

Public Audit Forum

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

# **Response to exposure draft**

26 August 2020

**CIPFA, the Chartered Institute of Public Finance and Accountancy**, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at [www.cipfa.org/](http://www.cipfa.org/)

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

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

In CIPFA's view, the proposed amendments provide a helpful update to the Practice Note which reflect changes to the underlying ISAs. They also include a number of improvements and clarifications which CIPFA supports. The material on the 'Continued Provision of Service' approach is particularly helpful.

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.

**Question 1:** This version of Practice Note 10 includes extensive changes to the section on ISA 570 Going Concern. **Do you consider the revised draft provides appropriate and useful guidance on applying the revised standard? What changes should be made, if any?**

CIPFA agrees that it is helpful to make the proposed changes to the section on ISA 570. CIPFA strongly supports the proposed guidance on the application of the 'Continued provision of service approach'. This provides clarity on the auditor's responsibilities in certain financial statements audits, which reflect different arrangements which apply to the relevant public sector bodies. Specifically those which prepare financial statements under a continuing service provision basis of accounting, and where the continuation of the services provided by the entity is guaranteed by legislation or other government guarantee.

We note that the reduced work on going concern in the financial statements audit will often be balanced by other work carried out by the auditor in relation to wider responsibilities. For example, auditor reporting on financial sustainability and financial resilience which auditors of local authorities may carry out as part of their examination of Value for Money arrangements.

**Question 2:** Guidance is included for the case where the reporting framework requires the other information to be "fair, balanced and understandable" (ISA 720). **Does this paragraph set out an appropriate audit response for this circumstance?**

**Question 3:** The guidance in the section on ISA 560 Subsequent Events has been re-ordered and clarified. **Do you consider the revised draft provides appropriate and useful guidance on applying the revised standard? What changes should be made, if any?**

**Question 4:** The section on the audit of regularity reflects existing practice in the public sector. **Do you consider that the guidance in Part 2: 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?**

Based on our review of the exposure draft, the proposed revisions and additional material seem to provide appropriate and useful guidance. CIPFA is not aware of any changes or additions that are needed.

**Question 5:** This version of Practice Note 10 has been drafted with the intention that further iterations be issued over the coming years to take account of further standards and guidance that will be released, as well as the result of wider developments in the auditing profession. **Do you consider that this approach is appropriate? What aspects, if any, of current developments not yet included should be incorporated into this version of the Practice Note?**

CIPFA considers that this approach is appropriate. We are not aware of any additional developments which need to be incorporated into this version of the Practice Note.

**Question 6:** Are there any other changes you believe would be appropriate? **If so, what changes would you like to see made and why?**

CIPFA is not aware of any changes or additions that are needed.

**Question 7:** The Auditor General for Wales and the Wales Audit Office are required to comply with Welsh Language Standards that provide for the Welsh language not to be treated less favourably to the English language in Wales and for individuals to be able to access public services in Wales through the Welsh or English languages. **Do you consider there to be anything in this consultation draft that undermines these requirements? Do you consider there is any revision that could be made to support the use of the Welsh language?**

CIPFA is not aware of any aspects of the consultation draft which undermine compliance with Welsh Language Standards that provide for the Welsh language not to be treated less favourably to the English language in Wales and for individuals to be able to access public services in Wales through the Welsh or English languages.