

## Examples of common issues with submitted documents

1. There is often a **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**. 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. 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 including a breakdown of approved earmarked reserves (a breakdown of large payments made post year end that related to 2018/19 may be the appropriate explanation 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 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 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:** In 2015/16, the Practitioners' Guide included a change in guidance regarding **asset valuation**. Please ensure that a consistent policy is followed, provide justification for any change in policy & ensure that the prior year figures are restated on the same basis and annotated as such.

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 as a corporate body (i.e. not individually named councillors) 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 AGAR 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.

15. **Bank reconciliation – reconciling items** were a huge cause of ‘except for’ matters raised in 2017/18, exacerbated by 31<sup>st</sup> March falling on Easter weekend (and for 2018/19 it will be a weekend again). Often authorities included DDs/SOs/credit card purchases/VAT debtors as reconciling items - we are pleased to note that JPAG plans to include some additional guidance on reconciling items within the updated Practitioners’ Guide, although there has been no change to proper practices.

- 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).
- Payments should be recorded in the cash book when the authority commits to making them. Examples given in the 2018 Practitioners’ Guide para 5.26 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.
- 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.