

Annual Regulatory Compliance and Quality Report

Mazars LLP

July 2018

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 a number of statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

As a consequence of these delegations, for 2017/18 the company will continue to be responsible under transitional arrangements for appointing auditors to local government and police bodies, for setting audit fees and for making arrangements for certification of housing benefit subsidy claims.

Looking beyond 2017/18, the Secretary of State has specified PSAA as an appointing person for principal local government bodies from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2016

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Summary report

Introduction

- 1 Public Sector Audit Appointments Limited (PSAA) monitors the performance of all its audit firms. The results of our monitoring provide audited bodies and other stakeholders with assurance that auditors within our regime are delivering high-quality audits.
- 2 There are two strands to our monitoring:
 - audit quality- applying our annual quality review programme (QRP) to the audit work undertaken for the 2016/17 year of account; and
 - regulatory compliance- reporting quarterly on audit firms' compliance with our regulatory requirements as set out in the Terms of Appointment.
- 3 The audit quality and regulatory compliance monitoring for 2016/17 incorporated a range of measurements and checks comprising:
 - a review of each firm's latest published annual transparency reports;
 - the results of reviewing a sample of each firm's audit internal quality monitoring reviews (QMRs) of its financial statements, Value for Money (VFM) arrangements conclusion and housing benefit (HB COUNT) work. Our review included assessing compliance with the HB COUNT guidance;
 - an assessment as to whether we could rely on the results of each firm's systems for quality control and monitoring;
 - a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
 - the results of our inspection of each firm by the FRC's Audit Quality Review team (AQRT) as part of our commissioned rolling inspection programme of financial statements and VFM work;
 - the results of each firm's compliance with 15 key indicators relating to our Terms of Appointment requirements;
 - a review of each firm's systems to ensure they comply with our regulatory and information assurance requirements; and
 - a review of each firm's client satisfaction surveys for 2016/17 audit work.
- 4 This report summarises the results of our monitoring work for Mazars LLP.

Overall performance

5 Mazars is meeting our standards for overall audit quality and our regulatory compliance requirements. We calculated the red, amber, green (RAG) indicator for overall audit quality and regulatory compliance using the principles detailed in Appendices 1 and 2.

6 For 2017/18, Mazars' combined audit quality and regulatory compliance rating was green.

Figure 1: **2018 Comparative performance for audit quality and regulatory compliance**



7 The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor.

8 Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2017/18 indicators scored as green. Mazars' overall weighted audit quality score of 2.55 has increased slightly from last year's 2.45.

Detailed report

Quality review programme

FRC Inspection

9 Every year each firm provides a self-assessment in the form of a transparency report issued in accordance with the requirements of the Professional Oversight Board of the FRC. Our review of the latest Mazars transparency report did not highlight any significant issues of note.

10 Annually, the FRC publishes reports on the audit firms subject to full scope FRC inspections, including firms in our regime. We place reliance on the work of the FRC, which reviews the firms' systems and processes for ensuring audit quality and reviews a sample of their audits of public interest entities and certain other bodies. The reports focus on the key areas requiring action by the firm to safeguard and enhance audit quality. They do not seek to provide a balanced scorecard of the quality of a firm's audit work.

11 In its latest public report on Mazars, the FRC reported on five engagement reviews. No audits were assessed as requiring significant improvement, with four being assessed as 'good' or 'limited improvements required'. Mazars was previously subject to triennial assessment and no prior year comparative is available. Mazars will be subject to annual assessment from 2017/18.

12 From its assessment of all firms, the FRC has identified key issues which firms need to address in order to improve audit quality. These were the:

- challenge and scepticism of management in key areas involving judgment, such as impairment reviews, asset valuations and provisions;
- group audit team's oversight and challenge of component auditors;
- audit of company pension scheme assets and liabilities; and
- arrangements for ensuring compliance with the Ethical Standard and independence requirements.

13 We have raised these issues with Mazars and with all other firms in our regime and we will continue to monitor progress in these areas.

14 We also commissioned inspections of all firms by the FRC's AQRT for this year's QRP. The AQRT inspected one financial statements opinion and one VFM arrangements conclusion file from Mazars' 2016/17 PSAA work and provided an updated commentary on the applicability of firm-wide procedures to our audits. Having considered the review points raised by the AQR, we assessed the audits inspected as '1' (acceptable overall with improvements required) for the financial statements audit and as '2' (acceptable with limited improvements required) for the VFM arrangements conclusion work.

