

PSAA appointed auditors – quality of audit services

Introduction to the results from our fourth client survey

We use the survey results to help to assess how our appointed auditors have interacted and managed their relationships with audited bodies during the course of their work. The effectiveness of relationship management is one of the measures that we use to monitor the quality of audit services provided.

We commissioned the LGA's Research Team, working independently of PSAA, to conduct the survey and analysis, and obtain the views of finance directors and audit committee chairs. We are extremely grateful for their assistance.

We are also very grateful to the large numbers of Directors of Finance and Audit Committee Chairs (over 350) who have taken the trouble to complete the survey. PSAA is keen to encourage ever higher participation in the survey to provide increasingly informative insights into the key relationships between auditors and clients. The views expressed provide good evidence of local audited body views for us to feed into discussions with national stakeholders.

The survey results again reflected the current crisis in local audit delivery with only 12% of 2021/22 audits able to be completed by the 30 November publishing date, with the overall backlog having increased to over 600 delayed opinions.

Many adverse effects flow from delayed audit opinions and these were highlighted by respondents. With the passing time they become less relevant and the value they provide to stakeholders becomes limited. They also raise uncertainties about an organisation's financial position and weaken governance and accountability processes. Taxpayers are not given assurance about financial stewardship. Respondents also highlighted the additional workload that delayed audits placed on stretched finance teams.

As in previous years respondents also expressed their concerns about the factors leading to delays in audit opinions: the shortage of experienced auditor resources; the extent of the audit work now required on property and pension valuations; the levels of additional review and scrutiny that firms are building into their process in response to regulatory challenge; and the format and complexity of the accounts produced under the current CIPFA/LASAAC code. The delays intrinsically create their own problems; respondents noted the adverse impact of changes to audit team membership as well as the difficulties of an extended post-balance sheet period.

Unsurprisingly our broad question of whether the audit service provided had 'met expectations' reported that satisfaction had fallen. Audit Committee Chairs are noticeably more satisfied than Directors of Finance.

	2019/20	2020/21	2021/22
Directors of Finance	73%	57%	47%
Audit Committee Chair	84%	75%	72%

Communication is a cornerstone of relationship management, and we asked specific questions on communications. This year's results show that this continues to be an area requiring improvement. Less than three quarters of Finance Directors (70%) reported that auditor communications had ensured a 'no surprises' approach throughout the audit, 65% were satisfied with the auditors' performance in audit committee meetings and 58% thought that the reasons for fee variations had been explained in a timely way. The results for Audit Committee Chairs were 79%, 68% and 68% respectively for the same three questions.

We asked some relationship specific questions. This year 58% of Finance Directors felt their auditor could be approached as a sounding board when required compared with 57% (2020/21) and 66% (2019/20).

We asked for views on the usefulness of the VFM arrangements commentary which was introduced in the NAO Code of Audit practice for audits from 2020/21 onwards. Our survey found that 71% (2020/21 - 85%) of Audit Committee Chairs and 45% (2020/21 - 60%) of Finance Directors reported that they found the commentary useful. This perhaps reflects the falling value of delayed reporting. A number of respondents highlighted how the audit could add value by sharing good practice.

We were disappointed that there was a fall in the number of audit committees that have met privately with auditors, as reported by both Finance Directors (16% from 19%) and Audit Committee Chairs (23% from 28%). Some respondents acknowledged how these meetings contributed positively to the organisation's governance arrangements and specifically to the relationship between the auditor and the committee. Some of the comments made by respondents revealed a lack of awareness of this part of the CIPFA Guidance for Audit Committees.

We will discuss the survey's themes and improvement areas with the firms' local government leads. This will include individual firm feedback comments to enable local level development of ways of improving relationship management and monitoring progression.

PSAA will continue to raise the concerns expressed with key stakeholders to inform the decisions made on the future of the local audit regime.

PSAA quality of audit services feedback survey

Research Report

March 2023



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Summary

Background

Public Sector Audit Appointments (PSAA) monitors the performance of the auditors it has appointed to undertake audits under the Local Audit and Accountability Act 2014. The results of this monitoring provide audited bodies and other stakeholders with information on the quality of audit services that are being delivered.

In order to inform this monitoring process, it is vital that PSAA understands the views of the bodies to which it appoints auditors, including concerning the conduct of the audit process and the value of its outputs. To this end, PSAA commissioned the Local Government Association's (LGA) Research and Information team to conduct an anonymous survey seeking the views and experiences of Directors of Finance and Audit Committee Chairs in relation to their most recent audit taking place during 2021/22. Generic terminology such as 'Audit Committee' and 'Director of Finance' is used in this report, recognising that different terms may be used locally.

Auditors have important relationships with both Management and Those Charged With Governance. Accordingly, PSAA's surveys seek to obtain feedback from both Directors of Finance and Audit Committee Chairs, representing the former and the latter respectively. The views of both constituencies are valuable and potentially relevant in highlighting areas of strength and possible improvement in current services. This is a report of the surveys' findings. The main body focuses on the questions directed to both groups and our analysis of their responses.

The survey was conducted using an online form. An email containing a survey link was sent to the Directors of Finance or equivalent of all 467 audited bodies served by PSAA, and to all of the Audit Committee Chairs. The survey was available to complete during the period March 2023. Member service officers were also involved to encourage their Audit Committee Chairs to participate.

The overall response rate from the Directors of Finance was 47 per cent (220/467) an increase from 39 per cent last year. The overall response rate from the Audit Committee Chairs was 30 per cent (142/467) an increase from 24 per cent last year. Whilst these are good levels of response for a survey of this type, it is important to acknowledge that the results do not represent the views of all bodies. Rather, they are a snapshot of the views of this particular group of respondents.

Key findings

Meeting expectations

- More than half of Finance Directors and nearly three-quarters of Audit Committee Chairs said that the audit service provided met their expectations

to a great or moderate extent.

Audit completion and delayed audits

- More than four-fifths of Finance Directors responded that their audit was not completed by the target date. The Audit Committee Chair respondents showed similar findings.
- Around one-third of both Finance Directors and Audit Committee Chairs said resourcing issues on the part of the audit firm was a reason the audit was not completed on time.

Auditor communications

- More than half of Finance Directors said they strongly agreed or tended to agree that where the audit was to be delayed beyond the target date the auditor informed them of the reason for this.
- Just under three-quarters Audit Committee Chairs said that they strongly agreed or tended to agree that where the audit was delayed beyond the target date the auditor informed them of the reason for this.

Value for Money (VfM) Arrangements Commentary

- The NAO Code of Audit Practice 2020 requires the auditor to report on the organisation's arrangements to secure value for money having regard to the following specified reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness. This is a change from the previous requirement under the 2015 Code which required a binary conclusion to be provided on the adequacy of the organisation's VfM arrangements. Finance Directors and Audit Committee Chairs were asked how useful they found this commentary. Just under half of Finance Directors said they found this commentary very or fairly useful. Around three-quarters of Audit Committee Chairs felt the same.

Timely reporting of key issues

- Around two-fifths of Finance Directors and two-thirds of Audit Committee Chairs said that where significant concerns and weaknesses were identified these were reported on a timely basis.
- Three-quarters of Finance Directors said that the auditors communicated a great deal or a fair amount with them about valuations.
- Three-quarters of Audit Committee Chairs said they received a great deal or a fair amount of communications about financial accounting and reporting from their auditors. Three-quarters of Audit Committee Chairs said that the auditors communicated a great deal or a fair amount with them about valuations.

Committee meetings

- Nearly three-quarters of Finance Directors and Audit Committee Chairs said that they had not met privately with the auditor without officers present.
- Around two-thirds of both Finance Directors and Audit Committee Chairs said that they were very or fairly happy with the auditor's performance in audit committee meetings.

Introduction

Public Sector Audit Appointments (PSAA) is specified by the Secretary of State for Housing, Communities and Local Government under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 as the appointing person for principal local government bodies in England, including local police, fire and other bodies.

Under the PSAA national auditor appointment scheme, auditor appointments were made to 478 authorities comprising organisations in the public sector (local government, police and fire and rescue) that opted in (98 per cent) for the five-year period 2018/19 to 2022/23 (reorganisations have reduced that to 467). The Regulations require PSAA to ‘monitor compliance by a local auditor against the contractual obligations in an audit contract’. PSAA carries out an annual programme of work to monitor that quality audit services are being delivered.

An important element of the monitoring programme is how the auditors have managed relations with the audited bodies. In order to do this, it is vital that PSAA obtains customer feedback to understand the views of the bodies to which it appoints auditors, including concerning the conduct of the audit process and the value of its outputs. To that end, PSAA commissioned the LGA’s Research and Information team to conduct research surveys seeking the views and experiences of Directors of Finance and Audit Committee Chairs, respectively, in relation to audits taking place in 2021/22.

