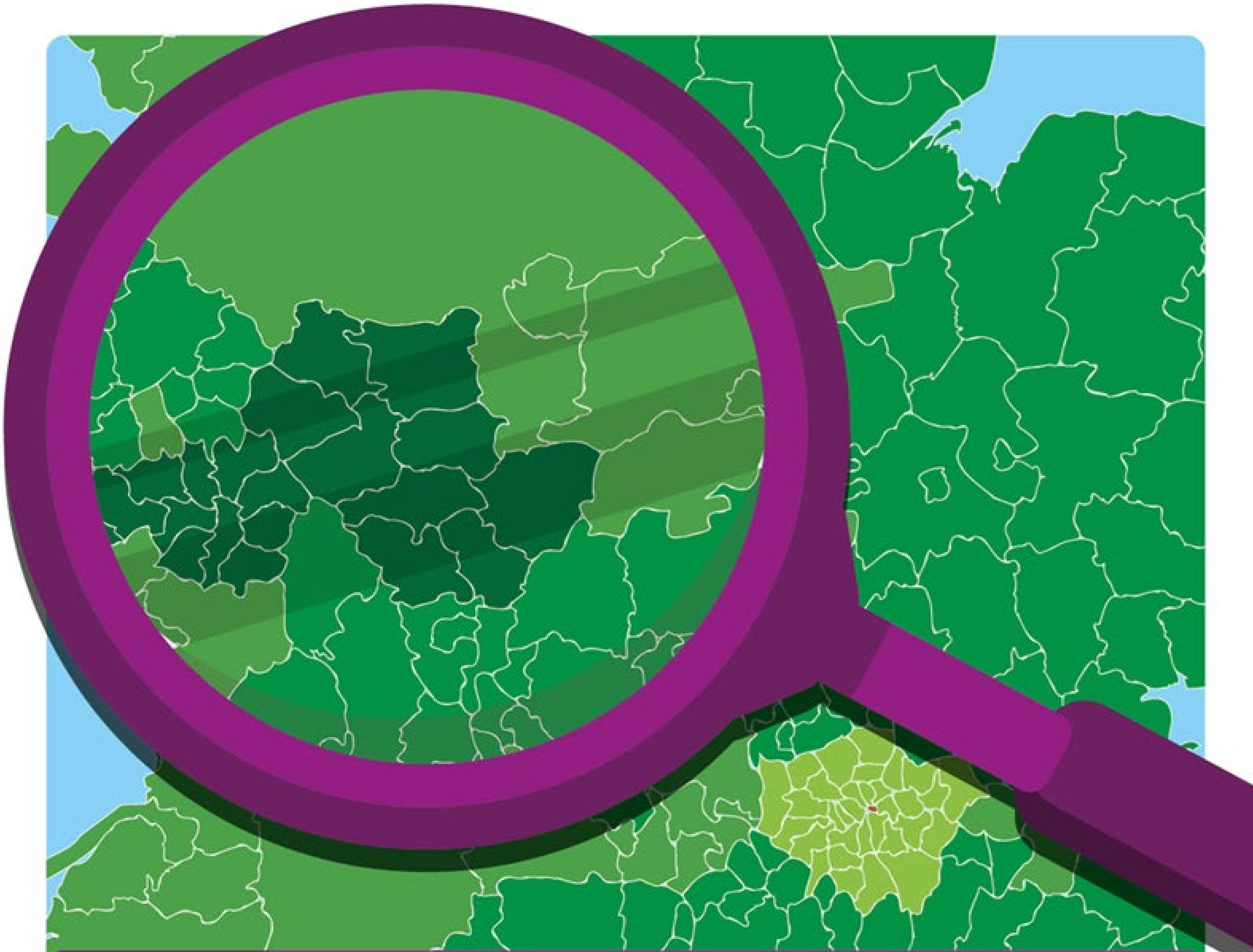
PSAA Survey 2025

Feedback from opted-in bodies



Summary report

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Summary

Background

Public Sector Audit Appointments (PSAA) monitors the performance of the auditors it appoints to carry out audits under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. The results of this monitoring provide opted-in bodies and other stakeholders with information about the audit services delivered under the contracts procured by PSAA on behalf of the sector.