15 The principal issues resulting from the AQRT reviews of financial statement audits, across all the firms, following this year's programme of work for PSAA were:

- the involvement of the Responsible Individual and Engagement Quality Control reviewers in the areas of key audit significance not being timely and to the level expected and a causal factor for many of the issues identified at the audits for which they were responsible;

- insufficient challenge and independent corroboration of management experts' valuations of property, plant and equipment (PPE) and other fixed assets, including approach to beacon properties;
- insufficient consideration of how an expert's valuation at the start of the accounting year remained valid and appropriate at the year end;
- need to improve the linkage between specific risks identified and the planned audit response;
- insufficient audit work over the valuation and allocation of pension scheme assets, testing of information (including non-financial data) provided to actuaries and direction and review of the pension fund auditor;
- lack of evidence of local audit team's oversight when acting as a group auditor in the presence of significant components; and
- insufficient challenge of management to take responsibility for decisions on accounting treatment and disclosures (e.g. by requiring technical papers).

16 In respect of VFM arrangements work, the AQRT reported:

- a lack of evidence relating to audit team's discussions with non-finance staff and senior management.

17 We have combined our scores for the AQRT inspections for PSAA with the firm's QMR scores in the relevant sections in the rest of this report. These improvement points are included in Appendix 4.

QMR programme

18 PSAA sets quality standards for its appointed auditors and monitors their performance against them. The principal means of monitoring and evaluating the quality of auditors' work is the annual QRP. For 2017/18 we relied on each firm's own quality monitoring arrangements.

19 All firms agreed to follow PSAA's methodology and reporting format for their QMRs for VFM conclusion and HB certification work and to use their own methodology for assessing work on the financial statements (converting the financial statements results to our scoring system). We were able to place reliance overall on the QMRs completed on financial statement and HB Certification work. Additional information was requested from the firm to conclude our determination of the VFM conclusion scores as the QMRs were not sufficiently detailed for us to place reliance on the initial submission.

20 Each firm scored their QMRs using a common four-point scale, with 3 being the highest and 0 being the lowest. A score of 1 is our benchmark for acceptable performance. The full assessment scale is detailed in Table 1 and we calculated the score for overall audit quality on a weighted assessment using the weightings detailed in appendix 1.

Table 1: PSAA assessment scale

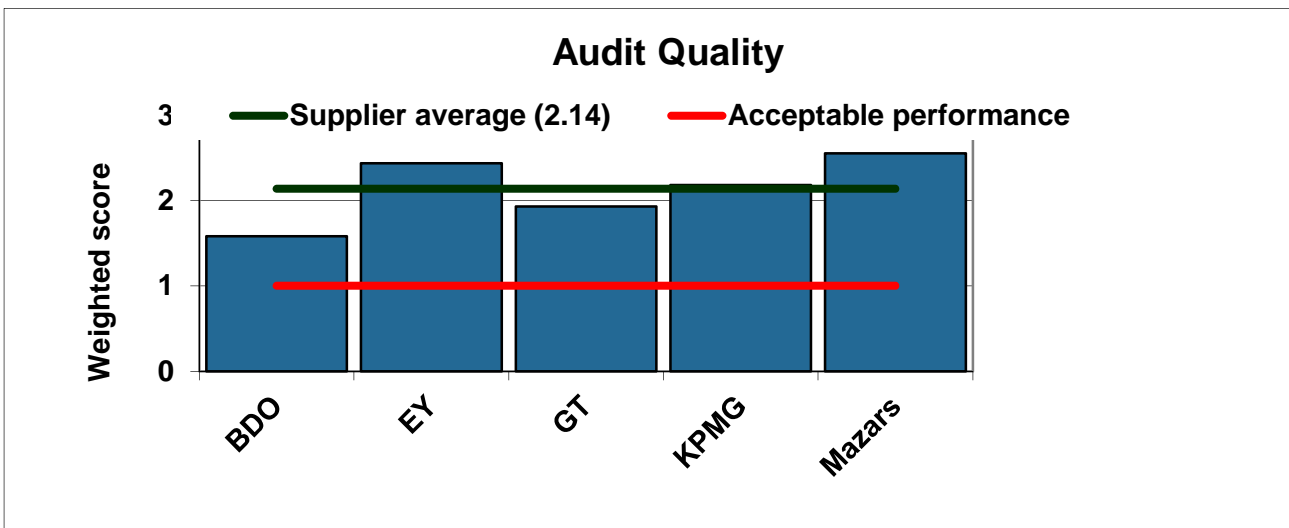
Score	Descriptor
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3	Good
2	Acceptable with limited improvements required
1	Acceptable overall with improvements required
0	Significant improvements required

