

Instructions relating to the Annual Governance and Accountability Return (AGAR) for the year ending 31 March 2018

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1. Key dates

Key dates for the 2017/18 reporting season	
Deadline by which completed & approved AGAR and all applicable supporting documents or Exemption Certificate must be submitted to us (Please email us if this deadline cannot be met.)	Monday 11 June 2018
Statutory common period to be included in the smaller authority's period for the exercise of public rights	Monday 2 July – Friday 13 July 2018
Statutory deadline by which AGAR & signed external auditor report must be published by the smaller authority (this includes publishing on the smaller authority's website). The <i>Notice of Conclusion of Audit</i> must be published at the same time.	Sunday 30 September 2018

2. Introduction

[Smaller Authorities' Audit Appointments Ltd](#) (SAAA) was formally appointed in January 2016 as the 'person specified to appoint local auditors' under powers set out in Regulation 3 of the [Local Audit \(Smaller Authorities\) Regulations 2015](#) to perform the functions set out in legislation for smaller authorities.

Following the resulting tender process, we were appointed to all relevant smaller authorities in 37 contract areas for 5 years from 2017/18, as well as all internal drainage boards and 'other' smaller authorities in England.

The contract areas serviced are Avon, Berkshire, Buckinghamshire, Cambridgeshire, Cheshire, Cornwall, Cumbria, Derbyshire, Devon, Dorset, East Sussex, Essex, Gloucestershire, Hampshire, Herefordshire, Hertfordshire, Humberside, Isle of Wight, Kent, Lancashire, Leicestershire, Lincolnshire, London, Norfolk, North Yorkshire, Northamptonshire, Northumberland, Nottinghamshire, Shropshire, Somerset, South Yorkshire, Suffolk, Surrey, Warwickshire, West Yorkshire, Wiltshire and Worcestershire. (No smaller authorities opted out of the tender process).

3. Annual Governance and Accountability Return (AGAR) Part 1, 2 or 3

Each smaller authority is required by law:

- to prepare Accounting Statements for the year ended 31 March 2018 in the form required by proper practices (the relevant annual return, now known as the Annual Governance and Accountability Return or AGAR, Part 1, 2 or 3);
- to approve and publish the AGAR including the Accounting Statements, as described in section 6 of these instructions;
- to provide for the exercise of public rights, as described in section 9 of these instructions; and
- to publish the AGAR, including the signed external auditor report, by 30 September 2018.

Your first step is to decide which form your smaller authority should complete, either AGAR Part 1, 2 or 3. To assist you, we have provided a [decision tree](#) which will help ensure that you complete the correct AGAR and send us the correct information. Please **do not complete more than one AGAR form**, since only one can be relevant to your smaller authority (see the decision tree provided for more guidance). **Please complete the relevant form fully and accurately to avoid the additional charges that we will render if the return has to be sent back to you for correction (see section 13 of these instructions).**

You must choose **ONLY ONE** of the following parts that is relevant to your smaller authority:

- [AGAR Part 1](#): to be completed and published by **exempt authorities with no accounts**.
- [AGAR Part 2](#): to be completed, approved and published by **exempt authorities with financial transactions during the year**.
- [AGAR Part 3](#): to be completed, approved and published by **all smaller authorities subject to a limited assurance review**.

Where the AGAR Parts 2 or 3 apply, you must arrange for your independent internal auditor to complete the annual internal audit report and you must complete and approve Sections 1 and 2 in the order explained in section 6 of these instructions and then submit these documents to us by **11 June 2018** so that we may discharge our responsibilities as appointed auditors under the [Local Audit and Accountability Act 2014](#) (the Act). If the date of the meeting where the AGAR is due to be approved falls after **11 June 2018**, please contact us to agree a new submission deadline. **You must [contact us](#) as soon as possible if you are unable to meet the submission deadline. Please see section 13 of these instructions for details of the additional charges that we will render if we have to chase a non-response.**

Guidance on completion is contained within the relevant AGAR. For further guidance, please refer to 'Governance and Accountability for Smaller Authorities in England' – the updated [Practitioners' Guide](#) issued in March 2018. It is jointly published by ADA, NALC and SLCC and is available free of charge via each website, www.ada.org.uk, www.nalc.gov.uk or www.slcc.co.uk.

A link to the Practitioners' Guide is included in the Limited Assurance Procedures pages of our website which can be found using this link, <http://pkf-littlejohn.com/services-limited-assurance-procedures.php>, or by searching for 'Limited Assurance Procedures' from our [home page](#). Included in these pages you will find other useful information, for example:

- electronically enabled and printable 'paper' PDF versions of the [AGAR forms](#) (either version is acceptable in colour or black & white)
- annual precept information for 2017/18 for smaller authorities within our Contract Areas – please refer to this when completing Box 2 for local councils, parish meetings and charter trustees
- [PWLB loan balances](#) as at 31 March 2018 – please refer to this when completing Box 10
- [fee scales](#) set by SAAA
- copies of the [pro forma templates](#) referred to in these instructions

SAAA have also prepared a useful flowchart to summarise the AGAR process. There is one for [parish meetings](#) and one for [all other smaller authorities](#).

