

**Saaa**

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Smaller Authorities'  
Audit Appointments

**Quality Assurance Review  
Summary Report for All Firms**

**2023-2024**

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**2023-2024**

**9 May 2025**

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# Introduction

Smaller Authorities' Audit Appointments Ltd (SAAA) appointed BDO, Forvis Mazars, Moore and PKF Littlejohn to deliver Limited Assurance reviews of Annual Governance and Accountability Returns (AGARs) completed by Smaller Authorities from 2022/2023 to 2026/2027.

Each year SAAA conducts a review of the quality of work performed by each of its audit suppliers to ensure that the quality of auditors' work is satisfactory and compliant with guidance and legislation. This review is conducted by two independent contractors with substantial experience of public sector audit.

These QA reviews involve two visits to each audit firm. SAAA provides a detailed Full Report to each of its supplier following these Quality Assurance (QA) visits. In addition, SAAA publishes a short report (this report) to provide a summary of the findings and recommendations in the Full QA Reports.

SAAA also publishes an annual [Report on the Results of Auditors' Work at Smaller Authorities](#) which provides information about AGAR submissions, the number of exempt Smaller Authorities, the percentage of qualified Limited Assurance Reviews and other details relating to Smaller Authorities compliance with the Limited Assurance Review legislation and guidance.

These reports together show that all firms are both meeting their contractual requirements and undertaking Limited Assurance Reviews with due diligence and due regard to National Audit Office guidance.

## Scope and approach

Each year SAAA determines the level of Quality Assurance (QA) work it will undertake using a risk-based approach based on each supplier's previous year performance, and any matters identified at the interim visit or via the annual interim questionnaire which is completed by each audit firm.

When assessing the risk level of each audit firm, SAAA adopts the Red, Amber, Green (RAG) risk levels extensively used in public sector risk management. The table below shows the three risk levels.

Risk Colour	Risk Level	What this means
Red	High risk	Significant doubts exist about firm's performance and detailed quality assurance work must be undertaken.
Amber	Medium Risk	The firm's performance needs an annual review, and a moderate level of QA work is required

Green	Low Risk	There are few concerns about a firm's performance and only limited QA work required.
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For 2023/2024, the risk levels of the firms were assessed as follows;

Audit Firm	BDO	Forvis Mazars	Moore	PKF Littlejohn
Risk Level	Amber	Amber	Amber	Green

Following this risk assessment SAAA conducted an interim visit to each firm to:

- follow up recommendations in 2022/2023 internal and external quality review reports
- undertake walk-through tests to understand the firm's approach
- confirm compliance with guidance issued by the National Audit Office (NAO)
- update its risk assessment.

In addition all firms received a final visit to:

- review their Internal Quality Control Review report (IQCR)
- re-perform the IQCR on 30% of the files selected for IQCR for amber risk firms
- review one file selected for IQCR from each category for green risk firms
- test staff training
- review 'fit and proper' and independence documentation for staff (3 staff members for amber risk firms in detail and an overview for green risk firms).

## Assessment

After these two visits a detailed report was provided to each firm giving full details of the findings and recommendations and each firm was given an assurance rating.

Each supplier is assessed using the rating of '*High*,' *Medium*' or '*Low*' assurance. A supplier must pass ten criteria to achieve '*Medium*' assurance' and a similar but more challenging list of ten criteria to achieve '*High*' assurance.

Assurance Colour	Assurance Level	What this means
Red	Low	<p>The firm's performance is unsatisfactory and significant improvements are required.</p> <p>No assurance can be provided that the audit firm is undertaking limited assurance reviews with due diligence and due regard to National Audit Office (NAO) guidance</p>

Amber	Medium	<p>The firm's performance is satisfactory with some areas for improvement.</p> <p>Stakeholders can be assured that the audit firm is undertaking limited assurance reviews with due diligence and due regard to NAO guidance.</p>
Green	High	<p>There are no significant concerns about a firm's performance and only limited scope for improvement.</p> <p>Stakeholders can be highly assured that the audit firm is undertaking limited assurance reviews with due diligence and due regard to NAO guidance.</p>

## 2023/2024 Assurance Rating

Following the QA work for each firm they were assessed as follows:

Audit Firm	BDO	Forvis Mazars	Moore	PKF Littlejohn
Assurance Rating	Amber	Amber	Amber	Green

Stakeholders can therefore be assured that all audit firms are undertaking limited assurance reviews with due diligence and due regard for NAO guidance.

