

The Local Audit and Accountability Act 2014

BACKGROUND

The Local Audit and Accountability Act 2014 closes the Audit Commission and establishes new arrangements for the accountability and audit of local public bodies in England.

Local public bodies include smaller authorities such as parish councils, parish meetings and internal drainage boards. A smaller authority is an authority that has gross annual income or expenditure (turnover) below £6.5 million, including those 'exempt authorities' with a turnover below £25,000. The new legislation replaces the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011. The Act will be supported by a number of sets of Regulations, as well as the Transparency Code for smaller authorities and the Code of Audit Practice.

WHAT HAPPENS NEXT

The Audit Commission will close on 31 March 2015. From 1 April 2015, responsibility for making auditor appointments and setting audit fees will transfer to a new company, Public Sector Audit Appointments Limited. This new company will undertake these functions until the current contracts with audit firms expire, currently expected to be after the completion of the 2016/17 audits. Some Audit Commission staff will transfer to the new company to ensure continuity.

Smaller authorities will keep the external auditor appointed by the Audit Commission until the 2016/17 audit process has been completed.

There are limited changes for smaller authorities from 1 April 2015. All smaller authorities will continue to prepare annual accounts in the form of an annual return. For 2014/5, 2015/16 and 2016/17, the annual return will continue to be audited by the external auditor appointed by the Audit Commission.

From 1 April 2015, there will be changes to the way smaller authorities support local electors in the exercise of their rights in relation to the accounts. For the 2015/16 financial year and beyond it is the Responsible Financial Officer of each smaller authority who must set the commencement date for the exercise of public rights, rather than the auditor. The Responsible Financial Officer will be able to exercise some discretion in setting the 30 day period. However, whatever period the officer sets it must include a common inspection period (1st July to 14th July).

A further change is that from 1 April 2015 smaller authorities with annual turnover below £25,000 will be subject to the requirements of a new Transparency Code for smaller authorities.

For the financial year starting on 1 April 2017, smaller authorities will be responsible for appointing their own external auditor. Each year the appointment must be made by the 31 December before the start of the audited year in April. So, by 31 December 2016, smaller authorities must have appointed an external auditor to undertake an assurance review of the 2017/18 accounts. To help smaller authorities find and appoint an auditor, the Secretary of State can specify a new body that will have powers to appoint auditors and set audit fees for smaller authorities. Any appointing body will make arrangements to appoint an auditor to all smaller authorities unless they decide to actively opt-out and make the appointment themselves.

A change from the 2017/18 financial year is that smaller authorities whose annual turnover is below the £25,000 threshold will, in most circumstances, be exempt from undergoing a routine annual assurance review. They will continue to meet requirements set out in the Transparency Code for smaller authorities in place of this requirement, as part of a more proportionate regime.

KEY DATES AND DECISIONS REQUIRED

1. Determination of 'opt in' or 'opt out' from appointing body arrangements, by the closing date set by the appointing body (31st March 2016).

A decision is required by full council on whether or not to opt in or out of the appointment of an External Auditor by the Public Sector Audit Appointments Limited by the 31st March 2016.

2. Appointment of auditor for 2017/18 by appointing body by 31 December 2016.

If the decision is made to opt in then an External Auditor will be appointed by the Public Sector Audit Appointments Limited by 31 December 2016.

3. Appointment of auditor for 2017/18 by exempt bodies opting out of appointing body arrangements by 31 December 2016.

If the decision is made to opt out then an Independent Audit Panel will need to be appointed by Benwick Parish Council by 31 December 2016.