

Public Audit Forum

Exposure Draft Practice Note 10: *Audit of financial statements  
of public sector bodies in the United Kingdom*

# **Response to exposure draft**

21 September 2016

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 160921 SC0228

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Dear David

***Exposure Draft Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom***

CIPFA is pleased to present its comments on this exposure draft, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

We note that this is the first occasion on which the Practice Note has been developed as a SORP following the extension of the SORP process to the wider fields of audit and actuarial work. The Practice Note drafting and consultation process is therefore being managed by the Public Audit Forum, and will be subject to review by the Financial Reporting Council.

Our comments on the content of the ED are provided in an attached annex.

I hope this is a helpful contribution to the development of this guidance. If you have any questions about this response, please contact Steven Cain (e: [steven.cain@cipfa.org](mailto:steven.cain@cipfa.org), t: +44(0)20 7543 5794).

Yours sincerely

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**Question 1**

To reduce duplication, detailed information that is already included in relevant auditing standards (apart from the objectives and public sector interpretations retained for context), financial reporting frameworks and legislation have been taken out and referred to in the document. **Do you consider it is appropriate to remove this material and include only public sector specific guidance on the application of the ISAs (UK and Ireland) and the audit of regularity? If not, please describe in broad terms what other contextual information and guidance you would like to see and why such content would be an improvement?**

CIPFA agrees that it is helpful to reduce duplication in this way.

However, where material has been removed, it may sometimes be helpful to add a small amount of scene setting or handling material on how the standard is interpreted in the baseline case, so that subsequent interpretive material focusing on exceptions or special cases can be more easily understood.

For example, in the case of ISQC1, the explanations of the responsibilities of national audit agencies for 'contracted out' audits, and audits 'by appointment' are quite difficult to understand without the contextual information provided in the previous Practice Note 10. While we would not suggest reinstating all of the previous text, it might be helpful to explain that the standard applies straightforwardly to national audit agencies which are carrying out audits of public sector financial statements, before providing the explanations for the other modes of engagement.

**Question 2**

The information on local audit and devolved administrations arrangements was updated to reflect changes in legislation and to refer to relevant Codes of Audit Practice. **Do you consider that the guidance in Part1: Application of International Standards on Auditing (UK and Ireland) is appropriate, sufficient and applicable to all parts of the public sector? If not, what changes would you like to see made and why?**

The guidance on local audit and devolved administrations arrangements is appropriate. We have not noted any deficiencies or areas where it would be difficult to apply the guidance.

### Question 3

This Practice Note was updated to reflect recent changes to the auditing standards. **Do you believe that the appropriate guidance is included in Part 1: Application of International Standards on Auditing (UK and Ireland) in relation to the application of the revisions to ISAs (UK and Ireland)? If not, what changes would you like to see made and why?**

Appropriate guidance on the application of standards is provided.

We would note that as part of the June 2016 amendments to final standards, the references to Standards (UK and Ireland) were amended to Standards (UK), reflecting the role of the FRC as the single competent authority for the UK, but not for Ireland. References to Ireland in the title and text of the standards have therefore been deleted. The revised standards are effective for engagements relating to financial periods commencing on or after 17 June 2016, and will therefore mainly apply to public sector audits for the 2016-2017 financial statements.

We presume that the Practice Note will be amended to reflect the changes to standards when these become effective.

### Question 4

The section on the audit of regularity reflects existing practice in the public sector. **Do you consider that the guidance in Part2: The audit of regularity is appropriate, sufficient and applicable to all parts of the public sector? If not, what changes would you like to see made and why?**

We have not noted any deficiencies or areas where it would be difficult to apply the guidance on regularity.

### Question 5

**Are there any other changes you believe would be appropriate? If so, what changes would you like to see made and why?**

We have no substantive comments to make.