

PSAA – Advisory Panel

3 November 2022

10 am – 12 noon

Agenda

- Welcome
- Previous meeting minutes
- 1 - Neil Harris
- 2 - PSAA update
 - (i) 2022/23 Fee Consultation
 - (ii) Procurement Outcome
 - (iii) Making Auditor Appointments
- 3 - Infrastructure assets
- 4 - Audit delivery information
- AOB
- Next meeting – 20 February 2023 (pm)

1 - Neil Harris



Neil has 24 years' experience in local public audit, 14 of those for the Audit Commission. Between November 2012 and September 2022, he was a Key Audit Partner for EY with responsibility for a range of local public sector audits across local government, central government, police and the fire sectors. Neil contributed to EY's response to a range of consultations on the future of financial reporting and external audit in the public sector.

Prior to joining EY, Neil was a District Auditor for the Audit Commission between 2009 and 2012. Neil is passionate about securing a sustainable future for high quality financial reporting, governance and audit in the public sector and became the Financial Reporting Council's first Director of Local Audit from September 2022. Neil will be leading the FRC's work on local audit as it takes on the shadow system leader responsibilities from DLUHC ahead of transition to ARGA.

2 - PSAA UPDATE

(i) 2022/23 Audit Fee consultation

- PSAA has to deal with increasing amounts of audit work in a framework designed for a steady state:
 - Building in recurrent audit work to scale fees where information available in time
 - Covering costs of inflation
- Impact of a delayed audit will be neutral on final fees
- Background information on audit fees published
 - [Additional information on audit fees](#)

(i) 2022/23 Audit Fee consultation

- 120 responses from:
 - Audited bodies
 - Networks such as DCN
 - National Stakeholders
 - Firms
- Analysis in progress
- Outcome to be published by end of November
- Consultee views are provided to DLUHC and FRC

(ii) Procurement outcome

- headlines

- PSAA managed to secure enough supply, but...
- It was extremely challenging
- It took several procurement rounds to get there
- We needed to use several procurement mechanisms
- There is no spare capacity
- There was minimal competition
- Successful bids are at a significantly higher rate - total fees likely to higher by c.150% comparing 22/23 to 23/24
- There has been a strong reaction to the projected cost increases - we have asked DLUHC to consider providing further support to bodies

(ii) Procurement outcome

- the share of PSAA contracts

	Share of new contracts	Existing contract share
Grant Thornton	36.0%	40%
Mazars	22.5%	18%
Ernst & Young	20.0%	30%
KPMG	14.0%	-
Bishop Fleming	3.75%	-
Azets Audit Services	3.25%	-
Deloitte	-	6%
BDO	-	6%

(ii) Procurement outcome

- key points

- Six of the 10 registered firms were successful
- Three did not bid, including two current suppliers
- There are two new suppliers (Azets and BF)
- One previous supplier has returned (KPMG)
- Two of the 'Big 4' were successful (34% share)
- Largest two suppliers have 58.5% share, down from 70%
- Allocating auditors to bodies is complex and challenging due to a range of factors
- Auditor proposal consultation with bodies is ongoing

(ii) Procurement outcome

- Key messages

- It has not fixed the underlying issues
- The market remains highly fragile
- The backlog is a huge issue that is worsening
- The system is highly vulnerable to another work spike
- The workforce strategy is key
- All options must be considered, including an auditor of last resort
- The new KAP route must be available asap
- The procurement buys time, but...
- It is imperative that there is no complacency
- What do we want from local audit?

(iii) Making auditor appointments

- steps

Step 1 – development of proposed auditor appointments

- Considerations include:
 - Auditor independence (most important principle);
 - Continuity (and longevity) of the current appointment;
 - Any joint/shared working arrangements; and
 - Contractual requirements.