This is a report of the two surveys’ findings. The main body of this report covers the responses to the questions sent to Directors of Finance and Audit Committee Chairs, with, where appropriate, comparisons drawn from both sets of feedback. The full questions sent to both groups can be found in Appendix A.

Methodology

The survey was conducted by the LGA’s Research and Information team using an online form. An email containing a survey link was sent to the Directors of Finance or equivalent at those bodies that have opted into PSAA’s national auditor scheme, and to the Audit Committee Chairs of those organisations. All organisations received the same survey to complete this year, even where the most recent financial year’s audit, 2021/22, was delayed/still in progress. The surveys were available to complete online during March 2023. A number of reminders to non-responders were issued during this period.

The final overall response rate from the Directors of Finance was 47 per cent (220). Table 1 shows them analysed by their audit firm.

Table 1: Respondents analysed by auditor (Finance Directors)

Region	Total number	Number of responses	Response rate %
BDO	25	10	40
Deloitte	26	15	58
Ernst & Young	150	76	51
Grant Thornton	180	84	47
Mazars	86	35	41
Total	467	220	47

The overall response rate from the Audit Committee Chairs was 30 per cent (142). Table 2 shows them analysed by their audit firm.

Table 2: Respondents analysed by auditor (Audit Committee Chairs)

Region	Total number	Number of responses	Response rate %
BDO	25	9	36
Deloitte	26	5	19
Ernst & Young	150	46	31
Grant Thornton	180	55	31
Mazars	86	27	31
Total	467	142	30

Where tables and figures report the base, the description refers to the group of people who were asked the question and the number in brackets refers to the number of respondents who answered each question. Please note that bases vary throughout the survey.

Where the response base is less than 50, care should be taken when interpreting percentages, as small differences can seem magnified. Therefore, where this is the case in this report, only the top line data findings will be shown as any detailed analysis may not be reliable and the non-percentage values are reported, in brackets, alongside the percentage values.

Throughout the report percentages in figures and tables may add to more than 100 per cent due to rounding.

In the survey the word 'auditor' covers the firm and the audit partner. 'Audit Committee' is used to refer to the committee to which the auditor reports.

PSAA feedback survey on quality of audit services

This section contains analysis of the full set of results of the survey relating to Finance Directors and Audit Committee Chairs. Each sub-section includes:

- An overall summary of the Finance Director results.
- A breakdown of the Finance Director results by auditor.
- An overall summary of the Audit Committee Chair results
- A breakdown of the Audit Committee Chair results by auditor
- A selection of illustrative quotes provided by the Finance Director and Audit Committee Chair respondents.

Financial/audit year

Finance Directors and Audit Committee Chairs were asked to provide their views on the service provided by their external auditors based on the latest financial year for which audit work had been carried out. Around one-third of both Finance Directors (35 per cent) and Audit Committee Chairs (32 per cent) said the work undertaken related to 2021/22. See Table 3.

	Finance Directors	Audit Committee Chairs
	%	%
2021/22	35	32
2020/21 and earlier years	65	68

Base: all finance director respondents (220), all audit committee chair respondents (142)

Meeting expectations

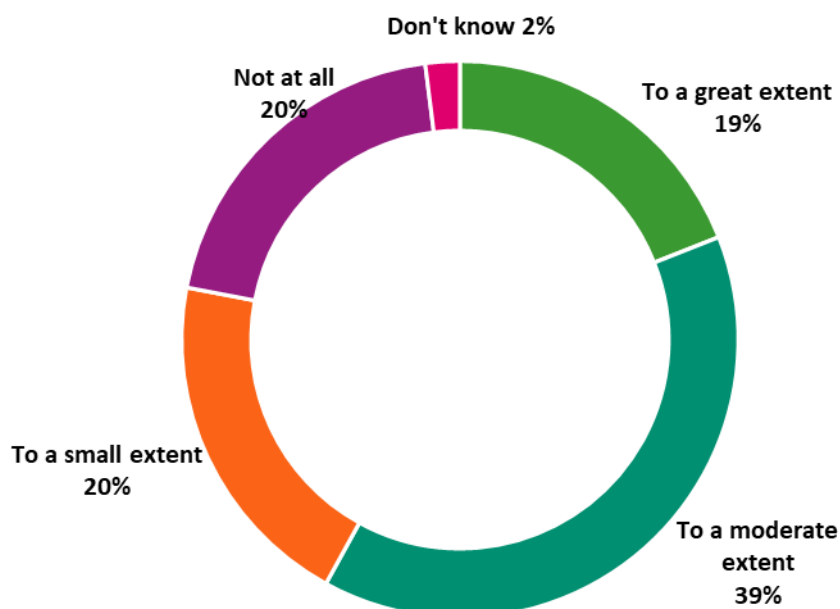
Finance Directors and Audit Committee Chairs were asked to what extent did the audit service provided to their organisation meet their expectations as set out in the auditor's audit planning document. The majority of Finance Directors (58 per cent) and Audit Committee Chairs (72 per cent) said that the audit service provided met their expectations to a great or moderate extent. This can be seen in Table 4 and in Figures 1 and 2. Table 5 shows the percentage of Finance Directors and Audit Committee Chairs that selected "to a great" or "moderate extent" analysed by audit firm.

Table 4: To what extent did the audit service provided to your organisation meet your expectations as set out in the auditor's audit planning documentation?

	Finance Directors	Audit Committee Chairs
	%	%
To a great or moderate extent	58	72
To a great extent	19	42
To a moderate extent	39	30
To a small extent	20	14
Not at all	20	11
Don't know	2	3

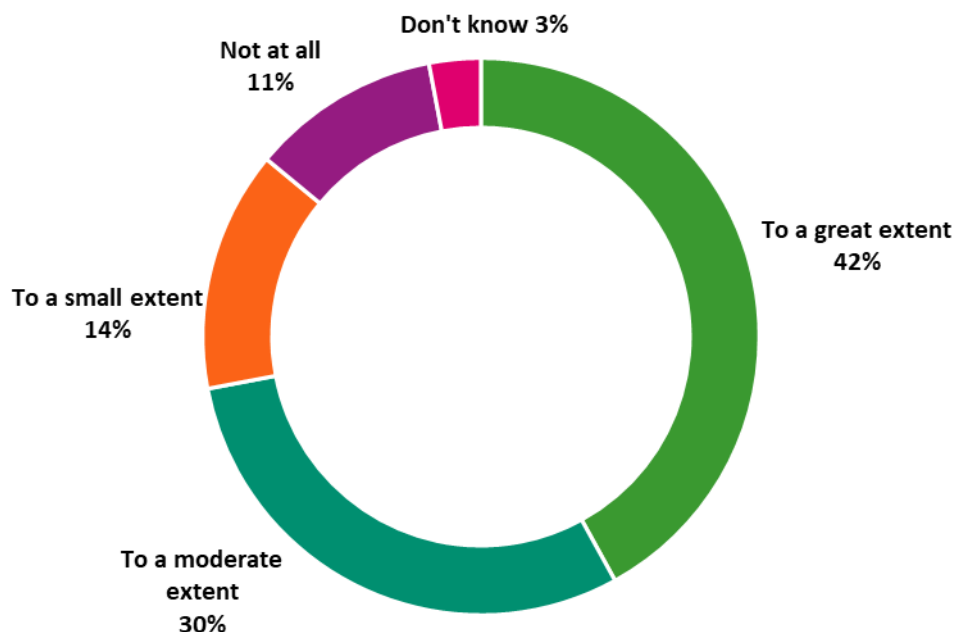
Base: all finance director respondents (220), all audit committee chair respondents (142)

Figure 1: To what extent did the audit service provided to your organisation meet your expectations as set out in the auditor's audit planning documentation? (Finance Directors)



Base: all finance director respondents (220)

Figure 2: To what extent did the audit service provided to your organisation meet your expectations as set out in the auditor's audit planning documentation? (Audit Committee Chairs)



Base: all audit committee chair respondents (142)

Table 5: To what extent did the audit service provided to your organisation meet your expectations as set out in the auditor's audit planning documentation? Percentage and number selecting 'to a great extent' or 'to a moderate extent' by auditor.

	Finance Directors		Audit Committee Chairs	
	%	N	%	N
BDO	10	1	44	4
Deloitte	27	4	20	1
Ernst & Young	49	36	67	31
Grant Thornton	74	60	78	43
Mazars	77	27	89	24

Base: all finance director respondents - BDO (10), Deloitte (15), Ernst & Young (75), Grant Thornton (81) and Mazars (35). (4 organisations said don't know)

All audit committee chair respondents - BDO (9), Deloitte (5), Ernst & Young (46), Grant Thornton (55) and Mazars (27).

