

Sector led body FAQs

1. What is your timetable for setting up the body?

We have already set up the company we would like to see as the sector led body. We set up Public Sector Audit Appointments Limited (PSAA) to make audit appointments under the transitional arrangements following closure of the Audit Commission. To act as a sector led body PSAA will need to be specified as an Appointing Person by the Secretary of State under the Local Audit (Appointing Person) Regulations 2015 and PSAA is working towards achieving such a specification at present.

2. When will we need to make a commitment?

The date by which principal local government bodies will need to formally opt-in to a sector led appointing person arrangement is not yet finalised. The aim is to award contracts to firms by June 2017, giving 6 months to organise which firm is appointed to each individual authority before the 31 December 2017 deadline. In order to maximise the potential economies of scale from agreeing large block contracts with the firms and to manage auditor independence issues we need certainty about the volume and location of work we are able to offer as soon as is practical. Our provisional timetable suggests that we will need to start preparing tender documentation in September 2016 so ideally we will need to know by then which authorities are included.

3. Can we join after it has been set up or do we have to join at the beginning?

One of the main benefits of a sector led approach is the ability to negotiate lower fees with the firms as a result of being able to offer higher volumes of work. The greater number of participants we have signed up at the outset the better the economies of scale we are likely to achieve. This will not prevent authorities from joining the sector led arrangements in later years. However, in order to be in the best position to negotiate good rates for authorities we

would encourage as many authorities as possible to commit by September 2016

4. Will membership be free for existing members of the LGA?

There will not be a fee to join the sector led arrangements. The audit fees that opted-in bodies will be charged by the sector led body will cover the costs of appointing auditors. We believe that audit fees achieved through block contracts will be lower than the costs that individual authorities will be able to negotiate. In addition, by using the SLB councils will avoid having to do their own procurement and the legal requirement to set up a panel of independent members.

5. If No to (4) then any idea how much membership of this might be?

N/A

6. How will we be able to influence how the SLB and associated contracts are set up?

Local Government Association members will be able to feed in consideration of the setting up of the sector led body through the usual channels including contact with their Principal Advisors. The Improvement and Development Agency Board considered a report on the outline proposals in December 2015. In addition, we are happy to attend meetings and engage with individuals or groups of authorities on request to discuss the developing arrangements. We have not yet determined the full governance of the sector led arrangements and are considering the options, including how best to obtain stakeholder input.

7. Will there be standard terms and conditions?

The audit contracts between the SLB and the audit firms will require firms to deliver audits compliant with the NAO Code of Audit Practice.

8. What will be the length of the contract?

The optimal length of contract between the SLB and an audit firm has not been decided. We would welcome views on what the sector considers the optimal length of audit contract.

9. Will there be the opportunity of a 3 year contract with an option to extend for up to 2 years or something similar?

Please see answer to question 8.

10. In addition to the Code of Audit Practice requirements set out by the NAO will the contract be flexible to enable authorities to include the audit of wholly owned companies and group accounts?

Local Authority Group accounts are part of the accounts produced under the CIPFA SORP and are subject to audit in line with the NAO Code of Audit Practice and will continue to be part of the statutory audit.

Company audits are subject to the provisions of the Companies Act 2006 and are not covered by the current PSAA managed appointment arrangements. We will consider the role of the SLB in making such appointments as part of our planning and would welcome views on this.

11. How is it envisaged that the procurement will work?

12. Will Local authorities be able to seek information from providers and undertake some form of evaluation to choose a supplier?

13. Will the price be fixed with the LGA or will there be a range of prices?

14. If a range of prices will individual Council's be able to undertake a process seeking information and bids from providers and then evaluate their submissions based on response and price i.e. like call off contracts?

We have not yet finalised our detailed procurement proposals and there are a number of options being considered. We will share with you our proposals as

soon as possible. The questions raised above are useful in helping us identify the issues that need to be addressed in the proposals.