



# HM TREASURY

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## DAO(GEN)02/06

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16 February 2006

Dear Accounting Officer

## **PUBLIC SECTOR AUDIT: new practice note**

Government departments and their sponsored bodies should be aware of the revised Practice Note 10, *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. This was published by the Auditing Practices Board (APB) on 24<sup>th</sup> January 2006. All public sector auditors in the United Kingdom will apply this revised practice note to their audits from now on.

### **Action**

2. Please bring this revised guidance to the attention of the following people in both government departments and sponsored bodies:

- finance departments
- internal audit departments
- those responsible for appointing auditors.

3. It is good practice for people who prepare the accounts in audited bodies to discuss the revised guidance with their auditors.

### **Context**

4. The UK's national audit agencies have voluntarily adopted the APB's standards for the conduct of their audit of financial statements. All auditors of public sector bodies, whether national audit agencies or appointed private sector audit firms, will therefore apply APB standards.

5. In December 2004, the Auditing Practices Board (APB) issued a new suite of auditing standards for use in the UK. These International Standards on Auditing (ISAs) (UK and Ireland) are based upon the International Standards on Auditing of the International Auditing and Assurance Standards Board of the International Federation of Accountants. ISAs (UK and Ireland) replace Statements on Auditing Standards (SASs) which had previously been used by UK auditors.



6. Earlier versions of Practice Note 10 were structured around SASs. The new version now provides guidance on the application of ISAs (UK and Ireland) to audits of public sector bodies. The revised Practice Note also takes account of other developments in the public sector since the previous version.

### **Key Changes**

7. The main changes in the practice note are guidance on:

- in line with the International Standard on Quality Control (ISQC)1:
  - withdrawing from an engagement;
  - procedures for auditors appointed by statute who cannot withdraw;
  - notes on possible significant audit risks in the public sector;
- the Wales Audit Office;
- NHS Foundation Trusts;
- implementation of the Freedom of Information Act 2000.

8. Copies of the revised Practice Note 10 are available at

[http://www.frc.org.uk/images/uploaded/documents/Prac\\_Note%2010%20web.pdf](http://www.frc.org.uk/images/uploaded/documents/Prac_Note%2010%20web.pdf)

9. Printed copies of the note can also be obtained from FRC Publications, 145 London Road, Kingston upon Thames, Surrey, KT2 6SR (020 8247 1264), cost £13.00. The Treasury cannot supply copies.

10. A separate bulletin containing model audit reports for use by public sector auditors is at

[http://www.frc.org.uk/images/uploaded/documents/Bulletin2006\\_2%20web.pdf](http://www.frc.org.uk/images/uploaded/documents/Bulletin2006_2%20web.pdf)

### **Enquiries**

11. Enquiries about the revised practice note should be addressed to Chris Butler Head of the Assurance, Control and Risk Team at [Chris.Butler@hm-treasury.gsi.gov.uk](mailto:Chris.Butler@hm-treasury.gsi.gov.uk) or on 020 7270 5784.

### **Superseded DAO letters**

12. This guidance in this DAO letter supersedes that given in DAO (GEN) 6/01 (21 May 2001) which is now withdrawn.

Yours sincerely

**Paula Diggle**  
Treasury Officer of Accounts