Audit completion and delayed audits

Respondents were asked if their audit was completed by the target date set out in the audit planning documentation. More than four-fifths (84 per cent) of Finance Directors responded no. The Audit Committee Chair respondents showed similar findings, 66 per cent said no. See Table 6. Table 7 shows the data analysed by audit firm.

Table 6: Was your audit completed by the target date which is set out within the audit planning documentation?

	Finance Directors	Audit Committee Chairs
	%	%
Yes	12	28
No	84	66
Don't know	4	6

Base: all finance director respondents (220), all audit committee chair respondents (142)

Table 7: Was your audit completed by the target date which is set out within the audit planning documentation?

	Finance Directors				Audit Committee Chairs			
	Yes		No		Yes		No	
	%	N	%	N	%	N	%	N
BDO	0	0	100	10	22	2	78	7
Deloitte	0	0	100	15	20	1	80	4
Ernst & Young	7	5	93	68	13	5	87	34
Grant Thornton	21	17	79	63	35	19	65	35
Mazars	12	4	88	29	48	13	52	14

Base: all finance director respondents - BDO (10), Deloitte (15), Ernst & Young (73), Grant Thornton (80) and Mazars (33). (9 organisations said they didn't know)

All audit committee chair respondents - BDO (9), Deloitte (5), Ernst & Young (39), Grant Thornton (54) and Mazars (27). (8 organisations said they didn't know)

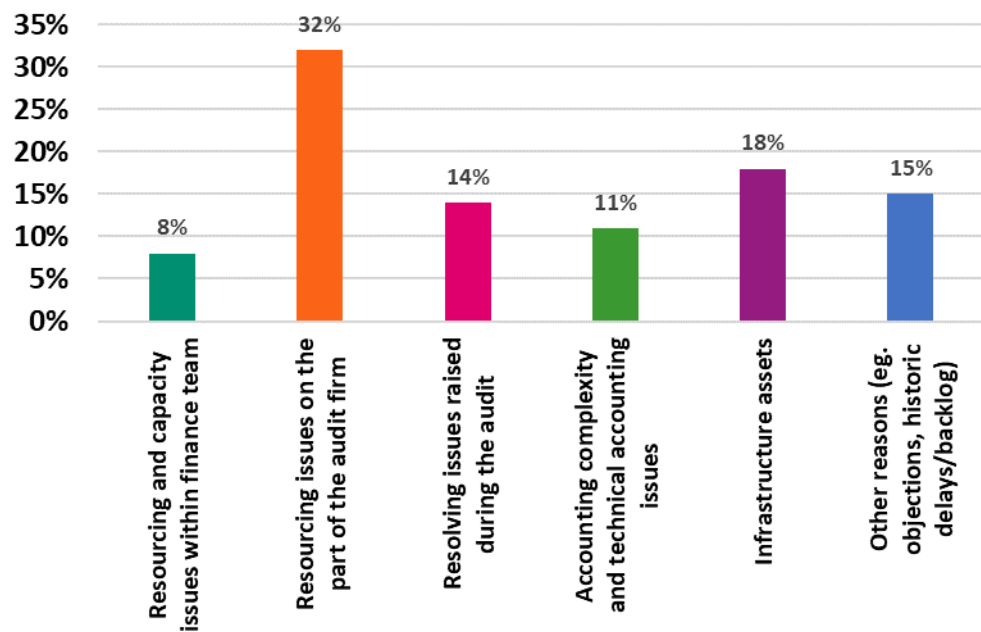
Those respondents stating that their audit was not completed by the target date set out in the audit planning document were asked what reasons were given for the delay. See Table 8. Thirty-two percent of Finance Directors and 29 per cent of Audit Committee Chairs said resourcing issues on the part of the audit firm was a reason the audit was not completed on time. Infrastructure assets was considered to be a reason for the delay by 18 per cent of Finance Directors and 14 per cent of Audit Committee Chairs. This can be seen in Figure 3 and Figure 4.

Table 8: Why was the audit not completed by this time? Please select all that apply.

	Finance Directors	Audit Committee Chairs
	%	%
Resourcing and capacity issues within finance team	8	8
Resourcing issues on the part of the audit firm	32	29
Resolving issues raised during the audit	14	15
Accounting complexity and technical accounting issues	11	15
Infrastructure assets	18	14
Don't know	1	1
Other reasons (eg. objections, historic delays/backlog) (please specify)	15	19

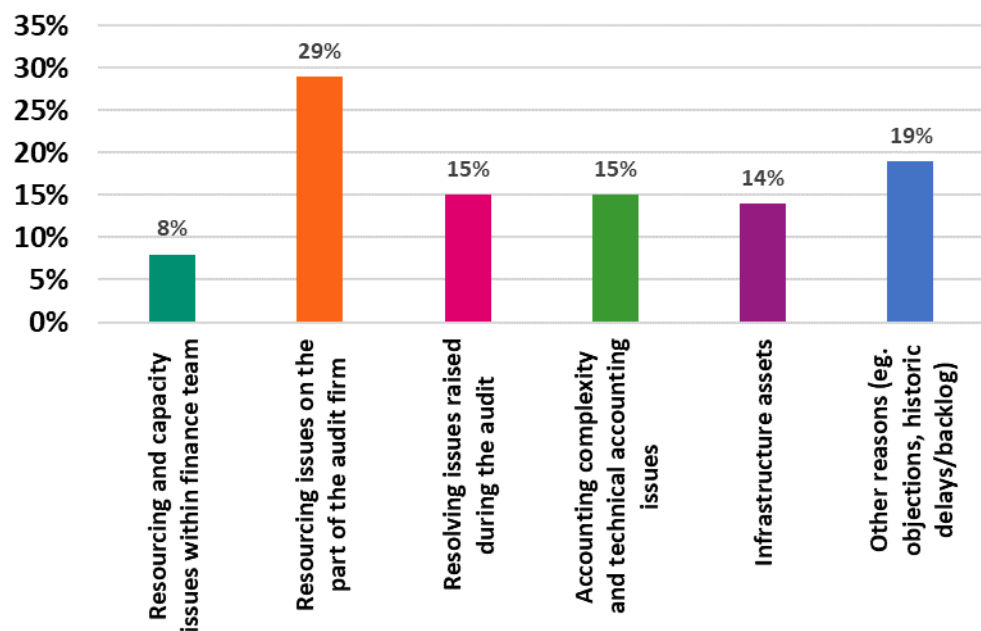
Base: respondents could answer more than one option

Figure 3: Why was the audit not completed by this time? (Finance Directors)



Base: respondents could answer more than one option

Figure 4: Why was the audit not completed by this time? (Audit Committee Chairs)



Base: respondents could answer more than one option

Comments from Finance Directors and the Audit Committee Chairs highlighted the concerns caused by delayed audits. These included:

‘Concern and frustration at continuing delays on our accounts sign-off now for two years, and the knock-on effects of these delays. I’m concerned about the costs to our Authority - both financial and in extra work needed by our staff to deal with the catch-up.’

‘There is a very urgent and serious need to address the backlog of outstanding audits. The government should decrease the requirements in order to speed up the backlog. We cannot always be paying for audits which are so outdated by the time they are reported that they are of little use for the current and future management of councils.’

