

Audit Contract Monitoring Report

2023/24 audit of accounts

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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 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 2015.

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Executive Summary

The local audit system has faced significant challenges since 2019, with a persistent backlog of unaudited accounts and systemic capacity issues. In response, the Government introduced statutory backstop dates and initiated a comprehensive reform strategy, including the establishment of a Local Audit Office (LAO) to streamline oversight, improve audit quality, and enhance transparency. PSAA has actively supported these reforms and continues to collaborate with stakeholders through the newly formed Transition Board.

This report, the first under the second appointing period (2023/24–2027/28), outlines PSAA's audit contract monitoring approach, which is grounded in the IAASB Framework for Audit Quality. Monitoring focuses on three core areas: adherence to professional standards, compliance with contractual requirements, and effective relationship management.

This report covers activity during the period 1 April 2023 (the commencement date of the contract to deliver the 2023/24 audits) to 30 June 2025 (four months after the statutory backstop date of 28 February 2025). We chose to report the position at this date to align with the completion of the client survey for these audits.

Adherence to professional standards and guidance

Audit quality is assessed by regulatory reviews from the FRC's Audit Quality Review (AQR) team and the ICAEW's Quality Assurance Department (QAD). Although routine inspections of local government audits up to 2023/24 were suspended to prioritise backlog clearance, recent inspections of NHS audits concluded most met required standards.

The FRC's 2025 Annual Review of Audit Quality of the inspection of corporate audits and firm-wide quality control processes reported strong performance among Tier 1 firms, with 90% or more of audits achieving positive outcomes. However, areas such as inventory auditing and group audit oversight remain in need of improvement.

All inspected audits met the required standards for Value for Money (VFM) arrangements. The NAO's revised Code of Audit Practice, effective from November 2024, introduced new requirements to strengthen the reporting of VFM assessments.

Transparency Reports from the four firms conducting Major Local Audits (Ernst & Young, Forvis Mazars, Grant Thornton and KPMG) confirmed compliance with regulatory expectations, including internal quality monitoring, independence procedures, and staff competency. We did not identify any contractual concerns from these reports.

Compliance with contractual requirements

Within the limits of our remit, we maintain oversight of audit service delivery through structured monitoring of firms' compliance with contractual obligations and our Terms of Appointment (ToA). Formal quarterly reviews and performance indicators underpin our oversight.

For the 2023/24 audits, firms broadly met expectations, with 427 audit opinions issued by the February 2025 backstop date. However, 33 audits remained outstanding as of June 2025. VFM

arrangements commentaries had a continued rise in reported weaknesses, particularly in governance and financial sustainability.

Auditors exercised their statutory powers, issuing 12 formal recommendations and two Public Interest Reports. Objection handling remains a challenge, with only 24% resolved within the six months cited in the Code of Audit Practice. Independence and ethical compliance were generally well managed, with only three minor incidents reported.

All firms demonstrated commitment to social value in line with their contractual commitments, creating over 315 trainee and graduate roles and contributing over 800 volunteer days. Non-audit services were minimal and appropriately assessed for independence risks.

Key Performance Indicators (KPIs) introduced in the new contracts showed mixed results, with strong communication compliance (98%) but underperformance in audit planning and objection resolution. Seven Notifiable Default Notices were issued, with two requiring formal rectification plans.

All firms maintained satisfactory insurance, information assurance, and financial standing. No formal complaints were received under our policy for the 2023/24 audits.

Effective relationship management

We survey opted-in bodies to seek views from Directors of Finance and Audit Committee Chairs on their audit delivery experience as part of our contract monitoring arrangements, and to identify areas for improvement. This vital feedback also informs our discussions with the firms and other key stakeholders involved in local audit in England.

282 bodies responded out of a possible 448 (63%). Of these, 39 had not received their audit opinion by 31 March 2025 and were issued a separate, tailored survey.

We received responses from 193 Directors of Finance (47%) and 118 Audit Committee Chairs (31%) across 257 bodies to the main LGA survey. Results showed improved satisfaction compared to previous years, particularly in audit delivery, timeliness of communication and auditor performance at Audit Committee meetings. Most respondents reported that the audit service met expectations set out in the audit plan. However, concerns remain around fee variation communications, auditor resourcing and the complexity of audit processes.

Additional comments on the wider context of local audit reform highlighted the need for clearer guidance on resolving the audit backlog while maintaining value for money and adapting audit approaches to reflect changes caused by local government reorganisation.

25 bodies (64%) responded to the tailored survey for bodies without an audit opinion by 31 March 2025, including 12 Directors of Finance (31%) and 13 Audit Committee Chairs (38%). Their feedback largely aligned with the main survey, with positive views on auditor communication and their performance at Audit Committee meetings. Respondents also emphasised the need for clearer communication around fees, stronger engagement to maintain confidence in audit integrity and sustainable solutions to rebuild assurance.

Delays to audit opinions being delivered were primarily attributed to prior year issues, with additional factors including finance team resourcing and objections.

Overall reflections

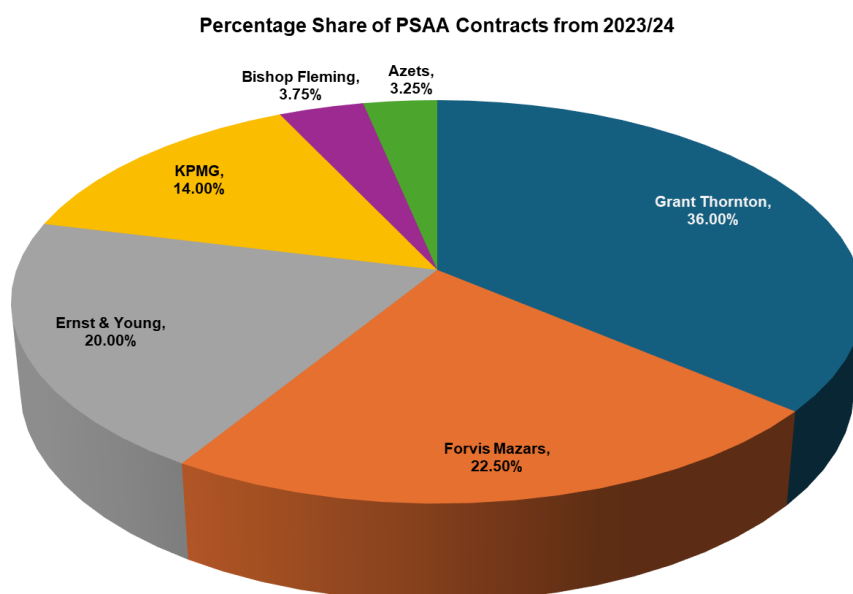
This report provides a comprehensive overview of audit delivery across the first audits under the second appointing period. Despite ongoing system-wide challenges, there are encouraging signs of progress as reflected in stakeholder feedback, but the need for fundamental reform as announced by Government is clear. Continued collaboration and reform remain essential to restoring timely, high-quality local audit and sustaining public confidence.