It should not be necessary for you to contact us directly for additional guidance. SAAA have asked us to refer practitioners (both members and non-members) to the relevant membership organisations with any queries about completing the AGAR forms. Please contact either your [local county association](#); the [Society of Local Council Clerks](#); or the [Association of Drainage Authorities](#).

4. Completion of the electronically enabled AGAR forms

Please note that the electronically enabled AGAR forms have been designed by SAAA to be opened and completed in **Adobe Acrobat Reader** only – this is a free programme which can be downloaded [here](#). The forms will not work in other PDF reader programmes.

Completion tips:

- If you are unable to delete a tick that has been made in error, please use the commands 'Edit' then 'Undo';
- Electronic signatures are not permitted and the various dates of visits by the internal auditor must also be completed by hand on the annual internal audit report (AIAR).

5. Major changes for the 2017/18 reporting season

There are major changes to the requirements for smaller authorities for the 2017/18 reporting season.

Exempt authorities

The main change to the requirements of the regime relate to those smaller authorities who are eligible to exempt themselves from our review. Although there is no change at all to the requirements for all smaller authorities to complete and approve an Annual Return, now known as the Annual Governance and Accountability Return (AGAR), and provide for public rights, exempt authorities must meet a number of specified criteria and then provided those criteria are satisfied they only need submit a copy of their exemption certificate to us. The exemption criteria are met if the smaller authority can declare that it has:

- Total gross income* and total gross expenditure below £25k; **and**
- no public interest report/statutory recommendation/advisory notice/judicial review/application to court re unlawful item of account issued by its external auditor** in the prior year; **and**
- been in existence since before 1/4/14.

* Please note that total gross income includes **all** income received during the year, e.g. precept or rates & levies, grants, loans, community infrastructure levy (CIL), VAT refunds, donations, fees & charges, etc.

** Please note that where the external auditor has only raised 'except for' or 'other' matters for the 2016/17 reporting year this **does not** preclude a smaller authority from certifying itself exempt from our review.

Update to 'proper practice'

Please note that the updated Practitioners' Guide (['Governance and Accountability for Smaller Authorities in England'](#)), Sections 1 and 2 of which represent proper practice that smaller authorities **must** follow, was published in March 2018. There are no major changes to the guidance this year, although the treatment of grants and Community Infrastructure Levy (CIL) receipts has been clarified. There are also additional paragraphs relating to the new three-part AGAR form; amendments made following approval of the AGAR; differences in legislative requirements for parish meetings; and definitions of the various types of smaller authority.

Parish Meetings with no Chair

The supplier audit firms, via the National Audit Office, have received legal advice which indicates that it is not lawful for monitoring officers of the precepting authority to sign off the relevant AGAR forms for parish meetings with no elected Chair. If these instructions have been sent to a monitoring officer in such a situation, please [contact us](#) to discuss the next step. Where possible, please attempt to make contact with a member of the parish meeting to enable the parish meeting to comply with its statutory requirements.

6. Signing and approval of the AGAR Parts 2 and 3

Following the introduction of the [Accounts and Audit Regulations 2015](#) (the Regulations); the changes that occurred in 2015/16 also continue to apply for 2017/18.

The smaller authority must carry out a review of the effectiveness of the system of internal control and prepare the Annual Governance Statement (Section 1 of the AGAR Parts 2 & 3). At the approval meeting, following the review, the smaller authority must:

- (a) consider the findings of the review by the members meeting as a whole; and
- (b) approve the Annual Governance Statement by resolution **in advance** of approving the Accounting Statements.

The Annual Governance Statement **must** be approved prior to the Accounting Statements, either at separate meetings or in the same meeting but with the correct order of business on the agenda and **this must be evidenced by the meeting minute references and/or dates. This change to the requirements in 2015/16 is still not being carried out correctly by many smaller authorities which is still giving rise to except for matters being raised, please refer to the detail provided for guidance.**

The responsible financial officer (RFO) must sign and date 'Section 2 - Accounting statements 2017/18' of the AGAR Part 2 or 3, whichever is relevant to your smaller authority, **before** it is presented to the smaller authority. At the approval meeting, the smaller authority must, **in the following order**:

- (a) consider the Accounting Statements by the members meeting as a whole;
- (b) approve the Accounting Statements by resolution; and
- (c) ensure the Accounting Statements are signed and dated by the person presiding at the meeting at which that approval is given.

