revision	
6.1	LH sought the views of the sub-committee on the timing and arrangements for updating Practice Note (PN) 10, noting that JG's earlier update implied that an appropriate time to start on this might be towards the end of 2008 or early in 2009. A key consideration would be whether the	

6.2	<p>public sector wants to go ahead with implementation of Clarity ISAs irrespective of the European timetable.</p> <p>It was agreed that it is still too early to start work on revising PN 10 and that it seemed appropriate to start this project towards the end of 2008. The timing would be reviewed by the sub-committee at its meetings during 2008.</p>	Mandy Measures (NAO)
7	Any other business	
7.1	There was no other business.	
8	Next meeting	
8.1	The timing of the next meeting would depend on the working group's timetable for updating the audit reporting bulletin. Mandy Measures (NAO) will contact members of the sub-committee to agree the date of the next meeting.	Mandy Measures (NAO)