

Webinar 23 January Follow Up – FAQs

Further to the webinar on 23 January, we have reviewed the submitted questions and include below an amalgamation of the key areas with questions raised – responses to more authority-specific queries have been emailed direct to the participant. See updates **highlighted**.

Information:

1. **What is a limited assurance review?**
For smaller authorities with income or expenditure of below £6.5 million per annum, Smaller Authorities Audit Appointments Ltd (SAAA) operates a limited assurance regime. The regime is designed to provide a level of assurance at a cost proportionate to the amounts of public money managed by these smaller authorities. Under the limited assurance regime, auditors undertake a limited range of specified procedures to give a report that provides limited, rather than reasonable assurance, about the accounting statements. i.e. it does not constitute an audit.
2. **Can we assume that the previous auditors will have passed PKF all information that was relevant?**
No, the only information that we have received is a copy of the 2016/17 Annual Return including external auditor report.
3. **Where can we find the fees table?**
<http://www.localaudits.co.uk/ScalesofFees2017-18to2021-22.pdf>
4. **How can anyone declare nil expenditure since they will need to pay your fee?**
Only smaller authorities subject to a review will pay a fee (or anyone who receives chaser letters for their AGAR who will pay charges for the letters.)
5. **If we only submit an exemption certificate, will we need to pay a fee?**
No
6. **Is the smaller authority responsible for costs in relation to challenge work due to a vexatious complainant?**
Yes, any additional work carried out by us in response to challenge correspondence received will have to be paid for by the smaller authority.
7. **When will your website be updated for the 2017/18 information?**
We aim to update all the relevant pages of the website by mid-February, with the recorded version of the webinar, the PowerPoint slides including the speaker's notes, the pdf versions of the AGAR forms and these FAQs being posted by 25 January on the following page: <https://www.pkf-littlejohn.com/services-limited-assurance-regime-useful-documents-and-links>
8. **Will an updated Practitioners Guide be issued for 2018?**
Yes, this is expected by 30 March.
9. **Will the AGAR and instructions arrive by email or by post?**
We will email all smaller authorities before the end of March with a link to the website so you can view/download all the instructions and complete the electronically enabled pdf of the AGAR, before printing it off to sign. All pro formas will be available to complete electronically or by hand.
10. **Will those selected in the random 5% sample last year be excluded for intermediate selection this year?**
The random 5% sample is just that, so there is a small chance that you will be picked in consecutive years.
11. **If we declare ourselves exempt from your review, but are selected for intermediate review as part of the 5% sample, does the £200 charge still apply?**
No, if you receive an email stating that you have been chosen as part of the sample, but are eligible for exemption from our review, you do not need to submit your AGAR etc for review and thus there will be no fee to pay.
12. **If we certify ourselves as exempt will we still be considered "opted in" as opposed to "opted out" in terms of assigned external auditor for future audits?**
All smaller authorities in England have opted in for the duration of this contract, 5 years at least. We are your appointed external auditors for this contract.

13. You mention an "advisory note" as one reason you can't exempt yourself - what is this please?

An advisory note is a very rare occurrence, an external auditor may issue an advisory notice if the auditor thinks that the authority is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful.

Submission:

14. Can you confirm that if the Certificate of Exemption is completed there is no statutory requirement to submit confirmation of public rights dates?

Yes that is correct, if you are certifying yourself as exempt from our review, the only information that we require is a copy of the completed Certificate of Exemption, which can be emailed or posted to us. The Certificate of Exemption must be completed after the year end and should be completed after the accounts have been prepared.

15. Can you confirm that only Sections 1 & 2 need to be submitted by post - the rest can go via email?

UPDATE – ALL DOCUMENTATION INCLUDING AGAR SECTIONS 1 AND 2 CAN BE SCANNED AND EMAILED TO US FOR REVIEW

16. Do we have to use recorded delivery to submit our AGAR?

We are happy to receive recorded deliveries, but this is not a necessity. A certificate of posting is often helpful to prove that something has been lost in the post (in case of requesting a waiver of a letter charge.)