7. AGAR Part 3, Section 3 – the external auditor report and certificate

The [National Audit Office](#) (NAO) issues the auditor guidance that we are required to follow when carrying out our limited assurance review, [Auditor Guidance Note 2](#) (AGN02). The revised AGN02 affected the way we reported in our external auditor report during 2016/17 in that any errors on the AGAR or digressions from 'proper practice', as dictated by the [Practitioners' Guide](#) and the guidance notes on the AGAR, **are reported as 'except for' matters.**

Last year's changes to AGN02 mean that circumstances giving rise to 'other' matters are rare and smaller authorities are therefore most likely to have either qualified reports or no matters raised at all. Please note that the changes in AGN02 issued for the 2016/17 reporting year will continue for the 2017/18 reporting year. **Please ensure that care is taken to review the completed AGAR and supporting documentation closely before submission, in order to avoid an 'except for' matter being raised in Section 3 of the AGAR Part 3.**

8. Annual internal audit report

Although the Regulations do not specify a date by which the annual internal audit report (AIAR) must be completed, the review of effectiveness of the system of internal control by the smaller authority and the completion and approval of the Annual Governance Statement will both need to consider the system of internal audit that has been in place **during the year under review**. Thus, the smaller authority will need to consider the internal audit work performed and internal audit arrangements in place between 1 April 2017 and 31 March 2018 before confirming compliance with assertions 2 and 6.

Please note that, although the AIAR does not form part of the AGAR and is not covered by our limited assurance opinion, the Joint Panel on Accountability and Governance (JPAG) decided at their February 2018 meeting to include the AIAR in the list of documents to be submitted to the external auditor for their review. **Please note that this is a change to the guidance provided in our January 2018 webinar and any other training sessions that we provided before 20 February 2018.**

9. Public rights

If your smaller authority had financial transactions in the year, you **must** make arrangements for the exercise of public rights. (You are asked to give a public assurance in assertion 4 of 'Section 1 – Annual governance statement' of the AGAR Part 2 or 3, whichever is relevant to your smaller authority, that you have done this in accordance with statutory requirements, please note that this assurance refers to the arrangements **during** 2017/18, i.e. in relation to the 2016/17 Annual Return.) The statutory requirements for 2017/18 are as follows:

- The smaller authority itself must inform the electorate of a single period of 30 working days during which public rights may be exercised, by publishing the *Notice of Public Rights & Publication of Unaudited Annual Governance & Accountability Return* **and** Sections 1 & 2 of the approved AGAR **the day before** the period for public rights commences. For this purpose, publishing means inclusion **on the website*** as well as any notice board;
- The inspection period **must** include the first 10 working days of July, i.e. 2 to 13 July inclusive this year. In practice this means that public rights may be exercised:
 - at the earliest, between Monday 4 June and Friday 13 July 2018; and
 - at the latest, between Monday 2 July and Friday 10 August 2018.

Setting the period for the exercise of public rights

As in previous years, to assist you in this process, we have provided a [pro forma template notice](#) with a suggested inspection period. It is a requirement of the Regulations that this notice is published the day before the start of the inspection period. The **suggested dates** for the inspection period that we have included on the pro forma notice are **Monday 4 June to Friday 13 July** inclusive. **Sections 1 & 2 of the approved and signed AGAR (Part 2 or 3, as relevant) and this Notice must be published (including on the smaller authority's website*) the day before this period commences.**

* **Parish meetings ONLY:** Where a parish meeting does not have a website, please refer to section 2(5b(ii)) of the [Accounts and Audit Regulations 2015](#).

As a reminder, the dates that you choose **must** include a single period of 30 working days, which **must** include the first 10 working days of July. If this is not the case, then the smaller authority is in breach of the requirements of the Regulations, and we will report as such. **Please note that if a matter was raised on the external auditor report for 2016/17 regarding the period for the exercise of public rights, the smaller authority must answer 'No' to Assertion 4 of the 2017/18 Annual Governance Statement.** If an incorrect 'Yes' answer is given by a smaller authority subject to a limited assurance review, we will have to raise this as an 'except for' matter or qualification of our opinion on the 2017/18 AGAR Part 3.

To further assist you, we also provide guidance for electors and other interested parties entitled '*Local authority accounts: a summary of your rights*' to explain provisions 25, 26 and 27 of the Local Audit and Accountability Act 2014 which **must** be published (including on the smaller authority's website) alongside the notice of public rights. We have also included a [summary of the guidance](#) on what you need to do to advertise the period for the exercise of public rights.

Notifying us of the period for the exercise of public rights

Whilst it is the responsibility of the smaller authority to set the period for the exercise of public rights, when submitting your AGAR and associated documentation, you **must** either confirm to us that the suggested dates have been adopted or inform us of the alternative dates selected. We have therefore also provided a [pro forma](#) for you to complete and submit to us to enable you to meet this requirement of the Regulations.