Auditors ’communications

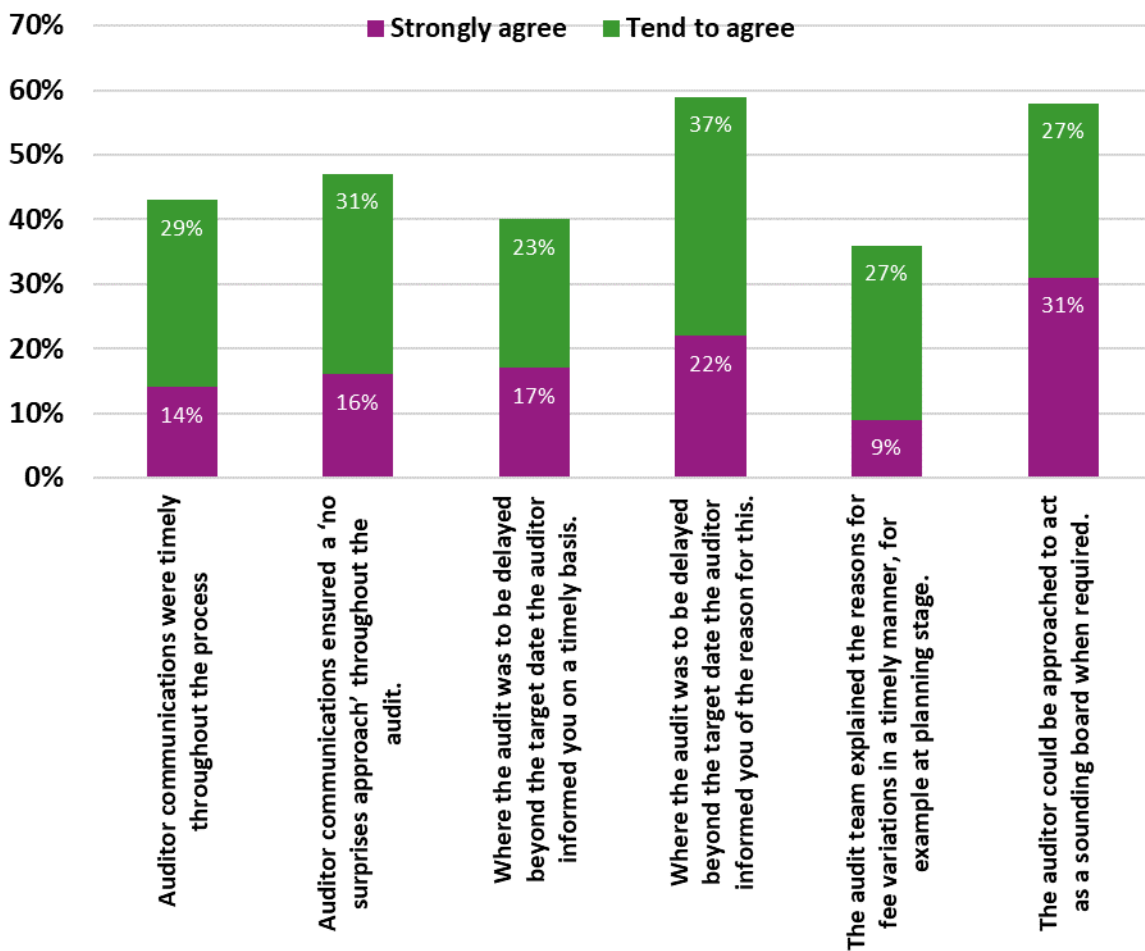
Respondents were asked to what extent they agreed with a set of statements that related to effective and timely communications (see Table 9). More than four out of ten (43 per cent) Finance Directors said they strongly agreed or tended to agree that auditor communications were timely throughout the process. More than two-fifths (47 per cent) said they strongly agreed or tended to agree that auditor communications ensured a ‘no surprises approach ’throughout the audit. Forty per cent of Finance Directors responded that they strongly agreed or tended to agree that the auditor informed them on a timely basis where the audit was to be delayed beyond the target date. More than half (59 per cent) said they strongly agreed or tended to agree that the auditor informed them of the reason for this where this was the case. Just over one-third (36 per cent) said they strongly agreed or tended to agree the audit team explained the reasons for fee variations in a timely manner, for example, at planning stage. Fifty-eight per cent of Finance Directors said they strongly agreed or tended to agree the auditor could be approached to act as a sounding board when required. This can be seen in Figure 5. Table 10 shows this data analysed by audit firm.

Table 9: A key cornerstone of relationship management is effective and timely communication. To what extent do you agree or disagree with the following statements? (Finance Directors)

	Strongly or tend to agree	Strongly agree	Tend to agree	A moderate amount	Tend to disagree	None at all	Don't know
		%	%	%	%	%	%
Auditor communications were timely throughout the process	43	14	29	28	24	5	0
Auditor communications ensured a 'no surprises approach' throughout the audit.	47	16	31	23	25	5	1
Where the audit was to be delayed beyond the target date the auditor informed you on a timely basis.	40	17	23	22	30	5	3
Where the audit was to be delayed beyond the target date the auditor informed you of the reason for this.	59	22	37	23	11	4	3
The audit team explained the reasons for fee variations in a timely manner, for example at planning stage.	36	9	27	22	25	7	9
The auditor could be approached to act as a sounding board when required.	58	31	27	24	13	4	0

Base: all finance director respondents (211)

Figure 5: A key cornerstone of relationship management is effective and timely communication. To what extent do you agree or disagree with the following statements? (Finance Directors)



Base: all finance director respondents (211)

Table 10: A key cornerstone of relationship management is effective and timely communication. To what extent do you agree or disagree with the following statements? Percentage and numbers selecting 'strongly agree' or 'tend to agree' analysed by audit firm (Finance Directors)

	BDO		Deloitte		Ernst & Young		Grant Thornton		Mazars	
	%	N	%	N	%	N	%	N	%	N
Auditor communications were timely throughout the process	0	0	7	1	40	29	51	41	58	19
Auditor communications ensured a 'no surprises approach' throughout the audit.	10	1	27	4	44	32	50	40	67	22
Where the audit was to be delayed beyond the target date the auditor informed you on a timely basis.	10	1	27	4	38	28	40	32	61	20
Where the audit was to be delayed beyond the target date the auditor informed you of the reason for this.	30	3	67	10	58	42	58	46	73	24
The audit team explained the reasons for fee variations in a timely manner, for example at planning stage.	10	1	13	2	27	20	41	33	64	21
The auditor could be approached to act as a sounding board when required.	10	1	47	7	51	37	64	51	85	28

Base: all finance director respondents: Row 1, 2, 3,4,5 and 6 – BDO (10), Deloitte (15), Ernst & Young (73), Grant Thornton (80) and Mazars (33).

Table 11 shows that Audit Committee Chairs gave more positive feedback than Finance Directors. Over half (59 per cent) of Audit Committee Chairs said they strongly agreed or tended to agree that auditor communications were timely throughout the process. Just under two-thirds (65 per cent) said auditor communications ensured a 'no surprise approach' throughout the audit. Sixty-four

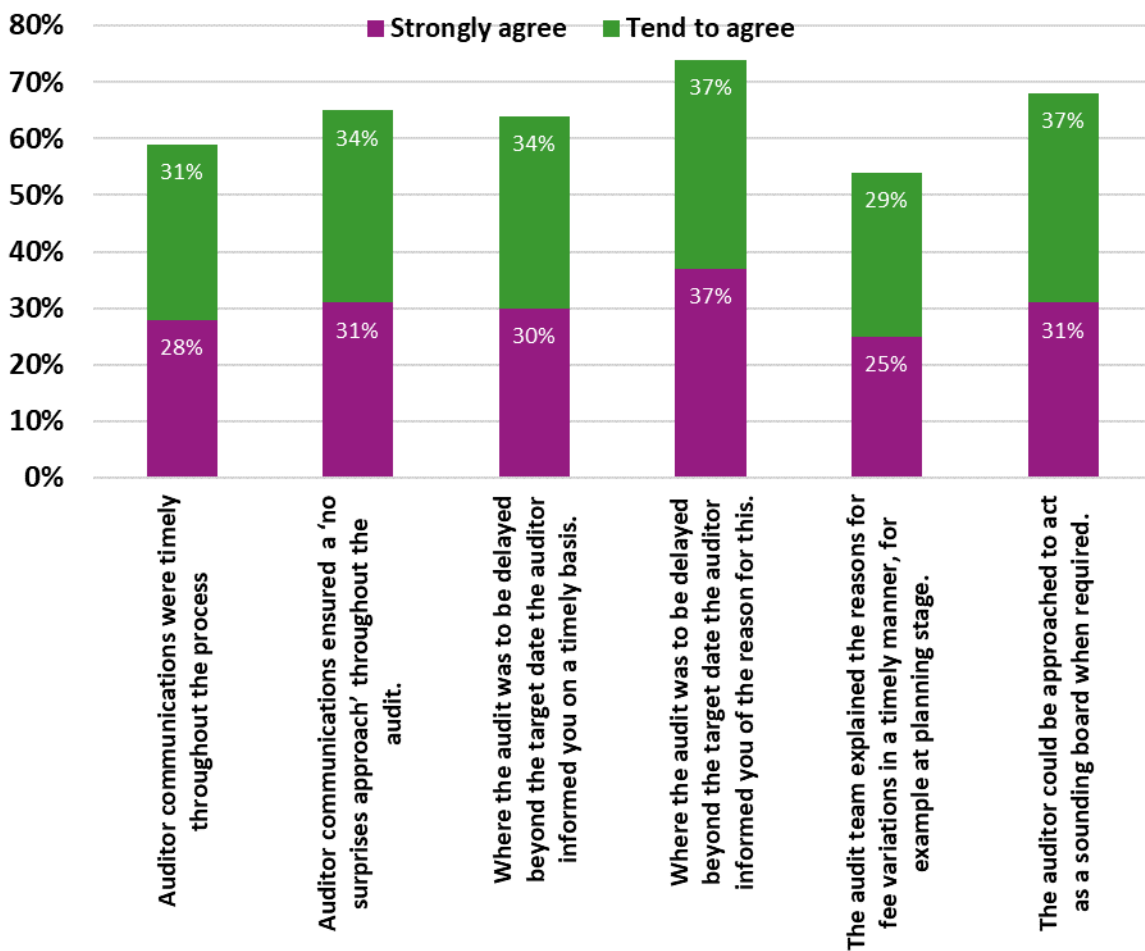
per cent of respondents said they strongly agreed or tended to agree that the auditor informed them on a timely basis where the audit was to be delayed beyond the target date. Just under three-quarters (74 per cent) said that they strongly agreed or tended to agree that the auditor informed them of the reason for this where this was the case. Around a half of Audit Committee Chairs said that they strongly agreed or tended to agree that the audit team explained the reasons for fee variations in a timely manner, for example at planning stage. Over two-thirds (68 per cent) said they strongly agreed or tended to agree the auditor could be approached to act as a sounding board when required. This can be seen in Figure 6. Table 12 shows this analysed by auditor.

