

PRACTICE NOTE 10 SORP-MAKING BODY: TERMS OF REFERENCE

INTRODUCTION

1. The Public Audit Forum (PAF) has been designated by the Financial Reporting Council (FRC) as a 'SORP-making body' for the purposes of maintaining and updating Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom* (PN 10).
2. Under the FRC's [Policy on developing statements of recommended practice \(SORPs\) \(January 2021\)](#), SORPs must be drafted by the SORP-making body itself or by a properly constituted Board and/or working party of the SORP-making body (the standing groups). A SORP-making body shall put in place governance arrangements designed to lead to effective and transparent decision-making. Such arrangements shall include appropriate terms of reference for each standing group and a process for appointments. Consideration shall also be given to the composition of the standing groups, the length of service of the members and the need for membership to be periodically refreshed.
3. This document sets out the terms of reference for the Standing Group established by the PAF for the purpose of carrying out the PAF's functions as the SORP-making body for PN 10 (hereafter called the Standing Group). It also sets out the process for appointments to the Standing Group.

PURPOSE AND OBJECTIVES OF THE STANDING GROUP

4. The Standing Group is responsible for carrying out the PAF's functions as the SORP-making body for PN 10. This includes drafting PN 10 and amendments to it; undertaking an annual review of PN 10; ensuring PN 10 reflects the latest extant International Standards on Auditing (UK) and best practice in applying them; arranging and responding to public consultations on the content of PN 10; publishing and publicising new versions of PN 10; and ensuring compliance with the FRC's *Policy on developing statements of recommended practice (SORPs)*. The Standing Group also prepares responses on behalf of the PAF to public consultations on new and revised standards (for example, International Standards on Auditing (UK)) and on other developments in the audit profession that may be relevant to audits of public sector entities and/or may have an impact on the guidance included in PN 10.

MEMBERSHIP AND PROCESS FOR APPOINTMENTS

5. Each of the public audit bodies that are members of the PAF (Audit Scotland, Audit Wales, the National Audit Office and the Northern Ireland Audit Office) will nominate one representative to be a member of the Standing Group. The National Audit Office will also nominate an additional member to provide secretarial functions for the Standing Group.
6. Nominations will be made by the technical director of each respective public audit body at their discretion.
7. When making nominations for membership of the Standing Group and considering whether existing members should continue in the role, the technical directors making the nomination shall have regard

to the length of service of the current members and the need for membership to be periodically refreshed.

MEETINGS OF THE STANDING GROUP

8. The Standing Group meets at the discretion of its members and at least annually.
9. Meetings of the Standing Group will be convened and chaired by one of the representatives from the National Audit Office.
10. Members of the Standing Group will report to the technical directors of their respective public audit bodies on the outcome of meetings and to others as required.

FRC NOMINEE TO ATTEND MEETINGS

11. The FRC oversees the work of the PAF as a SORP-making body and has the right to nominate one or more staff members to attend meetings of the Standing Group.

WRITTEN OUTPUTS OF THE STANDING GROUP

12. The Standing Group will approve documents to be issued on behalf of the PAF as the SORP-making body for PN 10. If all the members of the Standing Group do not agree on whether to approve a document to be issued, the matter will be referred to the technical directors of the public audit bodies, who will collectively decide how to proceed.
13. Such documents will include: consultation drafts and final drafts of revised versions of PN 10; materials to support external consultations; submissions to the FRC (including the Standing Group's account to the FRC of its annual review of PN 10); responses on behalf of the PAF to public consultations on new and revised standards and on other developments in the audit profession; and the Standing Group's terms of reference.
14. In line with the FRC's commitment to publish all responses received to public consultations, the Standing Group will publish the full text of responses received to public consultations on PN 10, except where the respondent has requested that their comments are not published.

PUBLICATION OF TERMS OF REFERENCE

15. These terms of reference will be published on the PAF website. They will also be provided to the FRC.