21 Mazars' score was 2.55, compared to an all firm average of 2.14. This is an increase on last year's score of 2.45.

22 Figure 2 shows the assessment of Mazars' overall audit quality performance in comparison to other firms.

Figure 2: 2018 Audit quality performance

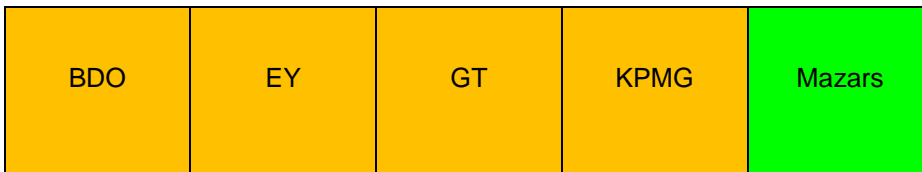


23 Our QRP methodology is designed to highlight any specific weaknesses at individual file level, specifically where our benchmark score of 1 is not met, which may have ordinarily been masked behind a high average score across the various elements (Financial statements, VFM and HB COUNT) of the QRP.

24 We have calculated a red, amber, green (RAG) indicator for each element of the QRP, using the principles detailed in Appendix 2, as well as for overall audit quality. Where a firm scores an average of less than 2, or has any scores of 0, a rating higher than amber in that element is not possible. Where a firm has three individual scores of 0, then the overall rating is red.

25 For 2017/18, Mazars' overall rating for audit quality was green. We consider each of the individual elements making up this rating below.

Figure 3: 2018 Comparative performance for audit quality



Financial statements audit work

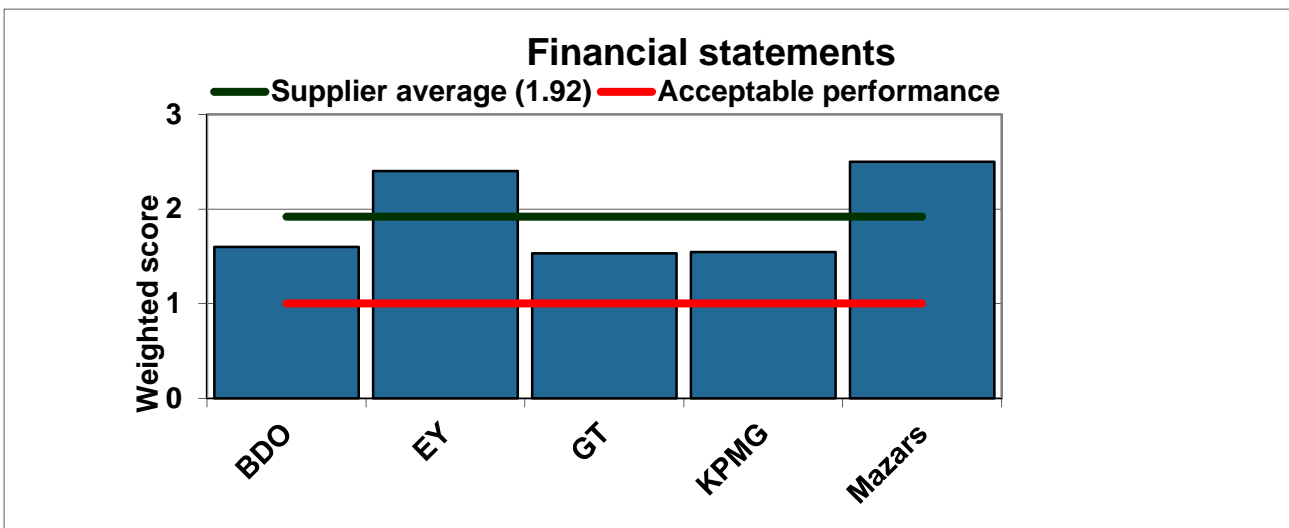
26 The firm provided the results of five QMRs for financial statement audit files (where an audit was also reviewed by the FRC only one score was used in our model). We reviewed these and agreed with the firm’s assessments.

27 The improvement areas from these reviews included:

- obtaining better evidence to support PPE valuations and judgements; and
- better documenting challenge to PPE assumptions.