10. Annual Governance Statement assertions

Please review the wording of all the assertions in Section 1, the Annual Governance Statement, and refer to [the Practitioners' Guide](#), which states exactly what a 'Yes' response means in line with proper practice, prior to confirming compliance. Those assertions that state 'during the year' may refer to arrangements in respect of the 2016/17 Annual Return. **Please therefore ensure that any matters raised on the external auditor report in the prior year are considered and, where appropriate, reflected in the 'Yes' or 'No' responses provided.**

11. Documentation to be submitted with the AGAR Part 3

If your smaller authority is **subject to a limited assurance review this year**, please return **only** the following and please **ensure that all documents are labelled with the smaller authority's name and, for local councils and parish meetings, the county area as well:**

- a fully completed and approved [AGAR Part 3](#). **NB: Section 1 must be approved before Section 2 either at separate meetings or as separate agenda items in the correct order;** and
- the completed form confirming the [dates planned for the provision for the exercise of public rights](#) (please note that if the dates provided do not meet the requirements of the Regulations, an 'other' matter to this effect will be raised in the external auditor report and, depending on the circumstances, next year's AGAR, i.e. the year ended 2018/19, may be qualified); and
- a **bank reconciliation** showing how the cash balance in Box 8 is arrived at (we have provided an [example](#) and a [pro forma](#) bank reconciliation for your information) [NB: some 'other' smaller authorities may not have their own bank accounts, in which case a letter from the Section 151 officer of the lead authority stating the amount of cash held on behalf of the smaller authority is required in lieu of a bank reconciliation]; and
- a **full explanation, with figures, of any 'significant' variances** between the current and prior Accounting Statements and a **full explanation, with figures for any 'high' levels of reserves** held (we have provided a [pro forma](#) for your information which shows which variances require an explanation and explains what is meant by 'significant' and 'high'); and
- for those smaller authorities preparing accounts on an income and expenditure basis*** only, a **reconciliation between Boxes 7 and 8** (we have provided a [pro forma](#) for your information); and
- the **annual internal audit report (AIAR)** – this is the single page form included within the AGAR Part 3; and
- **where the internal auditor has referred to a separate report** on the annual internal audit report, a copy of that report; and
- any **further information we have requested** (see section 12 of these instructions for additional information **for intermediate level procedures**); and
- a copy of the **Section 48 notice, together with a reconciliation** and explanations from the notice to the amount stated in Section 2, Box 2 if these two figures are not the same (**for those smaller authorities that are internal drainage boards only**); and
- **if your declaration in respect of trust funds has changed** from the prior year, please include an explanation for us when submitting your return. (**local councils (i.e. parish & town councils) only**)

*** Current rules require smaller authorities where the gross income or expenditure for the year (whichever is the higher) has exceeded the threshold of £200,000 for a period of three continuous years, to report their financial details on an income and expenditure basis, from the third year onwards. The receipts and payments basis (i.e. cash accounting basis) may only be used by smaller authorities below this threshold.

It is important that you only send us the information that we have requested. Any information received that has not been requested will not be looked at and will either be destroyed or, in the case of original documents, returned to you incurring an administration charge; please see the fees information in section 13 of these instructions.

12. Intermediate level review procedures

a) External auditors are required to select a random sample each year of up to 5% of smaller authorities, who would otherwise be subject to basic level review procedures, for intermediate level review procedures. In addition, we have discretion to select an additional sample on a risk-based approach. If your smaller authority is selected for intermediate level procedures as part of either of these samples, you will be informed via a separate email and will **not** be charged an additional fee for the additional work we undertake.

[NB: if an exempt authority is chosen as part of the random sample, it will NOT be subject to a review.]

b) If **either** your total gross income or expenditure is greater than £200,000 then your smaller authority automatically meets the requirements for an intermediate level review.

IMPORTANT: If your smaller authority has been identified as requiring intermediate level review procedures as a result of the criteria in either a) or b) above, you must send the following information, in addition to the basic level review information listed in section 11 of these instructions:

- copies of **year end bank statements** to support the bank reconciliation (**only** one page per account showing the balance as at the close of business on 30 March 2018); and
- copies of any **detailed internal audit reports** received in relation to 2017/18 (i.e. in addition to the single page AIAR which is included in the AGAR Part 3); and
- **if the 2016/17 external auditor report included any 'except for' matters**, copies of minutes and any agreed plan showing **the corrective action** taken to address these matters.

13. Fees

Your fee for the work undertaken by us as your external auditor is determined by the [scale of fees](#) for smaller authorities set by SAAA for the five years from 2017/18.

An administration charge of £40, plus VAT, will be incurred for any additional correspondence, including each of the following:

- issuing chaser letters for outstanding or incomplete information;
- returning any documentation not specifically requested by us; or
- returning incorrect/incomplete AGARs for amendment.

