

External Audit; Certificate of Exemption : Accounts 2017/18

PURPOSE OF REPORT

1. To seek agreement from Parish Council as to which form of External Audit the Parish Council wishes to adopt for 2017/18.

RECOMMENDATION:

2. The Council is recommended to certify itself as 'exempt from a limited assurance review'; under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.

BACKGROUND

3. [Smaller Authorities' Audit Appointments Ltd](#) (SAAA) has appointed PKF Littlejohn LLP as the external auditor of Hannington Parish council for 5 years from 2017/18. The firm wrote to the Clerk to provide instructions "to enable your smaller authority to comply with the relevant statute and Regulations regarding accounts and audit".
4. The firm provided very useful guidance including a flowchart that would enable the Parish Council to decide which level of Review was necessary and appropriate.
5. There are FOUR Levels of Audit for Smaller Authorities :-
 - i. ...with **NO ACCOUNTS**
 - ii.a ... with income and expenditure less than £25k – **EXEMPT**
or
 - ii.b ... with income and expenditure less than £25k – **BASIC REVIEW**
 - iii.a ... with income and expenditure less than £200k – **BASIC REVIEW**
or
 - iii.b ... with income and expenditure less than £200k – **INTERMEDIATE REVIEW**
 - iv ... with income and expenditure less than £6.5 million – **INTERMEDIATE REVIEW**
6. Hannington Parish Council meets criteria (ii) that is, it has income and expenditure but neither exceeds £25k. It therefore has a choice of either seeking EXEMPTION or having a BASIC REVIEW.

What is the difference and which is the best Option for Hannington Parish Council?

7. For **BOTH the EXEMPTION and the BASIC REVIEWS**, the Clerk/Council have to complete the Annual Governance and Accountability Return (AGAR). The AGAR comprises the following:-
 - the Annual Internal Audit Report,
 - the Annual Governance Statement,
 - the Accounting Statements, plus an analysis of variances and the bank reconciliation, plus information required by Regulation 15(2) Accounts and Audit Regulations 2015 including the name and address of the external auditor.
8. The Parish Council must **MAKE** the above records available (published) for 30 consecutive working days. The 30 days **MUST** commence before 2 July 2018 and **MUST INCLUDE** the first ten working days of July for the exercise of public right to inspection.

9. If the Council is subject to/opts for the BASIC REVIEW, the documents MUST be sent to the External Auditor and **there will be a standard charge of £200 plus VAT**. The Council has NOT made provision for this charge in the Budget 2018/19, but has the financial resources to meet the cost should the Council decide to take that route.
10. If the Council is not required to/or opts for EXEMPTION, these documents do NOT have to be sent to the External Auditor, **but they must still be 'published' on a public website (as detailed above)**.

Can the Parish Council opt for Exemption?

11. There are certain circumstances in which an authority will be **unable to certify itself as exempt**, so that a limited assurance review (Basic Review) will still be required. If the Parish Council is **unable to confirm the statements below then it cannot certify itself as exempt** and it **must** submit the completed Annual Governance and Accountability Return (AGAR) Part 3 to the external auditor to undertake a limited assurance review for which a fee of £200 plus VAT will be payable.
12. By signing the Certificate of Exemption the Parish Council is confirming that:-
- the authority has been in existence since before 1st April 2014
 - In relation to the preceding financial year (2016/17), the external auditor has not:
 - Issued a public interest report in respect of the authority or any entity connected with it
 - Made a statutory recommendation to the authority, relating to the authority or any entity connected with it
 - Issued an advisory notice under paragraph 1(1) of Schedule 8 to the Audit and Accountability Act 2014 ("the Act"), and has not withdrawn the notice
 - Commenced judicial review proceedings under section 31(1) of the Act
 - Made an application under section 28(1) of the Act for the declaration that an item of account is unlawful, and the application has not been withdrawn nor has the court refused to make the declaration
 - The court has not declared an item of account unlawful after a person made an appeal under section 28(3) of the Act.
13. *"If the authority is able to confirm that the above statements apply and that the authority neither received gross income, nor incurred gross expenditure, exceeding £25,000, then the Certificate of Exemption can be signed and submitted to the external auditor."*

RECOMMENDATION:

14. **The Clerk** informs the Council that NONE OF THE ABOVE STATEMENTS apply and neither gross income nor gross expenditure exceeded £25,000, and **RECOMMENDS the Council signs and submits the Certificate of Exemption (copy attached)**.

Chris Pottinger,
Clerk, Hannington Parish Council
9th April 2018

Certificate of Exemption

To be completed only by smaller authorities where the higher of gross income or gross expenditure did not exceed £25,000 in the year of account ended 31 March 2018, and that wish to certify themselves as exempt from a limited assurance review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015

There is no requirement to have a limited assurance review or to submit an Annual Governance and Accountability Return to the external auditor, **provided** that the authority has certified itself as exempt at a meeting of the authority after 31 March 2018 and a completed Certificate of Exemption is submitted notifying the external auditor.

ENTER NAME OF AUTHORITY

certifies that during the financial year 2017/18, the higher of the authority's gross income for the year or gross annual expenditure, for the year did not exceed **£25,000**

Annual gross income for the authority 2017/18:

ENTER AMOUNT £00,000

Annual gross expenditure for the authority 2017/18:

ENTER AMOUNT £00,000

There are certain circumstances in which an authority will be **unable to certify itself as exempt**, so that a limited assurance review will still be required. If an authority is **unable to confirm the statements below then it cannot certify itself as exempt** and it **must** submit the completed Annual Governance and Accountability Return Part 3 to the external auditor to undertake a limited assurance review for which a fee of £200 +VAT will be payable.

By signing this **Certificate of Exemption** you are confirming that:

- The authority has been in existence since before 1st April 2014
- In relation to the preceding financial year (2016/17), the external auditor **has not**:
 - issued a public interest report in respect of the authority or any entity connected with it
 - made a statutory recommendation to the authority, relating to the authority or any entity connected with it
 - issued an advisory notice under paragraph 1(1) of Schedule 8 to the Audit and Accountability Act 2014 ("the Act"), and has not withdrawn the notice
 - commenced judicial review proceedings under section 31(1) of the Act
 - made an application under section 28(1) of the Act for a declaration that an item of account is unlawful, and the application has not been withdrawn nor has the court refused to make the declaration
- The court has not declared an item of account unlawful after a person made an appeal under section 28(3) of the Act.

If you are able to confirm that the above statements apply and that the authority neither received gross income, nor incurred gross expenditure, exceeding £25,000, then the Certificate of Exemption can be signed and submitted to the external auditor.

The Annual Internal Audit Report, Annual Governance Statement, Annual Accounting Statements, an analysis of variances and the bank reconciliation plus the information required by Regulation 15 (2), Accounts and Audit Regulations 2015 including the period for the exercise of public rights still need to be fully completed and, along with a copy of this certificate, published on a public website* before 2 July 2018. **By signing this certificate you are also confirming that this will be done.**

Signed by the Responsible Financial Officer

Date

SIGNATURE REQUIRED

DD/MM/YY

Signed by Chairman

Date

SIGNATURE REQUIRED

DD/MM/YY

Email

Telephone number

EMAIL ADDRESS REQUIRED

TELEPHONE NUMBER

*Published web address (not applicable to Parish Meetings)

PUBLISHED WEBSITE ADDRESS

This Certificate of Exemption should be returned as soon as possible after certification to your external auditor.