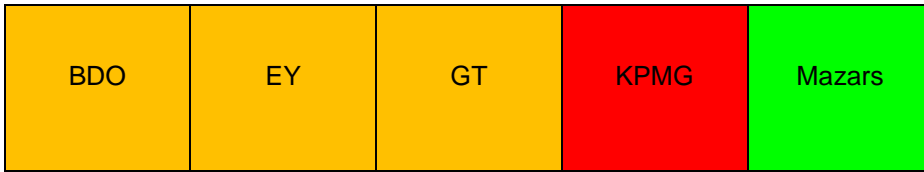
28 In addition, the AQRT reviews for PSAA provided a score for one additional financial statement assessment. Figure 4 shows the comparative performance for financial statement audit work based on the results of the QMRs and AQR review. Mazars’ average score was 2.50 compared to an all firm average of 1.92.

Figure 4: 2018 financial statements performance



29 For 2016/17 audit work, Mazars rating for financial statements work was green.

Figure 5: 2017 Comparative performance for financial statements audit work



VFM conclusion audit work

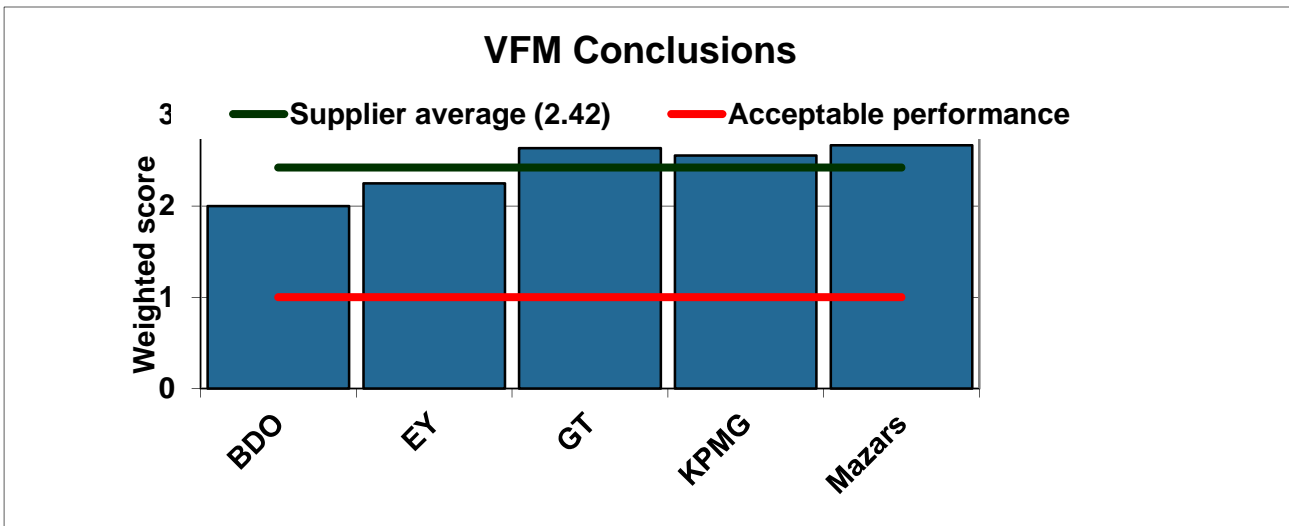
30 The firm provided the results of six QMRs for VFM arrangements conclusion audit work. We reviewed the results and agreed with the assessments. In addition, the AQRT review for PSAA provided a score for one additional VFM arrangements conclusion assessment.

31 The improvement areas from these individual QMRs and the AQRT review included:

- ensuring that matters highlighted for further work at the risk assessment stage are subsequently addressed;; and

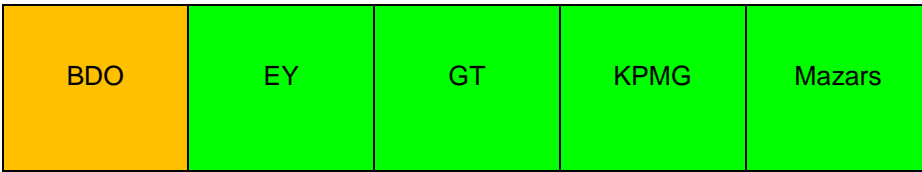
32 ensuring the level of documentation included on the file is restricted to that which evidences clearly the work undertaken and the conclusions reached. Figure 6 shows the comparative performance for VFM audit work based on the results of the QMRs and AQRT review. Mazars’ score was 2.67 compared to an all firm average of 2.42.