14. Electronic communication

Internet communications are capable of data corruption and therefore we do not accept any responsibility for changes and corruptions made to such communications after their despatch. We do not accept responsibility for any errors or problems that may arise through the use of internet communication and all risks connected with sending sensitive information relating to the smaller authority are borne by you. If you do not agree to accept this risk, you should notify us in writing that email is not an acceptable means of communication. Although we take steps to prevent viruses affecting emails and attachments sent by us, it is your responsibility, as the recipient, to carry out a virus check on any attachments received.

15. Quality of service

We welcome comments on our service delivery and would ask that, in the first instance, you raise any issues regarding our service with the Manager, via the sba@pkf-littlejohn.com email address. Where the Manager has been unable to resolve any issues to your satisfaction, or you do not consider it appropriate to raise the issue with the Manager, please let us know by addressing your concerns to the Contact Partner via sba@pkf-littlejohn.com. The Contact Partner has ultimate responsibility for our SAAA appointments. If you do not consider it appropriate to raise the issue with the Contact Partner, please refer the matter to the Firm's Managing Partner, Carmine Papa, via cpapa@pkf-littlejohn.com.

We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. If we have given you a less than satisfactory service, we undertake to do everything reasonable to put it right. If you consider that we have not dealt adequately with your complaint, you may refer the matter to [SAAA](#). You may also refer the matter to the Institute of Chartered Accountants in England and Wales, which has the power to investigate complaints against its members.

16. Independence

It is an important part of the process that we are independent and are seen to be independent of the smaller authority. We have put in place procedures which are designed to ensure that this is the case but if you or any of your Members believe that there is a conflict of interest which prevents us being independent, we should be grateful if you would advise us in [writing](#).

17. Final checklist

We look forward to receiving the 2017/18 exemption certificate for your smaller authority **or** the AGAR Part 3 and the additional information we have requested by **11 June 2018**. We have provided an [address label](#) if you wish to send any of your documents in the post.

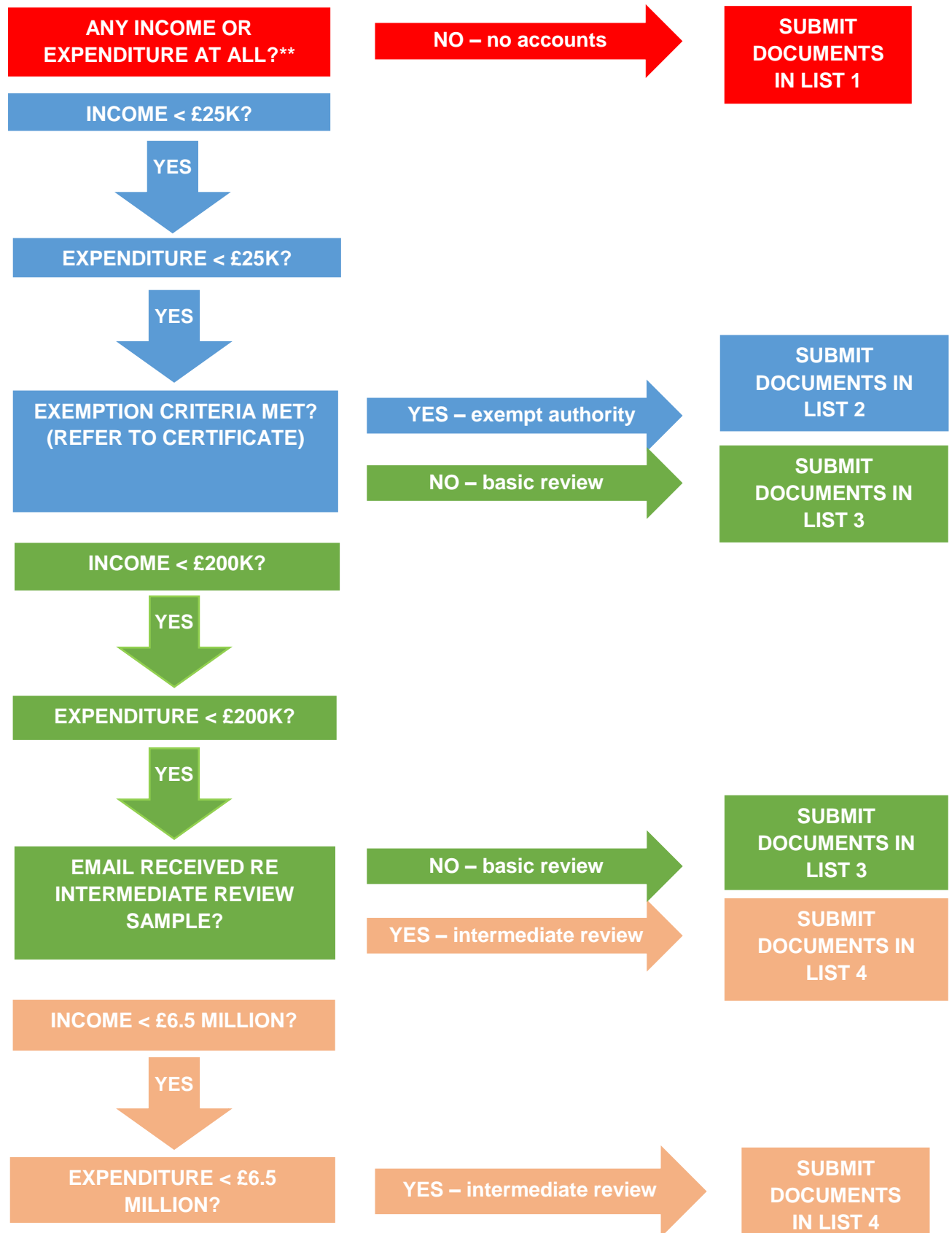
Please ensure that you do the following:

