

## DOWNTON PARISH COUNCIL

### Report

**Subject:** Annual Governance and Accountability Return 2019/20

**Date:** 9<sup>th</sup> December

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### 1. Report Summary

This report provides an explanation for the 'Except for' item on the External Auditor's Report from PKF Littlejohn within the Council's Annual Governance and Accountability Return 2019/20

### 2. Except for Item

*'Section 2 has not been prepared in accordance with proper practices. The income and expenditure basis must be used to prepare its accounts for the third and subsequent years that the income and/or expenditure exceeds £200k. Please ensure that the 2019/20 figures are restated in the prior year comparatives when completing next year's AGAR.'*

The Joint Panel on Accountability and Governance provides a Practitioners' Guide to Proper Practices which have to be applied in the preparation of statutory annual accounts and governance statements.

Section 5.122 states the following:

*'Current rules require authorities where the gross income or expenditure for the year (whichever is the higher) has exceeded the threshold of £200,000 for a period of three continuous years, to report their financial details on an income and expenditure basis, from the third year onwards. Authorities operating below the £200,000 threshold have the option to report either on an income and expenditure basis or on a receipts and payments basis.'*

Downton Parish Council has always prepared its accounts on a receipts and payments basis and not on an income and expenditure (which involves pre-payments and accruals). However, it did have income or expenditure over £200k for 3 years due to the Memorial Hall extension costs. This was set out in detail in the accounts and in the statements of variances to the External Auditors for the last 3 years and there has been a downward trend rather than upward in terms of exceeding the £200k.

For the current year 2020/21, the Council will not exceed the £200k threshold and so it would be unusual for it to change its usual accounting practice for the sake of one year ie prepare the accounts for one year only on an income and expenditure basis and then return to a payments and receipts basis for the

following year. This was confirmed by the Internal Auditor who had advised that the External Auditor should have been alerted to the downward trend and the information provided on a large project.

In response to the request to 'ensure that the 2019/20 figures are restated in the prior year comparatives when completing next year's AGAR', when checking with the External Auditor I queried how compliance could be achieved and comparatives provided if I restated last year's accounts to be on an income and expenditure basis and then prepared this year's accounts on a payments and receipts basis because the External Auditor would not be able to conduct comparisons.

This was acknowledged and accepted by the External Auditor who prepared the AGAR and has been further endorsed in an email by her 'Engagement Lead'. However, they were unable to change the signed AGAR and have therefore issued further instructions as set out on the Agenda which the Council should accept as their latest response. This essentially requires the Council to ignore the written instruction on the AGAR and continue to prepare the accounts on a receipts and payments basis.

This will enable next year's External Auditor to be made aware of the chain of events when the Council submits its accounts on a receipts and payments basis. The External Auditor also asks that all instructions are minuted so that there is a record of the instructions being accepted.

**Bev Cornish**  
**Parish Clerk**