

# **Audit Contract Monitoring Report Data Pack**

**PSAA Board**

**Quarter 1 – June 2020**

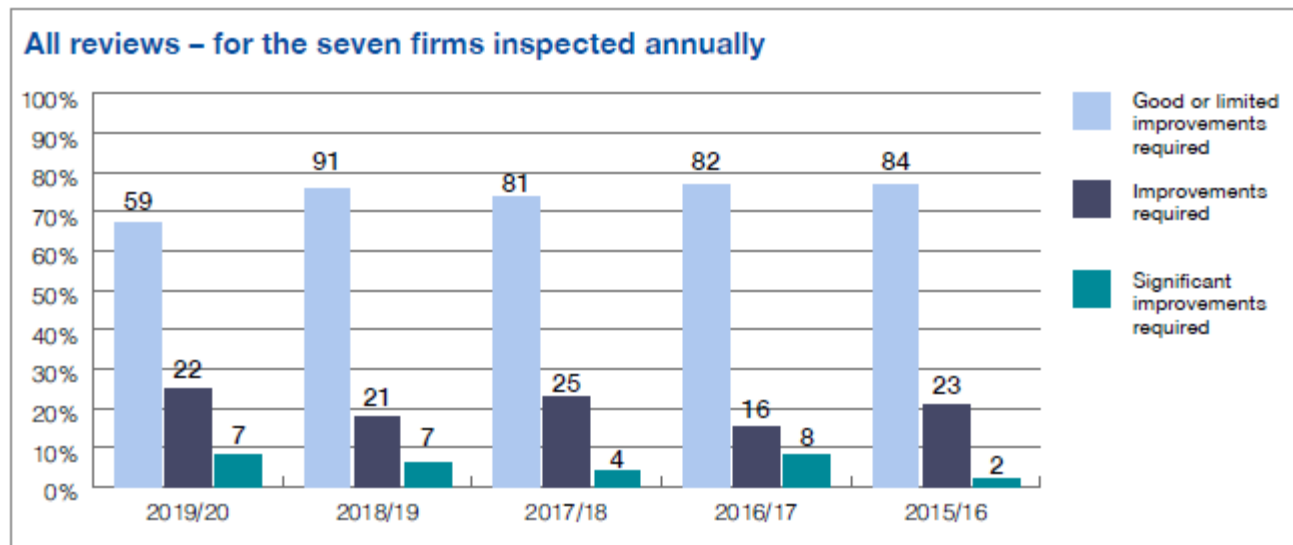
# Quarter Highlights

- We continue to monitor delivery of 2018/19 engagements and are providing updates to the NAO. As at 30 June 2020 opinions were outstanding at 56 authorities (11.5%).
- The COVID-19 pandemic is impacting on the delivery of both the 2018/19 and 2019/20 audits years:
  - Supporting audit completion is challenging for authorities who have public health priorities.
  - The pandemic is a non-adjusting Post Balance Sheet Event which requires appropriate disclosure and audit coverage.
- MHCLG is supporting the sector by:
  - enabling audit committees to meet 'other than in person' as was previously required by Regulation; and
  - extending the window for audit completion to November 2020.
- Our first client survey under the new quality monitoring arrangements has been shared with the audit firms and was published on our website in May.

# Quarter Highlights

- The FRC have released the latest results from their inspections of corporate audits. [FRC inspection results](#). The results from the inspections of 2018/19 local audits will be released later in the year.

## Our assessment of the quality of audits reviewed



- Each year the FRC reports publicly on the findings of its inspection activity at the seven largest firms. Together with an assessment of each firm's quality control systems, the Audit Quality Review (AQR) team reviewed 88 audits across these firms and concluded that only two thirds of the audits were of a good standard or required limited improvement.

# Quarter Highlights

- The FRC published a thematic review of Audit Quality Indicators ([FRC AQI Report](#))
- The report highlighted as good practice an intervention at a public sector business unit which used forward looking AQIs:

*‘Due to monitoring the level of budgeted audit hours for which no staff are allocated, one firm identified a lack of staff resources in their public sector business unit. As a result, the firm took the decision to delay the timetable on a number of specific audits so that all audits could be resourced appropriately.’*

# Audit Opinions not delivered

Firm	Total audits	Opinions not delivered			
		31 July 2019	30 Sept 2019	31 March 2020	30 June 2020
BDO	27	13	9	4	4
EY	163	90	70	32	32
GT	181	70	35	16	13
Mazars	85	17	13	2	2
DL	30	18	15	7	5
<b>Total</b>	<b>486</b>	<b>208</b>	<b>142</b>	<b>61</b>	<b>56</b>
Total 2018		65	25	11	9

# Summary of Objections under Investigation

The total number of objections under investigation has decreased by 1 over the last 6 months (since December 2019). 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 3 LOBO and 6 PFI objections.

	> 9 mths		< 9mths	
Firm	2016/17 & prior	2017/18	2018/19	Total
BDO	9	2	-	11
EY	3	-	2	5
GT	4	3	11	18
KPMG	5	-	N/A	5
Mazars	2	2	5	9
DL	N/A	N/A	1	1
Total	22	7	19	49

# Non-audit services requests – 2019/20

Five non-audit service requests requiring consideration were made during 2019/20. Grant Thornton's four pieces of work were for supplier contract reviews. Ernst & Young's piece of work was for providing assurance by a shared service provider.

<b>Firm</b>	<b>Contract share %</b>	<b>No. of requests approved</b>	<b>Total fee value of requests approved (£)</b>
BDO	6	-	-
Ernst & Young	30	1	56,500
Grant Thornton	40	4	147,050
DL	6	-	-
Mazars	18	-	-
<b>Total</b>	<b>100%</b>	<b>5</b>	<b>203,550</b>

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.

# 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	5	203,550

The year on year decline is due to a number of factors including the revision of the Ethical Standard in 2016, clarification of NAO guidance regarding grant certification, and NHS bodies not being relevant to the figures from 2017/18 onwards.



# 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 in this quarter.