



LOCAL PUBLIC AUDIT FREQUENTLY ASKED QUESTIONS

REGISTRATION

1. When do firms need to be registered by?

This is really up to the firms. However, please keep in mind the following:

- Health bodies will be procuring auditors for financial years 2017/18 and will have carried out their procurement during 2016.
- Local government bodies will procure for financial years 2018/19 and will therefore carry out their procurement during 2017.

All firms have to be appointed by 1 April of the financial year that they are being appointed for (eg. 2017 for Health and 2018 for Local government).

Firms will, of course, be able to send in further applications for additional KAPs in the future, in the same way as they do for Companies Act registration.

2. Which firms can apply to become local auditors under this framework?

Firms that are able to demonstrate that they meet the relevant criteria specified within the legislation will be eligible to become local auditors under this framework.

3. What are the regulatory fees for this new framework?

Please email regulatorysupport@icaew.com with your request and a member of staff will call you to discuss this aspect of the framework with you.

4. Do we need to fill out all parts of the Firm form even though we are already a registered auditor under the Companies Act?

As this is a new legislative area, we do require you to fill out all parts of the Firm form. We do not mind if you want to send in information that you have submitted previously for the wider firm, however we will need a statement from you confirming that all the information is correct at the date of submission and that nothing has changed since the last time that the information was submitted.

5. We have recently completed forms for the ATOL licensed practitioner scheme which exempted us from providing all the firm information, do we need to fill out more information for this area?

The ATOL licensing can only be applied for if you already have Companies Act registration, therefore being exempted from providing all the information is acceptable in this situation.

This process for Local Public Audit registration, however, is different as it is a new legislative process and as an RSB, we are required to carry out full checks against eligibility, especially in this first year. We anticipate that the process will be easier in future years once firms have registered for the first time.

RELEVANT QUALIFICATIONS

6. We understand that the new ICAS/CIPFA qualification will be the only qualification needed in the future for local audit work.

This is not true. As has always been the case under the previous framework and now under the new framework, the Companies Act audit qualification was and still remains a relevant qualification for local public audit. Therefore ICAEW members who have the Companies Act audit qualification and meet the relevant eligibility requirements will be able to carry out this work under the new framework. CIPFA members who meet the relevant eligibility requirements will also be able to carry out this work under the new framework.

The ICAS/CIPFA qualification, as we understand it, is still under development and the first cohort of qualified members under this new qualification will not materialise until, at the earliest, 2018. Potential KAPs using this qualification as a route to gaining KAP status will still be required to meet the other eligibility criteria set by the [legislation](#) and the [FRC](#).

7. We have been informed that by undertaking a specific local audit qualification, we will automatically be eligible to sign local audit reports?

Having a relevant qualification per se, does not give you automatic signing rights. All individuals applying for KAP status (including those with a specific local audit qualification) will still be required to meet the other eligibility criteria set by the [legislation](#) and the [FRC guidance](#) specifically in relation to required years of relevant experience gained in a supervisory capacity.

8. If you are applying under the transitional arrangements, do you need the Companies Act audit qualification?

There is no audit qualification requirement for those applying under the transitional arrangements. However, if you do hold the audit qualification and have the necessary experience, regardless of the transitional arrangements, you should confirm you hold the audit qualification obtained under the Companies Act 2006 when applying.

KEY AUDIT PARTNER (KAP) STATUS

9. What are the eligibility requirements to become a KAP?

This is set firstly by the [legislation](#) and then through the FRC's guidance. The FRC published its '[Guidance to Recognised Supervisory Bodies on the approval of Key Audit Partners for local audit](#)' in May 2015. You will need to hold a relevant audit qualification for Local Public Audit work plus demonstrate that you have the necessary competence – at least two years of post-qualification experience of local audit, and/or of similar audit work, in a supervisory role which includes responsibility for significant judgements in the audit of the historical financial information of local of local public bodies. All of that experience must have been obtained within the six years immediately preceding the KAPs application. Additionally, adequate CPD for the two years preceding the application is also required.

10. Can you be both a KAP and an RI at the same time?

Yes you can, although you will need to make separate applications for each status and satisfy relevant eligibility criteria identified in the respective audit regulations and guidance.

Indeed, for certain health bodies it may be necessary for both KAP and RI status to be held, if the same individual wanted to sign the audit of both the health bodies' financial statements and the financial statements of their charitable fund.

Both the RI and KAP application forms ask for examples of your experience within Appendix A. It is highly unlikely that you will be able to cite the same audits on both forms as we will need to see Companies Act audit experience for the RI application, and experience of local audit work for the KAP application.

11. Who signs the KAP application form on behalf of the firm?

The audit compliance partner (ACP) is required to sign the KAP application form on behalf of the firm. There is no requirement for the ACP to be a KAP.

