

## Guide and Transparency Code

### What is in this for local councils?

Local councils will wish to be aware that Regulations have been made which bring into force the Transparency Code for Smaller Authorities on 1 April 2015 which applies to councils with an annual turnover not exceeding £25,000.

Additionally, Government has published a guide which provides an overview of the changes to the audit and accountability regime for 'smaller authorities' (note that this means those with a gross annual turnover below £6.5 million). Whilst not providing any major new insights into the regime, it is a relatively easy to read and authoritative overview of the forthcoming changes, providing the context for the imminent application of the Transparency Code.

It is understood that negotiations continue between the National Association of Local Councils and Government on a fund designed to address the fact that local councils with a turnover not exceeding £25,000 are to be subject to both a Transparency Code and an external audit.

See [References](#) (below) for details of where to find the Regulations, Guide and the Code.

**Date:** 1 April 2015 Code comes into force

**References to local councils:** Regulations and Guide apply to local councils

**Pages:** Transparency Code for Smaller Authorities – 13; Regulations – 3; Guide – 10

### Details

#### Transparency Code for Smaller Authorities

The Local Government, Planning and Land Act 1980 (as amended by the Local Audit and Accountability Act 2014) provides Government with the power to create a Code requiring local authorities (includes local councils) to publish certain information. Government may only require certain types of information to be published more than once a year (section 3). Under the Local Government (Transparency)(Descriptions of Information)(England) Order 2015, this includes smaller authority agendas, minutes and related information.

The *Transparency Code for Smaller Authorities* was issued on 17 December 2014 and the implementing regulations have been laid before Parliament (9 March 2015) and comes into force on 1 April 2015. LAIS 1372 and NALC Legal Briefing L05-14 refer and are available through your local affiliated Association. This Code only applies to councils with an annual turnover not exceeding £25,000.

The first requirement, which will apply on 1 April 2015, is the publication on a website (publicly available free of charge) of draft minutes not later than one month after each meeting and agendas and associated meeting papers not later than three clear days before the meeting. The second round of requirements will apply from July 2015 when the first annual set of data completed must be published on a website.

The National Association of Local Councils continues in its negotiations with Government over a fund, designed to 'support the sector' to comply, although in Government's view 'compliance with this Code will not place a significant burden on these authorities'. However, these councils will also have to continue to comply with external audit requirements until 2017. Local Associations will advise further about the fund as soon as information as available.

## Changes to the Smaller Authorities' Local Audit and Accountability Framework: A Guide

Currently all smaller authorities are subject to what is described as a 'light touch assurance' external audit (a check on their annual return) rather than a full external audit of their accounts. Government is changing these audit arrangements as outlined in the Guide.

The first important point to note is that the Guide only reflects **external** audit requirements. Internal audit arrangements are unaffected by the recent changes. Secondly, the Guide reflects the changes which affect local councils classed as 'smaller authorities' under the Audit and Accountability Act 2014 (those with a gross annual turnover below £6.5 million), including those above £25,000 (described as 'non-exempt' in the Guide) and 'exempt authorities' (as they are described in the Guide) with a turnover not exceeding £25,000. Confusingly, 'exempt authorities' are not exempt from external audit until 2017 and they are described as 'smaller authorities' for the purpose of the new *Transparency Code for Smaller Authorities* whereas local councils of all turnovers below £6.5 million are 'smaller authorities' under the Act and the Guide.

Table of the Changes Explained in the Guide (Key points for local councils in bold print)		
Date	Change	Detail
31 March 2015	Audit Commission closes.	<ul style="list-style-type: none"> <li>Responsibilities transfer to Public Sector Audit Appointments Limited.</li> <li><b>Arrangements with existing external audit firms continue until end of 2016/17 audits.</b></li> </ul>
1 April 2015	The Comptroller and Auditor General becomes responsible for publishing the Code of Audit Practice and for issuing guidance to auditors.	<ul style="list-style-type: none"> <li>The day-to-day work is likely to be conducted in practice by the National Audit Office.</li> <li>The new Code of Audit Practice will take effect for the 2015/16 accounts onwards. Auditors' work on 2014/15 annual accounts will be conducted under the Audit Commission's existing Code of Audit Practice.</li> <li>The National Audit Office will also prepare, update and publish Council Accounts: a guide to your rights, which explains how local residents and electors can exercise their legal rights in respect of the accounts.</li> </ul>
From 1 April 2015	The Transparency Code for Smaller Authorities comes into force and certain information must be published.	<ul style="list-style-type: none"> <li><b>All local councils and parish meetings remain subject to external audit.</b></li> <li><b>The Transparency Code for Smaller Authorities applies to councils with a turnover not exceeding £25,000. These authorities must publish the draft minutes from all formal meetings (i.e. full council or board, committee and sub-committee meetings) not later than one month after the meeting has taken place. They must also publish meeting agendas, which are as full and informative as possible, and associated meeting papers not later than three clear days before the meeting to which they relate is taking place.</b></li> <li><b>Parish meetings are exempt from the Transparency Code for Smaller Authorities.</b></li> </ul>
By 1 July 2015 and no later than 1 July in each subsequent year	Under the Transparency Code for Smaller Authorities certain information must be published.	<p><b>The following must be published:</b></p> <ul style="list-style-type: none"> <li><b>All items of income and expenditure above £100.</b></li> <li><b>End of year accounts, annual governance statement, and internal audit report (as contained in the annual return). The end of year accounts should be accompanied by a copy of the bank reconciliation for the relevant financial year; an explanation of any significant variances (e.g. more than 10-15%, in line with proper practices) in the statement of accounts for the relevant year and</b></li> </ul>

