

To be completed by Local Councils, Internal Drainage Boards and other Smaller Authorities*:

- where the higher of gross income or gross expenditure exceeded £25,000 but did not exceed £15 million; or
- where the higher of gross income or gross expenditure was £25,000 or less but that:
- are unable to certify themselves as exempt (fee payable); or
- have requested a limited assurance review (fee payable)

Guidance notes on completing Form 3 of the Annual Governance and Accountability Return 2025/26

1. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 must complete Form 3 of the Annual Governance and Accountability Return at the end of each financial year in accordance with *Proper Practices*.

2. The Annual Governance and Accountability Return is made up of three parts, pages 3 to 6:

- The Annual Internal Audit Report must be completed by the authority's internal auditor.
- Sections 1 and 2 must be completed and approved by the authority.
- Section 3 is completed by the external auditor and will be returned to the authority.

3. The authority must approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both must be approved and published on the authority website/webpage before 1 July 2026.

4. An authority with either gross income or gross expenditure exceeding £25,000 or an authority with neither income nor expenditure exceeding £25,000, but which is unable to certify itself as exempt, or is requesting a limited assurance review, must return to the external auditor by email or post (not both) no later than 30 June 2026. Reminders will incur a charge of £40 + VAT.

- the Annual Governance and Accountability Return Sections 1 and 2, together with
- a bank reconciliation as at 31 March 2026
- an explanation of any significant year on year variances in the accounting statements
- notification of the commencement date of the period for the exercise of public rights

Unless requested, do not send any additional documents to your external auditor. Your external auditor will ask for any additional documents needed.

Once the external auditor has completed the limited assurance review and is able to give an opinion, the Annual Governance and Accountability Return Section 1, Section 2 and Section 3 – External Auditor Report and Certificate will be returned to the authority by email or post.

Publication Requirements

Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:

Before 1 July 2026 authorities must publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;
- Section 1 - Annual Governance Statement 2025/26 approved and signed, page 4
- Section 2 - Accounting Statements 2025/26 approved and signed, page 5

Not later than 30 September 2026 authorities must publish:

- Notice of conclusion of audit
- Section 3 - External Auditor Report and Certificate

• Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review. It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

The Annual Governance and Accountability Return constitutes the annual return referred to in the Accounts and Audit Regulations 2015. Throughout, the words 'external auditor' have the same meaning as the words 'local auditor' in the Accounts and Audit Regulations 2015.

*For a complete list of bodies that may be smaller authorities refer to schedule 2 to the Local Audit and Accountability Act 2014.

- The authority must comply with Proper Practices in completing Sections 1 and 2 of this AGAR. Proper Practices are found in the Practitioners' Guide* which is updated from time to time and contains everything needed to prepare successfully for the financial year-end and the subsequent work by the external auditor. Make sure that the AGAR is complete (no highlighted boxes left empty) and is properly signed and dated. Any amendments must be approved by the authority and properly initialed.
- The authority should receive and note the Annual Internal Audit Report before approving the Annual Governance Statement and the accounts.
- Use the checklist provided below to review the AGAR for completeness before returning it to the external auditor by email or post (not both) no later than 30 June 2026
- The Annual Governance Statement (Section 1) must be approved before the Accounting Statements (Section 2) and evidenced by the agenda or minute references, even where approved on the same day.
- The Responsible Financial Officer (RFO) must certify the accounts (Section 2) before they are presented to the authority for approval. The authority must in this order; consider, approve and sign the accounts.
- The RFO is required to commence the public rights period which must be a single period of 30 working days for inspection (this excludes weekends and public holidays) which must include the first 10 working days of July.
- You must inform your external auditor about any change of Clerk, Responsible Financial Officer or Chair, and provide relevant authority owned generic email addresses and telephone numbers.
- Make sure that the copy of the bank reconciliation to be sent to your external auditor with the AGAR covers all the bank accounts. If the authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree the bank reconciliation to Box 8 on the accounting statements (Section 2, page 5). An explanation must be provided of any difference between Box 7 and Box 8. More help on bank reconciliation is available in the Practitioners' Guide*.
- Explain fully significant variances in the accounting statements on page 5. Do not just send a copy of the detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete numerical and narrative analysis to support the full variance.
- Additional costs may be incurred if additional audit work is required.
- Make sure that the accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2025) equals the balance brought forward in the current year (Box 1 of 2026).
- The Responsible Financial Officer (RFO), on behalf of the authority, must set the commencement date for the exercise of public rights which must be a single period of 30 working days for inspection (this excludes weekends and public holidays) which must include the first 10 working days of July.
- The authority must publish on the authority website/webpage the information required by Regulation 15 (2), Accounts and Audit Regulations 2015, including the period for the exercise of public rights and the name and address of the external auditor before 1 July 2026

Completion checklist – 'No' answers mean you may not have met requirements		Yes	No
All sections	Have all highlighted boxes been completed?		
	Has all additional information requested, including the dates set for the period for the exercise of public rights, been provided for the external auditor?		
Internal Audit Report	Have all highlighted boxes been completed by the internal auditor and explanations provided?		
Section 1	For any statement to which the response is 'no', has an explanation been published?		
Section 2	Has the Responsible Financial Officer signed the accounting statements before presentation to the authority for approval?		
	Has the authority's approval of the accounting statements been confirmed by the signature of the Chair of the approval meeting?		
	Has an explanation of significant variations been published where required?		
	Has the bank reconciliation as at 31 March 2026 been reconciled to Box 8?		
	Has an explanation of any difference between Box 7 and Box 8 been provided?		
Sections 1 and 2	Trust funds – have all disclosures been made if the authority as a body corporate is a sole managing trustee? NB: do not send trust accounting statements unless requested.		

*Governance and Accountability for Smaller Authorities in England – a Practitioners' Guide to Proper Practices, can be downloaded from www.nalc.gov.uk or from www.ada.org.uk