Figure 6: 2018 VFM conclusion performance



33 For 2016/17 VFM arrangements conclusion work, Mazars’ rating was green.

Figure 7: 2018 Comparative performance for VFM conclusion audit work



Housing benefit work

34 Each year auditors certify local authority claims for housing benefit subsidy to the Department for Work and Pensions (DWP). They are required to undertake this work using specific guidance and tools (HB COUNT) which are agreed annually with the DWP. HB COUNT sets out the approach and work needed to certify the subsidy claim form. It includes a requirement to test a sample of cases to check that benefits have been awarded in accordance with benefit regulations and that subsidy has been properly claimed.

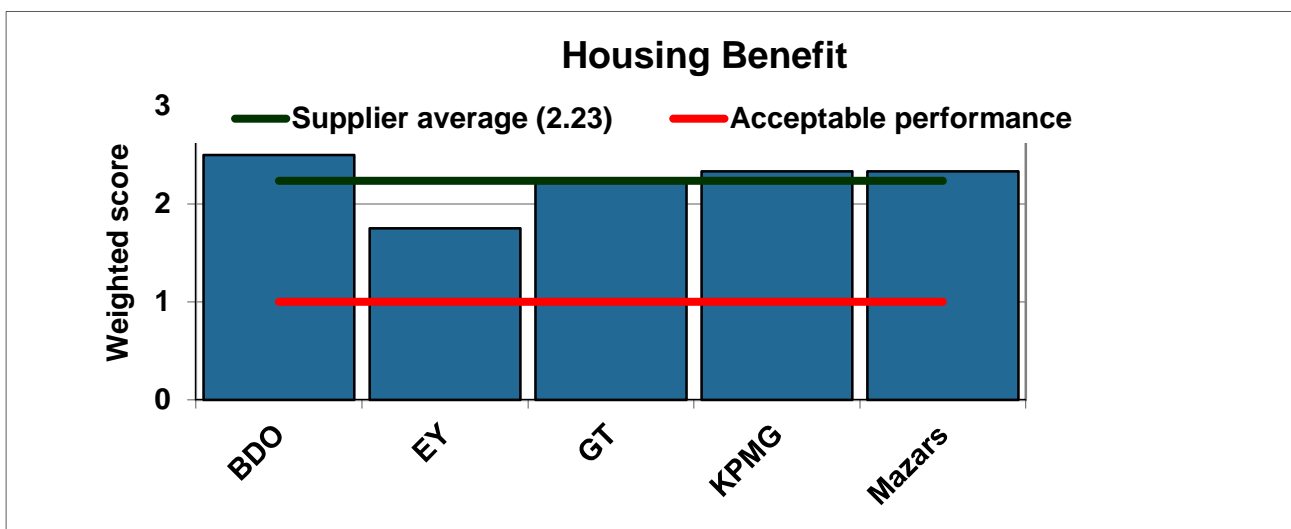
35 The firm provided the results of three QMRs for HB COUNT work. We reviewed the results of these and we agreed with the firm’s assessments.

36 The improvement areas from these individual QMRs included:

- ensuring that auditor judgements, when evaluating the results of testing are clearly documented; and
- ensuring that qualification letters are diligently reviewed for accuracy and consistency with supporting workbooks.

37 Figure 8 shows the comparative performance of each firm based on the QMRs. Mazars’ average score was 2.33 compared to an all firm average of 2.23.

Figure 8: 2018 HB COUNT performance



38 For 2016/17, HB Count certification work Mazars' rating was green.

Figure 9: 2018 Comparative performance for HB COUNT audit work

BDO	EY	GT	KPMG	Mazars
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Regulatory compliance

Systems for compliance with our regulatory requirements

39 In 2017/18, Mazars confirmed to PSAA that its systems and procedures for regulatory compliance were the same as those in the previous year. Nothing came to PSAA's attention in year to suggest this is not correct, and we concluded that we could continue to rely on Mazars' systems.

Systems for compliance with our information assurance requirements

40 During 2016, 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 and we concluded that we could rely on the firm's arrangements. In 2017 the firm provided updated information on the systems underpinning its information assurance arrangements and we have concluded that we can continue to rely on them for regulatory compliance.

Quarterly monitoring of our regulatory requirements

41 PSAA reported the details in the quarterly monitoring reports issued to the firm during the year, including fee variation request and requests for non-audit services from the firm. Figure 10 details the firm's overall regulatory compliance RAG rating compared to other firms.

Figure 10: 2018 Comparative performance for regulatory compliance

BDO	EY	GT	KPMG	Mazars
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42 The firm performed well across all of the regulatory compliance requirements, with all of the 15 indicators being rated as green.