Audit environment in context

1. Since 2019 there has been growing concern about the backlog of unaudited local government accounts and a local audit system infrastructure unable to cope with the demands placed on it. Our [written evidence](#) to the Levelling Up, Housing and Communities Committee inquiry on Financial Reporting and Audit in Local Authorities in April 2023 provides a short history of how the situation developed.
2. The [Government announced in July 2024](#) that an overhaul of the local audit system was needed to deliver the reforms required '*to enable taxpayers to get better value for money*', a commitment that we strongly supported.
3. The announcement introduced statutory backstop dates for all audit years up to 2027/28 including 13 December 2024 for audits up to 2022/23, and 28 February 2025 for 2023/24 audits. Where an auditor was unable to obtain sufficient evidence for the audit they disclaimed their opinion, and where necessary VFM arrangements commentaries could cover multiple years. Where an audit has been disclaimed it may take several years before an auditor will be able to give an unmodified opinion.
4. Revisions to the [Accounts and Audit Regulations](#) and the [Code of Audit Practice](#) laid in September 2024 gave legal effect to backstop measures to deal with the backlog.
5. MHCLG issued its plans for [local audit reform](#) in April 2025 following a consultation to which [we submitted a response](#). This included the establishment of a Local Audit Office (LAO) to oversee local audit, to simplify and streamline the current fragmented system, and to ensure efficiency, transparency and value for money. The LAO will have five strategic responsibilities, including coordinating the audit system, managing contracts, setting the Audit Code of Practice, overseeing quality, and issuing national reports on the health of local audits.
6. MHCLG established the Local Audit Liaison Committee (LALC) to co-ordinate the work of the local audit system to resolve the issues impacting local audit. We were a member of the LALC until MHCLG decided to disband the Committee and its replacement, the Transition Board, brings together key local audit stakeholders, including PSAA, to support the implementation of the reforms.
7. We are committed to working proactively with all system stakeholders to address the challenges and ongoing concerns related to local audit, and supporting the establishment of the LAO which will take on the appointing person responsibilities of PSAA once created, potentially as early as Autumn 2026, with resources transferring to the new organisation swiftly thereafter.
8. The [English Devolution and Community Empowerment Bill](#) was published on 10 July 2025 and includes legislation to reform the local audit system and establish the LAO. The local audit overhaul strategy provides a clear vision for local audit and its users, proposals for simplified and proportionate financial reporting, improvements to the market's capacity and capability, and ways to build strong relationships between local bodies and auditors.

Introduction

9. This report covers the delivery of audits for the 2023/24 audit of accounts in the period 1 April 2023 (the commencement date of the contract to deliver the 2023/24 audits) to 30 June 2025 (four months after the statutory backstop date of 28 February 2025).
10. It is our first report under the second appointing period which covers the audits from 2023/24 to 2027/28, and our sixth annual report under our appointing person responsibilities as set out in the Local Audit and Accountability Act 2014 (the Act) and Local Audit (Appointing Person) Regulations 2015 (the Regulations).
11. Under our Articles of Association we have a responsibility to “*ensuring effective management of contracts with firms for the delivery of consistent, quality and effective audit services to relevant authorities.*” This is alongside a duty under the Regulation 7(b) to design and implement appropriate systems to:
 - oversee issues of independence; and
 - monitor compliance against contractual obligations.
12. We publish a [summary of our approach](#) on our website.
13. Our procurement in 2022 to award contracts for the delivery of audits for the second appointing period took place against the challenging backcloth of a troubled audit profession, a turbulent market and a local audit system that was facing unprecedented difficulties including large volumes of delayed audit opinions.
14. We entered into contracts of varying sizes with six audit firms (firms). We were pleased to retain the services of three existing firms, Grant Thornton (GT), Forvis Mazars (FM) and Ernst & Young (EY), to welcome former firm KPMG back to the market, and to be entering into contracts with two new firms, Bishop Fleming (BF) and Azets Audit Services (AZ).



15. Throughout the year we published quarterly data about the delivery of audit opinions and auditors' use of additional powers to issue Statutory Reports such as Public Interest Reports and written recommendations and to determine objections of audits bought by local electors. As we approached the backstop date of 28 February 2025, we published firms' forecasted opinion delivery.

Our approach to audit contract monitoring

16. Our approach is grounded in the International Auditing and Assurance Standards Board's (IAASB) Framework for Audit Quality, which is widely regarded as a definitive statement on overall audit quality. We have taken the attributes the IAASB expects to be present in a good quality audit and distilled them into three tests, which form the basis of our contract monitoring approach:
 - adherence to professional standards and guidance;
 - compliance with contractual requirements; and
 - effective relationship management.
17. The main evidence sources that we use to monitor against the three tests and the relationship between the IAASB framework, and our audit contract monitoring arrangements are shown in Appendix 1.
18. Responsibility for providing audits of appropriate quality and delivering their obligations under the contract rests ultimately with an appointed auditor. However, audit quality, efficiency and effectiveness are a shared responsibility across appointed auditors, PSAA as Appointing Person, s151 Officers (CFOs) and audit committees, regulatory and supervisory bodies, the Comptroller & Auditor General (C&AG) and the National Audit Office (NAO), and government, specifically MHCLG. The FRC as regulator has a role in monitoring and enforcement aligned to its purpose to serve the public interest by promoting high standards of financial reporting, governance and audit.
19. The IAASB framework notes that *'While the primary responsibility for performing quality audits rests with auditors, audit quality is best achieved in an environment where there is support from other participants in the financial reporting supply chain'*.

Adherence to Professional Standards and guidance

Corporate audits

20. The FRC produce an Annual Review of Audit Quality which summarises its findings from the inspection of corporate audits and firm-wide quality control processes. Their [July 2025 report](#) sets out their view of audit quality and provides an overview of the challenges and opportunities facing the market.
21. It covers the implementation of the International Standard on Quality Management (UK) 1 at Tier 1 firms (i.e. BDO, Deloitte, EY, FM, KPMG, and PwC, not all of which deliver audits for PSAA) as the Standard has applied for the whole inspection period. It reports significant improvement in the overall quality of the audits delivered by Tier 1 firms. Five out of six achieved positive audit quality outcomes on 90% or more of their audits.
22. The most common and significant findings continue to relate to the audit of revenue and impairment in areas such as contract accounting, analytical procedures, and testing of sales rebates and cut-off. For impairment, weaknesses were noted in evaluating key assumptions, judgements, and the challenge of management.
23. There has been a reduction in the frequency of findings in four key areas – revenue, impairment, provisions (including expected credit losses), and journals testing – indicating progress. However, there is an increase in findings related to the audit of inventory and oversight of group audits, highlighting areas requiring further improvement.
24. For non-Tier 1 firms, the report noted some improvement in the inspection results from the prior year, with many of these results continuing to be below the level required for firms operating in the PIE market, and a significant gap between the inspection results for Tier 2 and Tier 3.

