

Instructions relating to the Annual Governance and Accountability Return (AGAR) for the year ending 31 March 2019

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1. Key dates

Key dates for the 2018/19 reporting season	
<p>Submission deadline Deadline by which either a completed & approved AGAR and all applicable supporting documents or an Exemption Certificate must be submitted to us. Please submit all documentation to us <u>via email wherever possible</u> to sba@pkf-littlejohn.com.</p> <p>If you do not have access to email please submit the documents by post to:</p> <p style="padding-left: 40px;">SBA Team PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD</p> <p>Please use EITHER EMAIL <u>OR</u> POST <u>BUT NOT BOTH</u> as multiple submissions unnecessarily delay the processing of information.</p> <p>If you are submitting documents by post:</p> <ul style="list-style-type: none"> • Please take a copy of all documents submitted; • It will not be possible to return any original documents submitted for review; • Please ensure the correct postage is applied to avoid delays in receipt. 	<p>Monday 1 July 2019</p> <p>Please email us to arrange an extension if this deadline cannot be met.</p>
<p>Statutory common period to be included in the smaller authority's period for the exercise of public rights – for all authorities, both exempt and subject to our review.</p>	<p>Monday 1 July – Friday 12 July 2019</p>
<p><u>Suggested period for the exercise of public rights.</u></p> <ul style="list-style-type: none"> • If the date of the meeting at which your AGAR is to be approved falls during this period your smaller authority will need to select a 30-day period that commences after the date of your meeting. • If the date of the meeting at which your AGAR is to be approved falls on or after 1 July your smaller authority will have breached the legislative requirements. See section 10 of these instructions for the reporting implications on Section 3 of the AGAR. 	<p>Monday 17 June to Friday 26 July 2019</p>
<p>For those authorities subject to a review only, the statutory deadline by which the AGAR Part 3 & signed external auditor report must be published by the smaller authority (this includes publishing on the smaller authority's website).</p> <p>NB: The <i>Notice of Conclusion of Audit</i>, which will be emailed to non-exempt authorities at the end of the review process along with our External Auditor Report and Certificate, must be published at the same time.</p> <p>There is no signed external auditor report or other closure documentation issued by the external auditor for authorities who have claimed exemption from the limited assurance regime.</p>	<p>Monday 30 September 2019</p>

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, PKF Littlejohn LLP was appointed to all relevant smaller authorities (i.e. local councils, including town council and parish councils, and parish meetings) in 36 contract areas for 5 years from 2017/18, as well as all internal drainage boards (IDBs) and 'other' smaller authorities (e.g. charter trustees, port health authorities, etc) in England.

The contract areas serviced by PKF Littlejohn LLP are Avon, Berkshire, Buckinghamshire, Cambridgeshire, Cheshire, Cornwall, Cumbria, Derbyshire, Devon, Dorset, East Sussex, Essex, Gloucestershire, Hampshire & the Isle of Wight, Herefordshire, Hertfordshire, Humberside & East Riding of Yorkshire, Kent, Lancashire, Greater Manchester & Merseyside, Leicestershire, Lincolnshire, London, Norfolk, North Yorkshire, Northamptonshire, Northumberland & Tyne & Wear, Nottinghamshire, Shropshire, Somerset, South Yorkshire, Suffolk, Surrey, Warwickshire & West Midlands, 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

In 2017/18 there were 3 types of Annual Governance and Accountability Return (AGAR), those being Parts 1, 2 and 3. For 2018/19 there are an additional 3 types of AGAR which are intended for use by Parish Meetings only – **please refer to section 5 of these instructions for parish meetings.**

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

New forms for 2018/19 – see section 5:

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

Each smaller authority is required by law:

- to prepare Accounting Statements for the year ended 31 March 2019 in the form required by proper practices using the relevant AGAR from the list above;
- to approve and publish the AGAR including the Accounting Statements, as described in section 7 of these instructions;
- to provide for the exercise of public rights, as described in section 10 of these instructions; and
- to publish the AGAR, including the signed external auditor report, by 30 September 2019 where a limited assurance review has been carried out.

Your first step is to decide which AGAR your smaller authority should complete from the list shown above. 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 on this [page](#) for more guidance).

