

Company registration number 09915776 (England and Wales)

**SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr D J Bowles	(Appointed 1 April 2023)
	Mr M McNeill	
	Mr P Bateson	
	Mr J Owen	
	Mr M King	
	Mr A B Davies	(Appointed 1 April 2023)
	Mr C M Pope	(Appointed 1 April 2023)
	Ms E Sandwith	(Appointed 1 April 2023)

**Company number** 09915776

**Registered office** 77 Mansell Street  
London  
E1 8AN

**Auditor** Knill James LLP  
One Bell Lane  
Lewes  
East Sussex  
BN7 1JU

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# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

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# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## BACKGROUND AND OVERVIEW FOR THE YEAR

### FOR THE YEAR ENDED 31 MARCH 2023

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#### **Background**

SAAA was established as the sector-led 'not for profit' company to assist smaller authorities to procure and appoint external auditors. It was formed by the national sector membership organisations, the National Association of Local Councils, Society of Local Council Clerks and Association of Drainage Authorities.

The Secretary of State at the then Department of Communities and Local Government (now the Department for Levelling Up, Housing and Communities) appointed SAAA as the 'specified person' to procure and appoint external auditors to opted-in smaller authorities, and to set audit fees for those authorities in compliance with the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, and the Local Audit (Smaller Authority) Regulations 2015.

#### **2022-23 operations**

SAAA completed another successful year of operation in 2022-23 which marked the final year of the initial 5-year audit contracts.

A surplus was again achieved, which when added to accumulated reserves will leave the company in a strong position should the volatility and issues in the principal authority market impact upon smaller authorities. It will also allow for planned investment in the sector to develop and deliver various initiatives for the benefit of the wider smaller authorities' sector, with the aim of delivering continuous improvement for both authorities and the appointed auditors.

There are a number of reserves in which surplus funds are held with an explanation of the rationale and purpose of each reserve included in the notes to the accounts. These have been the subject of extensive review in the light of experience and up to date risk assessment. These reserves should ensure that sufficient funds are available to manage future more complex procurements, invest in various sector improvement projects, and provide market support where necessary in the challenging public audit market.

An improvement grant of £50k was made to the Society of Local Council Clerks to develop a sector specific internal audit qualification. SAAA has invested in the development of professional standards for internal auditors and to improve the capacity of smaller authorities to ensure that proper practices are followed.

SLCC will use the funding to raise the standards of internal audit in the sector by devising a universally recognised baseline qualification for internal audit by creating an e-learning accredited qualification to improve the standards of internal audit in the sector.

SAAA also funds (£15k per annum) the work of the Joint Panel on Accountability and Governance (JPAG), which is the sector body responsible for issuing 'proper practices' to be applied in the preparation of the statutory annual accounts and governance statements of smaller authorities in England.

#### **Procurement**

In 2021, all smaller authorities again agreed to have auditors appointed by SAAA.

SAAA then undertook a comprehensive and robust procurement tender exercise that appointed external auditors to all smaller authorities in a cost-effective way.

The successful 2021 procurement resulted in audit contracts for the five financial years beginning on 1 April 2022 being awarded to four audit firms that all passed the quality threshold. The original procurement in 2016 resulted in three firms of external auditors being appointed as auditors for the five financial years ending on 31 March 2022: PKF Littlejohn, Mazars, and Moore Stephens (now Moore East Midlands). Following the second competitive tendering process in 2021, four firms have been appointed: PKF Littlejohn, Mazars, Moore (East Midlands) and BDO.

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## BACKGROUND AND OVERVIEW FOR THE YEAR (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2023

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#### **Strategy**

During the year the Board undertook a review of the strategy of SAAA and formulated a mission statement, vision and agreed on 7 broad strategic objectives as listed below:

#### Mission statement

As the 'specified person' appointed under the Local Audit and Accountability Act 2014, to develop and sustain an effective and proportionate audit regime that provides assurance to taxpayers and the wider public as to smaller authorities' stewardship of public money by:

- Developing a sustainable and contestable market in high-quality audit and assurance services;
- providing clear and accessible information that facilitates compliance with audit requirements;
- engaging with government and other stakeholders to advocate legislative and regulatory change that will maintain and enhance the effectiveness of the smaller authority audit regime.

