

C9 95

The future of audit procurement and the Sector Led Body.

Dear Colleagues

We are pleased to announce that we have set up a company to procure audit services on your behalf. This letter officially invites you to become an opted in authority to this scheme.

When the previous Government abolished the audit commission, NALC and SLCC expressed concerns about the impact this would have on the workload of local councils and drainage boards. We successfully persuaded Government to enable us to nominate NALC and partners to form a Sector Led Body to procure your audit services simplifying arrangements and reducing the burden on you.

We also successfully persuaded Government to fund the start-up costs of £540,000 which otherwise the sector would have had to raise itself.

The attached note sets out further information, but at this stage you do not need to do anything unless you wish to opt out of the audit procurement arrangements, set up your own independent audit panel and procure relevant services. If you do not wish to participate you need to tell us by 31 January 2016 that you do not wish to participate and will be making your own arrangements.

If you do not opt out you will automatically be included in the arrangement for the next five years as stated in the regulations passed at the start of the year.

If you wish to opt out of the Sector Led Body Audit procurement you must let us know by 31 January 2016 by emailing slboptout@nalc.gov.uk or writing to:

Audit Opt Out
Sector Led Body
National Association of Local Councils
109 Great Russell Street
London
WC1B 3LD

This has been a real triumph for the sector resulting from good joint working between NALC, the ADA and the SLCC, working closely with DCLG.

Regards

Jonathan Owen – Chief Executive NALC



The Society of Local Council Clerks

Innes Thompson – Chief Executive ADA



National Association of Local Councils, Society of Local Council Clerks and the Association of Drainage Authorities.

FACTSHEET - PROCUREMENT OF AUDIT FOR SMALLER AUTHORITIES

Auditing procedures for smaller authorities continue as before, but the procurement process will change from 2017.

From the start of the 2017/18 financial year smaller authorities, including parish and town councils and internal drainage boards, can choose to have an auditor appointed to them by a new 'sector-led body' or they can decide to procure their own, but they must have an auditor appointed as a legal requirement. We intend to call this procurement body the Smaller Authorities' Audit Appointments Limited.

This factsheet sets out how the new arrangements will work, what the new body will do, what it will offer to smaller authorities, and how you can opt out of having an auditor appointed to you and what you will then need to do.

Smaller authorities with a turnover of less than £25,000 will be exempt from having to submit an annual financial return, but will still need to have an auditor appointed in case there are questions from electors to be resolved. The SLB will be the first point of contact in such a case.

Background

The National Association of Local Councils (NALC) is working with the Department of Communities and Local Government (DCLG), Society of Local Council Clerks (SLCC) and Association of Drainage Authorities (ADA) on the establishment of a 'sector led body' to procure audit for smaller authorities for the 2017/18 financial year.

The new body will be responsible for procuring audit services for smaller authorities – this is all parish and town councils and internal drainage boards with an income of less than £6.5m – and for the management of these audit contracts for a period of five years.

The Local Audit and Accountability Act 2014 requires that from 2017, smaller authorities will appoint auditors through a 'sector led body' or opt out of such arrangements and appoint auditors locally. As before every authority must have an auditor.

The Smaller Authority Regulations¹ enabled the establishment of a sector-led, collective procurement body to appoint auditors and manage audit contracts. This approach acknowledges both the benefits of collective procurement and the important fact that smaller authorities may not have resources or capacity to individually appoint auditors locally.

¹ The Local Audit (Smaller Authorities) Regulations 2015 <http://www.legislation.gov.uk/ukdsi/2015/9780111126103>

National Association of Local Councils, Society of Local Council Clerks and the Association of Drainage Authorities.

Factsheet on the future of audit procurement and the Sector Led Body.

Audit of all smaller authorities remains mandatory and the creation of the body is aimed at easing the administrative burden, reducing costs and ensuring quality, while maintaining the opportunity for a local approach to auditor appointment.

The audit regime remains unchanged with limited assurance engagements being required from all authorities except those smaller authorities with zero expenditure, who will continue to confirm this annually in response to auditor requests.

One important change is that from 2017 those smaller authorities with a turnover below £25,000 will still be required to complete and publish an Annual Return, but will no longer be required to submit it for audit.

About the Sector-Led Body (SLB)

As previously stated, NALC, SLCC and ADA are currently working together to set up a 'sector led body' to procure audit for smaller authorities for the start of the 2017/18 financial year. This process is being supported and funded by DCLG.