Where the AGAR Parts 2, 2PM, 3 or 3PM 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 7 of these instructions and then submit, **preferably by email only**, the relevant documents (**either** the exemption certificate on page 3 of AGAR Part 2, **or** the AGAR Part 3 plus the associated documentation required for our review) to us by **1 July 2019** so that we may discharge our responsibilities as appointed auditors under the [Local Audit and Accountability Act 2014](#) (the Act). **You must contact us as soon as possible if you are unable to meet this submission deadline. Please see section 14 of these instructions for details of the additional charges that we will render if we have to issue chaser letters for lack of response in accordance with submission deadlines.**

Guidance on completion is contained within the relevant AGAR. For further guidance, please refer to 'Governance and Accountability for Smaller Authorities in England'. We have made both the

[2018](#) and [2019](#) Practitioners' Guides available on our website. Whilst the 2018 guide was in force for 2018/19, early adoption of the 2019 Guide (as issued in March 2019) is permitted. The Practitioners' Guide 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 Regime pages of our website which can be found using this link, <https://www.pkf-littlejohn.com/services-limited-assurance-procedures>, or by searching for 'Limited Assurance Regime' 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 2018/19 for smaller authorities within our Contract Areas – please refer to this when completing Box 2 for local councils and charter trustees
- [PWLB](#) loan balances as at 31 March 2019 – 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:

- General: The printable 'paper' PDF versions are not designed to be completed electronically but simply to be printed off and completed by hand. If you are having issues whilst using the free software, please check that you have downloaded the correct version from our [website](#).
- General: If you are unable to delete a tick that has been made in error, please use the commands 'Edit' then 'Undo' or in the case of incorrect dates selected right click and 'cut';
- General: Electronic signatures are not permitted;
- Annual Internal Audit Report:
 - Internal control objective 'K' is new this year and requires internal auditors to conclude on whether the exemption criteria were met in relation to the 2017/18 AGAR (i.e. the previous year); it should be answered 'Not covered' if the authority was not an exempt authority in 2017/18.
 - Internal control objective 'L' has been prefilled for 2018/19 and will become active for the 2019/20 and subsequent years, when internal auditors will be required to conclude on whether the public rights provision during the previous summer was compliant with the Regulations;
 - For parish meetings only: internal control objective 'G' has been intentionally omitted from AGAR Part 2PM and 3PM on the basis it relates to salaries and is hence not applicable for parish meetings.

5. Parish Meetings only – new forms

As set out in section 3 of these instructions, there are new types of AGAR forms which are intended for use by Parish Meetings **ONLY**. These are available from our [webpage](#) including specific information for parish meetings.

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

Differences between parish meeting and other smaller authority requirements

- **AGAR Parts 2PM and 3PM**
 - The requirement for responses in respect of trust funds has been removed from the parish meeting AGAR forms.
 - Annual Internal Audit Report: internal control objective 'G' has been intentionally omitted from AGAR Part 2PM and 3PM on the basis it relates to salaries and is hence not applicable for parish meetings.
- **Signing of the AGAR**
 - For parish meetings only, the Chair (who is the proper officer) may sign as Chair, Clerk and RFO. The signature boxes have been updated to reflect this.
 - Please note for 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 are being read by 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.
 - Where a parish meeting only meets once a year that meeting is required to take place between 1 March and 1 June (parish meetings only); however, the AGAR forms must be approved after the financial year end of 31 March 2019 so there is a mismatch between the requirements of the various legislation. Hence, if the only scheduled meeting for your parish meeting is in March 2019, a second meeting must therefore be convened in order to approve the AGAR after the year end and before the statutory deadline of 1 July 2019.
- **Publication of information on the smaller authority's website**
 - Parish meetings with a website: Parish meetings with websites must follow the publication rules for all other smaller authorities.
 - Parish meetings without a website: Where a parish meeting does not have a website the publication requirements are slightly relaxed. In these circumstances, section

2(5b(ii)) of the [Accounts and Audit Regulations 2015](#) applies, which states that “Any reference in these Regulations to publication on an authority’s website must be construed as displaying the information in question in a conspicuous place in the area of the authority for at least 14 days.”

6. Issues arising from last year's major changes

There were major changes to the requirements for smaller authorities for the 2017/18 reporting season that caused a significant amount of confusion for many smaller authorities. The main change that came in related to those smaller authorities who are eligible to exempt themselves from our review.