17. Assertion 1 - is a downloaded online year end bank statement acceptable?

Yes, if you do not receive paper statements, please submit the version downloaded from your online account.

18. Assertion 1 - as 31 March 2018 is a Saturday, please confirm that the statement date will be the day before?

Yes, the page with the closing balance on 30 March will act as the year end bank balance this year.

19. Intermediate review testing: you state "We sometimes ask for evidence of what smaller authorities (and not just clerks or internal auditors) have considered before ticking 'Yes' to an assertion - usually minutes of a discussion and/or supporting agenda paper". What if the minutes do not reflect the discussion but only the decision that was made?

In that case, the supporting paper that was being discussed would be required as well. Please refer to Section 1 of the Practitioners' Guide to confirm the evidence that smaller authorities need to consider before deciding on their response to each assertion.

Public rights:

20. Please can you confirm the definition of Public Rights?

The public has a right to inspect the AGAR and supporting records and electors have a right to ask the external auditor formal questions or raise objections to the accounts. To comply with the Accounts and Audit Regulations, all smaller authorities (with the exception of parish meetings, who have different statutory publication requirements) must publish the following on the website the day before the public rights period commences - the approved Sections 1 and 2 of the AGAR and the Notice of Public Rights & Publication of Unaudited Annual Return (the Notice). The smaller authority itself must inform the electorate of a single period of 30 working days during which public rights may be exercised. The inspection period must include the first 10 working days of July, i.e. 2 to 13 July inclusive this year. In order to assist you in this process, we will provide a pro forma template notice with a suggested inspection period, as in previous years. It is a requirement of the Regulations that this notice is published at least the day before the start of the inspection period. This applies to all smaller authorities, whether subject to our review or not. Those who are declaring themselves as exempt from our review will also need to publish the Exemption Certificate.

21. When can notices of public rights dates be taken off the noticeboards?

There is no statutory requirement for this, it would be sensible to keep them displayed during the entire period. The Notice of Conclusion similarly has no statutory requirement for how long it is published. This is a smaller authority decision.

22. What if our website is a communal used one for multiple groups, not a sole parish council website?

This is perfectly acceptable, the website has to be free and accessible to all.

Internal Audit:

23. Do you require us to submit the Annual Internal Audit Report (AIAR) with the AGAR? UPDATE – YES PLEASE SUBMIT THE AIAR

24. Do you require us to submit detailed internal audit reports?

No, unless we have requested it as part of the intermediate review (which we happen to be doing this year) **OR IF IT IS REFERRED TO ON THE AIAR.**

25. What if the Internal Auditor makes multiple visits during the year. Do we now have to list the dates of all visits on the AIAR page?

Yes, please list all dates of work carried out by your IA.

26. Please can you clarify the order of completion of the AIAR and the AGAR?

Although there is no statutory requirement to have received the AIAR before completion of the AGAR, it obviously gives important evidence for the smaller authority to consider when answering Assertions 2 and 6.

27. Does the internal auditor have to be a qualified accountant?

Please refer to the non-mandatory guidance in Section 4 of the Practitioners' Guide for further information.

28. Could we have some more clarification of Assertion 6. Is this looking at the internal audit of the smaller authority (not the internal auditor)?

Assertion 6 refers to the internal audit arrangements made by the smaller authority, i.e. the appointment of an independent internal auditor to review the controls in place. The authority may wish to supplement this by asking members to carry out additional control reviews, these additional checks are not the subject of Assertion 6.

Accounts queries:

29. Please can you clarify the definition of the £25k threshold for exempt authorities?

Gross total income includes VAT received and VAT charged on services. Gross total expenditure includes VAT paid. Where either or both of these are over £25,000, the authority cannot certify itself as exempt from our review. Each year is considered in isolation when assessing against this threshold. The level of balances held at the year end does not impact on the assessment. The source of funding for any expenditure does not impact on whether it is included in expenditure for the year (both income and expenditure should be shown, and not netted off against each other.)