Major Local Audits

25. Information on the firms' adherence to professional standards and guidance comes from the results of professional regulatory reviews completed by the Audit Quality Review team (AQR) for the Financial Reporting Council (FRC), and the Quality Assurance Department (QAD) for the Institute of Chartered Accountants in England and Wales (ICAEW), who are the Recognised Supervisory Body (RSB) for local audits in England.
26. The AQR's role is to inspect a sample of the largest local government and NHS audits. These are known as 'Major Local Audits' (MLAs) and are those bodies with income or expenditure above £500 million. The QAD reviews a sample of local audits that fall below this threshold. Just over 40% of the 535 local government, police authority and related pension fund audits are MLAs within the FRC's inspection regime. The rest are inspected by the ICAEW's QAD inspection arrangements. Inspections cover both the audit of financial statements and Value for Money (VFM) arrangements work.

27. As part of the government solution to tackle the audit backlog the FRC and ICAEW agreed to suspend their routine inspections of local government audits for financial years up to and including 31 March 2024, unless there was a clear case in the public interest to do so. This was to enable auditors to focus on clearing the backlog and supporting the recovery and reset phases of the local audit overhaul.
28. The FRC's [latest report](#) on the quality of local audits was published in November 2024. It provided the results of a limited number (eight) inspections of audits up to 2022/23, covering six NHS and two local government audits. The report also included the results from four QAD inspections.
29. The FRC will not be publishing an audit quality report in Autumn 2025 as outlined in their [July 2025 press statement](#). That statement also reported the most recent results of their NHS MLA inspections, which were predominantly audits for the financial year ended 31 March 2024. All six were assessed as good or with limited improvements required for both the financial statements audit and work on VFM arrangements.

Financial Statements

30. Auditors must give an opinion on whether the financial statements of an audited body give a true and fair view of its financial position and of its income and expenditure for the reporting period. They have other reporting responsibilities with respect to the preparation of the financial statements and other information published with them, and the remuneration report.
31. The FRC's inspection report of November 2024 stated that none of the eight audits of the financial statements required significant improvement and 75% required no more than limited improvement. The QAD inspections of two EY audits and two GT audits found their work to be of a good standard, with all reviews graded either good or generally acceptable.
32. Table 1 shows the results of these inspection reviews. Given the reduced number of inspections compared to previous years, the FRC did not provide direct feedback at a firm level. It is worth noting that the FRC reports on inspection cycles that include audits from previous years.

Table 1: Financial statements – gradings by annual inspection cycle for prior year audits

Grading	Year of inspection cycle		
	2023/24	2022/23	2021/22
Good or Limited improvements required	83% (10)	100% (10)	78% (29)
Improvements required	17% (2)	0% (0)	11% (4)
Significant improvements required	0% (0)	0% (0)	11% (4)

Source: FRC audit quality inspection report – November 2024

All years could include NHS and other bodies not within the PSAA contract

33. The AQR inspections identified the following themes for general improvement: the auditing of group accounting and the evaluation of uncorrected misstatements (including whether they are material by nature, and the use of substantive analytical procedures). They highlighted good practice at individual audits on professional scepticism and challenge, the valuation of investment properties, oversight of component auditors, and VFM arrangements reporting in Auditors' Annual Reports. The QAD inspections found good practice in the audit of property valuations.

Value for money arrangements

34. The NAO's [2024 Code of Audit Practice](#) came into force on 14 November 2024 and applied immediately. It introduced the requirement for a draft auditor's annual report to be issued by 30 November starting from the 2024/25 audits.
35. Table 2 shows the results of the AQR and QAD inspection reviews by AQR and QAD for audits up to 2022/23, which also reflects the reduced number of inspections compared to previous years.
36. In all cases inspected firms' work on VFM arrangements met the required standards, being judged as either good or limited improvements required (or good or generally acceptable as defined by QAD).

Table 2: VFM arrangements – gradings by annual inspection cycle for prior year audits

Grading	Year of inspection cycle		
	2023/24	2022/23	2021/22
Good or Limited improvements required	12	9	23
Improvements required	0	0	0
Significant improvements required	0	0	1

Source: FRC audit quality inspection reports – November 2024

All years could include NHS and other bodies not provided under PSAA contracts

Transparency Reports

37. Four of our contracted firms undertake MLAs (EY, FM, GT and KPMG) so under the FRC's Local Auditors (Transparency) Instrument 2015, they must report annually on information specific to their local audit responsibilities including:
- a statement on the effectiveness of the functioning of internal quality monitoring arrangements in relation to local audit work;
 - a description of independence procedures and practices, including a confirmation that an internal review of independence practices has been conducted;
 - a statement on the firm's policies and practices to ensure that Key Audit Partners (KAPs) continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level; and

- confirmation that all KAPs are competent to undertake local audit work and staff working on such assignments are suitably trained.

38. All four firms published a Transparency Report on their website. Table 3 provides weblinks. All reports contain the required information which also provide details on the results of regulatory reviews and the firms' responses to the matters raised. Some provide more detailed information on the firm's approach to audit quality matters and comment on the local audit position.
39. We did not identify any wider contractual concerns within the Transparency Reports.

Table 3: Transparency reports for firms who undertake Major Local Audits

Firm	Link	Period covered
Ernst & Young	October 2024	Year end is June 2024
Forvis Mazars	December 2024	Year end is August 2024
Grant Thornton	March 2025	Year end is December 2024
KPMG	January 2025	Year end is September 2024

Compliance with contractual requirements

40. We contract with firms to deliver audit services to audited bodies in accordance with:
- the Local Audit and Accountability Act 2014 (the Act), the 2015 Regulations and any other relevant Law or arrangement;
 - the Code of Audit Practice (COAP);
 - any Supplementary Guidance;
 - the Contract;
 - Good Industry Practice;
 - any requirements contained in the Terms of Appointment or Supplementary Guidance including reporting requirements; and
 - Performance Indicators.
41. We have regular engagement with our contracted firms on specific matters and hold formal quarterly monitoring meetings to discuss audit delivery progress.
42. We monitor firms' compliance with contractual requirements across a range of measures including complaints, compliance with our [Terms of Appointment](#) (ToA) and their Method Statements, performance against key indicators and various other assurances as described in the following sections.
43. Where our audit contract monitoring arrangements find that a firm may not have met a contractual requirement, there are both informal and formal mechanisms through which we can seek rectification by the firm.