#### Vision

- a pool of experienced auditors available for appointment to smaller authorities in a sustainable market who can deliver to the highest professional standards and so help to ensure that smaller authorities are fully accountable to their communities;
- governance and management arrangements that enable SAAA to fulfil its duties as 'specified person' efficiently, economically and effectively.
- provide support, in consultation with sector bodies, to enable smaller authorities to better comply with statutory audit requirements as set out in legislation to a high standard.

#### Strategic objectives

1. Invest in the capacity and resilience of the organisation as a business – explore externalisation and/or permanent staff structure. Succession planning and recruitment for key roles in the business.
2. Commit to a 'digital first' approach in line with modern practices, investing in online systems and communications and move away from paper; investigate development of an audit portal which would have sector and auditor support.
3. Review and balance Non-Executive Director roles between independent scrutiny/strategy and executive functions; development and evaluation of the Board and ensure skills/expertise can support strategic direction.
4. Succession planning, tenure and future recruitment for all Directors – appointment and tenure for both Member and Independent Directors.
5. Strengthen and regularise corporate governance in line with best practice to ensure SAAA operates with the highest levels of probity. Develop a suite of corporate governance policies.
6. Wider role for SAAA in supporting the development of sound financial governance in the sector by investing in training and development, skilling RFOs, and advocacy role with government for relevant legislative and other changes to ensure the effectiveness and proportionality of the audit regime.
7. Widen interest and promote attractiveness of the smaller authorities' audit market to encourage more bidders and new entrants for limited assurance review work. Partnership approach to audit firms, investing to assist audit suppliers.

Work was initiated to develop some of the strategic objectives into workstreams and projects, and the new Board has reaffirmed these objectives and will be seeking to refine, develop and progress these objectives during 2023-24.

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## BACKGROUND AND OVERVIEW FOR THE YEAR (CONTINUED)

*FOR THE YEAR ENDED 31 MARCH 2023*

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### **Quality Assurance (QA)**

SAAA undertakes extensive quality assurance work with the audit firms to provide assurance on the quality of the auditors' work, using a risk-based approach that assesses both audit quality and contract management. The approach is intended to be proportionate, to add value through improvement recommendations and sharing of good practice and be supportive of market sustainability and supplier relationships.

- Quality Review Programme: This comprises the review and testing of suppliers' own internal quality assurance processes focusing on the quality of limited assurance review work. It also reviews and tests contract compliance/management systems and data quality processes; and
- Monitoring Programme: This collates and analyses key management information to track and report on the management, delivery, and the outcomes of limited assurance reviews.

Three key elements are then assessed for each appointed audit firm:

- the quality of the limited assurance reviews;
- contract management, performance, and delivery; and
- the key aspects of the suppliers' underpinning systems, data quality and overall processes for managing delivery of the contract.

### **New Director appointments**

A successful recruitment exercise resulted in the appointment of a new Independent Chairman and 3 other Independent Directors during the year whose terms of office will commence on 1 April 2023. The size of the Board will increase from 6 Directors to 8 Directors from this date and will then comprise of 3 Member Directors and 5 Independent Directors.

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 MARCH 2023**

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The directors present their annual report and financial statements for the year ended 31 March 2023.

### Principal activities

The principal activity of the company is the appointment of external auditors to all Opted in Authorities under a Memorandum of Understanding with the former Department for Communities and Local Government, the Ministry of Housing, Communities and Local Government and now Department for Levelling Up, Housing and Communities.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D J Bowles	(Appointed 1 April 2023)
Mr M McNeill	
Mr P Bateson	
Mr J Owen	
Mr M King	
Mr A B Davies	(Appointed 1 April 2023)
Mr C M Pope	(Appointed 1 April 2023)
Ms E Sandwith	(Appointed 1 April 2023)
Mr M Attenborough-Cox	(Resigned 31 March 2023)
Mrs E Peers	(Resigned 31 March 2023)

### Auditor

Knill James LLP were appointed auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

### Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

.....

Mr D J Bowles

**Director**

Date: .....

