

Examples of common issues with submitted documents

1. There is often a **lack of full numerical explanations** provided for year on year **variances for Boxes 2/3/4/5/6/9/10**.
 - a. **All variances between years of £100,000 or more now require explanation regardless of whether the variance is greater than 15%.**
 - b. Wherever possible if you have prepared your explanation of variances in excel please could you submit it to us in excel. We often receive a pdf version of the excel workings which gives 2 issues:
 - i. We have to reperform the calculations that have been done in excel as we can't see the formulae to be able to rely on them; and
 - ii. Text is often hidden in the pdf versions meaning we have to ask for the file to be resubmitted anyway.
 - c. We ask 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.
 - d. 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% of £100k, for example).
 - e. The pro forma we provide sets out the information that we are seeking. If that information does not fit onto the pro forma, then further information can be provided separately.
2. The 2015/16 changes to the **order of completion and signing of the various sections of the AGAR** and to the **provision for public rights** continue to catch out many smaller authorities. Please ensure that you carefully follow the guidance provided so that you comply with the Regulations.
3. The current and comparative year figures should be stated on a consistent basis. Hence if there are changes in the accounting policy for how fixed assets are recognised, for example, the policy should be applied to the comparatives as well.
4. **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.
5. **Section 2, Boxes 7 & 8:**
 - a. 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 either:
 - i. the incorrect treatment of un-presented cheques - cheques written but not yet cashed at the yearend should be included in the Box 6 expenditure total and deducted from the bank statement total to give the Box 8 amount; or

- ii. the incorrect inclusion of a VAT debtor in Box 3 - VAT refunds for authorities that account on a receipts and payments basis should only be included in Box 3 when the cash is received.
 - b. **Section 2, Boxes 7 & 8:** Where accounts are prepared on an **income and expenditure basis** these amounts will only be equal on the very rare occasions where there are no accruals or prepayments existing at the year end.
6. **Section 2, Box 9:** In 2015/16, the Practitioners' Guide included a change in guidance regarding **asset valuation**. As stated above in point 3, please ensure that a consistent policy is followed, provide justification for any change in policy & ensure that the prior year figures are restated on a consistent basis and annotated as 'restated'.
7. **Section 2, Box 11** (Local councils only): The **declaration has been split into part 11a and part 11b**.
- a. 11a "The Council, as a body corporate, acts as sole trustee and is responsible for managing Trust funds or assets" and has 'Yes' or 'No' as responses.
 - b. 11b "The figures in the accounting statements above exclude any Trust transactions." Which has an 'N/A' box as well as 'Yes' and 'No'

If your declaration has changed from last year, please send us an explanation.

8. **Trust funds** (Local councils only): The answers in Section 1, Box 9; Section 2, Box 11; and the annual internal audit report, Box O **should be consistent with each other**. For example, if Section 2 is answered 'N/A', then Section 1 and the annual internal audit report should be answered 'N/A'.
9. 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 AGAR these are **amended** and **any restated comparative figures are annotated as such**.
10. All amendments made to the AGAR should enable the reader to see what changes have been made and must be **initialled by the RFO/Chair** to demonstrate approval by the smaller authority.
11. 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.
12. **All** highlighted boxes (including smaller authority name/signature/minute reference) must be completed.
13. Section 2 figures should be rounded to the **nearest whole pound**.
14. Please submit documents by email if possible but 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.

15. 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 5% sample for intermediate review – refer to the list of requested documents for the current year.

16. Bank reconciliation – reconciling items

- a. These are often a cause of 'except for' matters raised. Often authorities included DDs/SOs/credit card purchases/VAT debtors as reconciling items.
- b. VAT debtors; other debtors and creditors; DDs and SOs; and credit card purchases cannot and never have been allowed as reconciling items. We have only accepted online payments; cheques; and prepaid debit card payments (e.g. government procurement card (GPC)) as reconciling items (as well as uncleared deposits of course).
- c. Payments should be recorded in the cash book when the authority commits to making them. Examples given in the Practitioners' Guide are cheques or completing instructions for automated payment (e.g. BACS). Direct debits and standing orders are slightly different in that a whole series of payments will have been authorised by the authority at some point in the past, but they could be cancelled at any time. DDs and SOs are not generated by individual instructions for each payment and are not considered to be banking transactions until the payment comes out of the bank. (Also, since the change in the banking code relating to DDs and SOs in January 2018, they can never come out of the bank until after the due date (if that date falls on a non-banking day.) Previously they used to come out on the nearest banking day.
- d. For reconciling items that relate to a GPC/'prepaid' debit card arrangement, we can confirm that these are considered to be cash transactions and acceptable as reconciling items, since it is not possible to withhold payment on the GPC so any purchases on the GPC before the year end are entered on the cash book at the point of purchase in the same way as an online or cheque payment. If such payments are not labelled as 'credit cards' on the bank reconciliation, we will be able to accept them without raising a query.