Compliance with Terms of Appointment

44. We issue the ToA under our audit services contracts with firms. They apply for all audit appointments that we make.
45. The ToA forms part of the systems that we are required to design and implement under the 2015 Regulations as a specified appointing person to:
- oversee issues of independence of any auditor which it has appointed, arising both at the time of the appointment and when undertaking work;
 - monitor compliance by a local auditor against the contractual obligations in the audit contract; and
 - resolve disputes or complaints from local auditors, opted-in bodies and local government electors relating to the audit contracts and the carrying out of audit work by auditors it has appointed.
46. The ToA clarifies the standards for performing the Services under the contracts and provide a single point of reference for recurring matters of practice and procedure that auditors must comply with, over and above those set out in legislation, the Code of Audit

Practice, guidance to auditors provided by the NAO, and by professional regulators (FRC and ICAEW as Recognised Supervisory Bodies (RSBs)).

47. Details of the firms' collective activity and performance under the different elements of the ToA are set out below.

Audit opinion delivery

48. Revisions to the Accounts and Audit Regulations and the Code of Audit Practice came into force on 30 September 2024 and 14 November 2024 respectively and gave legal effect to measures to deal with the backlog. These set a backstop date of 28 February 2025 for the delivery of all 2023/24 audit opinions with exemptions in a limited number of specified circumstances (e.g. if there is a material outstanding objection, or the auditor is unable to reach a conclusion on VFM arrangements). Once any conditions preventing an auditor from reporting no longer apply, the auditor should issue their audit report as soon as possible.
49. At the backstop date there were 180 unmodified audit opinions including six with additional disclosures, 224 opinions disclaimed or qualified due to the backstop, and a further seven non-backstop disclaimed or qualified opinions. There were 48 unsigned audits which included five that are exempt due to a material objection, legal matter or because of VFM arrangements work. Our [press release](#) set out the position at the February backstop date. In broad terms the position achieved by the firms by the backstop date aligned with their forecasted predictions.
50. Table 4 breaks down this data as of 28 February 2025, and an updated position as of 30 June. Out of the 33 audit opinions not yet delivered, 2 are exempt due to a material objection or legal matter and one is exempt due to VFM arrangements work.

Table 4: 2023/24 Opinion delivery (excludes pension fund audits)

	Opinion delivery as of 28 February 2025	Opinion delivery as of 30 June 2025
Not yet delivered	48	33
Unmodified	174	178
Unmodified with additional disclosures*	6	7
Disclaimed (backstop)	216	227
Qualified (backstop)*	8	8
Disclaimed (non-backstop)	2	2
Qualified (non-backstop)*	5	5
Total	459	460**

Source: PSAA

*These cover modifications and additional disclosures in the auditor's report ([Definitions of audit opinions](#))

**This figure has increased to reflect the addition of a 2023/24 audit for a newly created body

51. Our contracted audit firms reported issuing 417 Annual Auditor's Reports for the 2023/24 audits, out of 427 signed audit opinions.
52. Table 5 provides a summary of weaknesses reported by auditors in their reviews of VFM arrangements. The number of weaknesses recorded has risen year on year, with the number for the 2023/24 audits being almost double the number in 2020/21.

Table 5: VFM commentary capturing significant weaknesses (excludes pension fund audits)

Significant weaknesses	2023/24	2022/23	2021/22	2020/21
Financial Sustainability	68	65	27	28
Governance	121	117	92	70
Economy, Efficiency and Effectiveness	79	61	47	34
Total	161	152	109	84

Source: PSAA

Specific Powers and Duties of Auditors

53. Auditors have specific powers and duties under the Act. These include considering whether:
- to issue a public interest report concerning any matter that comes to their attention during the course of the audit which they judge should be considered by the audited body or brought to public attention;
 - an audited body should consider formally and respond in public to the audit recommendations (Schedule 7 of the Act); and
 - to apply to the court that an item of account is contrary to law.
54. Table 6 shows how auditors have used their specific powers for audits of accounts up to 2023/24. Recent years have seen an increase in auditors making statutory recommendations; these have mostly been in respect of financial sustainability and meeting statutory accounting requirements.

Table 6: PIRs and Statutory Recommendations issued by year at the time of writing

Specific Power	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Recommendations under Sch 7(2)	12	14	11	2	4	3
Public Interest Report under Sch 7(1)	2	1	1	-	3	-

Source: PSAA

Objections

55. Local electors have the right to raise formal objections with the auditor about the financial statements and other matters, a unique feature of local government audits.

56. The introduction of backstop dates has given increased focus for firms to conclude their objections and certify audits as closed. At the time of writing responses have been issued to 103 objections for the 2018/19 to 2023/24 audits, as shown in Table 7. Completed objections have resulted in two Stat Recs Written Recommendations under Sch 7(2) (reflected in Table 6), and in addition 28 Written Recommendations under s27(6).
57. We indemnify auditors for legal costs (capped at £75,000) they incur when carrying out their special legal functions that are otherwise irrecoverable. We provide auditors with feedback as part of these arrangements but we neither instruct them nor challenge their judgements, as we have no power to do so.

Table 7: Objections summary by year by its status at the time of writing

Audit year	Received by firm (1)	Not accepted (2)	Accepted (3)	Not considered (4)	With firm post indemnity feedback (5)	Issued (6)
2023/24	2	4	19	0	4	9
2022/23	-	2	3	5	1	18
2021/22	-	-	4	4	1	14
2020/21	2	-	2	1	1	23
2019/20	1	-	1	24	-	16
2018/19	-	-	-	2	-	23

Source: PSAA

¹ Auditor has informed PSAA they have received an objection, but are yet to accept

² Auditor has considered the objection and not accepted it as they have determined it is ineligible

³ Auditor has accepted the objection

⁴ Auditor accepted the objection, decided not to consider it and will produce a Statement of Reasons

⁵ Auditor is finalising a Statement of Reasons post indemnity feedback

⁶ Auditor has issued a Statement of Reasons

58. The Code of Audit Practice (paragraph 5.6) requires auditors to use best endeavours to complete their work on objections within six months including informing the objector and the body of their decision. It is recognised that not all cases can be resolved within six months, for example, where objections are related to complex or difficult legal cases, or where a resolution is delayed because an auditor is reliant on others for responses.
59. The Code of Audit Practice states “*where the Appointed Auditor is not able to decide the objection within six Months, they should inform the objector and the Audited Body and provide a further update on progress every three Months until the objection is decided.*” This is one of the performance indicators built into our contract monitoring arrangements.
60. At 30 June 2025 there were 10 unresolved objections for the 2023/24 audits beyond the six-month timeframe, including some unresolved for significantly longer periods.