Table 11: A key cornerstone of relationship management is effective and timely communication. To what extent do you agree or disagree with the following statements? (Audit Committee Chairs)

	Strongly or tend to agree	Strongly agree	Tend to agree	A moderate amount	Tend to disagree	None at all	Don't know
		%	%	%	%	%	%
Auditor communications were timely throughout the process	59	28	31	17	19	1	4
Auditor communications ensured a 'no surprises approach' throughout the audit.	65	31	34	14	13	5	2
Where the audit was to be delayed beyond the target date the auditor informed you on a timely basis.	64	30	34	16	14	4	3
Where the audit was to be delayed beyond the target date the auditor informed you of the reason for this.	74	37	37	10	12	1	3
The audit team explained the reasons for fee variations in a timely manner, for example at planning stage.	54	25	29	14	9	4	18
The auditor could be approached to act as a sounding board when required.	68	31	37	16	8	2	6

Base: all audit committee chair respondents (134)

Figure 6: A key cornerstone of relationship management is effective and timely communication. To what extent do you agree or disagree with the following statements? (Audit Committee Chairs)



Base: all audit committee chair respondents (134)

Table 12: A key cornerstone of relationship management is effective and timely communication. To what extent do you agree or disagree with the following statements? Percentage and numbers selecting 'strongly agree' or 'tend to agree' analysed by audit firm (Audit Committee Chairs)

	BDO		Deloitte		Ernst & Young		Grant Thornton		Mazars	
	%	N	%	N	%	N	%	N	%	N
Auditor communications were timely throughout the process	22	2	0	0	51	20	63	34	81	22
Auditor communications ensured a 'no surprises approach' throughout the audit.	11	1	20	1	64	25	70	38	85	23
Where the audit was to be delayed beyond the target date the auditor informed you on a timely basis.	33	3	40	2	59	23	67	36	78	21
Where the audit was to be delayed beyond the target date the auditor informed you of the reason for this.	56	5	40	2	72	28	80	43	78	21
The audit team explained the reasons for fee variations in a timely manner, for example at planning stage.	33	3	40	2	56	22	56	30	59	16
The auditor could be approached to act as a sounding board when required.	44	4	0	0	69	27	78	42	67	18

Base: all audit committee chair respondents: Rows 1,2,3,4,5 and 6 - BDO (9), Deloitte (5), Ernst & Young (39), Grant Thornton (54) and Mazars (27).

Finance Directors and Audit Committee Chairs provided the following comments relating to communications with their auditors which show its importance:

'If we, as a committee, had known sooner about the difficulties with our valuers we would have approached the cabinet to have them replaced.'

‘Communication continues to be poor and reliant on the Authority continuing to chase. Dates for deliverables come and go.’

‘The auditors have provided valuable work to the council and the Audit Committee. Access to the audit team and partners is excellent. I hold confidential pre-Committee meetings for Committee members which the Audit partner attends and makes a valuable contribution.’

Value for Money (VfM) Arrangements Commentary

The NAO Code of Audit Practice 2020 requires the auditor to report on the organisation’s arrangements to secure value for money (VfM) having regard to the following specified reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness. This is a change from the previous requirement under the 2015 Code which required a binary conclusion to be provided on the adequacy of the organisation’s VfM arrangements. Finance Directors and Audit Committee Chairs were asked how useful they found this commentary. Just under half (45 per cent) of Finance Directors said they found this commentary very or fairly useful. However, significantly more, around three-quarters (71 per cent) of Audit Committee Chairs felt that the commentary was very or fairly useful. See Table 13. Table 14 shows this analysed by auditor.

Table 13: How useful did you find this commentary?		
	Finance Directors	Audit Committee Chairs
	%	%
Very or fairly useful	45	71
Very useful	8	33
Fairly useful	37	38
Not very useful	18	9
Not at all useful	7	4
Don't know	1	4
Have not received the commentary yet	29	13

Base: all finance director respondents (216), all audit committee chair respondents (138)

Table 14: How useful did you find this commentary? Percentage and number selecting ‘very useful or ‘fairly useful analysed by auditor.

	Finance Directors		Audit Committee Chairs	
	%	N	%	N
BDO	0	0	67	6
Deloitte	43	6	40	2
Ernst & Young	36	27	70	31
Grant Thornton	53	44	76	41
Mazars	59	20	72	18

Base: all finance director respondents - BDO (9), Deloitte (14), Ernst & Young (74), Grant Thornton (83) and Mazars (34). (2 organisations said they didn't know)

All audit committee chair respondents - BDO (9), Deloitte (5), Ernst & Young (44), Grant Thornton (54) and Mazars (25). (1 organisation said they didn't know)

Finance Directors and Audit Committee Chairs provided the following comment on the value and usefulness of the VfM commentary:

‘Amend VfM audit requirements to incorporate special flavours and specific resilience checks. This would be well worth the extra cost to organisations and to the sector as a whole.’

‘VfM work has to be up to date. There is little merit in commenting on arrangements from 2 or even more years ago.’

In addition, this year for the first time we asked what could be done differently for the audit to provide more value for the organisation. We received 161 comments from Finance Directors and 97 comments from Audit Committee Chairs. Views expressed included:

‘Audit a set of accounts which are clean, crisp, to the point, and clearly show the difference between budgetary performance and statutory accounting. Develop a relationship which is about support and advice and a material approach to the organisation for our benefit and not for the benefit of those who are marking the audit file.’

‘It would have been better if the Audit could have been done quicker. This could be a resource problem on both sides. The general consensus is that the Audit seems to be more focused on Private sector details rather than Local Government.’

'Frankly - being on time is such a base level requirement that it's hard to comment on "more value". I honestly doubt that the 20/21 21/22 and 22/23 audits will be of any value as they will be so dated by the time we get them.'

Timely reporting of key issues

Respondents were asked, where significant concerns and weaknesses were identified, were these reported on a timely basis. Around two-fifths (44 per cent) of Finance Directors said these were reported on a timely basis. Two-thirds (67 per cent) of Audit Committee Chairs said the same. See Table 15. Table 16 shows this analysed by auditor.

Table 15: Where significant concerns and weaknesses were identified were these reported on a timely basis?

	Finance Directors	Audit Committee Chairs
	%	%
Yes	44	67
No	17	12
Don't know	38	21

Base: all finance director respondents (216), all audit committee chair respondents (138)

Table 16: Where significant concerns and weaknesses were identified these were reported on a timely basis?

	Finance Directors				Audit Committee Chairs			
	Yes		No		Yes		No	
	%	N	%	N	%	N	%	N
BDO	0	0	100	2	57	4	43	3
Deloitte	63	5	37	3	40	2	60	3
Ernst & Young	69	29	31	13	89	31	11	4
Grant Thornton	68	39	32	18	90	35	10	4
Mazars	96	23	4	1	91	21	9	2

Base: all finance director respondents - BDO (2), Deloitte (8), Ernst & Young (42), Grant Thornton (57) and Mazars (24). (83 organisations said they didn't know)

All audit committee chair respondents - BDO (7), Deloitte (5), Ernst & Young (35), Grant Thornton (39) and Mazars (23). (29 organisations said they didn't know)

Finance Directors and Audit Committee Chairs were asked to what extent the auditors communicated with them about financial accounting and reporting, financial resilience, valuations, infrastructure assets, changes to auditing standards and VfM arrangements work. All these themes have a significant impact on the audit.

