

Common errors completing Annual Governance and Accountability Return 2018-19

This communication focuses on the common errors encountered by the external auditors made by authorities when completing the Annual Governance and Accountability Return (AGAR) forms for 2018-19.

- Understanding of 'exempt authority' - exemption is only from external auditor review, all other statutory requirements remain.
- Change of clerk/email address not notified
- Self-employed clerks – authorities must be registered as employers with HMRC
- Numbers have been changed by crossing through or using correcting fluid without RFO's initials.
- Transfers between their own bank accounts included as receipts and payments. This is simply an internal transfer and leads to an overstatement of receipts and payments.
- Cancelled cheques/refunds of expenditure being incorrectly included as income (these should be written back against Box 4/5/6 as appropriate)
- VAT debtors being incorrectly recognised in Box 3 for authorities on a receipts and payments basis – both bank reconciliation and Box 7-8 reconciliation errors
- Incorrect omission of items when calculating total income and expenditure for exemption certificate, e.g. loans received/grants received and spent in year/non-precept income/expenditure from reserves.
- Councils changing accounting basis from receipts and payments to income or expenditure during the year or vice versa - in one year Box 7 and 8 agree, and in the other they do not.
- Not considering prior year reporting issues when completing the AGAR, both in terms of amendments required to figures and repeat of approval errors.
- Asset revaluations not restated in prior year figures - most common example of prior year reporting issues being ignored.
- Narrative AND numerical explanation of variances not submitted (also lack of correlation of movements in Boxes 3/6/9 re asset additions and disposals) – most common reason for having to contact clerks during review process.
- Missed the submission deadline because didn't want to submit AGAR until the deadline and then forgot about it. AGARs are reviewed in order of receipt.
- Intermediate documents not submitted with AGAR – all authorities over £200k are subject to intermediate review, almost all failed to send the required documentation despite no change to the instructions.
- Public rights period not compliant with Regulations

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- Assertion 4 not ticked 'No' as advised in prior year report due to public rights period not having been compliant with Regulations in 2018
- Incorrect reconciling items between Boxes 7 and 8 – e.g. loans/deferred income;
- Trust fund disclosure responses not accurate (all sections) – many local councils not understanding that they are local councils

Common queries:

Publication: the only statutory publication requirement is to publish on a website (except for parish meetings without a website).

Notice of Conclusion – the legislation does not include a requirement for the length of time that the Notice must be published. Most have a specific area of the website for AGAR and accounts related items and keep the information published ad infinitum; there is no requirement for it to be publicly accessible for 5 years as for the AGAR and auditor report and certificate.

Joint Committees – Councils where joint committee income and expenditure has not been correctly treated – it must be apportioned between the consistent councils as per the PG – this treatment has not changed since JCs came out of the limited assurance regime.

Funding to churches: external auditors cannot provide advice; however, as there is no defined legal ruling against such assistance, the advice is that such expenditure cannot be regarded as definitely unlawful.

Public rights

One of the most common reasons for an authority to receive a qualified ('except for') opinion from the external auditor is the issue of the period allowed for public rights during the year, which provide the opportunity for the public to raise any objections with the external auditor.

Below are set out some of the most common errors, the main one being that when completing the assertion in the governance statement that in the current year that the opportunity has been given for public rights, the statement relates to the public rights period for the prior audit year.

Issue	Implication for external auditor report – current year
<p>1. General confusion about year to which AGS Assertion 4 is referring. AGS Assertion 4 in 2019/20 AGAR requires a response in respect of the year from 1 April 2019 to 31 March 2020, hence the period provided for the exercise of public rights in respect of the prior year (2018-19) AGAR.</p>	<p>See below.</p>
<p>2. Public rights period does not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as either:</p> <ol style="list-style-type: none"> it is less than 30 working days in length; it does not include the first 10 working days of July; it starts before or on the day of approval of Section 2; or the Notice has not been published with the approved AGAR on a website before the start of the period (posting on noticeboards alone is not sufficient). <p>The rules are still widely misunderstood. These errors apply not only to those subject to review but also to those certifying themselves as exempt.</p>	<p>'Other matter' raised for those authorities subject to review instructing them to respond 'no' to Assertion 4 in the AGS for the following year.</p> <p>No reporting consequences for those certifying themselves as exempt as auditor does not issue a report.</p>
<p>3. Failure to publish approved AGAR and explanatory notes on a website, as well as the Notice at least the day before the PR period starts.</p>	<p>'Other matter' raised instructing the authority to respond 'no' to Assertion 4 in the AGS for the following year.</p>
<p>4. AGS Assertion 4 response is 'yes', but prior year external auditor report included other matter instructing authority to respond 'no' as previous year period for the exercise of public rights did not comply with Regulation 15, Accounts and Audit Regulations 2015.</p>	<p>'Except for' (qualification) raised in respect of Assertions 4 and 7.</p>
<p>5. Failure to notify the external auditor of the period for the exercise of public rights.</p>	<p>Auditor cannot certify completion until after period for the exercise of public rights has expired.</p> <p>A Public Interest Report will eventually be issued if no dates are notified.</p>
<p>6. Use of the wrong template Notice</p> <ol style="list-style-type: none"> use of Notice for exempt authorities by non-exempt authorities; or use of Notice for authorities subject to review by exempt authorities. 	<p>'Other matter' raised for authorities subject to review, instructing the authority to respond 'no' to Assertion 4 in the AGS for the following year.</p> <p>No reporting consequences for those certifying as exempt as no report issued.</p>