All smaller authorities (including those claiming exemption) are required to complete and approve an Annual Governance and Accountability Return (AGAR) and provide for public rights. **Authorities wishing to claim exemption** from our review must meet a number of specified criteria and then, provided those criteria are satisfied, all they need to [submit](#) (preferably by email only) to us as the appointed auditor is a copy of their exemption certificate after the smaller authority has made that decision.

There is further useful information contained within the training webinar information available on our [website](#). The slides from the detailed webinar that went through the changes brought in for the 2017/18 financial year are still available; and an update to that webinar for the 2018/19 year has also recently been recorded.

We set out below further clarification in respect of the exemption rules.

Exemption criteria

The criteria for claiming exemption are as follows:

- 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**
- the relevant financial year is not one of the first three years of the authority's existence, hence if claiming exemption for 2018/19 that means the authority has been in existence since before 1 April 2015.

* 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 in the External Auditor Report and Certificate for 2017/18 this **does not** preclude a smaller authority from certifying itself exempt from our review.

Signing and approval of the exemption certificate

The exemption certificate included within the AGAR Part 2 and AGAR Part 2PM must be **signed after a resolution** by the authority that it meets the criteria for 2018/19 and wishes to be an exempt authority, not subject to our limited assurance review, for that year.

The **exemption certificate must be published**, including on the authority's website, before 1 July 2019 and a copy of the certificate should be **emailed to us** by that date.

Common misunderstandings over the new rules for claiming exemption

Below are some common misunderstandings arising from the new legislation introduced for the 2017/18 reporting season in respect of exemption from a limited assurance review.

Misunderstanding	Clarification
<p>Some smaller authorities were under the impression it was the auditor who decided which authorities were exempt and which were not. This resulted in some authorities who could have claimed exemption not doing so and in turn incurring a standard fee of £200 plus VAT.</p>	<p>All smaller authorities are subject to a limited assurance review each financial year unless they claim exemption from the regime.</p> <p>It is the smaller authority's responsibility firstly, to ascertain whether it meets the eligibility criteria (see above), secondly, to complete and publish the relevant AGAR (i.e. either Part 1 or 2) and, lastly, to notify their appointed auditor that they have claimed exemption.</p>
<p>Some smaller authorities in the under £25,000 income and expenditure band did not realise if they did not exempt themselves that there was a standard fee of £200 plus VAT applicable for the review performed.</p>	<p>Since 2017/18 all limited assurance reviews are subject to a standard charge, even those for authorities in the under £25,000 fee band.</p> <p>The standard fees for the reviews performed are published on the SAAA website here.</p>
<p>Some smaller authorities claiming exemption did not realise they needed to notify the appointed auditor that they had claimed exemption, resulting in the auditor issuing chasing letters for which there is a standard fee of £40 plus VAT.</p>	<p>All smaller authorities need to communicate with their appointed auditors for every reporting year by the submission deadline, either to notify them of their claim for exemption or to submit (preferably by email only) the completed AGAR Part 3 and supporting documentation for review.</p> <p>Failure to report to the appointed auditor by the submission deadline will result in chaser letters being issued and the SAAA charges being applied.</p> <p>Even authorities claiming exemption will be subject to letter charges if they have not notified their appointed auditor by the submission deadline.</p> <p>Details of charges are on the SAAA website here.</p>
<p>Some smaller authorities thought if their External Auditor Report and Certificate for the prior year had any points raised as 'except for' matters or 'other matters' that they were not eligible to claim exemption.</p>	<p>An 'except for' matter or an 'other matter' raised in the prior year report has no impact on a smaller authorities ability to claim exemption. The only reports issued by the appointed auditor to a smaller authority that prevent a claim for exemption are those issued in respect of the prior year as listed below:</p> <ul style="list-style-type: none"> • public interest report; • statutory recommendation; • advisory notice; • judicial review; or • application to court re unlawful item of account.
<p>Many smaller authorities claiming exemption complained to us and SAAA about not receiving their External Auditor Report and Certificate.</p>	<p>Once a smaller authority has claimed exemption from a limited assurance review and notified the appointed auditor, there is no External Auditor Report and Certificate to issue. The receipt of the notification of exemption marks the end of the process for that reporting year.</p> <p>Please note that whilst the smaller authority can exempt itself from having to have a review, the appointed auditor is still obliged to receive and act upon challenges raised by local electors in respect of exempt authorities in the same way as it is for non-exempt authorities (see also section 10).</p>

Misunderstanding	Clarification
One claim for exemption means the smaller authority has no need to communicate with the appointed auditor again.	Claims for exemption can only be made after 31 March of each relevant reporting year considering: <ul data-bbox="683 293 1396 414" style="list-style-type: none"><li data-bbox="683 293 1396 353">• the smaller authority's level of financial activity for that year; <u>and</u><li data-bbox="683 360 1396 414">• any statutory reports issued in respect of the prior year.

