



INTERIM INTERNAL AUDIT

Outlined below is an overview of the 10 Assertions within the Practitioners Guide 2025. Each of these are dealt with under the relevant Governance sections contained in Section 1 of the AGAR:

AGS Assertion 1 — Financial management and preparation of accounts

- Accounting Records and supporting documents:
- Bank reconciliation:
- Budget setting:
- Investments:
- Reserves:
- General Reserves:
- Earmarked and other reserves:

AGS Assertion 2 — Internal control

- Standing Orders and Financial Regulations:
- Safe and efficient arrangements to safeguard public money:
- Employment:
- VAT
- Fixed assets and equipment:
- Loans and long-term liabilities:

AGS Assertion 3 — Compliance with laws, regulations and proper practices

- Acting with its powers:

AGS Assertion 4 — Exercise of public rights

AGS Assertion 5 — Risk management

AGS Assertion 6 — Internal audit

AGS Assertion 7 — Reports from auditors

AGS Assertion 8 — Significant events

AGS Assertion 9 — Trust funds (local councils only)

AGS Assertion 10 — Digital and data compliance

The following headings are based on Section 1 – Annual Governance Statement.

A. Appropriate accounting records have been properly kept throughout the year. AND Periodic bank account reconciliations were properly carried out during the year.

Appointment of an RFO (Section 151 of LGA 1972).

Ensure the correct roll forward of the prior year cashbook balances to the new financial year.

Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained.

The financial control systems must include:

- Measures to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;
- Measures to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records;
- Measures to ensure that risk is appropriately managed;
- Identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members.

It is a requirement of the current model financial regulations that bank reconciliations be prepared regularly, approved by members and signed as part of the regular minute record.

Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, section 2, line 8.

Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.

Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version.

Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents).

Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods/ services delivery and approval for payment; ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation.

Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments.

Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements.

Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place.

Those councils eligible to apply the General Power of Competence (GPC) should ensure that it is clearly minuted.

Those without GPC should ensure that all activities are within their duties and powers.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Ensure that authorities have prepared and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc.

Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity/ employees (including members) liability, business interruption and cyber security.

Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches; such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation.

Review the effectiveness of internal control carried out by the authority.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Ensure that the full Authority, not a committee, has considered, approved and adopted the annual precept for the coming year in accordance with the required parent Authority timetable .

The key stages in the budgeting process are

- decide the form and level of detail of the budget;

- review the current year budget and spending;
- determine the cost of spending plans;
- assess levels of income;
- bring together spending and income plans;
- provide for contingencies and consider the need for general and earmarked reserves;
- approve the budget;
- confirm and submit the precept or rates and special levies;
- review progress against the budget regularly throughout the year - at least quarterly in all but exempt authorities - including a year-end projection and a clear minuted commentary of likely significant variances from the budget;
- virements (transfers between budget lines) are permitted but not required - they should be used to clarify the situation of the authority alongside budget variances arising from unforeseen circumstances.

Ensure that current year budget reports are prepared and submitted to the Authority/ Committees periodically during the year with appropriate commentary on any significant variances.

Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances.

Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process.

The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

Ensure that the precept received in the accounts matches the prior year submission form to the relevant authority and the public record of precepted amounts.

[Live tables on Council Tax - GOV.UK](#)

E . Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.

Review “Aged debtor” listings to ensure appropriate follow up action is in place.

Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained, identifying that debtors are monitored.

Burials: ensure that a formal burial register is maintained, that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates) [guidance](#)

Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised.

Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time.

Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income.

Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked.

F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

A number of authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a "Not covered" response is frequently required in this area.

Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc).

Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held.

Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held.

Ensure that VAT is identified wherever incurred and appropriate.

Physically check the petty cash and other cash floats held.

Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till "Z" total readings.

F. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.

Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract. [ESM4260 - Particular occupations: Parish and Community Council Clerks in England and Wales - HMRC internal manual - GOV.UK](#)

Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability.

Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours. [Local government services | Local Government Association](#)

Ensure that appropriate tax codes are being applied to each employee.

Where free or paid for software is used, ensure that it is up to date.

For the test sample of employees, ensure that tax is calculated appropriately.

Check the correct treatment of Pension contributions.

For NI, ensure that the correct deduction and employer's contributions are applied: NB. the employers allowance is not available to councils but may be used by other authorities

Ensure that the correct employers' pension percentage contribution is being applied.

Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies.

H. Asset and investment registers were complete and accurate and properly maintained.

(This section/assurance should be extended to include loans to or by the authority)

Tangible Fixed Assets:

Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of/ no longer serviceable assets.

Physically verifying the existence and condition of high value, high risk assets may be appropriate.

Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement/ insured cost, the latter being updated annually and used to assist in forward planning for asset replacement.

Additions and disposals records should allow tracking from the prior year to the current.

Ensure that the asset value to be reported in the AGAR at section 2, line 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and / or disposals.

Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority.