Step 2 – consult opted-in bodies on the proposals

- Can accept the proposal or make representations against it
- We carefully consider all representations
 - if accepted, we consult on a revised proposal
 - where not accepted, we explain the reasons why

(iii) Making auditor appointments - indicative timeline

Activity	Indicative timing
17 October – 14 November	Consultation with opted-in bodies on proposed auditor appointment
17 November	Oral update to the PSAA Board to summarise any representations received from opted-in bodies
15 – 22 November <i>(subject to the volume of representations received)</i>	Consider any representations and propose responses including changes to proposed appointments Seek approval of responses and any changes from CEx in conjunction with the Chair
2-week consultation period	Consultation on revised auditor appointment, where representation upheld
16 December	PSAA Board to determine final schedule of appointments
By 31 December	Inform opted-in bodies and suppliers of auditor appointments and publish appointments directory on our website

3 - Infrastructure Assets

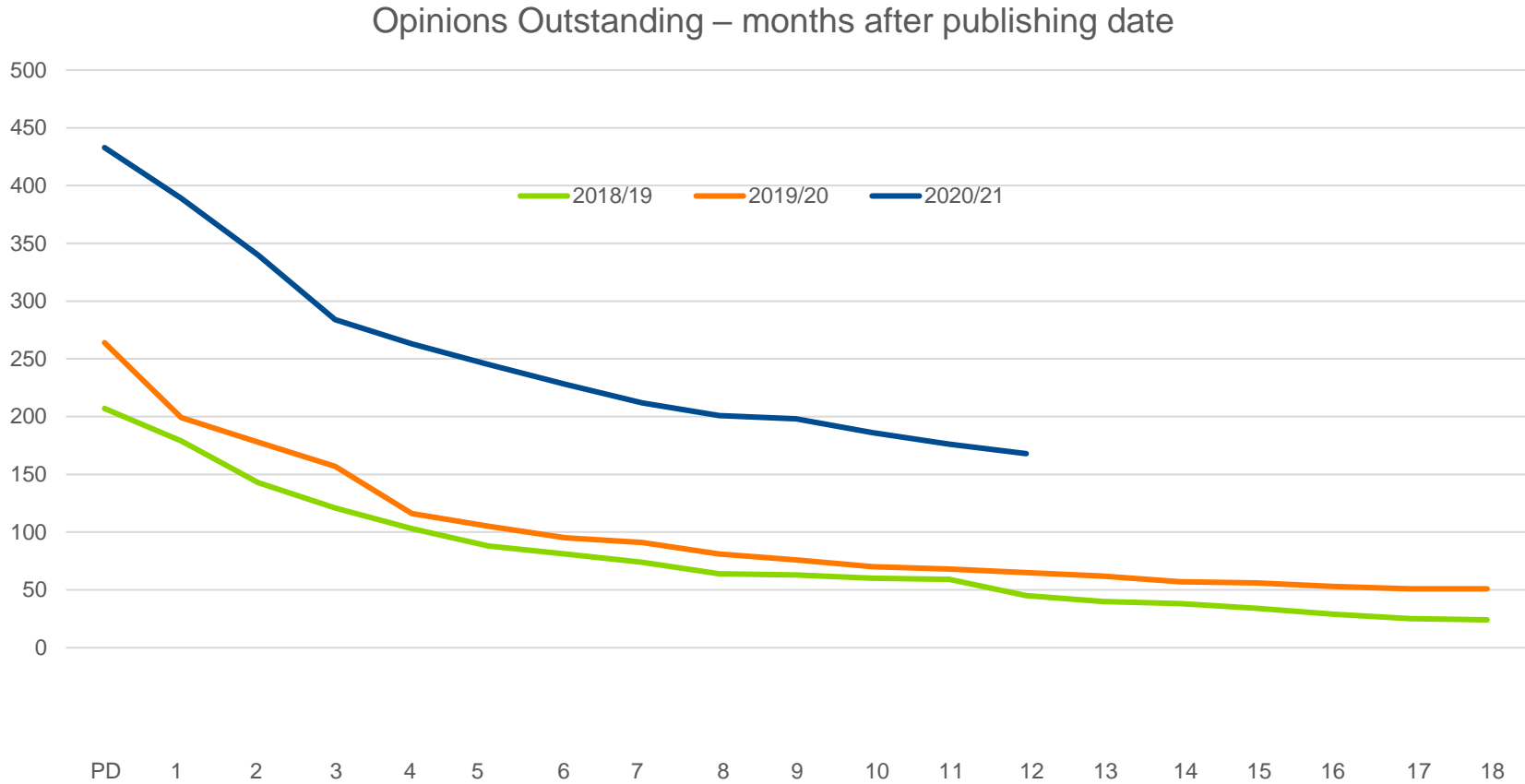
- Short Term solution has two angles for a combination of CIPFA LASAAC and DLUHC to resolve
 - removal of gross figures, and guidance on useful economic lives
 - ability to write-down all replaced assets to zero value
- Aim is to have a solution in place by end of 2022 but bodies and auditors will need to agree a way forward re wording etc
- Long Term solution being worked on