Threats to independence and conflicts

61. We monitor how firms are operating their internal control systems for maintaining their independence, covering the four types of threats detailed below. Should an incident occur, we review the underlying cause and the mitigating actions taken to prevent recurrence.
62. The Code requires auditors to carry out their work in accordance with the ethical framework applicable to auditors, including the requirements set out in the FRC's Ethical Standard and to comply with the NAO's General Guidance to Auditors contained in AGN01. Each firm's Ethics Partner should determine whether arrangements should be put in place locally to mitigate any actual or perceived threats to the independence of the auditor and/or firm.
63. We had six matters to consider in respect of the 2023/24 audits:
- On the conclusion of the 2023/24 audit, we revoked AZ's appointment to Tamworth Borough Council for the audits from 2024/25 to 2027/28 as they identified that a staff member was elected to the Council in May 2024. AZ let us know as soon as they became aware and took the appropriate action. We then appointed BF as auditor from 2024/25 to 2027/28.
 - An audit team member at GT became a school governor at a Council-audited school, but as we considered the firm had responded appropriately, no further action was necessary.
 - GT were appointed as administrator for a company that may have had a claim against Swindon Council, but no further action was necessary following a review of the firm's mitigating actions.
 - There were three instances where BF resigned from audits, including at Gloucester City Council, Bromsgrove District Council and Redditch Borough Council. All councils had unaudited accounts for 2020/21, 2021/22 and 2022/23. On the presumption that each audit opinion would be disclaimed (which it subsequently was by the 13 December 2024 backstop date) and having given the circumstances appropriate professional consideration, BF determined the risk profile of these engagements was such that they needed to resign. We subsequently appointed EY as auditors from 2023/24, who already had audits in their PSAA portfolio where multi-year disclaimed opinions were anticipated.

Rotation of Key Staff

64. To minimise the threat of familiarity arising from long association our general policy expectation is that:
- a firm's appointment to an audited body does not exceed a term of twenty years;
 - the KAP at an audited body should act for a term of no more than five years, then have no further direct relationship with or involvement until a further period of five years has elapsed; and

- the Audit Manager at an audited body should act for a term of more than seven years, then have no further direct relationship with or involvement with that body until a further period of five years has elapsed.

65. There may be circumstances where it is necessary and/or beneficial for an appointment to continue for a longer term. This is limited to seven years for a KAP and 10 years for an audit manager. Subject to receiving sufficient assurance that an auditor's integrity, objectivity or independence is not or could not be perceived to be compromised, we may approve a longer term.
66. Table 8 details the exceptional extensions that we approved for the 2023/24 audits.

Table 8: Exceptional extension requests

Firm	Role	Number approved
Azets	-	-
Bishop Fleming	-	-
Ernst & Young	Key Audit Partner	2
Forvis Mazars	Key Audit Partner	4
Grant Thornton	Key Audit Partner	6
	Audit Manager	2
KPMG	-	-

Source: PSAA

Gifts and hospitality

67. There are no matters to report in respect of the 2023/24 audits.

Non-audit services

68. Firms may provide certain non-audit services to audited bodies subject to the requirements of the FRC's Ethical Standard and the NAO's Auditor Guidance Note 1. Where the fee for such services exceeds the higher of £18,000 or 20% of the scale fee, then the firm must seek our confirmation that undertaking such work will not compromise their independence as auditor. The requirement for local auditors to provide a VFM arrangements commentary is relevant to our judgement.

69. The number of requests approved is shown in Table 9 below.

Table 9: Non-audit service requests

Year	Number of requests approved for non-audit services	Total fee value of requests approved £
2024/25	2	108,365
2023/24	1	68,365
2022/23	1	56,500
2021/22	3	185,500
2020/21	0	0
2019/20	5	203,550

Source: PSAA

70. We approved two requests for the 2024/25 audits between 1 April 2024 and 31 March 2025 and did not reject any requests during this period. We were satisfied the firms had appropriately assessed and mitigated the threats to independence.
71. The first was for West Midlands Combined Authority (WMCA) for GT to undertake non-audit services work at WMCA relating to the provision of background information on developing a regional rail service. The value of the work was £40,000, which equates to 23% of the 2024/25 scale fee.
72. The second was for Hampshire County Council's 2024/25 audit and related to EY providing assurance about the financial services provided by the County to other organisations. This was a Type 2 assurance engagement under ISAE 3402. The value of the work was £68,365, which equates to 21% of the 2024/25 scale fee.

Data Confidentiality

73. Firms must keep confidential information secure and treat it with appropriate care based on its format and sensitivity. It must not be shared without written permission, nor used for any purpose other than fulfilling their contractual duties. On suspecting or becoming aware of any unauthorised access, use, or disclosure, a firm must inform us and take mitigating steps immediately.
74. Three data incidents have occurred:
- The accidental sharing of elements of one Council's data with another Council. We concluded that upon discovering the incident the firm took appropriate action.
 - A staff member of a third party copied audit client data to an encrypted external hard drive before a laptop upgrade against the firm's IT policy. Their investigation showed the individual was unaware of the restriction, rather than knowingly acting inappropriately. The third party deleted the report from the customer's Huddle workspace, received confirmation from the customer that no copies were

downloaded and verified this in the Huddle activity log reports. The firm has taken appropriate action to reduce the possibility of a recurrence.

- An inadvertent data breach when personally identifiable data was shared with us as part of processing an objection. The firm has ensured that all engagement leads have been reminded that no personally identifiable data should be shared when submitting an objection.

Intellectual Property Rights

75. We did not receive any requests in respect of the 2023/24 audits.

Publicity, Media or Official Enquiry

76. A firm must not make any public announcements or share information publicly about its contract without prior written approval, except where legally required or when disclosing its role as Appointed Auditor to the relevant audited bodies.
77. Between 1 April 2023 and the backstop date of 28 February 2025 we received one request to use our logo in a firm's company report, which we agreed to. Throughout this period there continued to be significant media coverage about local audit, including the backlog, audit fees, local government reorganisation, MHCLG's reform strategy and plans, and updates on the firms and opted-in bodies.

Compliance with Method Statements

78. Our procurement of audit services from 2023/24 to 2027/28 required firms to provide method statements covering five areas. Audit is a highly regulated profession, so the firms' Method Statements are framed to meet the expectations of the auditing standards for planning, conducting and reporting on an audit.
79. Throughout a five-year contract period it is highly likely that aspects of how a firm delivers its services will evolve. We require firms annually to review and confirm that their method statements accurately describe how they are delivering audit services. All firms confirmed their 2023/24 audit delivery aligned with their Method Statements (latest version).
80. The contractual Review Procedure provides the mechanism through which we manage changes to firms' Method Statements.
81. In Table 10 we report by Method Statement question and provide only a brief description of the change to protect potentially commercially sensitive information. Where possible, we triangulate with information from other sources such as the professional regulatory reviews (as covered in the section on Adherence to Professional Standards and guidance) and client feedback.
82. For the 2023/24 audits, we have completed 12 Review Procedures as set out below.