# **SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MARCH 2023***

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

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#### Opinion

We have audited the financial statements of Smaller Authorities' Audit Appointments Limited (the 'company') for the year ended 31 March 2023 which comprise the income and expenditure account, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

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#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

In identifying and assessing the risk of material misstatement in respect of irregularities, including fraud, we:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the company operates in and how the company complies with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

# **SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED**

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As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Companies Act 2006, the company's governing document and relevant tax legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements, including the Directors' report, remaining alert to new or unusual transactions which may not be in accordance with the governing document.

The most significant laws and regulations that have an indirect impact on the financial statements are the compliance with relevant employment law and the UK General Data Protection Regulation (UK GDPR). We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these laws and regulations and inspected correspondence with regulatory authorities.

We identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included, but were not limited to, testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**David Martin FCA**  
**Senior Statutory Auditor**  
**For and on behalf of Knill James LLP**

Date: .....

**Chartered Accountants**  
**Statutory Auditor**

One Bell Lane  
Lewes  
East Sussex  
BN7 1JU

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

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	Notes	2023 £	2022 £
<b>Income</b>	<b>2</b>	1,610,387	1,491,347
Cost of sales		(136,610)	(106,495)
<b>Gross surplus</b>		1,473,777	1,384,852
Administrative expenses		(168,389)	(177,869)
Grant/funding payment	<b>3</b>	(50,000)	-
<b>Surplus before taxation</b>		1,255,388	1,206,983
Tax on surplus		-	-
<b>Surplus for the financial year</b>		1,255,388	1,206,983

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

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	Notes	2023 £	£	2022 £	£
<b>Current assets</b>					
Trade and other receivables	5	222,887		129,594	
Cash and cash equivalents		5,701,051		4,805,098	
		<u>5,923,938</u>		<u>4,934,692</u>	
<b>Current liabilities</b>	6	(154,307)		(420,449)	
<b>Net current assets</b>			5,769,631		4,514,243
			<u><u>5,769,631</u></u>		<u><u>4,514,243</u></u>
<b>Reserves</b>					
Profit and loss reserves			5,769,631		4,514,243
			<u>5,769,631</u>		<u>4,514,243</u>
<b>Members' funds</b>			5,769,631		4,514,243
			<u><u>5,769,631</u></u>		<u><u>4,514,243</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on ..... and are signed on its behalf by:

.....  
Mr D J Bowles  
**Director**

**Company Registration No. 09915776**

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Redistribution reserve	General reserve	Indemnity fund	Market development reserve	Projects reserve	Procurement reserve	Discontin- uance reserve	Income and expenditure	Total
	£	£	£	£	£	£	£	£	£
<b>Balance at 1 April 2021</b>	-	1,345,000	500,000	-	-	100,000	1,200,000	162,260	3,307,260
<b>Year ended 31 March 2022:</b>									
Profit and total comprehensive income for the year	-	-	-	-	-	-	-	1,206,983	1,206,983
<b>Balance at 31 March 2022</b>	-	1,345,000	500,000	-	-	100,000	1,200,000	1,369,243	4,514,243
<b>Year ended 31 March 2023:</b>									
Profit and total comprehensive income for the year	2,490,000	(895,000)	(250,000)	1,000,000	250,000	100,000	(950,000)	1,255,388	1,255,388
Transfers								(1,745,000)	-
<b>Balance at 31 March 2023</b>	2,490,000	450,000	250,000	1,000,000	250,000	200,000	250,000	879,631	5,769,631

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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### 1 Accounting policies

#### Company information

Smaller Authorities' Audit Appointments Limited is a private company limited by guarantee incorporated in England and Wales. The registered office is 77 Mansell Street, London, E1 8AN.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

The directors have assessed whether the going concern basis of preparation continues to be appropriate, based on whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern.

At the time of approving the financial statements the directors believe that all appropriate measures have been taken to ensure that the company will be able to continue its operations for at least the next 12 months and thus conclude that the going concern basis remains appropriate.

#### 1.3 Income and expenditure

Income and expenses are included in the financial statements as they become receivable or due.