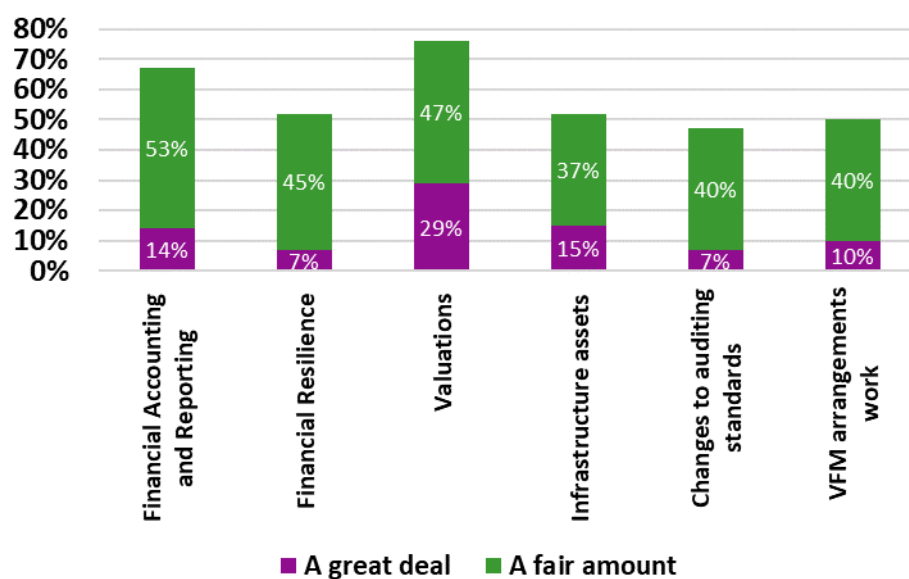
Two-thirds (67 per cent) of Finance Directors said they received communications a great deal or a fair amount about financial accounting and reporting from the auditors. Half (52 per cent) of Finance Directors said that they received communications a great deal or a fair amount from auditors regarding financial resilience. Three-quarters (76 per cent) of respondents said that the auditors communicated a great deal or a fair amount with them about valuations. Forty-seven percent said they received communications a great deal or a fair amount on changes to auditing standards. Half (50 per cent) of Finance Directors said auditors communicated with them a great deal or a fair amount regarding VfM arrangements work (see and Figure 7). Table 18 shows this analysed by auditor.

Table 17: The following themes may have had a significant on the impact of the audit. To what extent did the auditors communicate with you on the areas below? (Finance Directors)

	A great deal or fair amount	A great deal	A fair amount	Not very much	None at all	Don't know
		%	%	%	%	%
Financial Accounting and Reporting	67	14	53	24	6	3
Financial Resilience	52	7	45	35	10	3
Valuations	76	29	47	20	2	2
Infrastructure assets	52	15	37	29	11	8
Changes to auditing standards	47	7	40	42	6	5
VfM arrangements work	50	10	40	38	7	5

Base: all finance director respondents (216)

Figure 7: The following themes may have had a significant on the impact of the audit. To what extent did the auditors communicate with you on the areas below? (Finance Directors)



Base: all finance director respondents (216)

Table 18: The following themes may have had a significant on the impact of the audit. To what extent did the auditors communicate with you on the areas below? Percentage and numbers selecting ‘a great deal or ‘a fair amount’ analysed by audit firm (Finance Directors)

	BDO		Deloitte		Ernst & Young		Grant Thornton		Mazars	
	%	N	%	N	%	N	%	N	%	N
Financial Accounting and Reporting	44	4	47	7	55	41	78	65	85	29
Financial Resilience	11	1	33	5	48	36	58	48	68	23
Valuations	44	4	40	6	72	54	86	71	85	29
Infrastructure assets	33	3	53	8	45	34	54	45	65	22
Changes to auditing standards	0	0	40	6	37	28	55	46	65	22
VfM arrangements work	0	0	27	4	43	32	60	50	62	21

Base: all finance directors respondents: Rows 1,2,3,4,5 and 6 - BDO (9), Deloitte (15), Ernst & Young (75), Grant Thornton (83) and Mazars (34).

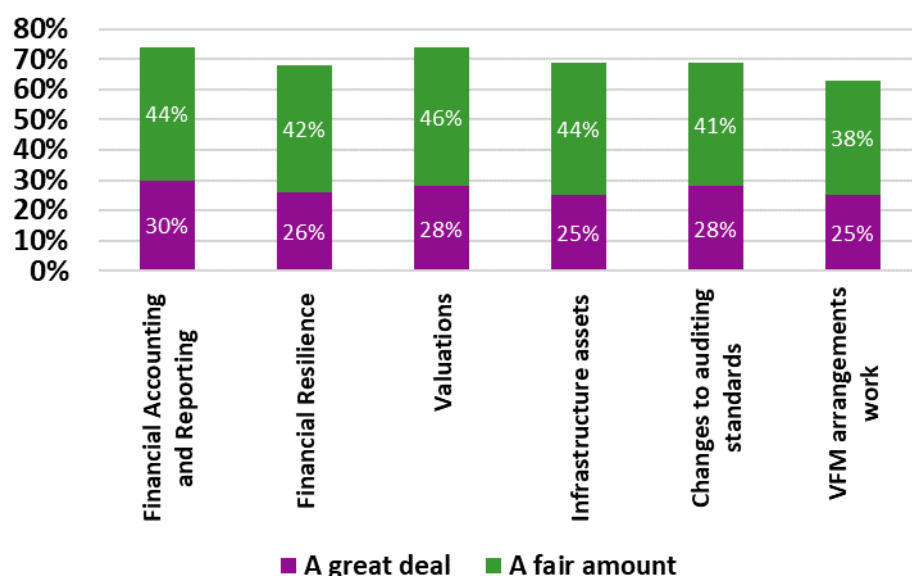
Three-quarters (74 per cent) of Audit Committee Chairs said they received communications a great deal or a fair amount regarding financial accounting and reporting from their auditors. Over two-thirds (68 per cent) said they received communications a great deal or a fair amount from auditors about financial resilience. Three-quarters (74 per cent) of Audit Committee Chairs said they received communications a great deal or a fair amount about valuations. Sixty-nine per cent said they received communications a great deal or a fair amount from auditors about infrastructure assets and changes to auditing standards. Three-fifths (63 per cent) of Audit Committee Chairs said they received communications a great deal or a fair amount about VfM arrangements work (see Table 19 and Figure 8). Table 20 shows this analysed by auditor.

Table 19: The following themes may have had a significant on the impact of the audit. To what extent did the auditors communicate with you on the areas below? (Audit Committee Chairs)

	A great deal or a fair amount	A great deal	A fair amount	Not very much	None at all	Don't know
		%	%	%	%	%
Financial Accounting and Reporting	74	30	44	12	5	9
Financial Resilience	68	26	42	18	5	9
Valuations	74	28	46	10	6	10
Infrastructure assets	69	25	44	15	6	10
Changes to auditing standards	69	28	41	14	8	9
VfM arrangements work	63	25	38	16	8	12

Base: all audit committee chair respondents (138)

Figure 8: The following themes may have had a significant on the impact of the audit. To what extent did the auditors communicate with you on the areas below? (Audit Committee Chairs)



Base: all audit committee chair respondents (138)

Table 20: The following themes may have had a significant on the impact of the audit. To what extent did the auditors communicate with you on the areas below? Percentage and numbers selecting 'a great deal' or 'a fair amount' analysed by audit firm (Audit Committee Chairs)

	BDO		Deloitte		Ernst & Young		Grant Thornton		Mazars	
	%	N	%	N	%	N	%	N	%	N
Financial Accounting and Reporting	44	4	20	1	68	30	80	43	92	24
Financial Resilience	22	2	20	1	64	28	72	39	92	24
Valuations	56	5	20	1	77	32	78	42	85	22
Infrastructure assets	44	4	20	1	70	31	70	38	81	21
Changes to auditing standards	44	4	20	1	66	29	69	37	88	23
VfM arrangements work	11	1	0	0	64	28	65	35	92	24

Base: all audit committee chair respondents: Rows 1, 2,3,4,5 and 6 - BDO (9), Deloitte (5), Ernst & Young (44), Grant Thornton (54) and Mazars (26).

Respondents' comments challenged the amount of audit time spent on the asset and pension valuations and perceived lower risk areas:

'The auditors are focused on issues that may be of concern to regulators which may be of interest for a private sector company but make no real difference from a public sector perspective. For example, the valuation of buildings is largely irrelevant. The public care about how much money was spent to buy a building, lease a building, maintain a building or how much can be gained from selling a building. They are not interested in spurious valuations. We are having to use public funds to pay for accountants and auditors to debate semantic points while frontline public services cannot afford to help as many people as we would like.'

'The Auditor spends a lot of time, and so do we the Council, on valuations of things like Pension Funds and infrastructure assets etc in order to comply with their Audit Code of Practice. In the Local Government context, these valuations are simply numbers on the balance sheet and cost the taxpayer a considerable amount of money for no benefit'.

