

## Examples of common issues with submitted documents

1. One of the issues that we faced again last year was the **lack of full numerical explanations** provided for year on year **variances over 15% for Boxes 2/3/4/5/6/9/10** and for **Box 7 reserves that were more than twice Box 2**. As in prior years, we asked for full explanations of those variances or those 'high' levels of reserves including numerical values. Those smaller authorities that do not initially submit full numerical explanations will be asked to provide further information which slows the review process down significantly. We are again seeking for this information to be fully explained, including a full numerical breakdown of those large variances (and not just a list of expenditure during the year or details of one large item that brings the variance to just under 15%, for example) and a list of reasons for high reserves which may include a breakdown of approved earmarked reserves or a breakdown of large payments made post year end that related to 2016/17 (for receipts and payments basis accounts). Please note that the [pro forma](#) which we provide is to indicate the information that we are seeking, and if that information does not fit onto the pro forma, then further information can be provided separately.

2. The 2015/16 change to the **order of completion and signing of the various sections of the Annual Return** continues to catch out a large number of smaller authorities. Please ensure that you carefully follow the [guidance](#) provided so that you comply with the Regulations.

3. **Section 2, Box 2** total should include **precept only** excluding any grants received – please ensure that you check your local authority's precept total – often local authorities pay parishes their precepts and grants combined. **Please check the [figures](#) on our website before completing the AGAR.** (Local councils only)

4. **Section 2, Boxes 7 & 8:** Where accounts are prepared on a **receipts and payments basis**, these two boxes **should be equal**. Where there is a difference, it is likely this is due to incorrect treatment of un-presented cheques. Cheques written but not yet cashed at the year end should be included in the Box 6 expenditure total and deducted from the bank statement total to give the Box 8 amount.

**Section 2, Boxes 7 & 8:** Where accounts are prepared on an **income and expenditure basis** these amounts will only be equal to each other if there are no accruals or prepayments existing at the year end.

5. **Section 2, Box 9:** Last year's [Practitioners' Guide](#) included a change in guidance regarding **asset valuation**. Please ensure that a consistent policy is followed and provide justification for any change in policy:

“5.139. Proper practices in Section 2 of the Guide state that the value of the cell at Line 9 is taken from the authority's asset register which is up to date at 31 March and includes all capital acquisition and disposal transactions recorded in the cash-book during the year. A particular method of asset valuation is not specified in proper practices so authorities may use any reasonable approach to be applied consistently from year to year. The method of asset valuation adopted should be set out in a policy approved by the authority and recorded in the asset register.

5.140. For authorities covered by this Guide, an appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that in most circumstances once recorded in the asset register, the recorded value of the asset will not change from year to year until disposal. Commercial concepts of

depreciation, impairment adjustments, and revaluation are not required or appropriate for this method of asset valuation. For reporting purposes therefore, the original value of fixed assets will stay constant throughout their life until disposal.

5.141. If for some reason the authority decides that the basis of valuation should be changed, the change must be applied consistently to all relevant classes of fixed assets. In such an event, the value shown in Line 9 for the previous year should also be changed to the new basis and clearly marked as 'RESTATED'. The authority should provide a justification and explanation for the change."

6. **Section 2, Box 11** (Local councils only): The **declaration must be completed** with a Yes or No as appropriate. 'Yes' means that the Council acts as sole managing trustee for trust funds and the figures have been excluded from Section 2. 'No' means that the Council has no trust funds. If your declaration has changed from last year, please send us an explanation.

7. **Trust funds** (Local councils only): The answers in Section 1, Box 9; Section 2, Box 11; and the annual internal audit report, Box K **should be consistent with each other**. For example, if Section 2 is answered 'No', then Section 1 and the annual internal audit report should be answered 'N/A'.

8. Issues raised in **prior year external auditor reports should be addressed** – please ensure that where errors were reported in the external auditor report of the prior year Annual Return these are **amended** and **any restated comparative figures are annotated as such**.

9. All amendments made to the AGAR, including those made with correcting fluid, should be **initialled by the RFO/Chair** to demonstrate approval by the smaller authority.

10. Section 1 and annual internal audit report **statements answered 'No' (or 'Not covered' or left blank)** must be supported by an explanation as indicated in the instruction on the form.

11. **All** highlighted boxes (including smaller authority name/signature/minute reference) must be completed.

12. Section 2 figures should be rounded to the **nearest whole pound**.

13. If choosing to send documentation by post, please **apply the correct postage** to any documentation that is not submitted via email. Failure to do so can lead to delays or lack of delivery by the Post Office – please note that an A4 sized envelope requires a 'Large Letter' stamp.

14. Please **submit all documents requested for intermediate level procedures** if your smaller authority has total income or expenditure over £200k or has been chosen as part of the sample for intermediate review – refer to the [list of requested documents](#) for the current year.