Table 10: Use of Review Procedures for each Method Statement (MS) theme

MS Question theme	Number of requests	Brief description of the changes made
2.1: Approach including transition between audit firms	2	Change of audit software and Public Sector Challenge Process
2.2: Approach including transition between audit firms	0	N/A
3.1: Audit delivery – quality assurance and capability	0	N/A
3.2: Audit delivery – quality assurance and capability	1	Change of audit software
3.3: Audit delivery – quality assurance and capability	4	Change to key contacts within local government team
4.1: Audit delivery – resourcing and capacity	1	Public Sector Challenge Process
4.2: Audit delivery – resourcing and capacity	1	Change to key contacts within local government team
5.1: Communications	0	N/A
5.2: Communications	1	Change of protocol for key interactions
6.1: Social value	2	Removal of an element for practical reasons and rollover delivery shortfall to the following year

Source: PSAA

Audit delivery resourcing and capacity

83. Each firm must have sufficient capacity to enable audit work to be planned and performed appropriately and in a timely manner. A suitable level of resourcing must be in place to provide service delivery consistent with the natural peaks of work that occur, and to ensure that the auditor can fulfil its responsibilities in relation to additional powers in line with the Act and guidance from the setter of the Code of Audit Practice.
84. Firms set out their audit resourcing levels in their response to the procurement. Each year we discuss their resourcing to assess sufficiency and any variations. We acknowledge that the impact of delayed audits and the introduction of backstop dates and building back assurance means that predicting and profiling the resourcing requirements is challenging.
85. The role of the KAP is crucial and it is important they have a manageable portfolio. Working with the firms and using the publicly available ICAEW Local Auditor Register, we monitor the number of KAPs and how many audits are within their portfolio.
86. Since the procurement in 2022, all firms have made changes to their KAPs. Table 11 shows the change in the number of KAPs allocated to the PSAA contracts across all firms from November 2022 to the position at the statutory deadline for the 2023/24 audits.

Table 11: Number of KAPs across all firms – November 2022 and 28 February 2025

Firm	Number of KAPs at November 2022	Number of KAPs at 28 February 2025
Azets	5	5
Bishop Fleming	2	3
Ernst & Young	12	15
Forvis Mazars	12	10
Grant Thornton	28	30
KPMG	15	18
Total	74	81

Sources: PSAA KAP schedule in the contract at November 2022 and number of KAPs allocated to the PSAA contract at 28 February 2025

Social Value

87. Under the Public Services (Social Value) Act 2012, we are required to seek to improve economic, social and environmental well-being through the delivery of audit services under our contracts.
88. Our procurement required each firm to quantify the additional social value that it would deliver wholly because of the PSAA contract. Our aim is to encourage firms to address important social value aspects within the local audit environment, particularly by promoting careers in the local audit industry.
89. Information provided by our six contracted firms shows that for the 2023/24 audit contract period over **315** positions were created for professional staff, graduate trainees, apprentices, interns and school leavers, with trainees and graduates being the largest group.
90. Collectively the firms delivered over **800 days** of volunteering, including school outreach activities and giving time to local charities. They raised the equivalent of over £70,000, with more than £50,000 donated directly to charity.
91. Firms provided local audit sector support by hosting national and regional events, supporting finance director networks, offering sponsorship, and engaging with a wide range of regulatory and other stakeholder groups. During this reporting period, GT published three national reports¹ that focused on local audit and local government.

¹ [Value for money audits: lessons for local authorities | Grant Thornton](#); [Local government reorganisation: Lessons from new unitaries | Grant Thornton](#); and [Renewing and Reforming Local Financial Governance Towards Long-Term Resilience and Sustainability | Grant Thornton](#)

Rectification Plan Procedure

92. Our contract includes a rectification plan procedure that we or a firm can invoke when a Notifiable Default occurs. Examples of Notifiable Defaults include if a delay occurs or is likely, if the firm fails to meet key performance measures, commits a default that negatively affects service delivery, or does not follow agreed procedures in a way that could impact service delivery. The rectification plan process aims to resolve the issue.
93. We issued seven Notifiable Default Notices during this reporting period, two of which progressed to a rectification plan. Two Notices related to data quality issues in financial billing returns, two were concerned with not submitting draft statutory reports to us for review before issuing the final version, one was about multiple discrepancies with a WIP return, and the remaining two related to exceeding the KAP rotation limit and the sharing of personal data of an elector that should have been redacted.
94. The two that progressed to a rectification plan related to data quality issues in financial billing returns and not submitting draft statutory reports to us for review before issuing a final version.

Key performance indicators

95. Each firm has a contractual obligation to deliver the Services in accordance with the Performance Indicators (KPIs) and to monitor and report to us on its performance.
96. We introduced KPIs into the new contracts for 2023/24 audits onwards. We had to define the KPIs and target levels as part of our procurement documents in late 2021/22. Table 12 provides details of the KPIs for the 2023/24 audits.
97. We decided it was appropriate to publicly report KPI performance at a summary level as the introduction of audit backstop dates will undoubtedly have impacted firms' ability to achieve KPI targets. We subsequently updated aspects of the KPIs following the major changes caused by the introduction of the backstop dates.

Table 12: KPIs for 2023/24 audits (for all firms) excluding pension fund audits

KPI	Definition	Target (of audits)	Achievement (% of eligible audits)
KPI_01	Draft audit plans produced by 30 April 2024	100%*	70%
KPI_02	50% planned hours delivered by 31 July 2024	90%*	60%
KPI_03	75% planned hours delivered by 31 August 2024	90%*	58%
KPI_04	100% planned hours delivered by 31 December 2024	100%*	86%
KPI_05	Where an opinion is unable to be given by the backstop date for whatever reason, written communication with the audited body takes place	100%	98%
KPI_06**	Management of objections as per the Code of Audit Practice	100%	24%***

Source: PSAA

* Where 2022/23 audit opinion was given by the end of December

** Target completion date is 6 months after the date the objection was accepted and therefore differs between each objection and to report to the body and the objector on progress every 3 months

*** This value does not reflect the 2023/24 objections that have yet to reach the target completion date

98. The KPI_06 achievement is very low against the target even acknowledging the complexity of some objections which makes it challenging to conclude them within six months. The significant audit backlog over many years and the firms' subsequent focus and priority on meeting the backstop dates were key contributing factors.
99. We have seen a significant shift in clearing objections following the statutory backstop dates, and we have increased our monitoring of this KPI which features in all contract monitoring meetings.

Other assurances

100. We undertake due diligence checks to ensure the firms have the required assurances in place to underpin their delivery and have met the requirements of our contract. The following sections summarise our work.

Insurance

101. We reviewed and confirmed that all firms continue to have satisfactory insurance or equivalent arrangements in place covering Public Liability, Employers Liability and Professional Indemnity.

Information Assurance

102. We reviewed and confirmed that all firms continue to have satisfactory information governance arrangements in place including certification of Cyber Essentials, Cyber Essential Plus and/or ISO27001.

Economic and financial standing

103. We assessed each firm's audited accounts and confirmed these continue to meet the requirements of our contract.

Modern Slavery

104. We reviewed and confirmed that all firms continue to have a published modern slavery statement available on their websites.

Complaints

105. Complaints can be an indicator of poor-quality service. Under our complaints policy we can consider complaints that relate to maladministration by a firm, but we cannot consider complaints about the professional judgements and decisions made by auditors, or the process followed in relation to elector rights as these are matters for the courts. We have a protocol with the relevant regulators for dealing with such complaints.
106. We have processed no formal complaints under our complaints policy in respect of the 2023/24 accounts, but we have processed and upheld a complaint about a firm in relation to the 2019/20 audit.