'Financial reporting and the Audit & Accounting regulations do not focus on the aspects that matter for Local Authority finances. There is too much focus on 'technical' financial accounting aspects that have no bearing on the council's financial position, such as operational asset valuation (pensions, infrastructure, etc). IFRS are not always suitable for the public sector and do not necessarily highlight or safeguard from pending financial failures as can be seen by the s114 reports issued recently'.

'There was no sense from the outset that the audit would be of value to the organisation - the fundamental approach was based on the auditors being conscious of criticism over failings elsewhere and a determination to make sure that every element was covered, irrespective of the Council's risk profile and the lack of audit resources to complete the tasks required to do this. This is so far from what audit can do to add value to the audited body that the question doesn't really arise: it was somewhere between a necessary chore and an ordeal for my staff.'

Committee Meetings

Finance Directors and Audit Committee Chairs were asked if the audit committee met privately with the auditors without officers present. Nearly three-quarters (72 per cent) of Finance Directors said that the auditors had not met privately with the Committee. Audit Committee Chairs similarly responded with 70 per cent saying that they had not met privately with auditors (see Table 21). Table 22 shows this data analysed by auditor.

Table 21: Did the audit committee meet privately with the auditors without officers present, for example during any pre-committee meetings?

	Finance Directors	Audit Committee Chairs
	%	%
Yes	16	23
No	72	70
Don't know	13	7

Base: all finance director respondents (216), all audit committee chair respondents (138)

Table 22: Did the audit committee meet privately with the auditors without officers present, for example during any pre-committee meetings? Percentage and number analysed by auditor.

	Finance Directors				Audit Committee Chairs			
	Yes		No		Yes		No	
	%	N	%	N	%	N	%	N
BDO	13	1	87	7	25	2	75	6
Deloitte	38	5	62	8	20	1	80	4
Ernst & Young	17	11	83	53	34	14	66	27
Grant Thornton	18	13	82	61	26	13	74	37
Mazars	13	4	87	26	8	2	92	23

Base: all finance director respondents - BDO (8), Deloitte (13), Ernst & Young (64), Grant Thornton (74) and Mazars (30). (27 organisations said they didn't know)

All audit committee chair respondents - BDO (8), Deloitte (5), Ernst & Young (41), Grant Thornton (50) and Mazars (25). (9 organisations said they didn't know)

Respondents were asked how satisfied they were with the auditor's performance in audit committee meetings. Around two-thirds (65 per cent) of Finance Directors and (68 per cent) Audit Committee Chairs said that they were very or fairly satisfied with

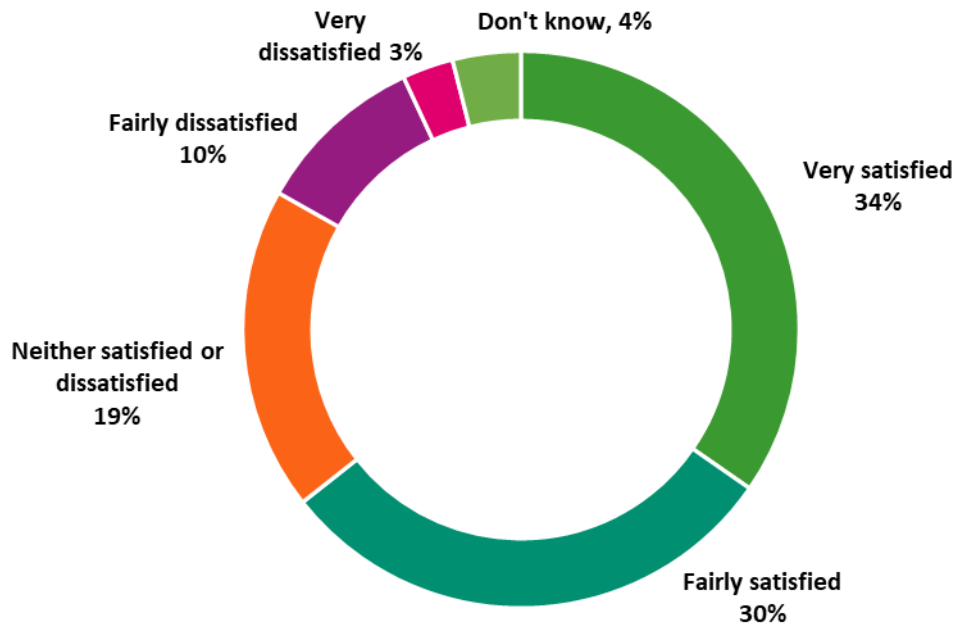
the auditor's performance in audit committee meetings. See Table 23 and Figure 9 and Figure 10. Table 24 shows this data analysed by auditor.

Table 23: How satisfied were you with your auditor's performance in the audit committee meetings?

	Finance Directors	Audit Committee Chairs
	%	%
Very or fairly satisfied	65	68
Very satisfied	35	39
Fairly satisfied	30	29
Neither satisfied nor dissatisfied	19	15
Fairly dissatisfied	10	7
Very dissatisfied	3	7
Don't know	4	3

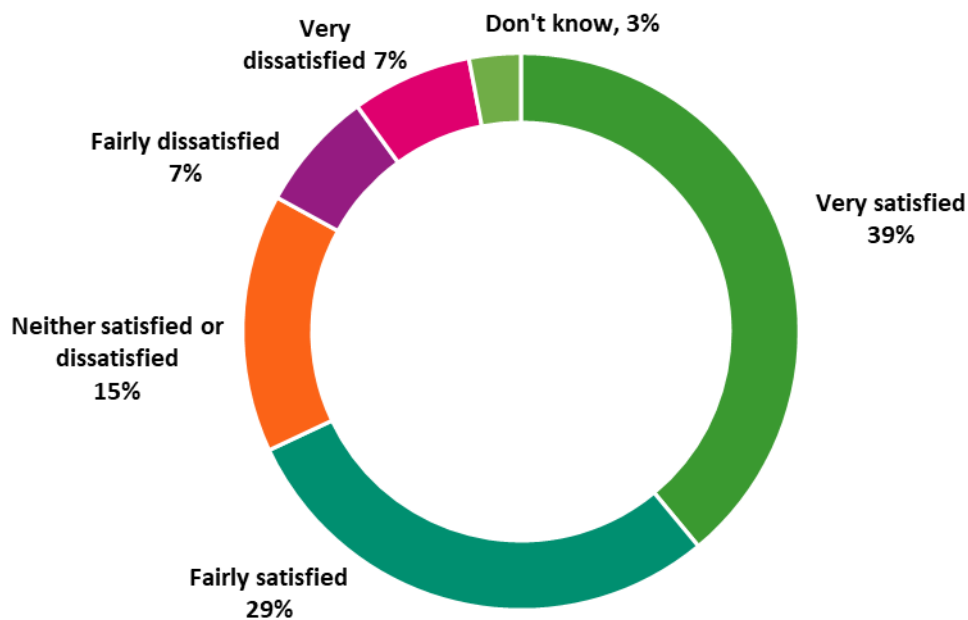
Base: all finance director respondents (216), all audit committee chair respondents (138)

Figure 9: How satisfied were you with your auditor's performance in the audit committee meetings? (Finance Directors)



Base: all finance director respondents (216)

Figure 10: How satisfied were you with your auditor's performance in the audit committee meetings? (Audit Committee Chairs)



Base: all audit committee chair respondents (138)

Table 24: How satisfied were you with your auditor's performance in the audit committee meetings? Percentage and number selecting 'very satisfied' or 'fairly satisfied' analysed by auditor.

	Finance Directors		Audit Committee Chairs	
	%	N	%	N
BDO	22	2	38	3
Deloitte	33	5	0	0
Ernst & Young	64	45	62	26
Grant Thornton	72	59	83	45
Mazars	91	29	80	20

Base: all finance director respondents - BDO (9), Deloitte (15), Ernst & Young (70), Grant Thornton (82) and Mazars (32). (8 organisations said they didn't know)

Base: all audit committee chair respondents - BDO (8), Deloitte (5), Ernst & Young (42), Grant Thornton (54) and Mazars (25). (4 organisations said they didn't know)

Respondents comments on performance at Audit Committees meetings included:

The change in auditing standards and the impact on the audit has not been explained by the auditor and the auditor has denied that there is any impact on the levels of work required despite Council officers having witnessed the change.'

'Audit is naturally a technical area. Our auditors were helpful in explaining matters to committee. I would like them to consider how they present issues in a 'layperson 'friendly summary'.