7. 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 2018/19.

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 2018/19' 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.

For parish meetings please also see section 5 of these instructions.

8. 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 for the first time in 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 now reported as 'except for' matters.**

The 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 2018/19 reporting year. **Please ensure that care is taken to review the completed AGAR and supporting documentation closely before submission, to avoid an 'except for' matter being raised in Section 3 of the AGAR Part 3.**

9. 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 2018 and 31 March 2019 **before** confirming compliance with assertions 2 and 6.

Many queries have been raised with us in relation to the timing of internal audit. It is best practice to have the internal audit visit and report (AIAR) completed before approving the Annual Governance Statement (AGS) (i.e. Section 1 of AGAR Part 2 or 3), **but it is not a statutory requirement** (the AGAR guidance note says 'should' not 'must'). If the date of the AIAR is after the date of the AGS, then we will simply look at last year's AIAR date to ensure that it occurred between 1 April 2018 and 31 March 2019, thereby providing evidence that there was internal audit provision **during** the year (as specified in the wording of assertion 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) requires that the AIAR is included in the list of documents to be submitted (**preferably by email only**) to the external auditor for their review of an AGAR Part 3.

As already stated in section 4 of these instructions, please also note:

- Internal control objective 'K' is new this year and requires internal auditors to conclude on whether the exemption criteria were met in relation to the 2017/18 AGAR (i.e. the previous year); it should be answered 'Not covered' if the authority was not an exempt authority in 2017/18.
- Internal control objective 'L' has been prefilled for 2018/19 and will become active for the 2019/20 and subsequent years, when internal auditors will be required to conclude on whether the public rights provision during the previous summer was compliant with the Regulations;
- For parish meetings only: internal control objective 'G' has been intentionally omitted from AGAR Part 2PM and 3PM on the basis it relates to salaries and is hence not applicable for parish meetings.

10. Public rights

If your smaller authority had financial transactions in the year, you **must** make arrangements for the exercise of public rights irrespective of whether your authority is claiming exemption from a review. 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** 2018/19, i.e. in relation to the 2017/18 Annual Governance and Accountability Return. The statutory requirements for 2018/19 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 relevant Notice (i.e. *Notice of Public Rights & Publication of Unaudited Annual Governance & Accountability Return* for those subject to our review or *Notice of Public Rights & Publication of Annual Governance & Accountability Return (Exempt Authority)* for exempt authorities) **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. 1 to 12 July inclusive this year. In practice this means that public rights may be exercised:
 - at the earliest, between Monday 3 June and Friday 12 July 2019; and
 - at the latest, between Monday 1 July and Friday 9 August 2019.

Setting the period for the exercise of public rights

As in previous years, to assist you in this process, we have provided pro forma template notices (for [exempt authorities](#) and for those [authorities subject to our review](#); as well as the equivalent documents for [parish meetings](#)) with a suggested inspection period. The period we have suggested is between Monday 17 June and Friday 26 July 2019 but if you are submitting an AGAR Part 3 and these dates are not appropriate for your smaller authority, please notify us of the dates you have chosen when submitting your documentation for review.

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 17 June to Friday 26 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.**

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 an 'other matter' was raised on the external auditor report for 2017/18 regarding the period for the exercise of public rights during 2018, the smaller authority must answer 'No' to Assertion 4 of the 2018/19 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 2018/19 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 (for exempt authorities and for those authorities subject to our review) 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 (only for those authorities subject to review)

Whilst it is the responsibility of the smaller authority to set the period for the exercise of public rights, when submitting your AGAR Part 3 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 (**preferably by email only**) to us to enable you to meet this requirement of the Regulations. Please note that this is **only** relevant for those smaller authorities completing AGAR Part 3 and submitting it to us for review.

