

MEETING SUMMARY

MEETING OF: APB SME audit sub-committee

DATE AND

TIME: Tuesday 3rd February 2009 at 11.00am

PLACE: By teleconference

PRESENT:

Richard Fleck (Chairman)	Peter Hollis
Malcolm Bacchus	James Hunt
Jayne Clifford	Martin Longmore
Alan Donaldson	Prof Neil Marriott
Jane Grant	Des O'Neill
Jon Grant	Valerie Steward
Robert Holland	Martin Ward

Staff: Hazel O'Sullivan Keith Billing

APOLOGIES: John Brace

1. Introduction

Jon Grant summarised the activities that had been undertaken since the last sub-committee meeting, which were predominantly concerned with going concern issues. Members commented that many SME clients were experiencing difficulties with their financing – both in terms of its availability and its cost. However, it is too early to say what the effect of this will be on SME accounts. There is a good awareness of the guidance that has been issued to date and the clarification on the provision of restructuring services was thought to be helpful. As regards the draft guidance for SME directors, it was suggested that more than one example of wording for the accounts would be useful, so as to cover a range of possibilities that might be considered. Unless there is more than one example, there is a danger that this will become 'standard' wording in accounts.

The process of agreeing continuations and nominating new members of the sub-committee was outlined. In addition to agreeing on the importance of seeking more members from an SME business background, there was discussion as to whether APB was able to give proper regard to the interests of charities through the membership of this group. It was agreed that the audit of charities was important, but input could be better obtained from a specialist group. The current charities working party might constitute such a group, but its remit would need to be widened. Input from a member of such a group might also be useful on the SME accounting and assurance project.

2. SME accounting and assurance project

Jon Grant summarised recent discussions on the project which were all positive. In particular, discussions had been held with DBERR regarding timing. Depending on the outcome of this, in order to obtain input from the sub-committee, it may be necessary to advance the date of the next sub-committee meeting.

3. FRC papers on going concern and financial reporting

This agenda item had already been discussed in the introduction.

4. Implementation of Clarity ISAs

Jon Grant summarised the comments received to date. The disappointing response from the SME stakeholder group was noted, with only one small audit firm response. However, feedback had been received from smaller practitioners who attended meetings organised by the ICAEW and the Irish institutes which supported APB's proposals.

The implementation of Clarity ISAs for audits of financial statements for periods commencing on or after 15 December 2009 was supported, without any transitional arrangements for SME audits. However, there was also some support for a proposal to make the effective date for periods ending on or after 15 December 2010 and thereby avoid catching any 'short' accounting periods.

There was discussion on whether the introduction of the Clarity ISAs would add to the cost of a small audit. One member thought this would be the case, others were less sure. Some took the view that the likely impact on cost was being overstated and indeed a change could help to remove inefficiencies that resulted from the change of standards in 2004; in particular there was still poor linkage between the risks and the work performed (especially on controls).

Some saw the issue of cost as a political problem since it may be given prominence by the press. In this case the exposure APB faced was the shortage of responses to its consultation paper from small practitioners. While the sub-committee saw the risk of this it was agreed that there was little more that APB could have done to obtain responses from the small practitioner community.

It was agreed that additional guidance from the APB would be important, perhaps as an update to PN26. This might result in greater efficiencies in SME audits.

Many of the future anticipated costs were perceived to be a result of documentation of the increased number of requirements. It was agreed that a statement from audit inspection units on their approach to reviews of audit quality could help to reduce these costs.

It was thought that any training would be likely to take place in the autumn of 2010 as the autumn tends to be a 'quiet period' for most audit firms. It was suggested that in the future an implementation date which enabled audits of June or September year-ends to be the first where a new approach is used might provide an easier implementation experience as training could be delivered more closely to when the new standards or guidance would actually need to be applied. However, it would not be practical to accelerate the first time adoption of the Clarity ISAs.

It was agreed that a short summary of the conclusions of the discussion would be circulated to the sub-committee and this would then be used for reporting back to the APB at their February meeting.

5. Revisions to APB Ethical Standards

There were few small auditor issues in relation to the proposed changes. One sub-committee member questioned whether it was wise, in the current environment, to be making changes to partner rotation that might be perceived as weakening the standards.

6. Next meeting

Depending on the timing of the FRC's work on the accounting and assurance framework for small companies, this may need to be brought forward. The next date scheduled is Tuesday 2nd June.