

BRIEFING NOTE

SECTOR LED BODY FOR EXTERNAL AUDIT

IMPORTANT INFORMATION FOR ALL LOCAL COUNCILS AND PARISH MEETINGS

Changes to the audit arrangements were introduced by the Local Audit and Accountability Act 2014 (the Act) and some of the provisions of this legislation are already in force in the form of the Transparency Code for smaller councils, ie those with turnover below £25,000 per annum. These councils will be aware that the government has introduced a fund to help ease in the new burdens that implementation of the Code has caused.

These changes are being led by the Department for Communities and Local Government (DCLG) and this is being done in conjunction with the National Association of Local Councils who wanted to be very much involved in the process in order to protect the interests of the parish sector across the country.

The Act is relevant to 'smaller authorities' and for the purpose of the requirements the definition of this is a council or parish meeting that has income or expenditure less than £6.5 million per annum. YLCA believes that this will affect all parish sector authorities in the Yorkshire area.

As you may be aware, the Audit Commission ceased to exist on the 1 April 2015 and a new company called Smaller Authorities' Audit Appointments Ltd, has been created very recently to take over the appointment of external auditors and to deal with the setting of audit fees for smaller authorities from 2017. This company has been established on behalf of the Department for Communities and Local Government by the National Association of Local Councils (NALC), the Society of Local Council Clerks (SLCC) and the Association of Drainage Authorities (ADA).

Every council and parish meeting now needs to make a decision on whether it will remain automatically opted in or out of the new Sector Led Body (SLB) audit regime and this decision needs to be made by **31 March 2016**. It is important to note that all councils and parish meetings will automatically be **opted-in**. If a body resolves to opt-out it must inform the Sector Led Body via the e-mail address that is given in the documentation that accompanies this briefing paper. If the decision is to remain opted-in there is no need for a council or parish meeting to do anything more at that stage.

The board of the new company had its first meeting very recently and agreed that for authorities requiring an audit, ie those with an annual turnover over £25,000, the intention is that fees will not exceed those charged for external audit in the 2014/15 financial year. Details of those fees are included in the attached documentation.

The board has not yet made a decision of fees for councils with a turnover of less than £25,000. It will issue a separate communication in the New Year on what the solution will be for these councils.

The National Association has said that it will work with DCLG to produce factsheets as the work of the new body becomes established. Information on the arrangements made to date is included in the attached papers but YLCA will keep you updated as we receive more advice and guidance. If you have questions please let us have them using the e-mail address: admin@yorkshirelca.gov.uk and we will forward these to NALC if we cannot answer them ourselves.

The Local Audit and Accountability Act 2014 can be viewed at:
<http://www.legislation.gov.uk/ukpga/2014/2/schedule/2/enacted>

It is worth mentioning that internal audit will remain the responsibility of the local council or parish meeting. This exercise needs to be carried out by someone that is entirely independent of the council/meeting and is considered by the body to be competent in what they are asked to do. The internal audit should be robust and thorough in its scrutiny of the accounts and all aspects of financial management. All councils and parish meetings are reminded that audit is a three stage exercise, not just external and independent internal audit but also a system of internal control comprising checks

carried out by the council or parish meeting itself. Internal control is a requirement of law and if further information is required about this element of financial scrutiny, please contact YLCA at:
admin@yorkshirelca.gov.uk

Documents attached/enclosed with this briefing paper:

Factsheet one (produced by the National Association of Local Councils)

First communication from the Chairman of Smaller Authorities' Audit Appointments Ltd.

December 2015.

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