11. 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 2017/18 Annual Governance and Accountability 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.**

12. Documentation to be submitted with the AGAR Part 3

If your smaller authority is subject to a limited assurance review this year, please [submit \(preferably by email\)](#) the documents following **only**. Links to all the pro forma templates can be found [here](#). 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 2019/20, 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'). In respect of high levels of reserves the Joint Panel on Accountability and Governance (JPAG) has agreed to include additional guidance within the 2019 updated Practitioners' Guide; and
- for those smaller authorities preparing accounts on an income and expenditure basis* only, a **reconciliation between Boxes 7 and 8 of Section 1 of the AGAR** (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
- **where the authority has answered 'No' to any assertions** on Section 1, a detailed explanation of the reasons (NB: from next year onwards, these must be published with the AGAR); and
- any **further information we have requested** (see section 13 of these instructions for additional information **for intermediate level procedures**); and
- **for IDBs only:** 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 of the AGAR 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 consistently 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 reviewed.

Please note that the [pro forma templates](#) are provided for your information and convenience – we do not require the information to be provided on the pro formas if the same information can more conveniently be provided in a different format.

13. Intermediate level review procedures

a) 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 (i.e. you will not have received an additional email informing you of the fact that you must provide the additional information for intermediate review).

b) External auditors are also 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 have been 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.**

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 (preferably by email only), in addition to the basic level review information listed in section 12 of these instructions:

- a copy of the relevant **minutes and agenda papers** from the meeting at which the annual **review of risk management arrangements** during 2018/19 was discussed *; and
- **if the 2017/18 external auditor report included any 'except for' matters**, copies of minutes and any agreed plan showing **the corrective action** taken to address these matters.

* Please note that the wording of Assertion 5 indicates that the smaller authority as a whole must maintain an overview of the arrangements on an annual basis. Thus, it is the full authority review of risk management arrangements that we need to see evidence of, rather than evidence of individual risk assessments in place, for play areas for example, which in a large smaller authority (e.g. a large town council) would usually be delegated to a committee or officers for the 'day-to-day' operational management of risk.

This is the wording in relation to the assertion from the Practitioners' Guide:

"Assertion 5: Risk Management

We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.

In order to warrant a positive response to this assertion, the authority needs to have the following arrangements in place:

1.31 **Identifying and assessing risks.** The authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences.

1.32 **Addressing risks.** Having identified, assessed and recorded the risks, the authority needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover.

1.33 Supporting information on risk management can be found in Section 5."

If risk management arrangements have been delegated to a committee, the minutes of that committee would be a standing item on each full authority meeting agenda, i.e. the members have regular visibility of the risk management process via these minutes. The annual discussion of the answers to the assertions in the Annual Governance Statement should include the latest summary of the risk management arrangements as an agenda paper to support the response. If this evidence is provided, we would accept a 'Yes' response, even if there hasn't been a separate minuted review of risk management, since it can be argued that the annual review of the risk management arrangements took place during the discussions of the assertion responses (rather like the Assertion 2 annual internal control review, which can also be evidenced in that way.)

The Annual Governance Statement assertions indicate the various governance arrangements that cannot be delegated away from the whole authority, i.e. the members collectively approve the responses based on the supporting papers and discussion for each assertion. In large smaller authorities where the operational management of risk has been delegated to a committee, we could accept the minutes of the Annual Governance Statement discussion in respect of Assertion 5.

14. 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 issuing chaser letters for outstanding or incomplete information.

If we have to issue statutory recommendations or public interest reports in respect of a failure to provide an AGAR, each of these attract the standard fee for a limited assurance review, based on the income and expenditure bandings for the previous year, i.e. a minimum of £200 plus VAT for each.

Non-responders – fees and consequences

Submission dates

Is the smaller authority able to submit either their signed AGAR and supporting documents or exemption certificate by the specified submission date?



Contact us at sba@pkf-littlejohn.com to arrange an alternative submission date



Please complete all documentation and submit to us (**preferably by email**) by the specified submission date.