'We used to receive sector updates at Audit Committee meetings, but these have not been produced in the last couple of years. Appears to be a service no longer provided. '

Comments expressed by Audit Committee Chairs referred to the value of private meetings and revealed some frustration that they had not happened:

'I would have found it useful to have had a meeting with the external auditors to discuss their findings prior to the relevant committee meetings.'

'A private meeting is good practice, even when there is nothing to report. As Chair of the Resources, Audit & Performance Committee I would welcome this.'

‘More regular meetings with the Auditors between Chair & Vice Chair would have helped to avoid unhelpful surprises.’

‘More direct communication between Chair/committee and auditors, without officers. At present all communication goes through the finance team.’

‘A more interactive approach with the Chair outside the Committee meetings would be helpful.’

Additional comments

Respondents were asked if they had any additional comments they wished to make. Forty-five per cent of Finance Directors provided a comment and half (51 per cent) of Audit Comment Chairs responding also did so. Analysed by theme and removing those comments which were not relevant to the survey questions, the key themes are seen in Table 25.

Table 25: Are there any additional comments you would like to make?				
	Finance Directors		Audit Committee Chairs	
	%	N	%	N
Audit delays and resources*	43	43	40	29
Comms.	11	11	4	3
Sector concerns	29	29	13	9
Role of PSAA	6	5	4	3
Compliments	9	9	15	11
Misc. comments	6	6	4	3
Fees	6	6	0	0

(Note: percentages will not add to 100 as respondents could provide more than one comment.

*Includes timeliness, auditor resources and impact on local finance teams.)

As expected, the audit backlog and related issues were the main focus for comments, but this year we saw an increase in comments relating to the impact of changes to audit team personnel and plans on local finance teams.

Below is a selection of comments which illustrate the areas raised by survey respondents where not reported above.

Impact of changes to audit staff during the audit:

'Changes in the Audit manager has resulted in part of the accounts being revisited by the new manager and additional questions asked.'

'We work well with the auditors, but we need a consistent team who deliver the audit. We have had so many audit staff leave and it feels like we have been re-audited every time we get a new auditor and go to the back of the queue.'

'Because we are all working at high capacity even small changes in the planned audit programme has impacts on our team. In my experience the main frustration is lack of a clear timed plan around which our team can work.'

'Because of staff changes the audit team was not consistent so has resulted in duplication of some audit tasks causing further delay.'

Compliments on the audit process included:

'The delays in the VfM reporting were not of the auditors making but were down to internal management issues. In my opinion our auditors dealt extremely well with a difficult management issue.'

Annex A: Questionnaire

PSAA Audit Feedback Survey 2022

This survey is conducted by the LGA on behalf of Public Sector Audit Appointments (PSAA). PSAA monitors the performance of the audit firms it has appointed to undertake audits under the Local Audit and Accountability Act 2014. The results of this monitoring provide audited bodies and other stakeholders with information on the quality of audit services delivered.

In order to inform this monitoring process, it is vital that PSAA understand the views of the bodies to which it appoints auditors, including concerning the conduct of the audit process and the value of its outputs.

The results of our last survey were published in August 2022. Information on the survey and the report can be found on our website at: [PSAA Client Survey 2020-2021](#) . The results were discussed with the audit firms, enabling them to use the feedback to improve the quality of audit services provided.

All audit work is carried out in accordance with the NAO's Code of Audit Practice: [Code of Audit Practice - National Audit Office \(NAO\)](#). The Code requires auditors to consider more than the financial statements as part of their work – in particular, auditors consider and report on the organisation's value for money arrangements.

With all that in mind, and recognising the significant demands on your time, PSAA is inviting you to take part in a survey about your view and experiences of your organisation's most recent external audit. The survey which should take no longer than 10 minutes to complete.

Q2.1 In order to provide you with the opportunity to be as open and frank as possible, PSAA has asked the LGA to administer the survey. We do however ask you to provide the name of your external audit firm and type of authority so that we can identify sector and audit supplier trends.

There is an opportunity at the end of the survey for you to provide comments, whether general in nature or specific to any of the questions posed in the survey.

If you stop before completing the survey, you can come back to this page using the link supplied in the email and you will be able to continue where you left off. To ensure your answers have been saved, click on the 'next' button at the bottom of the page that you were working on before exiting.

All responses will be treated confidentially. Information will be aggregated, and no

individual or authority will be identified in any publications without your consent. Identifiable information may be used internally within the LGA and PSAA but will only be held and processed in accordance with our privacy statement. We are undertaking this survey to aid the legitimate interests of the LGA in supporting and representing authorities.

In the survey the word 'auditor 'covers the firm and the audit partner. 'Audit Committee' is used to refer to the committee that the auditor reports to.

If you have any queries about completing the survey, please contact the LGA Research and Information Team at Research@local.gov.uk.

Please complete the survey at your earliest convenience and no later than 20 March 2023.

If you wish to make any other comments or raise matters directly with PSAA outside of the survey process, please contact PSAA by email at generalenquiries@psaa.co.uk.

Q3.1 Please amend the details we have on record if necessary.

- Name _____
- Organisation _____
- Job title _____
- Email address _____
- Audit firm _____

Q4.1 This survey has been designed to be completed anonymously. If you have specific concerns that you have not already discussed with your auditor that you would like referred, please indicate that you are willing for us to pass your comments and contact details to your auditor for follow up

- I am willing for my contact details and survey answers to be passed to my auditor so that they can contact me to discuss my views further
- I would like my survey data and contact details to remain anonymous

Q4.2 This year we are seeking your views of the service provided by your external auditor based on the audit work performed during the last calendar year (2022). Please can you state what financial/audit year the work undertaken relates to.

- 2021/22
- 2020/21 and earlier years

Q5.1 To what extent did the audit service provided to your organisation meet your expectations as set out in the auditor's audit planning documentation?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know

Q5.2 Was your audit completed by the target date which is set out within the audit planning documentation?

- Yes
- No
- Don't know

Skip To: End of Block If Was your audit completed by the target date which is set out within the audit planning documentat... = Don't know

Display This Question:

If Was your audit completed by the target date which is set out within the audit planning documentat... =
No

Q5.3 Why was the audit not completed by this time?

Please select all that apply.

- Accounting complexity and technical accounting issues
 - Resourcing and capacity issues within finance team
 - Resourcing issues on the part of the audit firm
 - Resolving issues raised during the audit
 - Infrastructure assets
 - Other reasons (eg. objections, historic delays/backlog) (please specify)
-

Don't know

Q5.4 A key cornerstone of relationship management is effective and timely communication.

To what extent do you agree or disagree with the following statements?

	Strongly agree	Tend to agree	A moderate amount	Tend to disagree	None at all	Don't know
--	----------------	---------------	-------------------	------------------	-------------	------------

Auditor communications were timely throughout the process

Auditor communications ensured a 'no surprises approach' throughout the audit.

Where the audit was to be delayed beyond the target date the auditor informed you on a timely basis.

Where the audit was to be delayed beyond the target date the auditor informed you of the reason for this.

The audit team explained the reasons for fee variations in a timely manner, for example at planning stage.

The auditor could be approached to act as a sounding board when required.

Q6.1 The NAO Code of Audit Practice 2020 requires the auditor to report on the organisation's arrangements to secure value for money and to report having regard to the following specified reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness. This is a change from the previous requirement under the 2015 Code which required a binary conclusion to be provided on the adequacy of the organisation's VfM arrangements.

How useful did you find this commentary?

- Very useful
- Fairly useful
- Not very useful
- Not at all useful
- Don't know
- Have not received the commentary yet

Q6.2 Where significant concerns and weaknesses were identified these were reported on a timely basis?

- Yes
- No
- Don't know

Q6.3 The following themes will have had a significant on the impact of the audit. How much did the auditors communicate with you on the areas below?

	A great deal	A fair amount	Not very much	None at all	Don't know

Financial
Accounting
and Reporting

Financial
Resilience

Valuations

Infrastructure
assets

Changes to
auditing
standards

VfM
arrangements
work

Q6.4 Did the audit committee meet privately with the auditors without officers present, for example during any pre-committee meetings?

- Yes
- No
- Don't know

Q6.5 How satisfied were you with your auditor's performance in the audit committee meetings?

- Very satisfied
- Fairly satisfied
- Neither satisfied nor dissatisfied
- Fairly dissatisfied
- Very dissatisfied
- Don't know

Q7.1 What could have been done differently to make the audit of more value to the organisation?

Q7.2 Are there any additional comments you would like to make? Where these comments are in relation to a specific question, please state which question they relate to.

Q8.1

Once you press the 'Submit' button below, you will have completed the survey.

Many thanks for taking the time to complete this survey. You are in control of any

personal data that you have provided to us in your response. You can contact us at all times to have your information changed or deleted. You can find our full privacy policy here: [click here to see our privacy policy](#)



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