Fixed asset investments:

Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the “Investment Strategy” and reported as Assets in the AGAR at section 2, line 9. Borrowing and Lending:

[Draft guidance on Local Government Investments.pdf](#)

Ensure that the authority has sought and obtained appropriate UK Debt Management Office approval for all loans acquired. [Parish Councils and Drainage Boards](#)

Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan, any arrangement fee should be regarded as an admin expense) in the year of receipt.

Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at section 2 line 5.

Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at section 2, line 10 (value should be verified from the lender and verification provided to the IA by the clerk/RFO).

Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt.

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.

Whilst IA's s are not required to verify the accuracy of detail to be disclosed in the AGAR, this assertion, together with the expectation of most Authorities, effectively requires IAs to ensure that the financial detail reported at section 2 of the AGAR reflects the detail in the accounting records maintained for the financial year.

Consequently, IAs should:

Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein. [The Accounts and Audit Regulations 2015](#)

Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end.

K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.

IAs should ensure that, all relevant criteria are met (receipts and payments each totalled less than £25,000) [The Local Audit \(Smaller Authorities\) Regulations 2015](#)

The correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline;

That it has been published, together with all required information on the Authority's website and noticeboard.

L. The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with the relevant legislation.

Review the Authority's website ensuring that all required documentation is published in accordance with the relevant legislation.

M. The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.

IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection. [The Accounts and Audit Regulations 2015](#)

IAs may also check whether authorities have minuted the relevant dates at the same time as approving the AGAR.

N. The authority complied with the publication requirements for the prior year AGAR.

Ensure that the statutory disclosure / publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR.

O. Trust funds (including charitable) - the Council met its responsibilities as a trustee.

Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements.

That the council is the sole trustee on the Charity Commission register. [Search the register of charities](#)

That the council is acting in accordance with the Trust deed. [Charity boards and governance - GOV.UK](#)

That the Charity meetings and accounts are recorded separately from those of the council.

Review the level and activity of the charity and where a risk based approach suggests such, review the Independent Examiners report. [Independent examination of charity accounts: guidance for trustees \(CC31\) - GOV.UK](#)

DIGITAL AND DATA COMPLIANCE

Data protection and security - Using authority-owned email accounts ensures that sensitive information is handled in a controlled environment with appropriate security measures. This aligns with GDPR principles such as data minimisation, integrity and confidentiality.

It is best practice to use .gov.uk domains for smaller authorities' emails and websites. <https://www.gov.uk/guidance/moving-your-parish-council-to-a-govuk-domain>

Having authority-owned email accounts also makes Data Subject Access and Freedom of Information Requests easier to manage.

Compliance with policies - All authorities should have an IT policy that mandates the use of authority-owned email accounts for official business. These policies are designed to ensure that all communications are conducted in a manner that is consistent with the authority's standards and legal obligations.

IT Policies - An IT policy prevents misunderstandings when using IT equipment for authority business and makes sure that there can be no excuses for anyone in your authority not protecting their data or working safely. If your authority does not have a policy, you might like to use this IT policy template. It is important to personalise the template for the specific use of your authority and add links to guidance where needed. [Template - Parish Council IT Policy - Google Docs](#)

Website accessibility - Where a smaller authority is subject to the requirements of website accessibility it does not have to buy a new website to comply with accessibility law if it places a disproportionate burden on the authority. At a minimum all authorities' websites must include an accessibility statement on their website and keep it under regular review. This statement should include reasons for not meeting accessibility requirements, ways to source alternative copies of non-accessible documents and a point of contact.

Data Protection - To ensure compliance with data protection regulations, smaller authorities should:

- Appoint a Data Protection officer to oversee data protection and ensure compliance with GDPR (Under Section 7 of the DPA 2018, Parish Councils and Parish Meetings are exempt from this requirement).
- Conduct regular data audits to identify what personal data is held, how it is used and make sure it is processed lawfully.

- Implement a Data Protection policy on data handling, storage and sharing.
- Provide regular training to ensure all staff and members are trained on data protection principles and practices.
- Secure data using appropriate technical and organisational measures to protect personal data from breaches.

The Freedom of Information Act places a duty on every public authority to adopt and maintain a publication scheme which details the publication of information by the authority and is approved by the Information Commissioner; adoption of the Information Commissioners Office model publication scheme meets this requirement. [Freedom of Information Act 2000](#) and [Publication schemes: a guide | ICO](#)

In addition to this the Transparency Code for Smaller Authorities requires parish councils, internal drainage boards, charter trustees and port health authorities with an annual turnover not exceeding £25,000 to publish certain information set out in the code. This enables local electors and local taxpayers to access relevant information about the authority's accounts and governance. [Transparency code for smaller authorities - GOV.UK](#)

Smaller Authorities with total turnover or expenditure greater than £25,000 should as best practice comply with the Local Government Transparency Code 2015; the government believes that in principle all data held and managed by local authorities should be made available to the public unless there are specific sensitivities to doing so. [Local government transparency code 2015 - GOV.UK](#)

Monitoring an authority's compliance with the relevant transparency code is not part of the external auditor's limited assurance review of the AGAR. It would however be expected that internal auditors would review this control area.