		<p>previous year; and an explanation of any differences between 'balances carried forward' and 'total cash and short term investments', if applicable.</p> <ul style="list-style-type: none"> <li>• A list of councillor or member responsibilities.</li> <li>• Details of public land and building assets.</li> </ul>
From 1 April 2016	The RFO will set inspection periods.	<ul style="list-style-type: none"> <li>• The external auditor will continue to set the dates for public inspection of the 2014/15 local council accounts. However, in the subsequent year, subject to certain requirements, the smaller authority's Responsible Financial Officer (RFO) will have some discretion to set the 30 day period for inspection of the 2015/16 accounts.</li> <li>• The earliest and latest dates for commencement of the 30 day period for the 2015/16 accounts will be 9 June 2016 and 1 July 2016.</li> </ul>
By 31 December 2016 no later than 31 December each subsequent year	Local councils subject to external audit will appoint their external auditor.	<ul style="list-style-type: none"> <li>• Smaller authorities must have appointed an external auditor to undertake an assurance review of the 2017/18 accounts.</li> <li>• A new appointing body will have powers to appoint auditors and set audit fees for smaller authorities. These arrangements for a sector-led body are likely to be supported by the National Association of Local Councils and local affiliated Associations will ensure you have further information as soon as it is available. Local councils will be able to opt-out and make the auditor appointment themselves.</li> </ul>
1 April 2017	Certain councils become exempt from routine external audit.	<ul style="list-style-type: none"> <li>• For the 2017/18 financial year smaller authorities whose annual turnover does not exceed £25,000 will, in most circumstances, be exempt from undergoing a routine external audit. They must meet requirements set out in the Transparency Code for Smaller Authorities instead. Parish meetings are not subject to the Code and will also be exempt from routine external audit (although internal audit might be required where transactions occur).</li> <li>• However an auditor must be available to deal with any question or objection made by an elector to the accounts of these authorities. Exempt authorities that decide to use any appointing body's arrangements will not have to have an auditor appointed automatically. If an elector wishes to question or object to the accounts, they will have to contact the appointing body who will then assign an auditor to deal with the matter. If the authority's turnover rises above £25,000 during the year it must tell the appointing body and the appointing body will appoint an auditor for that year.</li> <li>• Exempt authorities that opt out of the appointing body's arrangements will be required to appoint their own auditor as if they were not exempt. The auditor of an exempt authority will not undertake an external audit but will need to be available to deal with questions or objections from local electors about the accounts.</li> <li>• Smaller authorities above the £25,000 threshold continue to be subject to routine external audit but can use the appointing body's auditor appointment arrangements or can opt out and make their own arrangements.</li> <li>• Smaller authorities (exempt and non-exempt) that choose to opt out of the appointing body's arrangements have to take the decision at full council; notify the appointing body of their decision by a set deadline; establish an independent auditor panel to advise on the</li> </ul>

		<p><b>appointment of the auditor; and procure an auditor either alone or collectively with others. Non-exempt smaller authorities that use the appointing body’s arrangements will not need to establish an independent auditor panel and will have an auditor appointed for them.</b></p>
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**References**

The Transparency code for smaller authorities can be found at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/388541/Transparency\\_Code\\_for\\_Smaller\\_Authorities.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf)

Changes to the smaller authorities’ local audit and accountability framework: a guide can be found at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/411617/Changes\\_to\\_the\\_smaller\\_authorities\\_local\\_audit\\_and\\_accountability\\_framework\\_a\\_guide\\_2\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/411617/Changes_to_the_smaller_authorities_local_audit_and_accountability_framework_a_guide_2_.pdf)

The Smaller Authorities (Transparency Requirements) (England) Regulations 2015 can be found at <http://www.legislation.gov.uk/uksi/2015/494/contents/made>

The Local Government (Transparency) (Descriptions of Information) (England) Order 2015 can be found at [http://www.legislation.gov.uk/uksi/2015/471/pdfs/uksi\\_20150471\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/471/pdfs/uksi_20150471_en.pdf)

The Local Audit and Accountability Act 2014 can be found at <http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted>

LAIS 1372 is available through your local Association

NALC Legal Briefing L05-14 is available through your local Association

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