Examples of consequences for non-responders using submission date 1 July 2019

Example 1: Complete lack of response:

Timing	Action	Consequence
1 July 2019	Smaller authority fails to submit an AGAR or exemption certificate	<ul style="list-style-type: none"> Smaller authority identified as a non-responding authority
15 July 2019	Still no response – auditor issues first chaser letter	<ul style="list-style-type: none"> Fee of £40+VAT charged
5 August 2019	Still no response – auditor issues first formal chaser	<ul style="list-style-type: none"> Second fee of £40+VAT charged
26 August 2019	Still no response – auditor issues statutory recommendation	<ul style="list-style-type: none"> Standard fee in accordance with the <u>prior year's</u> income/expenditure banding, (minimum of £200+VAT) charged on top of 2 chaser fees. Smaller authority <u>will not be able to claim exemption from a limited assurance review for 2018/19 or 2019/20</u> regardless of whether it meets all other criteria.
7 October 2019	Still no response – auditor issues public interest report	<ul style="list-style-type: none"> Standard fee charged in accordance with the <u>prior year's</u> income/expenditure banding (minimum £200+VAT)

Please note: If after receiving the public interest report the smaller authority subsequently submits an AGAR Part 3/3PM and documentation for review, a further standard charge will be made in accordance with the income/expenditure bandings.

Example 2: Smaller authority submits AGAR Part 3/3PM for review after being chased for information

Timing	Action	Consequence
1 July 2019	Smaller authority fails to submit an AGAR or exemption certificate	<ul style="list-style-type: none"> Smaller authority identified as a non-responding authority
15 July 2019	Still no response – auditor issues first chaser letter	<ul style="list-style-type: none"> Fee of £40+VAT charged
5 August 2019	Still no response – auditor issues first formal chaser	<ul style="list-style-type: none"> Second fee of £40+VAT charged
26 August 2019	Still no response – auditor issues statutory recommendation	<ul style="list-style-type: none"> Standard fee in accordance with the <u>prior year's income/expenditure banding</u>, (minimum of £200+VAT) charged on top of 2 chaser fees. Smaller authority <u>will not be able to claim exemption from a limited assurance review for 2018/19 or 2019/20</u> regardless of whether it meets all other criteria.
27 August 2019	Auditor receives completed AGAR Part 3 and supporting documentation for review.	<ul style="list-style-type: none"> On conclusion of the review a standard fee is charged in accordance with the income/expenditure banding (minimum £200+VAT) Any fees for additional work are charged at the rates published on the SAAA website

Example 3: Smaller authority claims exemption after being chased for information

Timing	Action	Consequence
1 July 2019	Smaller authority fails to submit an AGAR or exemption certificate	<ul style="list-style-type: none"> Smaller authority identified as a non-responding authority
15 July 2019	Auditor issues first chaser letter	<ul style="list-style-type: none"> Fee of £40+VAT charged
5 August 2019	Auditor issues first formal chaser	<ul style="list-style-type: none"> Second fee of £40+VAT charged
6 August 2019	Auditor received exemption certificate from smaller authority	<ul style="list-style-type: none"> The smaller authority must settle the £80+VAT charges in respect of 2 chaser letters issued. The review year is closed. There are no certificates or other closure documents issued for exempt authorities.

15. Electronic communication

As stated throughout these instructions, our preferred form of communication with all smaller authorities is email. Internet communications are however 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.

16. Quality of service

If you wish to comment on the service we have provided there is a [satisfaction survey](#) available on our website for where you can leave feedback about your experience. The questions in the survey assume you are providing feedback after your review has been concluded or once you have notified us of your claim for exemption.

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 also 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](#); however, before doing so please review the relevant [guidance](#) on the SAAA website to ensure SAAA has the authority to deal with the nature of the matters you wish to raise. 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.

17. 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 by email to sba@pkf-littlejohn.com.

18. Final checklist

We look forward to [receiving](#) either the 2018/19 exemption certificate for your smaller authority (only) **or** the AGAR Part 3 and the additional information we have requested by **Monday 1 July 2019**.

Please submit all documentation by **email only** wherever possible to prevent unnecessary delays in dealing with multiple submissions. If email is not possible please refer to section 1 of these instructions for our postal address. **PLEASE DO NOT POST US COPIES OF INFORMATION THAT YOU HAVE ALREADY EMAILED TO US. Also, please note that it will not be possible to return any original documents submitted.**

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. **This is especially important this year if there are any contact personnel changes arising from the local elections.** (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.)

What you can expect from us

- You should receive an automated 'do not reply' email when your AGAR has been logged onto our database (there may be a delay between receipt and processing on the database during peak times);
- Authorities claiming exemption will be reminded in that automated 'do not reply' email that their notification of exemption means there will be no certificate issued by us for that reporting year;
- Where an AGAR Part 3 is submitted for review, we may need to contact you for further explanations and/or information as we carry out our review. If no further information is required, we will email you again when our work is complete.