

Audit Contract Monitoring Report Data Pack

PSAA Board

Quarter 3 – December 2019

Quarter Highlights

- We continue to monitor delivery of 2018/19 engagements and are providing updates to the NAO, MHCLG and HM Treasury.
- Opinions were not given at 208 (43%) authorities by the publishing date of 31 July 2019 compared with 65 (13%) bodies in 2017/18.
- As at 31 December 2019 opinions were outstanding at 85 (18%) authorities.
- Our first client survey under the new quality monitoring arrangements has been completed. The detailed results are being analysed and will be available publicly.
- We had responses from 75 (15%) Audit Committee chairs and 193 (40%) Finance Directors.

Audit Opinions not delivered

Firm	Total audits	Opinions not delivered		
		31 July 2019	30 Sept 2019	31 Dec 2019
BDO	27	13	9	6
EY	163	90	70	45
GT	181	70	35	19
Mazars	85	17	13	3
DL	30	18	15	12
Total	486	208	142	85
Total 2018		65	25	14

Reasons for non-delivery (based upon auditors' analysis):

Broadly even across three categories and sometimes a combination of them:

- auditor resources
- technical accounting and auditing issues
- quality issues with pre-audit accounts and/or working papers

Summary of Objections under Investigation

The total number of objections under investigation has decreased by 8 since Quarter 2.

The totals include 9 LOBO and 7 PFI objections.

	> 9 mths		< 9mths	
Firm	2016/17 & prior	2017/18	2018/19	Total
BDO	11	5	-	16
EY	4	-	2	6
GT	7	3	12	22
KPMG	2	-	N/A	2
Mazars	3	2	4	9
DL	N/A	N/A	1	1
Total	27	10	19	56

Other Performance Indicators

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

Firm	All fee letters issued by 30 April 2018	Non compliance with Terms of Appointment to date
BDO	√	0
EY	√	3
GT	√	0
DL	√	1
Mazars	√	1

Non-audit services requests - comparators

Year	No. of requests approved for non-audit services	Total fee value of requests approved £
2016/17	43	1,871,774
2017/18	20	810,134
2018/19	10	336,773
2019/20 (to date)	3	153,300

The year on year reduction is due to a number of factors including the revision of the Ethical Standard in 2016 as it further restricts non-audit services that auditors may provide, clarification of NAO guidance that grant certification does not count towards the allowable threshold and so does not require approval, and NHS bodies not being relevant to the figures from 2017/18 onwards.

Non-audit services requests – 2019/20

One non-audit service requests requiring approval was made during Q3 which was for providing assurance from a shared services provider.

Firm	Contract share %	No. of requests approved	Total fee value of requests approved (£)
BDO	6	-	-
Ernst & Young	30	1	56,500
Grant Thornton	40	2	96,800
DL	6	-	-
Mazars	18	-	-
Total	100%	3	153,300

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.