

Audit Progress Report

Tyne & Wear Fire and Rescue Authority



September 2017





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Audit progress

Purpose of this report

The purpose of this paper is to provide the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Governance Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website address (www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

2016/17 Audit

The 2016/17 audit was completed early this year, ahead of the statutory requirement to bring the timetable forward from next year.

An unqualified audit opinion and unqualified VFM conclusion was issued on 31 July 2017. The audit certificate formally closing the audit was also issued on that date.

We have now issued our Annual Audit Letter and this was presented to the full Authority meeting on 11 September 2017.

2017/18 Audit

In the next quarter, we will begin our planning work in relation to the 2017/18 audit.

We will discuss with officers the lessons learned from experience of bringing the accounts and audit timetable forward this year, and discuss ways in which we can make further improvements to streamline the process. This will include identifying ways of carrying out audit work earlier to reduce the pressure of work in the period between the preparation of your financial statements (by 31 May) and the audit deadline (31 July).

We will also discuss with officers the current risks in relation to our audit opinion and the VFM conclusion, and this will begin to shape our Audit Strategy Memorandum for the 2017/18 audit.

National publications and other updates

National publications and other updates

1. The levy, apprenticeships and the public sector, CIPFA, May 2017
2. Procurement of audit services delivers outstanding results, Public Sector Audit Appointments Ltd, June 2017
3. Online Fraud, NAO, June 2017
4. Annual Regulatory Compliance and Quality Report 2016-17, Public Sector Audit Appointments Ltd, August 2017
5. Cyber security and information risk guidance for Audit Committees, NAO, September 2017

1. The levy, apprenticeships and the public sector, CIPFA, May 2017

CIPFA summarises this 'think piece' as follows:

The arrival of the apprenticeship levy has been heralded with a mixture of eager anticipation, dread and a lot of discussion. It is likely to be a while before we see the levy running smoothly and guidance will inevitably need to be regularly updated as the system becomes embedded.

The introduction of the apprenticeships levy sees both opportunities and risks for the public sector and only time will tell how successful the system proves to be. There will be winners and losers and the targets to be achieved may prove a challenge, but the levy certainly can't be overlooked. Employers need to be aware of the options and ways to use the levy to develop a flexible and skilled workforce. CIPFA sees the levy as a further opportunity for widening access to the finance profession and providing a much needed platform to improve productivity in the economy.

This Insight provides background and introduction to what apprenticeships mean for the public sector.

<http://www.cipfa.org/policy-and-guidance/reports/the-levy-apprenticeships-and-the-public-sector>

2. Procurement of audit services delivers outstanding results, June 2017

In June 2017, Public Sector Audit Appointments Limited (PSAA) reported the outcome of its national procurement of audit contracts for local government and related bodies that will run for five years from the 2018/19 audits, with an option to extend by a further two years. The procurement applied to those bodies which opted to be part of it, which included Tyne & Wear Fire and Rescue Authority.

As part of the procurement, Mazars increased its national market share of this work from approximately 6% to 18%.

The other firms that were successful in winning market shares were Grant Thornton, EY, BDO and Deloitte.

The five current firms providing this work are Mazars, Grant Thornton, EY, BDO and KPMG.

PSAA estimated that the procurement pointed to a possible scale fee reduction of the order of 18% from 2018/19 audits. PSAA is currently consulting bodies on individual auditor appointments.

<http://www.psaa.co.uk/archive/press-release-procurement-of-audit-services-delivers-outstanding-results/>

3. Online Fraud, NAO, June 2017

Online fraud is now the most commonly experienced crime in England and Wales, but has been overlooked by government, law enforcement and industry.

<https://www.nao.org.uk/report/online-fraud/>

4. Annual Regulatory Compliance and Quality Report 2016-17, Public Sector Audit Appointments Ltd, August 2017

Public Sector Audit Appointments Limited (PSAA) monitors the performance of all its audit firms. The audit quality and regulatory compliance monitoring for 2016/17 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit internal quality monitoring;
- reviews (QMRs) of its financial statements, Value for Money (VFM) arrangements conclusion and housing benefit (HB COUNT) work. The review included assessing compliance with the HB COUNT guidance;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of PSAA's inspection of each firm by the FRC's Audit Quality Review team (AQRT) as part of a commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2015/16 work.

The report concludes the following in respect of Mazars LLP:

"Mazars is meeting our standards for overall audit quality and our regulatory compliance requirements. We calculated the red, amber, green (RAG) indicator for overall audit quality and regulatory compliance using the principles detailed in Appendices 1 and 2. For 2016/17, Mazars' combined audit quality and regulatory compliance rating was green. The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor. Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2016/17 indicators scored as green".

Figure 1: 2017 Comparative performance for audit quality and regulatory compliance

	BDO	EY	Deloitte	PwC	Grant Thornton	KPMG	Mazars
2017	Amber	Amber	n/a	n/a	Amber	Amber	Green
2016	Green	Green	Green	Amber	Amber	Amber	Green
2015	Amber	Green	Amber	Amber	Amber	Amber	Green

For comparison, we have added in the previous years to the figure above taken from the report.

<http://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

5. Cyber security and information risk guidance for Audit Committees, NAO, September 2017

Audit committees should be scrutinising cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

Contact details

Please let us know if you would like further information on any items in this report.

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