

## Minutes of the Auditing Practices Board's Public Sector Sub-Committee meeting held on 14 November 2008

Meeting: Auditing Practices Board (APB) Public Sector Sub-Committee (PSSC)  
 Date: 14 November 2008  
 Held at: APB Offices, Aldwych, London

Members attending: Lew Hughes (APB and chair of PSSC)  
 Caroline Al-Beyerty (Audit Commission)  
 Andrew Baigent (National Audit Office) – for Martin Sinclair  
 Kieran Donnelly (Northern Ireland Audit Office)  
 Simon Edge (Wales Audit Office)  
 Janet Eilbeck (PriceWaterhouseCoopers)  
 Russell Frith (Audit Scotland)  
 Jon Grant (APB)  
 David Richards (The Welsh Assembly Government)  
 Gerry Smyth (OCAG Ireland)

Apologies from: Bob Alexander (Department of Health)  
 Tim Drew (PKF)  
 Nigel Johnson (Deloitte)  
 Mike Suarez (London Borough of Lambeth)

Also in attendance: David Hughes (National Audit Office) –secretary  
 Keith Billing (APB)  
 Steven Leonard (APB) for item 7

Item		Actions
1	The above <b>apologies</b> for absence were noted	
2	<b>Minutes of previous meeting held on 15 October 2007</b> were agreed.  There were no matters arising	
3	<b>ISA Implementation</b>  Jon Grant provided an update of the Clarity ISA project, outlining timetable for implementation of the revised and redrafted ISAs.  He also informed the committee of the APB's proposed future activities, including the consultation on ISA 700, ethical standards, going concern guidance, and the update of Practice Note 23.  The sub-committee noted these items.	

4	<p><b>APB Consultation Paper on whether UK and Irish Auditing Standards should be updated for the new ISAs</b></p> <p>Lew Hughes set out the options in the paper. The view of the sub-committee was that the preferred option for adoption would be from the IAASB's proposed date of 15 December 2009, ie affecting 2010/2011 financial statements.</p> <p>Individual members will respond to the consultation.</p>	
5	<p><b>Practice Note 10</b></p> <p>The sub-committee agreed that Practice Note 10 should be updated in 2009 to reflect the clarified ISAs.</p> <p>Andrew Baigent explained that since the original practice note was developed, the thinking on regularity had developed. In particular, the Government Resources and Accounts Act 2000 put more emphasis on the use of resources rather than payments and receipts. Also, regularity has not traditionally incorporated consideration of compliance with EU legislation. There is also increasing blurring between regularity and propriety in the eyes of the stakeholders for our audited bodies, and therefore a need to consider and clarify principles.</p> <p>The sub-committee recognised that members have different remits with respect to regularity, but that a common framework can aid consistency.</p> <p>The update of the practice note would therefore present a good opportunity to revisit the approach to auditing regularity in light of these issues.</p> <p>Jon Grant highlighted that the chapter on regularity had not been changed during the last update of the practice note.</p> <p>The sub-committee agreed that a working party would be formed in January 2009 to update Practice Note 10, including the chapter on regularity. Andrew Baigent agreed to chair this working group, and will seek volunteers from members to participate in the group.</p> <p>Gerry Smyth will separately assess whether the Practice Note 10 (Ireland) requires updating along similar lines.</p> <p>The timetable for revision will take account of the need for auditors to explain the implications to audited bodies</p>	<p>Andrew Baigent</p> <p>GS</p>

	towards the end of the 2009-10 audit cycle.	
6	<p><b>Auditor Liability Limitation Agreements</b></p> <p>Lew Hughes explained that FRC are consulting on this issue, and canvassed views from the sub-committee. The consensus of the sub-committee was that this only had tangential impact on public sector audit, and so no actions were proposed.</p>	
7	<p><b>ISA 700: The Auditor’s Report on Financial Statements</b></p> <p>Lew Hughes introduced this APB exposure draft, seeking views from members. In particular:</p> <ul style="list-style-type: none"> <li>• He asked sub-committee members to check the list of public sector bodies on page 41, and include any additional types of bodies in their individual consultation responses;</li> <li>• The proposal for an APB maintained website for the statement of the scope of an audit and auditor’s responsibilities was discussed. Whilst seen as good in principle, members generally considered that maintenance would be difficult;</li> </ul> <p>The sub-committee recognised that there are a number of factors affecting preferences for the order and priority of the parts of the opinion, particularly the positioning of the regularity opinion. For example:</p> <ul style="list-style-type: none"> <li>- In Scotland, the only legal opinion (in central government and health) is the regularity opinion, so this will need to be prominent;</li> <li>- Kieran Donnelly and Andrew Baigent both considered the regularity opinion should be given primacy.</li> <li>- For the Audit Commission, the true and fair opinion came from the Code of Audit Practice and not legislation.</li> </ul> <p>Caroline Al-Beyerty stated that the Audit Commission use the statement of responsibilities as a letter of engagement. Members considered there was potential for exploring this more widely in the future.</p>	<p>All</p> <p>All – to put forward views in consultation responses</p>
8	<p><b>Next meeting</b> – to be determined once ISA 700 consultation exercise completed and results known.</p> <p>All members joined Jon Grant in offering thanks to Lew Hughes for his tenure as chairman, which ends with this meeting. A new appointment will be made in the new year.</p>	<p>DH to inform members</p>