- include the **smaller authority's name and county area** (for local councils and parish meetings) on all documents submitted
- use the **correct postage** when sending anything in the post, e.g. a 'large' letter (larger than A5 or thicker than 5mm) requires additional postage in the form of a 'large letter' stamp. Failure to apply the correct postage may result in a delay in us receiving your completed AGAR and therefore our subsequent review;
- **keep a copy** of everything that you send us for your records; and
- complete and return the **contact details** form, to enable us to keep our records up to date. (Please note that it is helpful for every smaller authority to have its own email address so that contact is not completely lost when there is a change of personnel of which we are not informed.)

Where an AGAR Part 3 is submitted for review, we will write to you again when our work is complete and tell you if there is any further action that you need to take.

Which AGAR do I complete and which documents do I need to submit?

Consider the total gross income and expenditure for the period between 1 April 2017 and 31 March 2018 and answer the following questions. Please note that the document lists are on the next page.



List 1 – SMALLER AUTHORITY WITH NO ACCOUNTS

1. Completed and signed [AGAR Part 1](#) Exemption Certificate
2. Completed [contact details form](#)

****** A financial transaction is any form of income or expenditure received or incurred by the smaller authority. This includes donations made to the smaller authority, fund raising income, interest earned or paid, purchase of services/assets, etc.

List 2 – EXEMPT AUTHORITY

1. Completed and signed [AGAR Part 2](#) Exemption Certificate
2. Completed [contact details form](#)

List 3 – BASIC LEVEL REVIEW

1. Completed and signed [AGAR Part 3](#) (Sections 1 & 2 and the Annual Internal Audit Report)
2. Completed confirmation of dates of the period for the provision of public rights form – see [pro forma](#)
3. Bank reconciliation – see [pro forma](#)
4. Explanation of any significant variances – see [pro forma](#)
5. Reconciliation between Section 2, Boxes 7 and 8 – see [pro forma](#) (**ONLY** for those smaller authorities preparing Section 2 on an income and expenditure basis)
6. Copy of the separate internal audit report (**ONLY** for those smaller authorities whose internal auditor has referred to a separate report on the Annual Internal Audit Report)
7. Copy of the 2017/18 Section 48 notice, together with a reconciliation and explanations from the notice to the amount stated in Section 2, Box 2 if these two figures are not the same (**ONLY** for those smaller authorities that are **Internal Drainage Boards**)
8. Completed [contact details form](#)

List 4 – INTERMEDIATE LEVEL REVIEW

1. Completed and signed [AGAR Part 3](#) (Sections 1 & 2 and the Annual Internal Audit Report)
2. Completed confirmation of dates of the period for the provision of public rights form – see [pro forma](#)
3. Bank reconciliation – see [pro forma](#)
4. Explanation of any significant variances – see [pro forma](#)
5. Reconciliation between Section 2, Boxes 7 and 8 – see [pro forma](#) (**ONLY** for those smaller authorities preparing Section 2 on an income and expenditure basis)
6. Copies of any separate internal audit reports received in relation to 2017/18
7. Copy of the 2017/18 Section 48 notice, together with a reconciliation and explanations from the notice to the amount stated in Section 2, Box 2 if these two figures are not the same (**ONLY** for those smaller authorities that are **Internal Drainage Boards**)
8. Copies of year end bank statements to support the bank reconciliation (**ONLY** one page per account showing the balance as at the close of business on 30 March 2018)
9. Copies of minutes and any agreed plan showing the corrective action taken to address the prior year 'except for' matters (**ONLY** for smaller authorities who received 'except for' matters in the 2016/17 external auditor report)
10. Completed [contact details form](#)

