

Limited Assurance Compliance Report

BDO LLP

February 2017

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to PSAA by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

Before 1 April 2015, these responsibilities were discharged by the Audit Commission.

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Monitoring of regime requirements

1 This report summarises the performance of BDO LLP against key performance indicators. The all supplier comparison and comparative position is also provided.

Activity	Target	All Firms Jan-Dec 2016 % (no. missed)	BDO Jan-Dec 2016 % (no. missed)	All Firms Jan-Dec 2015 % (no. missed)	BDO Jan-Dec 2015 % (no. missed)	Red, Amber, Green (RAG) Status	Firm comments
Limited Assurance Audit Opinion Issued	100% by 30 September.	96.9 (306)	98.7 (39)	99.0 (104)	99.5 (14)	G >95.01% delivered. A 90.01 - 95.00% delivered. R <90.00% delivered.	
Data Returns	Quality and accuracy of submitted data returns.	1	0	9	2	G= up to 2 not at required quality level (8 for regime). A= 3 not at required quality level (9 for regime). R= 4 or more not at required quality level (10 for regime).	
Complaints	Number of complaints upheld against auditors	0	0	0	0	G = up to 1 A = 2 R = 3 or more	
Contact Partner Group	Attendance at small body contact partner group meetings.	0	0	0	0	G = up to 1 meeting missed (4 for regime) A = 2 meetings missed (5 for regime) R = 3 or more meetings missed (6 for regime)	

Database management	Accuracy of number of audited bodies in firm's database.	0	0	0	0	<p>G= up to 2 not at required quality level (8 for regime). A= 3 not at required quality level (9 for regime). R= 4 or more not at required quality level (10 for regime).</p>	
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Compliance with regulatory requirements and the Quality Review Programme

Summary of overall performance

2 PSAA monitors the performance of its audit suppliers, to assess whether their work meets our regulatory requirements and quality standards. This is how we obtain, and are able to provide audited bodies and other stakeholders with, assurance that auditors within our regime are delivering audits of an acceptable quality.

3 There are two strands to our monitoring:

- first, we report on suppliers' compliance with our regulatory requirements for delivering key aspects of audits and for providing information to us. The results of this monitoring are noted in the Red, Amber, Green (RAG) table above. This strand of work also includes an assessment as to whether we can rely on each firm's systems for regulatory compliance and information assurance;
- secondly, we apply our Quality Review Programme (QRP) which includes undertaking our own reviews on a sample of audits; assessing, on a sample basis, the quality of suppliers' internal Quality Control Review (iQCR) work; and seeking the views of audited bodies on their auditor via a satisfaction survey undertaken by each firm.

4 We have assessed the overall quality of work on a four point scale, consistent with the scale used in our principal audit regime. This scale is: 'Improvements required which are individually or collectively significant'; 'Acceptable overall with improvements required'; 'Acceptable with limited improvements required'; and 'Good'.

5 From the work undertaken, we have concluded that:

- BDO has performed well against our key compliance indicators;
- we can continue to rely on the firm's systems for regulatory compliance;
- we can continue to rely on the firm's systems for information assurance;
- the quality of limited assurance work performed by the firm is: **Good**; and
- audited bodies are satisfied with the performance of BDO as their appointed auditor.

6 Recommendations for improvement are detailed below and are summarised in Appendix 1.

Compliance with regulatory requirements

Performance indicators

7 The firm has performed well across our key performance indicators, with all of the five indicators being rated as green. The full results of the 2016 regulatory compliance monitoring RAG ratings, comparing the firm's performance against the overall performance for all firms, are detailed at the top of this report.

8 By 30 September 2016, the firm had issued the opinion and certificate on the 2015/16 annual return at 98.7 per cent of audited bodies (99.5 per cent in 2014/15). This was the first year completed under the Accounts and Audit Regulations 2015 which made significant changes to the public inspection rights.

