

# External Audit for Smaller Authorities

## New Legislation

Following the recent acts and transparency code introduction, the process and requirements for the external audit has changed for small authorities. The Auditor in all cases will be SKF Littlejohn.

### DEFINITION OF SMALLER AUTHORITIES

Small authorities are those with either an income or expenditure less than £6.5m. For the purposes of this new legislation, they are split into two groups:

1. Income or Expenditure less than £25,000 AND meet the qualifying criteria AND wish to certify themselves as exempt from a limited assurance review. These are known as **EXEMPT AUTHORITY**.
2. Income or Expenditure greater than £25,000 but not exceeding £6.5m OR small authorities that are unable to certify themselves as exempt, as they don't meet the qualifying criteria OR smaller authorities that have requested a limited assurance review. These are known as **AUTHORITIES SUBJECT TO REVIEW**.

### EXEMPT AUTHORITY

#### *QUALIFYING CRITERIA*

The 3 qualifying criteria (all must be met) for an exempt authority are:

- Gross income AND gross expenditure below £25,000
- No public interest/statutory recommendation/advisory notice/judicial review/application to court re: unlawful item of account by external auditor in prior year
- Been in existence since before 1/4/2014

Friston Parish Council would qualify as an Exempt Authority should it wish to. The reason it may not wish would be if there had been any concerns from Council about the previous year's accounts or processes.

#### *PROCESS*

There is a very similar process to before.

- The Council will appoint an internal Auditor who will audit the accounts for the year ending 31<sup>st</sup> March and complete the Annual Internal Audit report as normal.
- Council will review the internal auditors report and complete the Annual Governance Statement and Accounting Statements as before. For Friston this will be done at the May meeting.
- Following the presentation of the accounts, Friston PC must resolve as to whether they wish to apply for an Exemption Certificate. If so, this will be completed at this time.
- The Exemption Certificate must be submitted by 11<sup>th</sup> June to the External Auditors. No other documents are required.
- All the above must be published on the website by 11<sup>th</sup> June and the Parish Councils must provide correctly for public rights in line with the Accounts and Audit regulations as normal.

#### *COSTS*

There is no cost to a smaller authority submitting an Exemption Certificate other than the cost of the internal auditor. Any letters sent by the auditor SKF Littlejohn to the PC will incur a charge of £35.

# External Audit for Smaller Authorities

## New Legislation

### AUTHORITIES SUBJECT TO REVIEW

#### *PROCESS*

Authorities that do not qualify to be an EXEMPT AUTHORITY will undergo a **Limited Assurance Review**. This is identical to the previous audit process insofar that the same form will be completed with the required documents and sent to the External Auditor for review. They will complete an audit and return the certificate with any comments, as normal. All Public Rights and regulations under the Accounts and Audit legislation will apply.

Some of the Authorities subject to review will have to undergo an **Intermediate Review**. This would be if

- The income or expenditure of the authority exceeded £200,000 OR
- Has been selected on a risk basis OR
- Random 5% sample of smaller authorities who would be subject to a basic review.

An **Intermediate Review** requires additional questions to be answered and documents to be submitted.

#### *COSTS*

There is a cost of £ 200 for a Parish Council with an income or expenditure of between 0 - £50k. Any correspondence due to incompleteness or problems with the submitted information will incur a charge of £35 per letter.

### OTHER CONSIDERATIONS

For any of the smaller authorities, an Elector will have the right to correspond with SKF Littlejohn if they believe that either the Parish Council should not have applied for the exemption certificate or if they have any issues with the accounts. Initially, for an exempt authority, SKF will expect the correspondent to communicate with the Council and to get the matter resolved in that way. If not, then they will go through a defined process.

At this stage, they will charge £35 for any letter and below is shown the maximum hourly rates for additional work at smaller authorities:

Engagement lead	£ 355
Senior manager/manager	£ 215
Senior auditor	£ 140
Other staff	£ 10