12. What forms are required for the tabulation of experience?

The forms can all be found from this [link](#).

13. Question 6 of the form mentions the need for CPD in the ‘reflect, act, impact’ style. Our firm does not use this, although we can (as we do for RI status) provide an annotated copy of individual’s training records to support CPD. Will this be acceptable?

The short answer is that the firm will need to provide CPD information for the past 24 months and forthcoming year. However, it does not strictly need to be in the ‘reflect, act, impact’ style, although that is our preference. Please note that if the information provided with the application is not in this style, we may need to ask the firm/applicant for further information in order to fully understand and appraise their CPD.

All KAP applicants now need to provide CPD information in a format that demonstrates to us that the individual has carried out CPD activities that achieve the learning outcomes set out in IES8.

14. The KAP application form asks for confirmation that the individual applying will not act as a KAP prior to approval being provided by ICAEW. How will that work for our current Partners and Directors who act as engagement leads on local audits at the moment and leading up to this requirement kicking in?

There is no requirement for KAP status for current contracts under the PSAA – these contracts are operating under the old regime. The new regime (ie requiring KAP status) kicks in for 2017/18 health audits and then 2018/19 for local government. Questions related to the current contracts being managed under the transitional arrangements should be directed to [PSAA Ltd](#).

15. Will you need to hold a Practising Certificate (PC) to be a KAP?

This will depend on the rules of your RQB. If your RQB requires you to hold a practising certificate, then yes, you will need to hold one. Regulation 4.02 of the [ICAEW Audit Regulations](#) states:

‘Before a *principal* or *employee* can be designated as a *key audit partner*, the individual must be:

- a. a member of an *institute* and hold a practising certificate;
- b. a member of the Association of Chartered Certified Accountants and hold its equivalent of a practising certificate; or
- c. satisfy the *Registration Committee* of similar experience of *audit work* as would be required of a member of the *ICAEW* and have been granted *local audit affiliate* status under section 5 of these *regulations*.’

16. In the KAP application form there is a question about whether the individual holds a practising certificate. CIPFA has ended its practising certificate scheme. Does this have any implication for our CIPFA members?

If your RQB does not require a PC, then we will not require you to have one. However, CIPFA members will need to apply for local audit affiliate status unless they already have affiliate status by virtue of other roles that they hold within the firm. See answer above.

17. Can I include experience gained auditing universities or charities within my relevant experience?

ICAEW has issued additional [guidance](#) on applying the eligibility criteria, which explains the type of audit clients that would fall within the category of 'similar audit work'. These clients include Foundation Trusts, Central Government, or other publically funded bodies, or equivalent work elsewhere in the public sector, including in other parts of the UK.

Our guidance was prepared following detailed and lengthy consultation with the FRC, debating which bodies could and couldn't be included when assessing an applicant's experience. It was agreed that universities, charities, community interest companies and companies audited under the Companies Act 2006 were not similar to local audit work for the purposes of the KAP application process and therefore cannot be taken into account. While each demonstrate some of the essential and desirable features noted in the guidance (particularly in relation to charities), they do not meet our very strict criteria. This is not an area where we have any discretion and our status as an RSB was approved on the basis that we would only be considering KAP applications from individuals who meet these criteria.

In addition, please do not include any internal audit engagements within Appendix A.

18. When completing Appendix A, can we provide generic experiences (e.g. audited six local authorities)?

No. Please stipulate the name of the local public bodies that the experience has been gained in, together with your role in the audit (eg, engagement lead, senior audit manager, audit manager).

19. My experiences have been the same for each of the examples I am providing, is it acceptable to just copy and paste within the form or to just provide one detailed example and explain that the other examples matched this one?

No. Given that no audit or local public body is the same, we would expect different practical experiences to be provided. Please also avoid copying the wording of the example given in Appendix A.

Additionally, just because your experiences are similar to colleagues who may also be applying (or have previously applied) for KAP status, please do not copy and paste from other application forms. The experiences should be unique to the individual applying for KAP status.

20. I am applying under the transitional arrangements and have not acted as engagement lead under arrangements prior to the LAAA. What information do I have to include with my KAP application to demonstrate that I have met the minimum requirements for supervised practical training?

The FRC's guidance to RSBs states that any such applicant will need to demonstrate that they have 'completed a minimum of three years' supervised practical training in audit and accountancy, of which at least 6 months must be in local public audit, and at least one year in local audit and similar audit work. The training must have been completed in a training office recognised by an RQB and the training record must be fully documented.'

If a prospective KAP has not acted as engagement lead under arrangements prior to the LAAA and is applying under the transitional arrangements then they will need to submit their documented training record satisfying the above criteria.

