

Dear Colleague

The future of External Audit for Smaller Authorities – Update one

As you will be aware, the Audit Commission ceased to exist on the 1 April 2015 and a new company – Smaller Authorities' Audit Appointments Ltd - has been created this week to take over the appointment of **external** auditors and the setting of audit fees for smaller authorities from 2017.

This Company was set up 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).

The Company's three independent Directors are: Mike Attenborough-Cox (Chairman), Elizabeth Peers and Martin McNeill

Mike is a qualified accountant and internal auditor, and was a partner at Mazars LLP for 13 years. He has extensive experience of working with public sector organisations, having been appointed UK national public services partner at Mazars in 2001. He is also Chair of the Joint Audit Committee of the Police and Crime Commissioner and Chief Constable for Hampshire; and a member of the Audit and Risk Committee of the Foreign and Commonwealth Office.

Lizzie Peers is a qualified chartered public finance accountant, with over 20 years' experience as a senior public sector external auditor, having worked for the Audit Commission and more recently for Ernst & Young LLP. She currently sits on the board of two NHS trusts as a non-executive director and lectures at the University of Portsmouth on corporate governance

Martin McNeill is currently Clerk to the Governors and Company Secretary at Morley College London, having previously held a similar position at Bicton College in Devon. Prior to that he worked with the Audit Commission for 20 years, including four years as the Commission's Director of Management Services.

The Board also includes three Member Directors, who currently are: Peter Bateson, Company Secretary, ADA; Steve Alison, Head of Finance, SLCC; and Jonathan Owen, Chief Executive of NALC.

This company will formally appoint external auditors on your behalf, very much as the Audit Commission did previously, for a five year period from the financial year 2017/18. This will happen automatically unless your Council/Board decides to opt out and set up an independent Audit Panel to procure external audit itself. Guidance on setting up an auditor panel can be found here <http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>

Owing to the way the legislation has been drafted, all Councils/Boards with an annual turnover of less than £6.5 million are automatically part of the scheme unless they decide to opt out and appoint their own external auditors.

The deadline for those wishing to take a decision to opt out is 31 March 2016.

Following the inaugural board meeting on 16 December 2015 the board made some decisions on fee structures.

For authorities requiring an annual assurance review (those with an annual turnover over £25,000) the intention is that fee rates will not exceed those applicable to reviews of accounts for the 2014/15 financial year, which are as follows.

Income & Expenditure band £	Fee per smaller body £
25,001 - 50,000	200
50,001 - 100,000	300
100,001 - 200,000	400
200,001 - 300,000	600
300,001 - 400,000	800
400,001 - 500,000	1,000
500,001 - 750,000	1,300
750,001 - 1,000,000	1,600
1,000,001 - 2,000,000	2,000
2,000,001 - 3,000,000	2,400
3,000,001 - 4,000,000	2,800
4,000,001 - 5,000,000	3,200
5,000,001 - 6,500,000	3,600

The legislation regarding authorities with annual turnover of below £25,000 is not clear. Board members have met with DCLG who are now seeking legal advice to clarify the situation. Once the board knows the outcome of this legal advice they will issue a further communication.

A link to the appropriate legislation is attached for your information.

http://www.legislation.gov.uk/ukdsi/2015/9780111126103/pdfs/ukdsi_9780111126103_en.pdf%20

We recognise that this is a complicated piece of legislation and will be providing more detailed information and FAQs over the coming months on the web.

Finally, we would like to wish you a very happy Christmas and a peaceful New Year.

Mike Attenborough-Cox

Chairman – Smaller Authorities' Audit Appointments Limited