4 - Audit Delivery information

The following slides cover -

- Audit Completions – profile after due date
- Audit Opinions Summary 2015/16 – 2020/21
- Audit Opinions Data 2020/21
- Audit Opinions Data 2019/20
- Summary of Objections
- Use of additional powers

Audit completions – profile after due date



As at 30 September 2022

Audit Opinions summary 2015/16 to 2020/21

Audit year <i>Publishing date</i>	Number of opted in bodies	Percentage of audits complete by publishing date	Number of audits by oldest year outstanding Total = 168	Number of audits outstanding per financial year
2020/21 30 Sep	474	9%	123	168
2019/20 30 Nov	478	45%	34	45
2018/19 31 Jul	486	57%	8	11
2017/18 31 Jul	494	87%	2	3
2016/17 30 Sep	497	95%	0	1
2015/16 30 Sep	497	97%	1	1

As at 30 September 2022

Audit Opinions Data 2020/21

Firm	Total audits	Outstanding at 30 Sep 2021		Outstanding at 30 Jun 2022		Outstanding at 30 Sept 2022	
BDO	25	25	100%	20	80%	20	80%
DL	26	24	92%	19	73%	19	73%
EY	157	148	94%	79	50%	61	39%
GT	179	157	88%	54	30%	49	27%
Mazars	87	79	91%	26	30%	19	22%
Total	474	433	91%	198	42%	168	35%

Publishing date of 30 September 2021

30 audit opinions were issued in the three months to September 2022

Audit Opinions Data 2020/21 (slide 1 of 3)

Body Type	Total audits	Opinion by 30 Sept 2021	Opinion by 30 Sept 2022	Balance Remaining	% Remaining
All Bodies	474	42	306	168	35%
Combined Authority	10	1	8	2	20%
County Council	25	2	20	5	20%
District Council	187	11	101	86	43%
London Borough	32	3	14	18	56%
Metropolitan District	34	5	21	13	38%
Unitary Authority	55	2	23	32	58%

Publishing date of 30 September 2021

Audit Opinions Data 2020/21 (slide 2 of 3)

Body Type	Total audits	Opinion by 30 Sept 2021	Opinion by 30 Sept 2022	Balance Remaining	% Remaining
All Bodies	474	42	306	168	35%
Chief Constable	37	2	32	5	14%
Police and Crime Commissioner	33	2	29	4	12%
Police, Fire and Crime Commissioner	3	0	2	1	33%
Fire & Rescue Authority	25	5	22	3	12%
Commissioner Fire & Rescue Authority	4	1	4	-	0%

Publishing date of 30 September 2021

Audit Opinions Data 2020/21 (slide 3 of 3)

Body Type	Total audits	Opinion by 30 Sept 2021	Opinion by 30 Sept 2022	Balance Remaining	% Remaining
All Bodies	474	42	306	168	35%
National Park Authority	9	1	9	-	0%
Passenger Transport Executive	4	2	4	-	0%
Pensions Authority	2	2	2	-	0%
Waste Disposal Authority	5	-	3	2	40%
Miscellaneous	9	3	7	2	22%

Publishing date of 30 September 2021

Audit Opinions Data 2019/20

Body Type	Balance Remaining	Body Type	Balance Remaining
Combined Authority	1	Miscellaneous	1
District Council	22	Waste Disposal Authority	2
London Borough	8	Unitary Authority	9
Metropolitan District Council	2	Total	45

As at 30 September 2022

Publishing date of 30 November 2020

Summary of Objections under Investigation

Firm	2016/17 & prior	2017/18	2018/19	2019/20	2020/21	Total
BDO	5	1	-	3	1	10
DL	n/a	n/a	-	-	-	0
EY	2	-	2	-	1	5
GT	1	2	3	2	15	23
Mazars	-	-	1	-	3	4
Total	8	3	6	5	20	42

As at 30 September 2022

Two objections have been closed in the last quarter

Use of Additional Powers

Since our June 2022 meeting auditors have used their additional powers as follows:

Statutory Recommendations made at:

- South Somerset District Council
- Barrow-in-Furness Council
- Redditch Borough Council
- Bromsgrove District Council

Closing

- AOB
- 2023 meeting dates
 - 20 February
 - 12 June
 - 30 October