

Our Ref: NAO 96/2023

Your Ref:

10 October 2023

To: Auditor General
 Deputy Auditor General

Subject: Procurement of Audit Services for the National Audit Office (NAO)

I am writing to provide an update on the procurement of audit services for the National Audit Office (NAO) based on the request for proposals (RFP) issued on October 4, 2023.

Our five-year agreement with Ernst & Young, which covered the audit of financial statements for the years ending December 2018 to December 2022, has now expired following the issuance of the financial statements for the year ending December 31, 2022, on May 18, 2023.

Ernst & Young have expressed their willingness to continue auditing the NAO's financial statements for the upcoming five-year period, spanning from December 31, 2023, to December 31, 2027. They have proposed the following fees for their services:

Ernst and Young Proposed Audit Fees	2023	2024	2025	2026	2027	Total
Audit Fee exc. VAT	€ 6,000	€ 6,300	€ 6,600	€ 6,900	€ 7,200	€ 33,000
Audit Fee Inc. VAT	€ 7,080	€ 7,434	€ 7,788	€ 8,142	€ 8,496	€ 38,940

As per established governance practices, the NAO Accounts Committee should not object to an audit firm providing services for consecutive five-year terms as long as such a service is terminated after ten years of service.

To assess the reasonableness of this fee increase, we extended RFPs to the other reputable three audit firms of the Big Four, namely KPMG, PricewaterhouseCoopers, and Deloitte and Touche. The submission deadline for these RFPs was set for October 9, 2023. However, we did not receive any responses from PricewaterhouseCoopers and Deloitte.

KPMG, the sole contender to Ernst & Young, has provided the following quoted fees for the same five-year period:

KPMG Proposed Audit Fees	2023	2024	2025	2026	2027	Total
Audit Fee exc. VAT	€ 8,875	€ 8,269	€ 8,682	€ 9,116	€ 9,527	€ 44,469
Audit Fee Inc. VAT	€ 10,473	€ 9,757	€ 10,245	€ 10,757	€ 11,241	€ 52,473

On comparison of proposed fees, Ernst & Young's offer is €13,533 inc. VAT cheaper than KPMG's proposal for the same services.

Considering the competitive pricing and Ernst & Young's track record of quality service, it is being recommended that the NAO Accounts Committee engage Ernst & Young for the audit of NAO's financial statements for the forthcoming five-year term, commencing on December 31, 2023, and concluding on December 31, 2027. The proposed quoted fees for each year total €38,940 inc. VAT.

I present the above recommendation for your review so that it can be forwarded to the NAO Accounts Committee members for their deliberation and eventual approval.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ian Rizzo".

Ian Rizzo
Finance Manager