

25 June 2019

Cllr Richard Watts
Chair, Resources Board
LGA
Smith Square

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Our reference EY LGA RB

Dear Councillor Watts

EY rescheduling of 2018/19 audits

Thank you for your letter regarding the Resources Board's concerns in relation to Ernst and Young (EY)'s rescheduling their audits of 2018/19 audits at 19 of our clients. We agree with you that this is clearly not a satisfactory position, and we regret the inconvenience caused to the 19 affected bodies.

As you mention the situation has arisen due to a shortage in certain locations of EY staff with the appropriate skills to carry out the specialist role of local government audit. EY recognises that the quality of the audit and resulting opinion is of critical importance, and that it must get back to the position where it is able to deliver both quality and timeliness. EY is working with the affected clients to complete this year's audits as soon as possible, taking into account their individual circumstances.

Looking beyond the current problems, we have stressed to EY that this situation must not occur again, and it has committed to resolving the shortage through recruitment and training along with other operational measures. We will be closely monitoring progress with a view to ensuring that for the remainder of the contract EY is not responsible for any of its 184 PSAA clients missing the 31 July target date.

Your letter refers to the need to ensure that the affected clients are not criticised for missing the target deadline date. We agree, and have provided assurances to that effect about any reporting that we do. We have also ensured that the NAO, MHCLG, FRC, ICAEW and of course LGA staff are fully aware of the audit circumstances being beyond the control of our clients. The clients will also be able to set out the position clearly in the statement that they are required to publish on their websites by 31 July explaining why audited accounts are not available by that date.

All variations proposed by auditors to the scale fee set for the audit are subject to consultation by the auditors with the individual clients, and then to PSAA review. We will take all matters into account for any variations proposed by EY, including any views expressed by the affected clients.

We are aware that the EY shortage needs to be seen in the wider context of the sustainability of the supply of local audit. We provided the June IDeA Board with a paper outlining the associated challenges and potential ways forward.

Thank you for acknowledging that we have kept our key LGA colleagues informed. We will continue to share information and developments as a part of our regular contact with them.

Yours sincerely

A handwritten signature in black ink, appearing to read "Tony Crawley". The signature is fluid and cursive, with a prominent initial "T" and a long, sweeping underline.

Tony Crawley
Chief Executive