

Minutes of the Auditing Practices Board's Public Sector Sub-Committee meeting held on 23 February 2007

Meeting: Auditing Practices Board (APB) Public Sector Sub-Committee (PSSC)

Date: 23 February 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)
 John Buckley (OCAG Ireland)
 Kieran Donnelly (Northern Ireland Audit Office)
 Janet Eilbeck (PricewaterhouseCoopers)
 Russell Frith (Audit Scotland)
 Nigel Johnson (Deloitte)
 Martin Sinclair (National Audit Office)

Apologies from: Jeremy Coleman (Auditor General for Wales)
 David Cruden (HM Treasury)
 Rita Greenwood (London Borough of Havering)
 David Richards (National Leadership and Innovation Agency for Healthcare - Wales)

Also in attendance: Caroline Al-Beyerty (Audit Commission)
 David Aldous (Audit Commission) – Secretary
 Keith Billing (APB)
 Simon Edge (Wales Audit Office) – for Jeremy Coleman
 Jon Grant (APB)

Item		Actions
1	The above apologies for absence were noted.	
2	<p>Minutes of previous meeting held on 15 September 2006 were agreed.</p> <p>There were no matters arising.</p>	
3	<p>Membership of the sub-committee</p> <p>3.1 David Aldous (DA) updated the sub-committee on proposed changes to its membership. In particular, the sub-committee noted that:</p> <ul style="list-style-type: none"> • Martin Evans (Audit Commission) had resigned from the sub-committee and Caroline Al-Beyerty (Head of Audit Practice, Audit Commission) had been nominated to take his place; • Tim Drew (Partner, PKF (UK) LLP) had been nominated to fill the vacancy in firms' representation on the sub- 	

3.2	<p>committee;</p> <ul style="list-style-type: none"> Simon Edge (Compliance Partner, Wales Audit Office) had been nominated to become a permanent member of the sub-committee for Jeremy Coleman, Auditor General for Wales. <p>Lew Hughes (LH) to report changes in sub-committee membership to the APB.</p>	LH
4	<p>Heritage Assets</p> <p>4.1 Keith Billing (KB) updated the sub-committee on this issue which had also been discussed at the previous meeting. The key issues remain centred on practicality, definitions of collections, and valuation methods.</p> <p>4.2 The key audit client group of museums and galleries were understood by the NAO to be content with the proposals. While some PSSC members felt that the proposals were a step forward, there were some comments about practicability – for example, the decision not to value would be a key one and how would auditors take a view on this? The cost-benefit assessment would be difficult to comment on or challenge.</p> <p>4.3 The sub-committee felt that there would be issues to consider in relation to audit reporting, and there was an acknowledgement that guidance may be needed on this. For example, would auditors need to consider an emphasis of matter in relation to decisions not to value but to go down the disclosure route? If heritage assets are valued but the auditor is uncomfortable with the basis of this, would this lead to scope limitations?</p> <p>4.4 Sub-committee members were generally content with the proposed APB draft letter responding to the ASB. KB to finalise in the light of comments made at the meeting.</p>	KB
5	<p>Audit Scotland – Draft Code of Audit Practice</p> <p>5.1 Russell Frith (RF) reported on the results of Audit Scotland’s consultation on the draft Code of Audit Practice, thanking those who had provided comments. In total 33 responses were received. No significant changes would be made in the light of comments received but there would be some tightening up of the language.</p> <p>5.2 In relation to the main points raised by the APB and public sector sub-committee members, RF will review the long list of principles which, as presented, could be read as applying</p>	

	to the work supporting the opinion on the accounts when some relate to certain specific areas such as work in relation to non-opinion responsibilities. However, RF explained that Audit Scotland will not be publishing specified criteria against which auditors would assess corporate governance, internal control, probity and the financial position.	
6	APB Work Programme and IAASB's Clarity Project	
6.1	Jon Grant (JG) updated the sub-committee on the APB work programme including: <ul style="list-style-type: none"> - promoting audit quality; - developing the next work programme; and - the continuing work in response to the IAASB's Clarity Project. 	
6.2	In relation to the IAASB's Clarity Project, it seemed likely that IAASB would deliver its programme by the end of 2008, but it was not yet clear how clarified and redrafted ISAs would be adopted in Europe. An EU consultation paper on this is expected to be issued later in the year.	
6.3	Uncertainties remain about the actions that the UK might wish to take including what the timetable for adopting clarified ISAs would be, what the future of ISAs (UK and Ireland) might be, and what role there might be for Practice Notes (PN). Although, in relation to the latter, it was noted that INTOSAI are agreeing PNs in relation to the first 10 clarified ISAs.	
7	Recent and current IAASB consultations	
7.1	Comments were received from sub-committee members in relation to ISAs 230 and 560 ahead of the meeting and shared with KB for him to use in compiling the APB's response.	KB
7.2	Individual sub-committee members also shared comments with KB on ISAs 610, 720, 540 and 580. Again these will inform KB's work on relevant APB responses.	KB
7.3	Any further comments could be made direct to KB or via DA.	All / DA
8	Audit reports	
8.1	Several sub-committee members had asked, ahead of the meeting, what the plans of the various public audit agencies are in relation to including a positive opinion on the	