43 We have included a summary at Appendix 3 of the results of the 2017/18 regulatory compliance monitoring RAG ratings, comparing the firm's performance against the overall performance for all firms.

Client satisfaction surveys

44 All firms agreed to undertake client satisfaction surveys for 2016/17 audits, and to report the results to PSAA. We specified questions to be included in the survey and asked the firm to provide us with an analysis of the results.

45 The firm received results from a sample of audited bodies on completion of their 2016/17 audit. Table 2 details the questions and the average score.

Table 2: **Satisfaction survey results**

Question	Average score (max. 5)
How satisfied are you overall with your audit?	4.7
How satisfied are you with the amount of contact with your Engagement Lead?	4.7
How satisfied are you with the amount of contact with your Audit Manager?	4.7
How satisfied are you with the technical competence and skills of your audit team?	4.8
How satisfied are you with your auditor's performance at committee meetings?	4.7
How satisfied are you with your auditor's understanding of the key issues and risks specific to your organisation?	4.8
How satisfied are you with the usefulness of your auditor's reports?	4.6
How satisfied are you with the timeliness of your auditor's reports?	4.6

46 These results show that audited bodies are, on the whole, very satisfied with the level of service received from Mazars and for 2016/17 work, Mazars' rating for client satisfaction was green.

Figure 11: 2018 Comparative performance for client satisfaction

BDO	EY	GT	KPMG	Mazars
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47 The firm has undertaken an analysis of any improvement points raised in the survey and has committed to action any individual improvement points identified.

Recommendations

Recommendations arising from the 2017/18 quality review programme

48 The key areas for improvement identified this year from file reviews are noted below, as taken from the body of this report:

Financial statements

- obtaining better evidence to support PPE valuations and judgements; and
- better documenting challenge to PPE assumptions.

VFM

- ensuring clearer documentation on file that outstanding matters have been resolved reviews and involvement; and
- having a clearer focus on the narrative explanation of what was reviewed and the judgement reached reducing the quantity of information filed.

HB

- ensuring that the reasons and judgments when considering the results of testing are clearly documented; and
- ensuring that qualification letters are diligently reviewed for accuracy and consistency with supporting workbooks

Compliance

- None

49 Appendix 4 provides details of the actions the firm has, or intends to take to address these improvement areas. We understand the findings from the QMR will be considered by the firm's quality team and then communicated to staff.

50 In 2018 we asked the AQRT to revisit some audits that had scored poorly in 2017 to confirm that the firms had implemented appropriate actions to address identified weaknesses. They reported that the action plans agreed, had not, in all cases been implemented completely. We expect firms to have systems in place such that the necessary improvements to procedures are made in the next audit cycle.

Appendix 1 – Weightings to calculate overall quality score

Table 3: **Weightings**

Audit element	Local government 60%	NHS 40%
Financial statements	60	70
VFM Conclusions	30	30
HB	10	-
Total	100	100

Appendix 2 - Audit quality and regulatory compliance RAG rating

Table 4: QRP elements of financial statements, VFM conclusions and housing benefit work.

Rating	Firm level: Overall Audit Quality score	Firm level: Individual QRP element
Green	Firm audit quality score ≥ 2 and no scores of '0' at file review level	Average element score ≥ 2 and no scores of '0' at file review level
Amber	Firm audit quality score ≥ 1 with up to two scores of '0' at file review level	Average element score ≥ 1 with up to one score of '0' at file review level
Red	Firm audit quality score < 1 , or Firm audit quality score ≥ 1 but three or more scores of '0' at file review level	Average element score < 1 , or Average element score ≥ 1 but two or more scores of '0' at file review level

Table 5: Regulatory compliance RAG rating based on 15 quarterly monitoring

Rating	Overall Firm level score- indicators
Green	11 or more at green and no more than two at red.
Red	Six or more indicators at red.
Amber	Neither green nor red.

Table 6: Combined audit quality and regulatory compliance RAG

		QRP RAG		
		Red	Amber	Green
Regulatory compliance RAG	Red	R	R	A
	Amber	R	A	A
	Green	A	A	G

Table 7: RAG rating the results of satisfaction survey results

Firm assessment (average)	Firm unsatisfactory – satisfactory assessment (average)	PSAA RAG rating
0 – 5 0 - 10		
0-1.5 0 - 3	very dissatisfied / dissatisfied / unsatisfactory	R
1.5 – 3.5 4 – 6	reasonable / good / satisfied	A
3.5 – 5 7 - 10	very good / very satisfied / outstanding	G