## Comparison of Assurance Ratings Between Suppliers

Year	BDO	Forvis Mazars	Moore	PKF Littlejohn
2023/2024	Medium	Medium	Medium	High
2022/2023	Medium	High	Medium	High
	<p>BDO passed all ten criteria for 'Medium' assurance and seven of the ten criteria for 'High' assurance. Several areas of good</p>	<p>Forvis Mazars passed all ten criteria for 'Medium' assurance and five of the ten criteria for 'High' assurance. Several areas</p>	<p>Moore passed all ten criteria for 'Medium' assurance and seven of ten criteria for 'High' assurance. Areas of good practice were</p>	<p>PKF passed all ten criteria for 'High' assurance and demonstrated a strong commitment to quality, underpinned by a robust and</p>

	practice were identified, however, there remains scope for improvement.	of good practice were identified, however, there remains scope for improvement.	identified, however, there remains scope for improvement.	embedded IQCR process. Several areas of good practice were identified plus some areas for further improvement
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The table above shows that Forvis Mazars' rating has moved from High to Medium this year and is shared by two other suppliers. This may reflect changes this year to the engagement team at manager and engagement lead levels, changes to the ICQR and a reduction in the level of experience of limited assurance reviews in those staff. Experience at other suppliers suggest the extent of issue we identify declines as new senior members of the team gain experience of this work.

## Examples of Good Practice

As part of our review process, we also identified areas of good practice for all firms and these are shown below.

BDO
<p><b>Previous Recommendations</b> – BDO have implemented all seven recommendations from the 2022/2023 external quality review report. Whilst their assurance rating remains 'medium' there was a significant improvement in quality in 2023/2024 which was underpinned by a more challenging IQCR. The key drivers for this improvement included better staff training and guidance, use of hot reviews (reviews conducted shortly after the initial review), planned resourcing to ensure earlier final review and sign offs, expansion of the IQCR sample and changes to the IQCR reporting.</p> <p><b>Qualified Opinions</b> – BDO was no longer an outlier in the percentage of qualified opinions. In 2022/2023 BDO qualified just 7% of their opinions, compared to an average of 31%. For 2023/2024 BDO qualified 30% of their opinions compared to the average of 35%. Whilst there will always be some difference between county areas and scope for professional judgement this level of difference indicates that BDO were more adept at identifying erroneous accounts and annual governance statement assertions this year and the management and final review process were more challenging.</p>
Forvis Mazars
<p><b>Personnel</b> - Forvis Mazars' approach to testing the competencies of temporary staff at interview (including a practical review type exercise) and the training of new temporary staff is comprehensive and is considered good practice. Training included a mix of bespoke limited assurance training, mandatory firm-wide training</p>

for audit and assurance staff and regular coaching. Our testing confirmed that the documented evidence in relation to staff training, declarations of independence and fit and proper credentials was good. This documentation was provided for all staff involved in the work.

**Client Service** - Forvis Mazars has a good rate of response to its client satisfaction survey and the most comprehensive approach to gathering client feedback. Forvis Mazars issue reminders to improve return rates and has introduced numerous good practice measures designed to improve client service. Response and satisfaction rates have remained consistently high and actions have been taken where themes are identified from feedback.

**Implementation of previous recommendations** – Forvis Mazars have been active in addressing previous recommendations across a range of issues with satisfactory progress recorded

### Moore

**Analytical Review** – Moore's review of the explanations for significant variances in accounting entries given by smaller authorities was particularly well documented. This analytical review is a key source of assurance required by NAO and of evidence of proper practice for smaller authorities as set out in the Practitioner's Guide. Moore obtained clear and appropriate explanation of significant variances, and the re-performance did not identify any scope for explanations to be explained more fully.

**Training** – Training included bespoke limited assurance training, mandatory firm-wide training for audit and assurance staff and coaching in the first week review with refresher training for those with prior limited assurance experience.

**Internal Quality Control Review (IQCR)** – Moore's IQCR was undertaken by an independent partner with significant experience of limited assurance reviews. The IQCR report was clear with appropriate recommendations and demonstrated robust challenge.

