External Audit Procurement: essential information and what actions are needed.

A little bit of History
All levels of Local Government used to be audited by the Audit Commission. In 2001 the “Lighter Touch Audit Regime” was introduced which actually increased the burden on parishes. From 2001, Parish Councils had to appoint their own “Internal Auditor” who checked the controls and systems that supported the numbers in the Annual return. Then the numbers were checked by the centrally appointed “External Auditor” who for the last 4 years has been BDO.

In 2015 the Audit Commission was abolished.

To reduce the chance of a contractual nightmare affecting all tiers of Government, the NHS and the Police, a company called “Public Sector Audit Appointments” was set up by the Local Government Association to run the existing External Audit contracts through until they end in April 2017. The LGA and the NHS successfully lobbied for a one year extension on their contracts as they could see that the External Audit Procurement process was going to be rather tricky. Unfortunately NALC were not able to lobby on behalf of Parish Councils so the smallest bodies are the guinea pigs for the system.

What is not changing?
The Annual Return form will remain essentially the same.
• There will still be the summary of the accounts.
• There will still be the Governance statement.
• There will still be the External Auditors report (who they will be ... see below)
• There will be your individually Chosen Internal Auditor’s report.

Parishes with total income or expenditure under £25,000 will (probably) no longer be subject to External Audit, but they will still have to have an Internal Audit. They will also be bound by the Transparency code – and DCLG will be putting resources into checking up on them.

It is as yet completely unclear how the process will work for small councils who undertake a project that pushes them over the £25,000 limit for one year only. They must be extra vigilant to ensure that they watch the updating information.

What is changing?
When the External Audit contracts run out in April 2017 councils are, technically, free to choose their own external auditors

BUT the requirements on the auditors and the Council to prove that they have taken the appropriate checks, sought the appropriate level of expertise and cover, are such that even District Councils are wary of it.

If DCLG think that a council have not done a good job of choosing their External Auditor, they reserve the right to pick one for you. In effect the same few firms will probably pick up the work as have built up the skills base over the last 15 years.

What about our internal auditor?
Your Internal Auditor and your contract with them is totally unaffected by all of this. The change only relates to External Audit. Your Internal Auditor may not be the same person as your External Auditor.
**So what is the Sector Led Audit Body?**
Effectively it’s a mini Audit Commission, just for those 3,000 parishes who will still need an external audit. It is a company, called Smaller Authorities Audit Appointments Ltd that was set up by NALC, the SLCC and the ADA (I could bore you with why the third group are there but it’s not really relevant). The SAAA Ltd board have been appointed, as announced previously by NALC. Sadly, to date, we have no idea who the actual officers will be – the technical types who will make it work well – the board members themselves all have other full time jobs. We do know that they are not using the experienced team from PSAA (see history). We also know that they are not accepting offers of help from people like me.

**Should our Council opt in?**
Probably. The problem that Councils face at present is that the formation of SAAA has been handled so poorly that it has no website, no email addresses, no telephone numbers, no officers and the board were only legally confirmed in post on 20th January 2016. **It is not possible for any council to opt in or out until invited to by SAAA Ltd.**

Sadly NALC – who have been given “lead funds” by DCLG to set the company up – have not taken the advice provided by all quarters to get the legal niceties in place well in advance of deadlines. (It can be done effectively, as the LGA demonstrated with PSAA)

**So what do HALC advise?**
The best thing to do is to make External Audit Procurement an agenda item on every council meeting between now and March 2017. That way members and officers will be reminded to check for news and updates. If a council does nothing and is automatically opted in, the point still stands that they need to understand exactly what they have committed the taxpayer funds to. If a council does decide to opt out, they need to have an absolutely watertight paper trail in support of that decision and what they are going to do instead.

The options are by no means ideal, and the 31st March 2016 opt out deadline is very close. However until a formal invitation arrives from SAAA Ltd themselves, with a way that councils can contact them and get answers to questions, waiting seems the best option.

Hopefully at the beginning of March we will be able to provide clearer information.

**NB**
All of the above applies to councils who are not members of HALC or NALC, or the SLCC. Councils who do not engage will find themselves opted in to contracts over which they have had no input.