As was the case with the former Audit Commission, the running costs of the new body will be funded from the audit fees charged to smaller authorities, but the overhead is planned to be lower as the SLB will not carry out a number of functions done by the former Audit Commission.

The board of the new body will comprise an independent chair, two independent members, and representation from NALC, SLCC and ADA. Secretariat support will be provided by NALC. The new body will have a Memorandum of Understanding with DCLG, who will have optional observer status, and who will also review and monitor progress and quality of SLB work.

The SLB will appoint auditors for **all those smaller authorities 'opted in' to the new arrangements**.

A tender process (compliant with European rules and regulations) will be completed by the end of September 2016.

The SLB will procure, deliver and manage the audit contracts; this will include specification of contract requirements, management of auditors, recording of all authorities opting in or out, communications and quality management of audit contracts.

Quality assurance of audits/limited assurance engagements will be conducted by a process to be managed through DCLG.

National Association of Local Councils, Society of Local Council Clerks and the Association of Drainage Authorities.

Factsheet on the future of audit procurement and the Sector Led Body.

The SLB will be charged with monitoring those smaller authorities who decide to 'opt out' and reporting those bodies to DCLG, confirming when they have appointed auditors locally.

What you need to do

Those smaller authorities who wish to participate in the SLB do not need to do anything as all smaller authorities are automatically opted in to the new body and will have an auditor procured for them.

This is aimed at helping the transition to new arrangements in 2017 to be as seamless as possible and with no disruption to your audit arrangements.

How to opt out of the new arrangements

However your council is entitled to opt out of the new arrangements. The decision to opt out must be through a formal meeting of the council, and as such every council who is eligible to opt-out needs to actually formally consider if they are going to.

If you wish to opt out of the Sector Led Body Audit procurement you must email slboptout@nalc.gov.uk or write to:

Audit Opt Out
Sector Led Body
National Association of Local Councils
109 Great Russell Street
London
WC1B 3LD

by 31 January 2016 (if you do not do so by that date the next chance to opt out will be in five years time)

All authorities who wish to opt out must make their own arrangements with auditors, which will include but is not limited to the following:

- establishing an Auditor Panel;
- following a statutory appointment process set out in regulations;
- appointing an auditor by 31 December 2016;
- providing the SLB with the contact details of your auditor.

Smaller authorities who 'opt out' but fail to appoint an auditor by the deadline will have an auditor appointed for them, as the appointment of an auditor is a legal requirement. Such an appointment may be at a considerably higher cost as the savings from the bulk procurement of auditors may not be available and there will be additional administrative charges.

A small fee will be charged for this to cover the whole five year period and will be payable before the start of the new audit arrangements in April 2017. These authorities may 'opt out'

National Association of Local Councils, Society of Local Council Clerks and the Association of Drainage Authorities.

Factsheet on the future of audit procurement and the Sector Led Body.

but will still have to appoint auditors and meet the requirements set out above and it is highly likely this will be a far more expensive option.

It would be prudent of you to consider in your budget discussion funding to meet either the costs of audit if you are a council above £25,000 turnover, or the fee to access a an auditor from the Sector Led Body if you are a smaller council. The previous audit costs were negotiated several years ago and included some cross subsidy from larger councils so your costs in future years may increase. The one-off SLB fee is estimated to be less than £100, however this may be subject to change as the SLB is set up.

Timetable

SLB Chair and Board (Independent) roles advertised	Oct 2015
SLB set up as a corporate entity	Nov 2015
SLB Board in place	Nov 2015
Specification of Auditor procurement requirements start	Nov 2015
Local Authorities written to and informed of options	Nov 2015
Smaller authorities dealing to opt out of SLB arrangements	End Jan 2016
Specification of auditor requirements	End 2015
Procurement of auditor services starts	Start 2016
Auditors appointed by SLB	End Oct 2016
Opted out authorities to advise SLB of auditor appointments	Oct 2016
Auditors in place	Start 2017
Auditors start work	Start 2017/18 financial year
Auditors first reports	2 nd quarter 2018

Summary of Key points

- **New Audit arrangements come into force on 1 April 2017 requiring the set up a SLB**
- **NALC will be working in partnership with SLCC and ADA to set-up of the SLB**
- **The SLB will procure, deliver and manage the audit contracts to start 1 April 2017**
- **The SLB will appoint auditors for all those authorities opted in**
- **Authorities who opt out of the SLB arrangements will need to inform the SLB and will have to have appointed auditors by 31 December 2016**
- **The audit regime from 1 April 2017 remains unchanged using limited assurance engagements**

If you wish to opt out of the Sector Led Body Audit procurement you must let us know by 31 January 2016 by emailing slboptout@nalc.gov.uk or writing to:

Audit Opt Out
Sector Led Body
National Association of Local Councils
109 Great Russell Street
London
WC1B 3LD

Factsheet on the future of audit procurement and the Sector Led Body.