PSAA commissioned the Local Government Association's (LGA) Research and Information team to conduct an anonymous survey that seeks the views of Directors of Finance and Audit Committee Chairs on their 2024/25 audit experience. Generic terminology such as 'Director of Finance' and 'Audit Committee Chair' is used in this report, but we recognise that different terms may be used locally.

The report presents the survey's findings following analysis of the responses from both groups.

Auditors have important relationships with both Management and Those Charged with Governance. The survey seeks feedback from Directors of Finance and Audit Committee Chairs, as both views provide valuable and differing perspectives, highlighting areas of strength and potential opportunities for service improvement.

The survey was conducted using an online form. A survey link was sent to 424 Directors of Finance and 395 Audit Committee Chairs or equivalent at opted-in bodies who received an audit opinion for 2024/25 by 31 March 2026. The number of bodies surveyed is lower than the 455 that opted in, as some respondents provided a combined response due to shared finance functions, and others had not received an audit opinion by the end of March. These bodies were surveyed separately by the LGA.

Key findings

The overall response rate from the Directors of Finance was 45 per cent (189/424) and from the Audit Committee Chairs was 25 per cent (99/395). This represents a slight decrease from the 2023/24 survey, where response rates were 47 per cent and 31 per cent respectively. 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 but a snapshot of the views of those who responded.

Audit service delivery

Over eight out of ten (86 per cent) of Directors of Finance and 94 per cent of Audit Committee Chairs said that the audit service provided met their expectations to a great or moderate extent. These results are broadly consistent with the 2023/24 survey (85 per cent and 94 per cent).

Directors of Finance and Audit Committee Chairs raised concerns about audit service delivery, emphasising the need for clearer expectations, improved planning and better resourcing:

> "An agreed audit plan needs to be set out clearly at the outset and adhered to. Officers should not be put in a position where audit queries are issued late or with unrealistic turnaround times that undermine service delivery. Where additional audit work or complexity is expected to generate extra cost, this should be identified early, discussed transparently and supported by sufficient, suitably competent resource."

The feedback also included positive comments about audit service delivery:

> "…we have an experienced team and a well-established working arrangement and rhythm that has stood us in good stead."

Audit completion

Over seven out of ten Directors of Finance (78 per cent) responded that their audit was completed by the target date. The Audit Committee Chair respondents showed slightly higher results at 86 per cent. This represents an improvement on the 2023/24 survey (72 per cent and 79 per cent).

The most cited reason for audit delays was resourcing issues on the part of the audit firm, identified by 58 per cent of Directors of Finance and 57 per cent of Audit Committee Chairs. This is consistent with the 2023/24 survey, although overall percentages last year were higher (62 per cent and 72 per cent).

Fifty-seven per cent of Audit Committee Chairs also highlighted capacity issues within their own finance teams as a contributing factor for audit delays, a significant increase on the 2023/24 survey result (32 per cent).

Respondents identified several factors contributing to delays, including resourcing constraints within audit firms and audited bodies, delays in decision making, a lack of communication, and limited auditor experience and understanding of local audit:

> “I am critical of the auditor’s performance, delay and resourcing…I feel that…the quality of [the] 2024/25 accounts is not to standard and caused a problem as did internal resourcing capacity.”

> “I am concerned that our auditors… are working to deadlines several months before the backstop dates and using their own earlier dates to end audits if not completed…they are then focusing on the following year audit and other commitments as there is not enough audit resource available to complete all audits, so the system is driving them to focus on those they can get through early and then focus on the following year's audit testing to ensure numbers get audited in time but this is failing the sector as a whole.”

Respondents also shared issues that were related to building back assurance and outside of the auditor’s or body’s control:

> “Not our external auditor’s fault…we are still having delays in the completion of the pension fund audit and this impacts our external auditor’s ability to sign off our accounts - we don't receive any communication from the pension fund or their auditor…”

> “Delays with the auditor in determining whether we could move from a disclaimed audit to a qualified audit in line with the building back assurance process.”

Auditor communications

Nine out of ten Directors of Finance (90 per cent) and nearly all of Audit Committee Chairs (93 per cent) strongly agreed or tended to agree that where the audit had been delayed beyond the target date, the auditor informed them of the reason for this. These results are broadly consistent with the findings of the 2023/24 survey (86 per cent and 94 per cent).

