

Financial Reporting Council

THE LOCAL AUDITORS (TRANSPARENCY) INSTRUMENT 2015

FRC 01/2015

Powers exercised

- A. The Financial Reporting Council makes this instrument in exercise of the power conferred on the Secretary of State by section 1240 of the Companies Act 2006 (c.46), as applied in relation to local audits by Section 18 and paragraphs 1, 2 and 15 of Schedule 5 to the Local Audit and Accountability Act 2014 (“the Act”), to make regulations requiring a person eligible for appointment as a local auditor, or a member of a specified class of such persons, to keep and make available specified information to the public.
- B. The power to make such regulations was transferred to the Financial Reporting Council by Article 2 of The Local Audit (Delegation of Functions) and Statutory Audit (Delegation of Functions) Order 2014¹, which came into force on *19 August 2014* for the purpose of the transfer.
- C. This instrument is made by the Financial Reporting Council subject to the provisions of The Local Audit (Delegation of Functions) and Statutory Audit (Delegation of Functions) Order 2014 and Schedule 13 of the Companies Act 2006, as applied in relation to local audits by Section 18 and paragraphs 1, 2 and 29 of Schedule 5 to the Act.

Citation, commencement and interpretation

1. (1) This instrument may be cited as the Local Auditors (Transparency) Instrument 2015.
- (2) This instrument comes into force on 1 July 2015
- (3) In this instrument –

The financial year of a local auditor is any period in respect of which a profit and loss account of the auditor is required to be produced (by its constitution or by the law under which it is established), whether that period is a year or not;

“local audit” has the same meaning as in paragraph 1(2) of Schedule 5 to the Act.

“local auditor” has the same meaning as in section 7(1) of the Act.

“major local audit” has the same meaning as in paragraph 13(10) of Schedule 10 to the Companies Act 2006, as it is applied to local audits by Section 17 and paragraphs 1,2 and 28(7) of Schedule 5 to the Act.

“network” means a larger structure to which the transparency reporting local auditor belongs and which is aimed at co-operation and –

- a) is clearly aimed at profit- or costs-sharing; or
- b) shares common ownership, control or management; or

¹ SI 2014/2009

- c) has common quality control policies and procedures; or
- d) has a common business strategy; or
- e) has the use of a common name; or
- f) shares significant professional resources;

“transparency reporting local auditor” is a local auditor that has made an audit report on the annual accounts of one or more major local audits at any time during the financial year of that local auditor

Application of the instrument

2. (1) This instrument applies to local auditors that are transparency reporting local auditors;.
- (2) This instrument applies in respect of any financial year of a transparency reporting local auditor commencing on or after 1 April 2016.

Obligation to prepare transparency report and its contents

3. (1) A transparency reporting local auditor must prepare a transparency report for each financial year specified in regulation 2 above.
- (2) The transparency report must contain at least the statements, description, indications, lists and other information set out in the Schedule to this instrument.
- (3) The transparency report must be approved by the transparency reporting local auditor and signed on its behalf.
- (4) The information specified in paragraph 6 of the Schedule to this instrument may be omitted to the extent that the inclusion of that information in the transparency report would create, or be likely to create, a serious risk that any person would be subject to violence or intimidation.
- (5) A transparency reporting local auditor that is also a transparency reporting auditor for the purposes of the Statutory Auditors (Transparency) Instrument 2008 (POB 01/208) may prepare a single report that includes the information required by this instrument and by the Statutory Auditors (Transparency) Instrument 2008.

Publication of transparency report

4. (1) A transparency reporting local auditor must ensure that its transparency report is made available on a website that is maintained by or on behalf of the transparency reporting local auditor and identifies the transparency reporting local auditor in question.
- (2) The transparency reporting local auditor must ensure that –
 - (a) The transparency report is made available on the website specified in paragraph (1) above not later than three months after the end of the financial year of the auditor to which it relates; and

(b) It remains available for a period of two years from the date on which the period of three months specified in sub-paragraph (a) above ends.

(3) The transparency reporting local auditor must send a copy of the transparency report required by regulation 3 to the Financial Reporting Council at the same time that it is made available on the website together with an indication of where that website can be found.

By Order of the Board
23 April 2015

Signed on behalf of the Board

SCHEDULE

Regulation 3(2)

1. A description of the legal structure, governance and ownership of the transparency reporting local auditor.
2. Where the transparency reporting local auditor belongs to a network, a description of the network and the legal, governance and structural arrangements of the network.
3. A description of the internal quality control system of the transparency reporting local auditor and a statement by the administrative or management body on the effectiveness of its functioning in relation to local audit work.
4. A description of the transparency reporting local auditor's independence procedures and practices including a confirmation that an internal review of independence practices has been conducted.
5. Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained;
6. A statement of when the last monitoring of the performance by the transparency reporting local auditor of local audit functions, within the meaning of paragraph 23 of Schedule 10 to the Companies Act 2006, as applied in relation to local audits by Section 17 and paragraphs 1, 2 and 28(7) of Schedule 5 to the Act, took place.
7. A list of major local audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation 4 provided that a clear link is established between the transparency report and such a list.
8. A statement on the policies and practices of the transparency reporting local auditor designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.
9. Turnover for the financial year of the transparency reporting local auditor to which the report relates, including the showing of the importance of the transparency reporting local auditor's local audit work.
10. Information about the basis for the remuneration of partners.