Further information.

The Local Audit (Smaller Authorities) Regulations 2015

http://www.legislation.gov.uk/ukdsi/2015/9780111126103/pdfs/ukdsi_9780111126103_en.pdf

Local Audit and Accountability Act 2014

<http://services.parliament.uk/bills/2013-14/localauditandaccountability.html>

Transparency code for smaller authorities

<https://www.gov.uk/government/publications/transparency-code-for-smaller-authorities>

National Association of Local Councils, Society of Local Council Clerks and the Association of Drainage Authorities.

Rye Town Council

From: Jacqui Simes <Jacqui.Simes@ssalc.co.uk>
Sent: 17 November 2015 09:16
To: Undisclosed recipients:
Subject: FW: Sector Led Body - Introduction and factsheet - Council Decision Required
Attachments: Sector Led Body for Audit Fact Sheet.pdf; SLB introduction letter.pdf

Importance: High

Dear Members,

I am forwarding this email from NALC regarding future Audit for Local Councils from 2017. Please ensure that the Council make a decision on what they wish to do.

If the Council wish to opt out they must email the address on page 4 of the fact sheet attached no later than 31 January 2016.

Regards Jacqui Simes
Finance & Office Manager SSALC Limited
Tel: 01273 830201
Suite C Second Floor, Sackville House, Brooks Close, Lewes, East Sussex, BN7 2FZ (Registered Office Address)

Company No. 8512101 Registered in England

Don't forget to check out our new training programme.

www.sussexalc.org.uk / www.surreyalc.org.uk

[Our emails are checked before sending but we take no responsibility for inadvertent transmission of viruses. We advise that email is not secure or confidential. If you have received this message in error you are asked to destroy it and advise us please. Our emails are confidential to the intended recipient, are our property and may not be utilised, copied or transmitted to third parties. This message confirms that it is from an authorised source].

-----Original Message-----

From: Peter Wrigley [mailto:Peter.Wrigley@nalc.gov.uk]
Sent: 13 November 2015 14:49
To: Peter Wrigley <Peter.Wrigley@nalc.gov.uk>
Cc: Peter Wrigley <Peter.Wrigley@nalc.gov.uk>
Subject: Sector Led Body - Introduction and factsheet
Importance: High

Dear colleagues

Please find attached an introduction letter and factsheet on the Sector Led Body.

Please would you email it to all the councils in your area.

If you have any queries or are unable to email this to all the councils in your area please let me know at your earliest convenience.

Kind Regards

Peter

Peter Wrigley
Programme Manager - Transparency Fund and Sector Lead Body.
National Association of Local Councils
109 Great Russell Street
London
WC1B 3LD

T: 020 7290 0740
M: 07949 528547
www.nalc.gov.uk

[Join us on Facebook [.\]<https://www.facebook.com/NationalAssociationOfLocalCouncils>Like us on Facebook<<https://www.facebook.com/NationalAssociationOfLocalCouncils>> \[Follow us on Twitter\] <<https://twitter.com/NALC>> Follow us on twitter](https://www.facebook.com/NationalAssociationOfLocalCouncils)

[<http://www.databuild.com/nalc/banner3.jpg>] <<http://www.nalc.gov.uk/communitiescan>>

Disclaimer: This email may contain privileged and/or confidential information. If you receive this in error, please notify the sender immediately and do not use, rely upon, copy, forward or disclose its content to any other party. Any views or opinions expressed are those of the author and do not necessarily represent those of the National Association of Local Councils. This email message has been swept by Norton-Antivirus Corporate Edition for the presence of computer viruses. It is however the responsibility of the recipient to ensure that it is virus free before using it and no responsibility whatsoever is accepted by the National Association of Local Councils for any loss or damage arising in any way from its use.