Fee Variations

107. The Appointing Person legislation enables a firm to submit a fee variation proposal where they consider that additional work is required that is not provided for in the scale fee for an individual body.
108. Firms are contractually obliged to have local discussions with individual opted-in bodies about any proposed fee variations. A description of our [fee variation process](#) is available online. We updated our process in response to the introduction of audit backstop dates.
109. Based on the latest position available as of 31 July 2025 (the completion of our latest round of fee variation processing) we had received fee variation submissions for 485 out of 535 bodies (91%) for the 2023/24 audits, proposals for the remaining 9% are awaited. Of the submissions received, we have determined fee variations for 408 bodies (81%), with reviews ongoing for the remaining 77 (19%). We will provide further updates in our published [quarterly monitoring data](#).

110. Table 13 provides a detailed breakdown of the position at 31 July 2025. It shows the average level of fee variations approved, expressed as a percentage of scale fees.

Table 13: Summary of fee variations approved, being considered and firms' proposals not yet received against scale fee at 31 July 2025

Opinion type / description	Number of audits*	Audit scale fee £m	Total net value of fee variation requests approved (£m)	Total cost of audit £m	% total variations approved against scale fee
Disclaimed / Modified	184	38.9	-4.1	34.8	-10.54%
Unmodified	224	40.6	4.3	44.9	10.48%
Subtotal	408	79.5	0.2	79.7	0.19%
Fee variations being considered	77	14.4	-	14.4	0.00%
Firms' proposals not yet received	49	13.8	-	13.8	0.00%
Total	534	107.7	0.2	107.9	0.14%**

Source: PSAA

*Total includes pension funds as audits

**We will report this value once we have processed all fee variations for the 2023/24 audits

111. Table 13 shows that for unmodified opinions the total value of approved fee variations as a percentage of scale fees is 10.48%, of which 5.17% relates to work required under ISA 315. We were unable to incorporate ISA 315 into the 2023/24 scale fees due to insufficient information at the time of setting them; however, it is incorporated in the 2024/25 scale fees.

112. For disclaimed or modified opinions, the total value of approved fee variations is -10.54%. This comprises 34.45% negative fee variation for work included in the scale fees that firms were unable to complete, offset by an average 23.91% positive fee variation. The positive element mainly relates to ISA 315, planning and reporting disclaimer opinion, value for money additional risks, and quality and preparation issues at bodies.

Effective relationship management

- 113. Local audit plays a vital role in strengthening corporate governance within public bodies and enhancing public confidence in organisations delivering public services.
- 114. A cornerstone of this process is effective communication between auditors, management, and Those Charged With Governance (TCWG). Constructive dialogue fosters a relationship that supports transparency, accountability and continuous improvement.
- 115. Auditors are expected to manage relationships with professionalism and integrity. While open and constructive engagement with management is essential, enabling valuable insights and observations, it must be carefully balanced. Auditors must maintain professional scepticism and objectivity, avoiding any perception of over-familiarity that could compromise their independence or the reliability of their assessments.

Client feedback on the 2023/24 audits

- 116. In addition to monitoring the firms' delivery of the communication commitments described within their Method Statements, we seek feedback from each body annually via an online survey, alongside responding to their ad hoc enquiries.
- 117. For the 2023/24 audits, the first under the second appointing period, we evolved our approach in the following ways:
 - We sought feedback shortly after each body's audit opinion was issued. Our aim was to gain more timely feedback whilst the audit experience was fresh in bodies' minds.
 - We redesigned the survey questionnaire (informed by feedback from our Advisory Panel) with firm-specific questions to triangulate the delivery of specific commitments such as the extent to which bodies took advantage of the opportunity to meet privately with the auditors.
 - We introduced a separate, shorter survey for those bodies who did not receive an audit opinion by 31 March 2025, to ensure they had the opportunity to share views of their audit experience.
- 118. We again commissioned the LGA's Research and Information team to manage the survey to provide assurance about independence and confidentiality. We sought the views of both Directors of Finance and Audit Committee Chairs, recognising the importance of the auditor's relationships with both management and TCWG.
- 119. We have summarised the key findings below. The [full report and a summarised version](#) are available on our website.
- 120. A total of 282 bodies responded out of a possible 448 (63%). The number of surveyed bodies is lower than the total number of opted-in bodies (461), as we sought a combined response from police and fire authorities with a shared finance function. 39 of these bodies had not received their audit opinion by 31 March 2025.

121. The overall response rate to the main survey from Directors of Finance was 47% (193/409) and from Audit Committee Chairs was 31% (118/378). Table 14 shows client feedback responses and the extent to which bodies' audit service met expectations compared to the first appointing period.

Table 14: Overall responses received and extent to which the audit service delivered met expectations to a great or moderate extent

	2023/24	Average % 2019/20 to 2021/22*
Audit Committee Chairs percentage who responded	31%	26%
Audit Committee Chairs extent to which audit service aligned with expectations	94%	77%
Directors of Finance percentage who responded	47%	43%
Directors of Finance extent to which audit service aligned with expectations	85%	63%

Source: LGA Survey for PSAA: "To what extent did the audit service you receive align with the expectations set out in the audit plan?"

*We did not issue a client survey in 2022/23 due to the significant local audit backlog in England

122. We sought views on audit completion dates, auditor's communications and timely reporting of key issues, the usefulness of the Auditor's Annual Report and VFM arrangements, committee meetings, and proposals to tackle the audit backlog.
123. There was positive feedback on an improved audit experience against previous years; the completion of audits by the target date; communications overall; audits delivered by new auditors including new entrants; timely reporting of significant weaknesses; and the auditor's performance at Audit Committee meetings.
124. Concerns expressed related to the need for improved communications on fee variations, fees and infrastructure assets; the shortage of experienced auditor resources; the levels of additional review and scrutiny that firms build into their processes on valuations and pensions; and a requirement for better planning and guidance from audit teams.
125. Additional comments received about the backlog solution emphasised the need to provide clarity on building back assurance whilst ensuring local audit offered value for money; the importance of a focus on future resources and training; and the impact of local government reorganisation on local audit.
126. The shorter tailored survey was issued to 39 opted-in bodies who did not receive their 2023/24 audit opinion by the end of March. 25 out of the 39 bodies (64%) responded to the survey. The overall response rate from Directors of Finance was 31% (12/39), and for Audit Committee Chairs was 38% (13/34).
127. The [results for this survey](#) reflect a broadly positive audit experience, with 83% of Directors of Finance and 69% of Audit Committee Chairs stating that the service met expectations. Positive experiences were noted in communication, timely reporting of significant weaknesses, and auditor performance at Audit Committee meetings.