	<p>consistency of audited bodies' annual reports with their accounts. In particular, following the publication of APB Bulletin 2006/6, <i>Auditors' Reports on Financial Statements in the United Kingdom</i> – which updated company audit opinions – the question arises whether there is a need to update APB Bulletin 2006/2, <i>Auditors' Reports on Public Sector Financial Statements in the United Kingdom</i>.</p>	
8.2	<p>The public audit agencies provided feedback on their current thinking and likely timetable for implementing changes to the audit report. For central government (including the department of health) the NAO is proposing to issue new style reports in relation to the 2006/07 financial year. The Audit Commission is not yet implementing for local government audits and is concerned that, for local NHS bodies, the requirement for annual reports was announced late and so is considering not implementing new style reports in relation to the 2006/07 financial year. WAO is proposing to issue new style reports for central government bodies for 2006/07 but not for local government bodies. NIAO will be following a similar line to the NAO. Audit Scotland reported that they face a range of circumstances and will consider the issue further in the light of the sub-committee's discussions.</p>	
8.3	<p>Sub-committee members acknowledged that for local government this issue is complicated by the lack of a definition, or requirement, for an annual report. There are some documents (eg the best value performance plan) which fulfil some aspects of an annual report, but not an agreed definition / requirement. Therefore, careful consideration would need to be given to the form of audit report if a local government body voluntarily decides to publish an annual report.</p>	
8.4	<p>It was also acknowledged that it may be difficult to introduce new style audit reports in relation to local NHS bodies. However, sub-committee members did not think that this would cause difficulties at the national level in relation to the audit report on the department of health.</p>	
8.5	<p>Sub-committee members considered whether to amend the public sector APB Bulletin on reporting, and, if so, the timing of this. The sub-committee noted that the recent update to the Bulletin was intended as a one-year solution pending further anticipated changes to international standards. It seemed appropriate to reconvene the working group which Martin Sinclair had chaired to reconsider and update as necessary the APB Bulletin on public sector reporting. It was agreed that the working group should be convened in</p>	

	the summer with a view to updating guidance to apply in relation to the audits of 2007/08. DA to liaise with MS to reconvene the working group.	DA
9	Smaller entity audits – APB consultation	
9.1	The sub-committee noted the APB's consultation document on smaller entity audits. Members of the sub-committee noted in particular that the illustrative examples in the document would be helpful to practitioners.	
10	Not-for-profit companies	
10.1	Simon Edge (SE) queried whether the sub-committee's future work programme should include consideration of the need for guidance to public sector auditors in relation to issues arising from the audits of not-for-profit companies. It was noted that not-for-profit companies were becoming a more common feature in the landscape of public sector commissioning – for example in relation to the development of social enterprises and community interest companies.	
10.2	Where such bodies are companies they are covered by companies audit requirements, but it was noted that there are also potential considerations for auditors of public bodies arising from the risks to those bodies of commissioning from, or setting up, not-for-profit companies. This would be mainly an issue for the relevant public audit agencies to consider in developing guidance to their staff or to appointed auditors.	
10.3	It was also noted that a working group has been established to consider issues relevant to the audits of small entities and charities, and that the work of this group may be of interest to members of the public sector sub-committee. It was agreed to explore further how the public sector sub-committee could liaise with this working group, if appropriate.	DA
11	Revising Practice Note 10 (PN 10)	
11.1	SE raised with the sub-committee what the arrangements and timing would need to be to update PN 10 to reflect clarified ISAs and other relevant developments. It seemed sensible to focus on updating the PN after all the clarified ISAs have been issued and so it would seem appropriate to start the project in mid 2008.	
11.2	A question arose whether, in the light of INTOSAI work on PNs (see item 6.3 above), PN 10 would be needed. On	

	balance it was agreed that there would be a continuing need for PN 10 and that the sub-committee should consider setting up a working group from mid 2008 to take forward the next revision.	DA
12	Any other business	
12.1	There was no other business.	