Local Councils, Internal Drainage Boards and other Smaller Authorities in England

Annual Governance and Accountability Return 2017/18 Part 3

To be completed by:

- **all smaller authorities* where either the higher of gross income or gross expenditure exceeded £25,000 but did not exceed £6.5 million; and**
- **any other smaller authorities that either:**
 - **are unable to certify themselves as exempt; or**
 - **have requested a limited assurance review.**

Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2017/18

1. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 **must** complete Part 3 of the Annual Governance and Accountability Return at the end of each financial year in accordance with Proper Practices.
2. **The Annual Governance and Accountability Return is made up of three parts, pages 3 to 6:**
 - The **annual internal audit report** is completed by the authority's internal auditor.
 - **Sections 1 and 2** are to be completed and approved by the authority.
 - **Section 3** is completed by the external auditor and will be returned to the authority.
3. The authority **must** approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both **must** be approved **before 2 July 2018**.
4. An authority with either gross income or gross expenditure exceeding £25,000 or an authority with neither income nor expenditure exceeding £25,000, but which is unable to certify itself as exempt, or requesting a limited assurance review, **must** send to the external auditor:
 - the Annual Governance and Accountability Return Sections 1, 2 and 3, together with
 - a bank reconciliation as at 31 March 2018
 - an explanation of any significant year on year variances in the accounting statements
 - your notification of the commencement date of the period for the exercise of public rights
 - Annual Internal Audit Report 2017/18

Unless requested, do not send any original records to your external auditor. Your external auditor will ask for any additional documents needed.

Once the external auditor has completed and is able to give an opinion on the limited assurance review, the Annual Governance and Accountability Return including **Section 3 – External Auditor Report and Certificate** will be returned to the authority.

Publication Requirements

Smaller authorities with either income or expenditure exceeding £25,000 **must** publish on a public website, under the Accounts and Audit Regulations 2015, the Annual Governance and Accountability Return:

- **Section 1 – Annual Governance Statement 2017/18, page 4**
- **Section 2 – Accounting Statements 2017/18, page 5**
- **Section 3 – The External Auditor Report and Certificate 2017/18, page 6**
- Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

The Annual Governance and Accountability Return constitutes the annual return referred to in the Accounts and Audit Regulations 2015. Throughout, the words 'external auditor' have the same meaning as the words 'local auditor' in the Accounts and Audit Regulations 2015.

**for a complete list of bodies that may be smaller authorities refer to schedule 2 to Local Audit and Accountability Act 2014.*

Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2017/18

- The authority **must** comply with *Proper Practices* in completing Sections 1 and 2 of this Annual Governance and Accountability Return. *Proper Practices* are found in the *Practitioners' Guide** which is updated from time to time and contains everything needed to prepare successfully for the financial year-end and the subsequent work by the external auditor.
- Make sure that the Annual Governance and Accountability Return is complete (i.e. no empty highlighted boxes), and is properly signed and dated. Avoid making amendments to the completed Annual Governance and Accountability Return. Any amendments must be approved by the authority, properly initialled and accompanied by an explanation. If the Annual Governance and Accountability Return contains unapproved or unexplained amendments, it may be returned and additional costs will be incurred.
- The authority **should** receive and note the annual internal audit report prior to approving the annual governance statement and before approving the accounts.
- Use the checklist provided below to review the Annual Governance and Accountability Return for completeness before sending it to the external auditor.
- Do not send the external auditor any information not specifically requested. However, you **must** inform your external auditor about any change of Clerk, Responsible Finance Officer or Chairman, and provide relevant email addresses and telephone numbers.
- Make sure that the copy of the bank reconciliation to be sent to your external auditor with the Annual Governance and Accountability Return covers all the bank accounts. If the authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree the bank reconciliation to Box 8 on the accounting statements (**Section 2, page 5**). An explanation **must** be provided of any difference between Box 7 and Box 8. More help on bank reconciliation is available in the *Practitioners' Guide**.
- Explain fully significant variances in the accounting statements on **page 5**. Do not just send a copy of the detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete numerical and narrative analysis to support the explanation.
- If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or variances are not fully explained, additional costs will be incurred.
- Make sure that the accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2017) equals the balance brought forward in the current year (Box 1 of 2018).
- Please enter the authority's name **only** in Section 3 on Page 6. **Do not complete the remainder of that section**, which is reserved for the external auditor.
- The Responsible Financial Officer (RFO), on behalf of the authority, **must** set the commencement date for the exercise of public rights. From the commencement date for a single period of 30 consecutive working days, the accounts and accounting records can be inspected. Whatever period the RFO sets it **must** include a common inspection period – during which the accounts and accounting records of all smaller authorities must be available for public inspection – of the first ten working days of July.
- The authority **must** publish the information required by Regulation 15 (2), Accounts and Audit Regulations 2015, including the period for the exercise of public rights and the name and address of the external auditor.

