

Audit Contract Monitoring Report

Quarter 2 – September 2019



Quarter Highlights

- The results of our 2019 Annual Quality Monitoring programme were reported to the Board in draft form in July 2019. The report has now been finalised. The audit firms have now responded to the recommendations and the final report has been published on the website. During this process the FRC inspection review amended two scores from limited improvements to 3 good.
- We continue to monitor delivery of 2018/19 engagements and are providing updates to the NAO. Opinions were not given at 209 (43%) authorities by the publishing date of 31 July 2019 compared with 65 (13%) bodies in 2017/18. We are working with all parties in seeking solutions to the problems of 'auditor sustainability', 'authority responsibilities', and the cost/quality/time audit delivery triangle.
- HM Treasury met with us to discuss the impact of audit delays on their reporting of Whole of Government Accounts.

Quarter Highlights

- Firms have provided details of compliance with their Method Statement commitments. This includes details of apprenticeships created as a result of the contracts. Against a commitment of 487 apprenticeships (or equivalent) over the 5 year period, 130 have already started.
- Our first survey under the new quality monitoring arrangements is in progress. We will report the results in our next quarterly report. Based on our dealings with authorities we would expect that communication issues will be highlighted as an area for improvement.

Audit Opinions not delivered

Firm	Total audits	Opinions not delivered	
		31 July 2019	30 Sept 2019
BDO	27	13	9
EY	163	90	70
GT	181	70	35
Mazars	85	17	13
DL	30	18	15
Total	486	208	142
Total 2018		65	25

Reasons for non-delivery: Broadly even across three categories:

- auditor resources
- technical accounting and auditing issues
- quality of authority draft accounts and working papers

Projected completion dates:

October (103) November (33) December (11) Other (5)

Summary of Objections under Investigation

The total number of objections under investigation has increased by 6 since Quarter 1. Nine objections have been cleared in the quarter and a further 15 raised. The benefits of timely resolution must be balanced against the need for firms to follow due process and undertake appropriate levels of investigation. The totals include 9 LOBO and 8 PFI objections still unresolved.

	> 9 mths		< 9mths	
Firm	2016/17 & prior	2017/18	2018/19	Total
BDO	11	5	-	16
EY	4	-	3	7
GT	8	3	6	17
KPMG	7	-	N/A	7
Mazars	3	2	5	10
DL	N/A	N/A	1	1
Total	32	11	15	58

Other Performance Indicators

As part of our audit quality monitoring arrangements we consider a range of other performance indicators. The delays in the completion of audits have a knock on impact on the completeness of other indicators. We have no reportable issues of non-compliance with the Terms of Appointment. EY did not notify us in advance in three cases where they would not be issuing an opinion by 31 July 2019. Mazars did not notify us in one case where they were intending to issued a qualified VFM arrangements conclusion.

Firm	All fee letters issued by 30 April 2018	Non compliance with T of Appt	Final audit fee confirmed	Annual audit letter issued
BDO	√	0	*	*
EY	√	3	*	*
Grant Thornton	√	0	*	*
KPMG	√	0	*	*
Mazars	√	1	*	*

* = under review

Non-audit services requests – 2019/20

Two non-audit service requests were made during Q1.

There were no non-audit service requests made during Q2.

Firm	Contract share %	No. of requests approved	Total fee value of requests approved (£)
BDO	6	-	-
Ernst & Young	30	-	-
Grant Thornton	40	2	96,800
DL	6	-	-
Mazars	18	-	-
Total	100%	2	96,800

Our role is to consider whether providing the service could potentially compromise the independence of the auditor.

The work to be undertaken and the level of the fee is a matter for the audited body and the audit firm.