30. Please clarify the treatment of deferred grants, e.g. CIL, have the accounting requirements changed?

The accounting requirements have not changed. The guidance in the Practitioners' Guide is being clarified to confirm that all other income received each year should be shown in Box 3, this includes CIL, other grants, PWLB loans, donations to projects, etc. Any remaining unspent at the year-end should be shown as an earmarked reserve/ringfenced funding. The expenditure of the reserves is shown in Box 6 when spent. These items should not be shown as reconciling items between the Box 7 and Box 8 figures. If this approach has not been followed in the prior year, you will need to restate the relevant figures in the prior year comparatives (and annotate them as 'restated'), and provide an explanation when submitting the AGAR and supporting documentation.

31. Please can you clarify what should be included in Box 2 - Precept ?

Only the net precept should be shown in Box 2. The additional grants and concurrent funding that may be received at the same time as the precept must be shown in Box 3. Please refer to the listing of published precepts that will be available on our website before completing Box 2. If your figure disagrees, please contact your precepting authority for clarification.

32. Please can you clarify the advice on trust fund disclosures?

Local councils (i.e. town councils, parish councils, village councils, city councils, community councils) must answer the trust fund declarations on Sections 1 and 2. Internal drainage boards, parish meetings and 'other' smaller authorities (i.e. charter trustees, conservators, port health authorities, harbour boards, crematorium boards) do not have to complete these declarations, since they are not local councils. The term smaller authority refers to all the categories listed above. Parish meetings are not permitted to act as sole managing trustee so their responses should always be blank or N/A & No for Sections 1 and 2 respectively. Only trust funds whose sole managing trustee is listed as the local council on the Charity Commission register require any other response combination than N/A & No.

33. If you go over the £200k limit for one year, do you then have to change from receipt and payment basis to income and expenditure basis and have an intermediate review?

If you have gone over the limit for the 3rd consecutive year, you must prepare that 3rd year's accounts using the I & E basis and restate the prior year's figures on the same basis, providing an explanation when submitting the AGAR and supporting documentation. Each year that you have exceeded the threshold, you will be subject to an intermediate review.

34. In the cash book summary at the end of the bank reconciliation should we include all bank transfers between different bank accounts in total receipts and payments, as this will significantly increase total receipts and payments from that shown in the AGAR?

Yes, the cash book summary does not have to reconcile to the figures shown in Boxes 2-6 of Section 2. The summary should show total cash movements during the year, i.e. reconciling the prior year Box 8 figure to the current year Box 8 figure.

35. Should money in a deposit account for less than 12 months be included in Box 8 short term investments or Box 9 long term investments?

Please see the Practitioners' Guide definition of short term investments:

2.21. Short-term investments, which mainly include deposit and savings accounts typically provided by banks, are those that display the following characteristics:

- are denominated in pounds Sterling;
- have a maturity of 12 months or less;
- the whole of the original sum invested can, from the time that the investment is made, be accessed for use by the authority without any reduction; and
- the authority has assessed the counterparty and is satisfied that the original sum invested is not subject to unreasonable risk.

36. We have a National Savings Account where the only transaction is interest received in January 2018. We only receive a statement from NS & I after the interest has been added, will this be sufficient to support the balance shown in the accounts, which will agree with this balance or do we have to request updated statements from NS & I to show the same balance as at 31st March?

We would need to see evidence that the balance had not moved between the statements date and the year end. If this is evidenced on a pass book, a copy of this would suffice, otherwise please request a year end statement from NS & I.

37. Our total fixed assets Box 9 was amended last year as the auditor returned it for amendment, do I just need to state the amended figure or show the original and amended figure?

Please just include the amended figure in the comparatives.

38. We have added to our Assets during the year so the Asset Value is different to 16/17, how and where do we need to explain this?

Please include an explanation of the variance in Box 9 if greater than 15%. There is a pro forma schedule that will be provided for this task.

39. Assets - we have a range of items we own from benches to Christmas tree lights - are all these classed as assets?

Yes, please refer to the Practitioners Guide paragraph 2.24 onwards.

40. Can you explain in more detail the restated asset value required?

If the smaller authority has changed the basis for valuation of fixed assets during the year, the prior year figure must also be restated on the same basis.