Completion checklist – 'No' answers mean you may not have met requirements		Yes	No
All sections	Have all highlighted boxes have been completed?		
	Has all additional information requested, including the dates set for the period for the exercise of public rights , been provided for the external auditor?		
Internal Audit Report	Have all highlighted boxes have been completed by the internal auditor and explanations provided?		
Section 1	For any statement to which the response is 'no', is an explanation provided?		
Section 2	Has the authority's approval of the accounting statements been confirmed by the signature of the Chairman of the approval meeting?		
	Has an explanation of significant variations from last year to this year been provided?		
	The bank reconciliation as at 31 March 2018 is agreed to Box 8?		
	Has an explanation of any difference between Box 7 and Box 8 been provided?		
Sections 1 and 2	Trust funds – have all disclosures been made if the authority is a sole managing trustee? NB: do not send trust accounting statements unless requested or instructed.		

*More guidance on completing this annual return is available in **Governance and Accountability for Smaller Authorities in England – a Practitioners' Guide to Proper Practices**, which can be downloaded from www.nalc.gov.uk or from www.slcc.co.uk or from www.ada.org.uk

Annual Internal Audit Report 2017/18

ENTER NAME OF AUTHORITY

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2018.

The internal audit for 2017/18 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.			
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.			
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.			
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.			
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.			
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.			
H. Asset and investments registers were complete and accurate and properly maintained.			
I. Periodic and year-end bank account reconciliations were properly carried out.			
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.			

K. (For local councils only)	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.			

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

DD/MM/YY

Name of person who carried out the internal audit

ENTER NAME OF INTERNAL AUDITOR

Signature of person who carried out the internal audit

SIGNATURE REQUIRED

Date

DD/MM/YY

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Section 1 – Annual Governance Statement 2017/18

We acknowledge as the members of:

ENTER NAME OF AUTHORITY

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2018, that:

	Agreed		'Yes' means that this authority:
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.			<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.			<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.			<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>
7. We took appropriate action on all matters raised in reports from internal and external audit.			<i>responded to matters brought to its attention by internal and external audit.</i>
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.			<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A
			<i>has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.</i>

*Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how the authority will address the weaknesses identified.

This Annual Governance Statement is approved by this authority and recorded as minute reference:

MINUTE REFERENCE

dated DD/MM/YY

Signed by the Chairman and Clerk of the meeting where approval is given:

Chairman SIGNATURE REQUIRED

Clerk SIGNATURE REQUIRED

Other information required by the Transparency Codes (not part of Annual Governance Statement)
Authority web address

AUTHORITY WEBSITE ADDRESS

Section 2 – Accounting Statements 2017/18 for

ENTER NAME OF AUTHORITY

	Year ending		Notes and guidance
	31 March 2017 £	31 March 2018 £	
1. Balances brought forward			<i>Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.</i>
2. (+) Precept or Rates and Levies			<i>Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.</i>
3. (+) Total other receipts			<i>Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.</i>
4. (-) Staff costs			<i>Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.</i>
5. (-) Loan interest/capital repayments			<i>Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).</i>
6. (-) All other payments			<i>Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).</i>
7. (=) Balances carried forward			<i>Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).</i>
8. Total value of cash and short term investments			<i>The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.</i>
9. Total fixed assets plus long term investments and assets			<i>The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.</i>
10. Total borrowings			<i>The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).</i>
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	<i>The Council acts as sole trustee for and is responsible for managing Trust funds or assets.</i>
			<i>N.B. The figures in the accounting statements above do not include any Trust transactions.</i>

I certify that for the year ended 31 March 2018 the Accounting Statements in this Annual Governance and Accountability Return present fairly the financial position of this authority and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer

SIGNATURE REQUIRED

Date

DD/MM/YY

I confirm that these Accounting Statements were approved by this authority on this date:

DD/MM/YY

and recorded as minute reference:

MINUTE REFERENCE

Signed by Chairman of the meeting where approval of the Accounting Statements is given

SIGNATURE REQUIRED

Section 3 – External Auditor Report and Certificate 2017/18

In respect of

ENTER NAME OF AUTHORITY

1 Respective responsibilities of the body and the auditor

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2018; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work **does not** constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and **does not** provide the same level of assurance that such an audit would do.

2 External auditor report 2017/18

(Except for the matters reported below)* on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the authority:

(continue on a separate sheet if required)

3 External auditor certificate 2017/18

We certify/do not certify* that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2018.

*We do not certify completion because:

External Auditor Name

ENTER NAME OF EXTERNAL AUDITOR

External Auditor Signature

SIGNATURE REQUIRED

Date

DD/MM/YY

*Note: the NAO issued guidance applicable to external auditors' work on limited assurance reviews for 2017/18 in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)