

# Limited Assurance Compliance Report

**Mazars 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 Mazars (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)	Mazars Jan-Dec 2016 % (no. missed)	All Firms Jan-Dec 2015 % (no. missed)	Mazars Jan-Dec 2015 % (no. missed)	Red, Amber, Green (RAG) Status	Firm comments
Limited Assurance Audit Opinion Issued	100% by 30 September.	96.9 (306)	97.7 (24)	99.0 (104)	96.9 (33)	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	4	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:

- Mazars 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 very satisfied with the performance of Mazars as their appointed auditor.

**6** Improvement areas for the firm 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. We note the firm's improved performance in quality assuring data returns prior to submission to PSAA. 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 97.7 per cent of audited bodies (96.9 per cent in 2014/15).

#### *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 incorrect and we concluded that we can generally rely on the firm's systems.

**12** The firm's Smaller Authorities Compliance Manager left on 30 September 2016. There were some isolated communication issues in the handover process which resulted in instances of non-compliance with our Terms of Appointment and the inappropriate issuing of an opinion.

**13** We identified three instances of non-compliance with our Terms of Appointment, where the firm issued Public Interest Reports to Parish Councils without having previously provided PSAA with a draft of the proposed report. We note the firm's comment that, in all respects, other than the parish name the wording replicated previous Public Interest Reports issued by the firm.

**14** In one case, in response to a matter raised by iQCR, the firm incorrectly re-issued an opinion on a closed audit rather than making such a correction by explanatory letter.

**15** In one case the firm certified an annual return after it had used a Public Interest Report to close an audit.

## **The Quality Review Programme**

### *QRP and iQCR*

**16** 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.

**17** The firm undertook 20 of its own reviews: 14 basic reviews; four intermediate reviews and two 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: two basic reviews and two intermediate reviews.

18 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.

19 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.

20 From our review of work we identified good practice:

- The thoroughness of the iQCR work and reporting.

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

- we noted that the information the firm provided to clerks on the exercise of public rights was incorrect and could have led to electors delaying objecting at audit until after the period set for making such objections had closed. The firm has confirmed there were no such instances.
- we noted that controls over 'opinion stickers' prepared for attaching to annual returns could be improved.

#### *Satisfaction surveys*

22 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.

23 The firm distributed the survey to 925 audited bodies on completion of their 2015/16 audit and achieved a response rate of 29 per cent (275 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?	9.1	8.8
2) How satisfied are you with the clarity of the information sent to you with the Annual Return?	9.2	9.1
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?	9.0	8.5
b) the clarity of the request for information or query?	8.9	8.4

Question	Average score (max. 10)	
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>8.8</b>	8.5
5) If you contacted the audit team for general information or assistance, how satisfied were you with the outcome?	<b>8.8</b>	8.8

**24** These results show that audited bodies are, on the whole, very 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	The firm needs to remind its Smaller Authorities staff of the process to be followed when issuing a Public Interest Report, or considering further action after an engagement has been certified as closed.	<p>This improvement relates specifically to findings around the issuing of three Public Interest Reports and opinions issued on engagements certified as closed:</p> <p>We agree to ensure that staff are reminded:</p> <ul style="list-style-type: none"> <li>• all PIRs are referred to PSAA before being finalised; and</li> <li>• no opinions are issued after an engagement has been closed.</li> </ul>
QRP	The firm should ensure that information provided to clerks is accurate.	<p>The information we provided to clerks overstated the inspection period by one day.</p> <p>We will revise the guidance we issue with the annual return to avoid confusion over the requirements for public rights.</p>
	The firm should review its controls over 'opinion stickers' prepared for attaching to annual returns could be improved.	<p>We have reviewed the controls and determined that the non-compliance was isolated to one case with specific reasons that are unlikely to recur.</p> <p>Review already undertaken.</p>