If the applicant no longer has their original training records, or the records do not demonstrate the individual has met the minimum requirements, then please complete the Supplementary Training Record [form](#) and submit this to us with the completed KAP application form.

Additionally, if the applicant's original period of supervised practical training was gained while working at the Audit Commission – which wasn't an RQB – they will also need to complete the Evidence of Practical Training form. The applicant should only include experience gained while working within a training office recognised by an RQB.

GENERAL QUESTIONS

21. Which public entities will be in scope to be audited by ICAEW registered local auditors?

A range of local government and health bodies. The list can be found at [Schedule 2](#) of the [Local Audit and Accountability Act](#). Firms should also note that this is not a complete list and it doesn't, however, reflect the inclusion of NHS trusts and special trustees by virtue of [Schedule 13](#) – and then the disapplication of this by SI 2015/975.

22. Question 12 states 'An audit client means any client on which a local auditor gives an audit report as defined in schedule 1 to the Local Auditor Regulations.' Would this definition include Local Government Pension Schemes?

Local government (LG) pension schemes are included under this regime even though not specifically mentioned in Schedule 2. They require a separate audit report but are then consolidated into the main LG accounts.

23. The signatory of the Pension scheme audit report is different to the signatory of the Local Authority's audit report. Will the individuals who sign the audit reports for Local Government Pension Schemes also need to be registered as KAPs?

Yes, they will.

24. Section 12 (last question) of the firm's application form asks: 'Will the firm be signing any other reports as a local auditor?' – does this mean 'audit reports' – or is the question referring to certification work etc?

Firms will only be able to sign local audit reports for those bodies that require a local auditor and key audit partner to be appointed. They should therefore not be using their KAP status to sign other audit reports for which they are not authorised.

For clarification, certification work is still a report issued by an auditor. Grant claim work (ie the certification work) is not part of this regime – the reporting requirements will therefore depend on what the grant reporting requirements are.

For example, for many grant claims, the government departments often require a 'registered auditor' which is a Companies Act auditor – so only those who had the responsible individual status under the Companies Act audit regulations would be able to sign these reports. If the requirements require an auditor registered under the LAAA or Companies Act, then that would be ok as their requirements specify that they want an LAAA registered auditor or a Companies Act registered auditor. However, if it does not specify it, then a KAP would not be able to sign it.

Government departments will therefore need be clear in their requirements that both LAAA and Companies Act registered auditors can sign the reports – the grant claim work is currently a bit of a grey area and we will take this up with DCLG to clarify, updating the FAQs with any further information.

25. We currently audit NHS Charitable Funds under the PSAA contract but these are not highlighted in Schedule 2. Should these be included and if so would that be in (e)?

NHS Charitable Funds are excluded from this framework. See response above under question 17.

26. What is the extent/nature of the work that auditors will need to perform – will it include value for money and compliance with the public sector code?

The scope of audit work is set by the National Audit Office through their [Code of Audit Practice](#).

27. To what extent will SMPs be allowed or barred from bidding for this work (ie will firms need to demonstrate specialist skills, knowledge or experience before they will be permitted to perform these audits)?

Yes, firms will need to demonstrate that they meet the relevant eligibility criteria outlined in the legislation, FRC guidance and the audit regulations and guidance (see answers above).

28. I'm unclear when local audit affiliate status is required?

For the purposes of regulation 2.03, if a principal is not:

- a member of an institute or the ACCA;
- a local auditor or a registered auditor; or
- an affiliate under:
 - the Audit Regulations, DPB (Investment Business) Handbook, Insolvency Regulations or regulations governing the use of the description 'Chartered Accountants' and general affiliates; probate regulations of ICAEW.

the person must be a local audit affiliate under these regulations.

If a principal or employee, who is to be designated as a key audit partner, is not a member of an institute or the ACCA, the person must either be an affiliate or be a local audit affiliate under these regulations.

SMALLER BODIES

29. Is the audit of smaller bodies included within this framework?

Smaller bodies will be subject to a limited assurance framework. However, there is currently no regulatory requirement for the firms that will carry out these limited assurance engagements. Individuals carrying out limited assurance work will need to have the necessary qualifications under the LAAA, however, they do not need to be registered with an RSB under this framework.

AUDIT MONITORING

30. How will this work be monitored?

As with companies act audits, the quality monitoring regime will be split between the FRC and the relevant RSBs. The FRC will be responsible for monitoring the 'major' local public audits, with the RSBs responsible for the quality monitoring of all other local public audits.

As far as possible it is our intention to align the monitoring of local public audits with the audit monitoring arrangements currently in place for firms. The frequency and scope of these monitoring visits will take account of the number of KAPs and number of local public audit clients.