Overall, responses to the auditor communications statements are broadly consistent with those in the 2023/24 survey. Directors of Finance reported a slight improvement when compared to last year, while Audit Committee Chairs reported slightly lower levels of agreement.

Directors of Finance and Audit Committee Chairs highlighted communication issues stemming from late engagement, lack of guidance and poor clarity on requirements. They also called for more face-to-face meetings to support effective engagement and communication:

> “Open and honest communication, consistent messaging from manager to partner, earlier raising of issues, a more supportive dialogue as a sounding board for issues, better planning and timetabling!”

> “More face-to-face meetings.”

> “Work to the provided timetable, raise any issues in a timely way, communicate effectively, secure enough staff with relevant expertise to undertake the audit, provide…timely update reports to Committee with meaningful information.”

> “The big issue was not adhering to a 'no surprises' approach. The committee were presented with…areas of concern at the last minute which led to some difficulties.”

> “Highlighted delays and fee variations earlier.”

Respondents' feedback also included positive comments about communication with their auditor:

> “I think the audit team were very proactive and helpful with giving advice to help achieve the audit moving through smoothly.”

Auditor’s Annual Report and Value for Money (VfM) Arrangements

Nearly all (95 per cent) of Audit Committee Chairs said they found the Auditor’s Annual Report to be very or fairly useful, against 84 per cent of Directors of Finance. This represents an improvement on the 2023/24 survey (90 per cent and 78 per cent).

Almost nine out of ten (87 per cent) of Audit Committee Chairs said they found the auditor’s VfM arrangements commentary very or fairly useful, compared to 82 per cent of Directors of Finance. This represents an overall improvement on the 2023/24 survey (88 per cent and 75 per cent).

Directors of Finance and Audit Committee Chairs expressed a range of views on value for money arrangements. They highlighted the need for stronger engagement and raised concerns that the work did not offer good value for the taxpayer:

> “We are charged a significant sum for Value for Money conclusion work where no risks are identified and most of their reporting was from wording in our own reports so added no value for the charge to the taxpayer.”

> “More engagement on the VfM work, it really wasn't very detailed for the amount of money paid and there is still lack of clarity around building back assurance.”

Timely reporting of key issues

Where the auditor had identified significant weaknesses, half (51 per cent) of Audit Committee Chairs and over a third of Directors of Finance (39 per cent) said they were reported on a timely basis. This represents an improvement on the 2023/24 survey results (51 per cent and 34 per cent).

Four out of five (87 per cent) of Directors of Finance said that the auditors communicated a great deal or a fair amount with them about valuations. As in the 2023/24 survey, this question recorded the highest level of agreement (84 per cent).

Nine out of ten (91 per cent) of Audit Committee Chairs said they received a great deal or a fair amount of communications about financial accounting and reporting from their auditors. As in the 2023/24 survey, this question recorded the highest level of agreement (88 per cent).

Several Audit Committee Chairs and Directors of Finance emphasised the importance of timely and clear reporting to allow sufficient time to address these significant topics and the need to resolve building back assurance quickly and effectively:

> “The worst scenario is poor, unclear reporting that is not set at the right level of knowledge and experience for members, often with minimal audit knowledge…the system needs rethinking and should be much more open to other organisations who have the appetite and resource to undertake better quality auditing.”

> “More input is required from the service users being audited and relevant committee chairs or members. Some of the audit concepts should apply

differently to local authorities especially PPE valuation and general audit work and that is causing a lot of issues."

Committee meetings

Nine out of ten of Directors of Finance (91 per cent) and 97 per cent of Audit Committee Chairs said their auditor's performance met their expectations in audit committee meetings to a great or moderate extent. The results reflect a similar position to the 2023/24 survey (91 per cent and 95 per cent).

Just under three out of five of Audit Committee Chairs (59 per cent) said to the best of their knowledge the audit committee offered to meet privately with the auditors at least once without officers being present during the 2024/25 audit. This is an improvement on the 2023/24 survey (52 per cent).

When reviewing comments about committee meetings, there was a clear call for more frequent catch ups and greater in-person attendance as well as positive feedback:

> "One of the committee meetings was attended via Teams and no one could hear the auditor clearly - in person attendance was requested going forward."

