

# Market Engagement

Conclusions



 AUDIT SCOTLAND

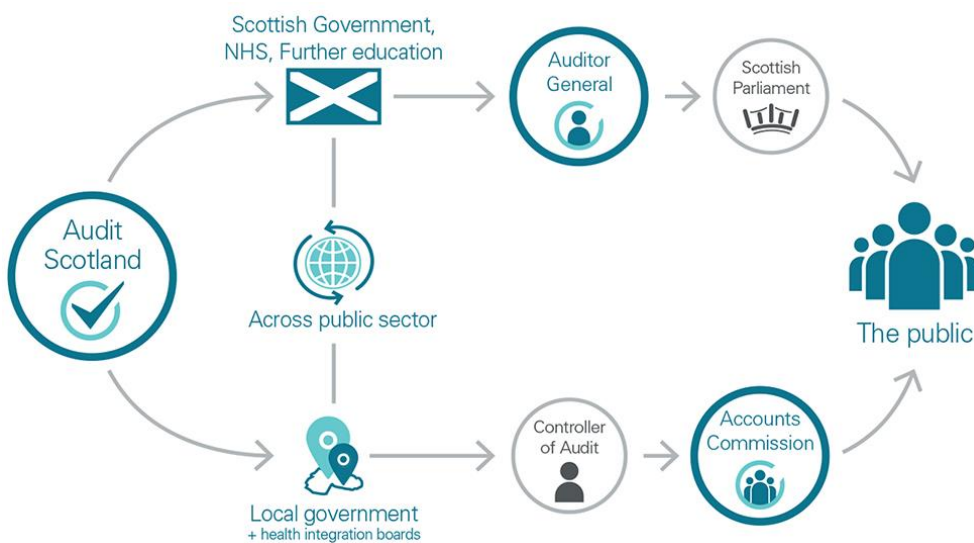
Prepared for New Audit Appointments  
February 2020

# Introduction

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

No information provided under this request will be used to make judgements regarding supplier performance, capacity or capability under any future procurement process. Nothing in this document shall be taken as constituting or indicating a contract or representation with or by Audit Scotland.

---

# Overview

---

## Background

1. In September 2019 a PIN notice was published on Public Contracts Scotland with a Request for Information document regarding the next Round of Audit Appointments.
2. The purpose of this Request for Information (RFI) was to:
  - 2.1. give an overview of our work;
  - 2.2. ask for views on how the Public Sector could best interact with the market to obtain services at best value for supply of Audit Services;
  - 2.3. seek views on any related issues/developments in the marketplace that might impact on this project;
  - 2.4. help us both gain maximum benefit in future commercial relationships.
3. The following responses were received
  - 3.1. A total of 17 organisations registered and downloaded the documentation
  - 3.2. 7 written submissions was received
4. Follow up clarification discussions were conducted with all organisations who submitted a written response and one organisation who provided an oral response.
5. Comments in relation to the code have been passed to the Project Team developing the new code for consideration in the consultation draft of the code.
6. The remainder of this document addresses the procurement themes raised in the RFI and developments in our thinking in response to these

---

# Themes & Considerations

---

## Themes

7. The key themes and summary responses on the procurement issues were as follows;

**7.1. Procurement Approach**

Firms wanted certainty over what they were bidding for in terms of scope and value. They also felt that awards should be made on a quality basis and not focused on price. In addition several comments were made with regard to ensuring that the tender process was not an onerous one i.e. multiple mini competitions.

**7.2. Audit Fees**

The current level of fees reflected the bottom of the market with upward pressure being generated by audit quality, regulatory issues and staffing. There was a strong desire to avoid the “race to the bottom” on fees as experienced elsewhere in the public audit market.

**7.3. Auditor Capacity**

Staff recruitment and retention was a recurring theme with a resultant upward pressure on fees. There was an increasing usage of specialists by several firms for areas of audits such as pensions. The overall quality of the information coming forward from public bodies has an impact on the resources required to complete a particular audit.

## Considerations

8. Reflecting on the information provided and subsequent clarification discussions Audit Scotland are considering the following in respect of developing the procurement exercise;

- 8.1. Providing transparency and scope of Audit Portfolios with respect to auditor remuneration.
- 8.2. Providing information on the scope of audits with respect to potential audit risks eg PFI schemes
- 8.3. Free format submission of tendered audit fees i.e. not % discounts

9. Auditor conflicts is an issue which provides some challenges with regard to audit portfolio appointments. Audit Scotland is considering the following mechanisms to address these issues

- 9.1. Developing a set of principles for audit portfolio appointments
- 9.2. Developing a set of principles for auditor rotation
- 9.3. Developing balanced equitable portfolios for each audit appointment

## Afterword

10. Audit Scotland would like to thank all firms and organisations who have responded to the original request for information exercise as their inputs have been valuable in developing and informing our considerations for the future procurement exercise.

# Market Engagement

## Request for Information

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)