Information assurance review

9 During 2015, PSAA instructed its Internal Auditor (TIAA) to undertake a review of the firm's information assurance arrangements based on a return completed by the firm. The review considered whether the firm met the requirements of information governance legislation. There were no issues arising as a result of this review. We reviewed changes made to the firm's information assurance arrangements during 2016 and we concluded that we could continue to rely on the firm's arrangements.

Systems for regulatory compliance

10 Last year our conclusion was that we could place reliance on the firm's systems and procedures for monitoring compliance with our regulatory and information assurance requirements.

11 For this review, the firm confirmed that its systems and procedures had not changed for regulatory compliance. Nothing has come to our attention in year to suggest this is not correct, and we concluded that we could continue to rely on the firm's systems.

12 We have identified one instance of non-compliance with our Terms of Appointment. For one Parish Council the firm issued a report with section 11 recommendations without having previously provided PSAA with a draft of the proposed recommendations.

The Quality Review Programme

QRP and iQCR

13 The QRP for 2015/16 audits included undertaking our own reviews on a sample of audits and assessing, on a sample basis, the quality of suppliers' iQCR work.

14 The firm undertook 60 of its own reviews: 20 basic reviews; 20 intermediate reviews; 20 of the 5% sample we require. In addition, we visited the firm in November 2016 and reviewed in detail our own sample of four engagements: three basic reviews and one intermediate review.

15 We also reviewed the firm's iQCR work, including reperformance of three of the firm's reviews. Our reperformance of a sample of the firm's internal reviews did not identify any inconsistencies.

16 From the review work, we have concluded that the overall quality of limited assurance work performed by the firm is: **Good**. This is consistent with our rating of the firm's 2014/15 work.

17 From our review of work we identified good practice:

- To inform detailed audit planning the firm requests a Key Events statement from the body summarising all the required statutory steps around the annual accounts and audit.

18 As detailed below, there are some improvement areas for the firm to address for 2016/17 arising from the specific file reviews:

- the firm applied a sticker to the front page of all of the annual returns it issued which could cause confusion; and
- we noted one case where the quality of the evidence relating to variance analysis held on file needed improvement.

Satisfaction surveys

19 All firms in the limited assurance regime agreed to undertake client satisfaction surveys for 2015/16 engagements, and to report the results to PSAA. PSAA specified questions to be included in the survey and asked firms to provide us with an analysis of the results.

20 The firm distributed the survey to 3,034 audited bodies on completion of their 2015/16 engagements and achieved a response rate of 34 per cent (1,034 bodies). Table 1 details the questions and the average score.

Table 1: **Client satisfaction survey**

Question	Average score (max. 10)	
	2015/16	2014/15
1) How satisfied are you with your overall experience with FIRM during the audit for the year ended 31 March 2016?	8.5	8.5
2) How satisfied are you with the clarity of the information sent to you with the Annual Return?	8.7	8.6
3) If the firm contacted you with a request for further information or with queries relating to the audit after your initial submission, how satisfied were you with:		
a) the timeliness of the request for information or query?	8.5	8.4
b) the clarity of the request for information or query?	8.4	8.3
4) If any matters were brought to your attention on completion of the audit in section 3 of the Annual Return, how satisfied are you that the matters raised were helpful and easy to understand?	8.2	7.9
5) If you contacted the audit team for general information or assistance, how satisfied were you with the outcome?	8.7	8.4

21 These results show that audited bodies are, on the whole, satisfied with the level of service received from the firm, and these scores have improved from the previous year.

Appendix 1- Summary of regulatory compliance and recommendations for improvement

Area	Recommendation	Firm response
Compliance with regulatory requirements	Ensure that all staff are aware of the full requirements of the Terms of Appointment when considering exercising statutory reporting powers.	As part of 2016/17 planning all staff will be reminded of the requirements.
QRP	<p>The firm applied a sticker to the front page of all of the annual returns it issued requiring completion of the public inspection dates.</p> <p>As the information has no statutory value and may be confusing an alternative approach should be considered.</p>	We will include an enclosure in our letter sending out the annual returns which councils will have to return with their supporting information.