128. Key concerns included communication around fees and infrastructure assets, the need for better planning and guidance, and maintaining confidence in financial management and audit integrity. Additional feedback called for improved engagement, clearer guidance, and sustainable solutions to rebuild assurance and avoid future backlogs.
129. Respondents shared that delayed audit opinions were mainly due to prior year issues, and other factors such as finance team resourcing, objections and issues related to backlog arrangements. Communication was generally strong, with nearly all respondents confirming they were informed of the reason why their opinion was delayed.
130. We will discuss the themes and areas of improvement indicated by the feedback with each firm, and will continue to raise the concerns expressed by key stakeholders in local audit to inform decisions made about the future of the local audit regime and to support ongoing improvements. In addition to publishing this report on our website, we will reference the report in [our e-bulletin](#) which we issue to all opted-in bodies, appointed firms, and key local audit stakeholders.
131. We log requests sent to our general enquiries inbox to monitor themes and ensure every email receives a response. Table 15 provides a summary of the number of emails received per firm from August 2024 to July 2025. The enquiries, mainly from audited bodies, cover a range of topics including audit and fee-related queries, objections and complaints.

Table 15: Number of emails received into PSAA's general enquiry inbox presented by firm, from 1 August 2024 to 31 July 2025

Firm	Number of emails received
Azets	3
Bishop Fleming	7
Ernst & Young*	34
Forvis Mazars*	20
Grant Thornton*	50
KPMG	8

Source: PSAA

*These audit firms also held contracts to deliver the 2018/19 to 2022/23 audits, which is reflected in higher email volumes

132. We invited all six firms to comment on their 2023/24 audit experience and received the following responses:

Forvis Mazars commented:

"We are pleased to see PSAA's Audit Contract Monitoring Report for the 2023-24 audits along with the LGA's client survey. These reports show an overall positive assessment of the work delivered by our teams. The 2023-24 year has been particularly challenging for both audited bodies and auditors alike as we worked towards the backstop date in February 2025. The work required to meet this deadline, soon after the December 2024 deadline for earlier years, put significant pressure on both accounts preparers and audit teams alike. In this context, the positive feedback these reports provide is welcomed. Notwithstanding the overall positive findings in the PSAA survey, we have identified some areas for improvement. We will take action to address these matters as quickly and effectively as we can.

We have worked with stakeholders, including MHCLG, the FRC and the NAO, over the last year to understand how assurance can be rebuilt, and to contribute to the development of the guidance to auditors to underpin this. We are now committed to supporting the delivery of the programme to rebuild assurance across the sector over the next few years. We recognise the critical importance of supporting the sector to get back to a smooth and timely audit process as soon as possible. We will continue to deliver our VFM reporting requirements in a timely way, providing constructive recommendations to address weaknesses, including those relating to financial reporting."

Azets commented:

"2023/24 was the first year of Azets' involvement in the PSAA Audit Contract and, as reflected in the Audit Quality Monitoring Report, this came at a time of significant system-wide challenges to audit delivery. In particular, the level of historic disclaimed audit opinions had a significant impact on our approach to planning and delivery of the 2023/24 audits.

Despite the system-wide challenges, we were able to work closely with PSAA and the bodies to which we are appointed auditors to deliver contractual requirements, issuing disclaimed opinions by the backstop dates where bodies impacted by a previous disclaimer had published auditable accounts, and unmodified opinions for bodies not impacted by a previous disclaimer.

We welcome the steps taken to date aimed at addressing the audit backlog, including the introduction of statutory backstop dates, plans for further reform of the local audit system and increased clarity on the audit approach for rebuilding assurance for bodies impacted by a historic disclaimed audit opinion. We will continue to work closely with PSAA and audited bodies as we commence the process of rebuilding assurance in 2024/25."

Looking ahead to the 2024/25 audits

133. We published this report whilst the delivery of the 2024/25 audits is underway. For the 2024/25 audits we have implemented a few changes to aspects of our contract monitoring arrangements.
134. We reviewed the KPIs from the 2024/25 audit to reflect changes arising from the introduction of the backstop dates and support the aim to restore timely audit delivery. The key changes are summarised below:
- **KPI_01:** draft audit plans produced by 30 April with a target of 100% of audits where the criteria are met. The criteria changed to be those audits where the prior year audit opinion (backstopped or not backstopped) was delivered by the backstop date.
 - **KPI_02:** 50% of planned hours delivered by the specified date with a target of 90% of audits where the criteria are met. The criteria changed as per KPI_01, with an amendment to the specified date which is now set to 30 September 2025 for the 2024/25 audit.
 - **KPI_03:** 75% of planned hours delivered by the specified date with a target of 90% of audits where criteria are met. The criteria changed as per KPI_01, with an amendment to the specified date which is now set to 31 October 2025 for the 2024/25 audit.
 - **KPI_04:** 100% of planned hours delivered by one calendar month prior to the backstop date with a target of 90% of audits where the criteria are met. The criteria changed as per KPI_01, with an amendment to the specified date which is now set to 31 January 2026 for the 2024/25 audit.
 - **KPI_05:** ensures written communication with the Audited Body if an opinion cannot be issued by the backstop date. The change reflects the introduction of a backstop date which in effect removes the publishing date.
 - **KPI_06:** remains unchanged and covers the management of objections as per the Code of Audit Practice.
 - **KPI_07:** introduces a new requirement for the production of the Auditors Annual Report by 30 November in response to a revision to the Code of Audit Practice.
135. Our intention is to publish firm-specific achievements against KPIs for the delivery of the 2024/25 audits in next year's report.
136. As the backstop dates have been agreed for the second appointing period the next phase of audit delivery will focus on building back assurance.
137. We expect to publish our Annual Contract Monitoring Report on the 2024/25 audits in September 2026.

Appendix 1

Evidence sources used to monitor audit quality

Table 1 shows the main evidence sources that PSAA uses to monitor audit quality for the three tests to provide a rounded view of audit quality.

Table 1: Our audit contract monitoring

PSAA test	Sources of evidence
Complies with professional standards and guidance	1. Professional regulatory reports
Complies with contractual requirements	2. Firms' transparency reports
Has excellent relationship management	3. Contract monitoring data
	4. Client feedback
	5. Formal and informal interactions with firms

Source: PSAA

Table 2 shows the relationship between the IAASB framework and our audit contract monitoring arrangements.

Table 2: IAASB framework elements

IAASB framework elements	Key elements of PSAA test		
	Complies with professional standards and guidance	Complies with contractual requirements	Has excellent relationship management
Inputs:			
Values, ethics and attitude	✓	✓	✓
Knowledge, skills, experience and time	✓	✓	✓
Process:			
Audit process and quality control procedures	✓	✓	
Delivery aligned to Method Statements		✓	
Outputs:			
Auditors' reports (opinions and AARs)	✓	✓	✓
Transparency reports	✓		
Professional regulators' reports	✓		
Key interactions:			
Client survey feedback			✓
Client communications	✓		✓

Source: PSAA