

# Limited Assurance Compliance Report

**Grant Thornton (UK) 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 Grant Thornton (UK) LLP against key performance indicators. The all supplier comparison and comparative position is also provided.

Activity	Target	All Firms Jan-Dec 2016 % (no. missed)	GT Jan-Dec 2016 % (no. missed)	All Firms Jan-Dec 2015 % (no. missed)	GT Jan-Dec 2015 % (no. missed)	Red, Amber, Green (RAG) Status	Firm comments
Limited Assurance Audit Opinion Issued	100% by 30 September.	96.9 (306)	95.7 (153)	99.0 (104)	98.7 (48)	G >95.01% delivered. A 90.01 - 95.00% delivered. R <90.00% delivered.	
Data Returns	Quality and accuracy of submitted data returns.	1	1	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:

- GT 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: Acceptable with limited improvements required; and
- audited bodies are satisfied with the performance of GT as their appointed auditor.
- recommendations for improvement are detailed below and are summarised in Appendix 1.

## Compliance with regulatory requirements

### *Performance indicators*

**6** 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.

**7** By 30 September 2016, the firm had issued the opinion and certificate on the 2015/16 Annual Return at 95.7 per cent of audited bodies (98.7 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.

**8** There was a small discrepancy in the information provided on the number of qualified opinions it had issued which the firm is investigating.

### *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 the general systems and procedures had not changed for regulatory compliance. The firm's administrative centre for dealing with smaller authorities engagements transferred to Liverpool from Bristol.

**12** Nothing has come to our attention in-year to suggest that we cannot continue to rely on the firm's systems.

## The Quality Review Programme

### *QRP and iQCR*

**13** The QRP for 2015/16 engagements 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 57 of its own reviews: 48 basic reviews; six intermediate reviews; three of the 5% sample we require. In addition, we visited the firm in December 2016 and

reviewed in detail our own sample of four engagements: two basic reviews and two intermediate reviews.

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 highlight any significant weaknesses in the firm's iQCR work.

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

17 From our review of work we identified good practice:

- The firm had prepared for the QRP visit by ensuring that a document mapping the QRP questionnaire to GT file references was available.

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

- The firm reported as a compliance failure all cases where documentation supporting the signing of sections 1 and 2 of the annual return did not clearly delineate the correct sequence. The limited assurance regime approach promulgated by NAO was the assumption that sections had been signed in the correct order unless there was clear evidence to the contrary.
- There was a lack of consistency in the treatment of reportable matters identified.
- We noted two case where incorrect dates for the exercise of public rights had not been identified by the engagement team.

#### *Satisfaction surveys*

19 All firms in the limited assurance regime agreed to undertake client satisfaction surveys for 2015/16 audits, 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 3,202 audited bodies on completion of their 2014/15 audit and achieved a response rate of 24 per cent (752 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?	8.7	9.3
2) How satisfied are you with the clarity of the information sent to you with the Annual Return?	8.7	9.2

Question	Average score (max. 10)	
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?  b) the clarity of the request for information or query?	<b>8.4</b>	9.0
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?	<b>8.1</b>	8.7
5) If you contacted the audit team for general information or assistance, how satisfied were you with the outcome?	<b>8.6</b>	9.3

**21** These results show that audited bodies are, on the whole, satisfied with the level of service received from the firm.

## Appendix 1- Summary of regulatory compliance and QRP improvement areas

Area	Improvement required	Firm response
Compliance with regulatory requirements	None.	
	The firm should ensure that training and consultation over common failures/findings provides consistency between local and national approaches	Noted and agreed. This will be addressed by further training of the team and an update of guidance.
	The firm should ensure that in all cases it identifies and reports failures in the provision of public inspection rights.	Noted and agreed. This will be addressed by further training of the team, more explicit guidance for reviewers and an update to our work programme.