> "Engage with the audit committee more - we can't support if not informed."

> "More attendance at Audit Committees to discuss progress and changes…at each meeting rather than just when there is something to report."

> "The auditor was thorough and kept the committee informed. There is nothing more they could have done."

Additional comments

Two-thirds (68 per cent) of Directors of Finance (130) provided a comment, as did 64 per cent (63) of Audit Committee Chairs.

Several respondents highlighted the need for auditors to improve timeliness and resourcing. They also called for the early provision of information on fee variations, report sign-off, the audit plan or approach, as well as earlier reporting of findings to committees and completion of the audit soon after the year end:

> "Appropriately trained auditors, better communication over fees, more catch up meetings, less obstructive approach on particular issues where we disagreed."

> "More proactive in communication, done the work needed to give an opinion, been resourced their end to deliver the audit work instead of taking four months…not used backstop as a reason to not do the work...."

> "Less work on PPE and pensions but this requires changes to auditing standards. This adds no value to the organisation but is at a significant cost."

> "There was no transparency on the extra fees charged and was wholly unjustified over and above the base fees. The audit was NOT completed …and conclusions and audit reports issued without the necessary completion as agreed."

Some respondents reported positive experiences or had no further comments. They highlighted responsive auditors, early focus on key areas, and strong working relationships with their audit teams:

> "A positive audit that, through the dedicated and proactive work of both the internal accountancy team and the auditors, achieved the target deadline for completion."

Respondents highlighted the need to improve communication and strengthen working relationships through greater engagement, openness, and transparency. They also called for clearer, less technical language, simpler reports, and better understanding of the specific context and challenges faced by bodies:

> “A lack of communication throughout the small window of time allocated to undertake the audit led to very little being achieved for the 2024/25 audit. The late clarification of the approach to building back led to an overall lack of progress.”

> “The audit reports (AFR, AAR, ISA260 etc) are written in a way that is very hard to follow (legal jargon…etc). The reports could be simplified a great deal, which would be of benefit to those charged with governance.”

> “Better understood our unique challenges.”

Local audit reform and building back assurance (new topical questions)

Seven out of ten (70 per cent) of Directors of Finance said they received sufficient information on the overhaul of the local audit system, including establishing the Local Audit Office, compared to 61 per cent of Audit Committee Chairs.

Over half of Directors of Finance (58 per cent) and Audit Committee Chairs (64 per cent) said they received information about the process of building back assurance.

A third (33 per cent) of Directors of Finance (62) provided an additional comment in this section, as did 30 per cent (30) of Audit Committee Chairs.

Respondents called for more detailed information and guidance. This included clearer timelines for reforms, including local government reorganisation (LGR), more communication from auditors, greater clarity on how the system will work in practice, and on the role and remit of the LAO:

> “It will be interesting to see how this process works in LGR areas where different authorities are at different stages of recovery, particularly with regard to opening balances for new unitaries.”

> “The build-back process has been discussed to an extent but there remains a lack of clarity over the process, timescale, auditor input, and why this is separately chargeable...”

> “I welcome the…Local Audit Office: a more consistent approach across the sector - greater clarity and consistency in technical interpretation and advice - a trusted organisation to support both auditors and authorities. Reforms must address the current imbalance and rebuild trust and relationships.”

Audit Committee Chairs commented on the pace of audit reform, with some recognising it will take time and others urging faster progress:

> “It still feels like the build back process is progressing slower than it should be with a lack of urgency both from national stakeholders and audit firms.”

Directors of Finance had concerns about the building back assurance process, saying it needed to be simple and clear. Some said that it had progressed too slowly, that there was insufficient capacity, and that the process had changed the relationship with external auditors:

> “Building back assurance needs to be resolved in a pragmatic way very quickly, especially given the number of areas going through reorganisation, if this is not the case it is likely that the progress made will slip back as councils transition to the new authorities.”

> “The changes will not be as effective without sufficient skills and capacity in the audit market.”

> “The build back process has changed the relationship with external audit to one of more conflict and less partnership.”

The full report with a breakdown of all responses can be viewed on the PSAA website.

Local Government Association
18 Smith Square
London SW1P 3HZ

Telephone 020 7664 3000
Fax 020 7664 3030
Email info@local.gov.uk
www.local.gov.uk