#### 1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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### 1 Accounting policies

(Continued)

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

### 1.6 Taxation

The company is exempt from corporation tax, it being a company not carrying on a business for the purposes of making a profit.

### 1.7 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.



# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 2 Income

Under the Local Audit (Smaller Authority) Regulations 2015, SAAA Ltd sets the charges for audit fees for the relevant authorities. The regulations provide for the audit fees to be paid by the relevant authorities directly to SAAA Ltd and for SAAA Ltd to pay the audit providers directly. Under SAAA Ltd's contracts with those audit providers, for administrative ease, the audit providers bill the relevant authorities for the audit fee and to this extent act as an agent for SAAA Ltd. The Audit providers then remit the difference between the audit fee and their approved contract sum to SAAA Ltd. It is this surplus which is shown as income in the income and expenditure account.

The relevant information is

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Sums due in accordance with the audit fee levels set by SAAA	2,388,738	2,286,235
Less cost of contracts	<u>(831,224)</u>	<u>(796,637)</u>
Surplus which is shown as income	1,557,514	1,489,598
Other income	<u>52,873</u>	<u>1,749</u>
Income in the income and expenditure account	<u>1,610,387</u>	<u>1,491,347</u>

### 3 Discretionary grant funding

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Expenditure</b>		
Payment to SLCC	50,000	-
	<u>50,000</u>	<u>-</u>

Grant/funding payment to finance the cost of developing a new sector Internal Auditor qualification by SLCC.

### 4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	<b>2023</b>	<b>2022</b>
	<b>Number</b>	<b>Number</b>
Total	3	3
	<u>3</u>	<u>3</u>

### 5 Trade and other receivables

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Service charges due	221,577	128,350
Other receivables	1,310	1,244
	<u>222,887</u>	<u>129,594</u>

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 6 Current liabilities

	2023 £	2022 £
Taxation and social security	135,368	153,974
Other payables	18,939	266,475
	<u>154,307</u>	<u>420,449</u>

### 7 Reserves

#### Indemnity reserve

The original Memorandum of Understanding with the Department of Communities and Local Government (DCLG) required SAAA to establish and maintain an 'Indemnity Fund' of £250k to cover any costs related to auditors' work that may not be recoverable from authorities, especially where an auditor has taken legal action, and to indemnify audit firms for legal costs relating to any judicial review of their decisions.

This reserve has therefore been set at a level consistent with the original government requirements.

#### Procurement reserve

This reflects the anticipated costs involved in undertaking the next 5 yearly audit contracts procurement due in 2026, which is likely to require a revised structure with added complexity.

#### Discontinuance reserve

In the event of winding up, dissolution or any significant amendment to the Articles of Association, SAAA as a not-for-profit company is committed to distribute any surpluses and reserves to a party or parties nominated by the Secretary of State, potentially the opted-in smaller authorities.

This reserve was established to estimate the costs that might be incurred if SAAA was to be discontinued; for instance, if the Redmond Review or similar had recommended a new model for the procurement of public audit or that principal and smaller authorities should all be administered by the same organisation.

#### General reserve

The General Reserve has no specific purpose and is held to ensure funds are available for contingencies and provide financial strength to the balance sheet. The methodology for general reserves that applies to smaller authorities' is a recommended guideline of between 3 and 12 months of net revenue expenditure.

#### Projects reserve

Large strategic project costs are likely in future years such as the potential ongoing AGAR digitisation project, which could incur high costs if full digitisation is thought to be a desirable development, and other projects may require the appointment of project managers or IT specialists for a fixed term.

#### Market Development reserve

Given the current problems in the principal authority market and impact of higher than anticipated inflation, there could be capacity issues which may require changes to contracting arrangements. This is an initial provision and future financial plans would allow further contributions, in later years, should circumstances warrant.

#### Redistribution provision

The joint procurement, along with 100% participation of smaller authorities and low inflation has left the company in a strong position. The company has commenced consultation with representatives of smaller authorities on how this may be shared and redistributed to smaller authorities as part of the benefits of procurement at scale.

# SMALLER AUTHORITIES' AUDIT APPOINTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 MARCH 2023*

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### **8 Members' liability**

The company is limited by guarantee, having no share capital. Consequently, the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding £1.