Appendix 3 - Results of 2016/17 regulatory compliance monitoring

Activity	Target	All Suppliers % (no.)	Mazars % (no.)	Firm Comments
Issue of planning (fee) letters.	100% by 30 April 2017. Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (0)	100% (0)	
Issue of NHS audit opinions.	100% by 31 May 2017 (CCG) and 1 June 2017 (NHS Trusts). Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (1)	100% (0)	
Issue of NHS VFM conclusions.	100% by 31 May 2017 (CCG) and 1 June 2017 (NHS Trusts). Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (1)	100% (0)	
Issue of local government audit opinions.	100% by 30 September 2017. Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	95% (27)	97% (1)	
Issue of local government audit VFM conclusions.	100% by 30 September 2017. Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	94% (31)	97% (1)	
Issue of WGA reports.	100% by 29 September 2017. Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	87% (63)	97% (1)	
Confirmation of final NHS fee to audited bodies	100% by 31 July 2017 Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (0)	100% (0)	
Issue of NHS annual audit letters.	100% by 31 July 2017 Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (0)	100% (0)	
Confirmation of final local government fee to audited bodies	100% by 30 October 2017 Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (0)	100% (0)	
Issue of local government annual audit letters.	100% by 30 October 2017 Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (0)	100% (0)	

Activity	Target	All Suppliers % (no.)	Mazars % (no.)	Firm Comments
Audited body database information.	Accurate database information provided to PSAA. Green>95.01% delivered or only 1 missed Amber 90.01% to 95% delivered or only 2 missed Red<90% delivered of 3 or more missed	100% (1)	100% (0)	
Complaints upheld against auditors.	Complaints upheld against auditors. Green 0 Upheld Amber 1 upheld Red 2 or more upheld	1	0	
Non-compliance with requirements on independence issues.	Instances of non-compliance. Firms: Green 1 case Amber 2 cases Red 3 or more cases Regime: Green Up to 5 cases Amber 6 or 7 cases Red 8 or more cases	0	0	
Attendance at Contact Partner Meetings	Attendance of Contact Partner at all meetings. Firms: Green 1 case Amber 2 cases Red 3 or more cases Regime: Green Up to 5 cases Amber 6 or 7 cases Red 8 or more cases	0	0	
Consideration of objections	Outstanding objections not determined within 9 months. Firms: Green 1 case Amber 2 cases Red 3 or more cases Regime: Green Up to 5 cases Amber 6 or 7 cases Red 8 or more cases	28	1	

Source: PSAA

Appendix 4 - Summary of regulatory compliance and QRP improvement areas

Table 8: Improvement areas

Area	Improvement required	Firm response
Key messages from FRC annual reports	<p>A need for auditors to demonstrate scepticism and challenge management in key areas involving judgment, such as impairment reviews, asset valuations and provisions;</p> <p>A need for the group audit teams to have better oversight of and challenge of component auditors;</p> <p>A need to improve the audit of company pension scheme assets and liabilities; and</p> <p>Firms to improve arrangements for ensuring compliance with the Ethical Standard and independence requirements.</p>	<p>Our Audit Quality Team ensure that findings from all FRC annual reports are fully considered. Any findings which are applicable to our audits are fully addressed as part of our firm-wide procedures.</p> <p>Professional scepticism</p> <p>We have covered the topic of professional scepticism in audit training over the past 12 months. Our ‘audit masterclass’ series included a session on the importance of professional scepticism in delivering high-quality and compliant audits. Pre-course online materials also covered this topic. We also focus on professional scepticism as part of our audit induction course (for experienced auditors new to Mazars) and as part of our new audit professional course (for trainees).</p> <p>Group audits</p> <p>We have recorded, and are due to release in the coming weeks, an online training session that focusses on our methodology for group audits</p>

		<p>and the quality monitoring findings relating to the oversight and challenge of component auditors.</p> <p>We also plan to hold a session that covers group audits as part of our programme of audit discussion forums.</p> <p>Pension scheme assets and liabilities</p> <p>In May 2018 we released a technical note to auditors which provided guidance on obtaining sufficient appropriate evidence over pension assets.</p> <p>We also plan to issue further guidance to auditors which responds to the specific issues raised by the FRC in Q3 2018.</p> <p>Ethical Standard and Independence</p> <p>We have responded to the FRC's points on its review of our firm-wide arrangements in the Audit Quality Inspection Report issued in June 2018. Our response to findings on Ethical Standards and independence is provided on page 8.</p>
<p>AQR review on PSAA work (across all firms)</p>	<p>Ensure the involvement of the Responsible Individual and Engagement Quality Control reviewers in the areas of key audit significance is timely and to the level expected;</p> <p>Ensure sufficient challenge and independent corroboration of management experts' valuations of property, plant and equipment (PPE) and other</p>	<p>We have considered the AQR's findings from its review of all firms together with the detailed findings from its review of one of our 2016/17 engagements.</p> <p>Involvement of RIs and EQCRs</p> <p>Expectations on RIs and EQCRs are clearly documented within our audit manual. As a result of findings in our internal quality monitoring</p>