### PKF Littlejohn

**Internal Quality Control Review (IQCR)** - PKF's IQCR process is well executed and documented. It was undertaken by a Technical Director with significant experience of Smaller Authority Limited Assurance work. This helped to ensure robust and appropriate challenge. The previous years' recommendations have been acted upon. The sample used by the IQCR was randomly selected and covered all type of authority. Testing of this sample showed a clear trend in quality improvement.

**Personnel** - Staff recruitment and training are extremely well planned, resourced and conducted. All staff had completed the required declarations before any work was started

**Hot Reviews** – PKF continue to conduct weekly hot reviews of files by senior members of the team not previously involved in the file, using a thirty-question checklist leading to a RAG rating and further training or team discussion. This has led to significant improvement in the quality of PKF's work.

## Areas for Improvement

As part of the review, although all firms are undertaking Limited Assurance Reviews with due diligence and due regard to National Audit Office guidance, we have identified areas where performance could be improved, and these are shown below.

BDO
<ul style="list-style-type: none"><li>• Improved training for staff new to Limited Assurance work and covering VAT and bank statements reconciliation.</li><li>• Consideration of adopting a level of materiality to avoid qualifying for trivial errors.</li><li>• Obtaining further evidence of large grant debtors receipts to ensure accounting complies with Proper Practice.</li><li>• Improvements to the closure letter to include minor scope for improvement for authorities.</li><li>• A review of prior years' IQCR recommendations to ensure all have been implemented.</li><li>• Revising risk criteria to include authorities with income or expenditure over £2m as high risk.</li><li>• Revising the satisfaction survey to include a question asking authorities to rate overall satisfaction, and to set a target rate for response.</li></ul>
Forvis Mazars
<ul style="list-style-type: none"><li>• Ensuring IQCR capacity and training are sufficient to deliver robust IQCR.</li><li>• Improving training regarding banking information and bank reconciliations.</li><li>• Ensuring training covers the importance of the review of internal audit reports.</li><li>• Ensuring that auditors consider the impact of any amendments to AGAR figures on their review and recording of their findings.</li><li>• Improve documentation of the auditor's work to evidence the work done in all cases.</li><li>• Review of the guidance concerning the treatment of long and short-term investments.</li><li>• Review of intermediate testing and what is acceptable evidence, and the reporting to be undertaken when this has not been adequately provided.</li><li>• Review of guidance provided to Clerks and auditors concerning the acceptable explanation of variances.</li></ul>
Moore
<ul style="list-style-type: none"><li>• Reviewing the reasons for the relatively high qualification rate and review its policy for reporting issues with electors rights.</li><li>• Ensuring the work programme is fully in line with Auditor Guidance Note 02.</li><li>• Improving training regarding bank reconciliation.</li><li>• Reviewing the IQCR sample to ensure all types of authority are covered.</li><li>• Reviewing the IQCR checklist to ensure that all questions are appropriately worded.</li></ul>



- Improving the recording of hot and warm reviews.
- Improving the recording of staff training conducted.
- Considering ways of improving the response rate for client satisfaction surveys.

#### PKF Littlejohn

- Ensuring training covers steps to recognise possible misclassification of costs.
- Improving review of the analysis of income from accrued or deferred grants to ensure accounting complies with Proper Practice.
- Including a test for email management to ensure authorities comply with Proper Practice.
- Obtaining explanatory sheets for internal audit report 'not covered' responses and reporting the absence of such sheets appropriately.
- Relaunching the client satisfaction survey to improve the return rate and provide information to drive service improvement and inform external quality reviews.

## Comparison of Percentage of Qualified Opinions between Suppliers

The table below shows the percentage of limited assurance reviews resulting in qualified opinions. Although some variation from year to year and supplier to supplier is expected and decisions on qualifications are a matter of professional judgement the reasons for especially low or high qualification rates need to be understood.

Year	BDO	PKF Littlejohn	Forvis Mazars	Moore
2023/2024	30%	34%	20%	56%
2022/2023	7%	33%	21%	56%

## Queries

Any queries concerning this report should be addressed to: [admin@saaa.co.uk](mailto:admin@saaa.co.uk)