	<p>fixed assets, including approach to beacon properties;</p> <p>Ensure sufficient consideration of how an expert's valuation at the start of the accounting year remained valid and appropriate at the year end;</p> <p>Better evidence the linkage between specific risks identified and the planned audit response;</p> <p>Better evidence audit work over the valuation and allocation of pension scheme assets, testing of information (including non-financial data) provided to actuaries and direction and review of the pension fund auditor;</p> <p>Better document of local audit team's oversight when acting as a group auditor; and</p> <p>Improve challenge of management to take responsibility for decisions on accounting treatment and disclosures (e.g. by requiring technical papers).</p> <p>Better evidence audit team's discussions with non-finance staff and senior management when undertaking VFM arrangements conclusions work.</p>	<p>programme of 2015/16 VFM engagements, we reminded audit teams to ensure that the timely RI review of audit and VFM work is appropriately evidenced.</p> <p>PPE valuation</p> <p>We have provided details comments in respect to PPE findings in the next section.</p> <p>Auditing defined benefit assets and liabilities</p> <p>We have invested significant time and resource over the last three years to ensure our approach to auditing defined benefit assets and liabilities is ISA compliant. We have provided audit teams with specific training on:</p> <p>The overall process for IAS 19 valuations in local government pension schemes;</p> <ul style="list-style-type: none"> • the firm's expectations in respect of obtaining sufficient appropriate evidence of asset values and allocations; and • the need to understand and test the source data used by actuaries in provided IAS 19 valuations. <p>Challenge, evidence and documentation</p> <p>Our audit manual clearly sets out the requirements in respect of evidencing and documenting audit and VFM work. As noted</p>
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		<p>above, the importance of challenge, particularly in areas of management judgement or high estimation uncertainty, has been included in public sector audit update training.</p> <p>We commit to covering each of the points raised by the FRC as part of our 2018 series of audit updates for public sector auditors and wider teams where the issues are cross-sector in nature.</p> <p>We intend to build on prior year training provided to auditors in relation to PPE valuation and the audit of defined benefit assets and liabilities as part of our audit update training.</p>
Financial statements	<p>Obtaining better evidence to support PPE valuations and judgements; and</p> <p>Better documenting challenge to PPE assumptions.</p>	<p>The audit of PPE was a key theme in our public sector audit update training for 2017/18. The session focused on:</p> <ul style="list-style-type: none"> • evidencing challenge of management judgements; • the need to obtain sufficient appropriate evidence over the appropriateness of assumptions applied by valuers, including those in respect of the valuation of housing assets; • determining the level of estimation uncertainty associated with the valuation of PPE, and the associated need to recognise a significant risk at the majority of public sector clients;

		<ul style="list-style-type: none"> the importance of testing source data used by valuers as management's experts; and identifying best practice within the team. <p>We recognise that this area of the audit can be complex commit to further embed auditor understanding of the risks and suggested audit responses as part of our audit update training for 2018/19 audits.</p>
VFM arrangements conclusions	<p>Ensuring that matters highlighted for further work at the risk assessment stage are subsequently addressed; and</p> <p>Ensuring the level of documentation included on the file is restricted to that which clearly evidences the work undertaken and the conclusions reached.</p>	<p>We will include the importance of clear and concise documentation of auditor judgements and audit evidence on files as a key theme in our update training to public sector auditors.</p>
Housing benefit	<p>Ensuring that auditor judgements when evaluating the results of testing are clearly documented; and</p> <p>Ensuring that qualification letters are diligently reviewed for accuracy and consistency with supporting workbooks</p>	<p>We will include the importance of clear and concise documentation of auditor judgements and audit evidence on files as a key theme in our update training to public sector auditors.</p> <p>Although errors in qualification letters are rare, we recognise the importance of accuracy in reporting the outcome of our certification work. We will introduce a central review process for all qualification letters, similar to that in place for</p>

		modified audit opinions, to reduce errors and improve consistency.
Regulatory compliance	No issues	None