



Invitation to comment: issues identified in the Practitioners' Guide

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Contents

Invitation to comment	3
1. Introduction.....	3
2. The consultation process.....	3
Section A – Issues identified relating to accounting	4
3. Accounts production	4
3.1 Annual accounts	4
3.2 Clarity on accounting methods	5
3.3 Accounting records	6
3.4 Financial governance and accountability.....	6
3.5 Training related to the accounts	7
4. Internal audit competency and training	7
4.1 Appointing an internal auditor.....	7
4.2 Training for internal auditors.....	9
Section B – Other issues identified	9
5. The Practitioners’ Guide	9
5.1 Structure of the Guide	9
5.2 Training for Clerks and other officers.....	9
Section C – Any other comments	10

Invitation to comment

1. Introduction

1. Smaller Authorities are defined in the [Local Audit and Accountability Act 2014](#) as relevant authorities whose income or expenditure (whichever is highest) does not exceed a specified limit for three consecutive years. This limit was raised from £6.5m to £15m for financial years starting after 1 April 2025.
2. Proper practices are the standards of governance and accounting that Smaller Authorities must follow. These standards are set out in legislation and are [mandatory for all Smaller Authorities](#).
3. The [Smaller Authorities' Proper Practices Panel](#) (SAPPP), formerly known as the Joint Panel on Accountability and Governance (JPAG), is responsible for issuing these standards annually in the form of the [Governance and Accountability for Smaller Authorities: Practitioners' Guide \(England\)](#) (The Guide).
4. As the current proper practices have been in place for ten years, SAPPP unanimously agreed that a full review was necessary. This was a good opportunity to reflect and update existing guidance to ensure it meets the demands of a 21st-century public sector.
5. SAPPP and [Smaller Authorities' Audit Appointments Ltd](#) (SAAA), the body responsible for appointing external auditors to Smaller Authorities, appointed the Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out this critical review.
6. During the summer of 2025 CIPFA carried out a detailed evaluation of the Guide and provided SAPPP with a report detailing issues found. Several areas were identified where improvements could be made, which has formed the basis for this consultation.
7. This consultation, and subsequent update to the Guide, will feed into a review of the current Annual Governance and Accountability Return (AGAR) to ensure it is fit for purpose. The Government fully supports this review, led by SAPPP, in line with the commitment outlined in its response to the [Local Audit Reform Strategy and Consultation](#) to ensure that audit regimes support transparency and accountability in a proportionate way.
8. This review of the proper practices may lead to changes in the limited assurance review process, which could have implications for the associated charging structure.

2. The consultation process

9. This invitation to comment (ITC) sets out issues with the current guide and potential solutions anticipated to be included in the 2027/28 Guide, which will apply to accounting periods commencing after 1 April 2027.
10. Specific consultation questions have been included in the ITC. CIPFA/SAPPP also welcome general comments on the Guide.
11. Responses to this ITC will be considered part of the public record and may be included in analysis published on any or all of the core bodies' websites.

12. Once the consultation has closed, CIPFA will analyse the results and present the findings to SAPPP for comment. Based on this feedback, CIPFA will draft an updated Guide which will be subject to further consultation.
13. In order that comments be considered by CIPFA/SAPPP in time to inform possible implementation, responses are required by 5pm on 2 January 2026.
14. Please make responses by the [online survey](#).

Section A – Issues identified relating to accounting

3. Accounts production

3.1 Annual accounts

15. Smaller Authorities are funded primarily by public money. Being able to demonstrate how money is being spent helps build trust between public sector bodies and the community.
16. Sharing the financial records with the public helps them to scrutinise decisions ensuring they are made responsibly and ethically. It also helps the Government to understand the financial health of Smaller Authorities as well as ensuring that public funds, such as grants, are distributed fairly and used properly.
17. Currently, Smaller Authorities are required to complete an AGAR, which was intended to be a simpler alternative to full statutory accounts.
18. However, as the AGAR is a summary document, it does not provide the details of how balances were calculated. This can increase the risk that transactions may be omitted or incorrectly recorded.
19. The AGAR does not separately identify a lot of important details that are key to good financial reporting, such as current liabilities (debtors) and current assets (creditors), nor does it include details of the value of the assets held within the Smaller Authority.
20. The AGAR could include more details of the cost of delivering services to better understand an authority's transactions and activities.
21. Improved financial reporting would support the Government to better understand the scale and financial position of the sector, particularly in the context of ongoing local Government reorganisation. Additionally, this measure would help to strengthen public trust, improve oversight by external bodies (such as external auditors), and provide a clearer assessment of an authority's financial health and risk profile.
22. If Smaller Authorities choose to produce a full set of statutory accounts, the current Guide does not provide clear guidance on how this should be done.
23. It is however recognised that different sized Smaller Authorities have different financial transactions and risks. Therefore, it may be useful for the Guide to set out the levels of formal reporting required by different sized authorities to ensure reporting is proportionate to these risks and transactions.
24. Clerks and other officers within Smaller Authorities are not required to hold financial qualifications. The Guide should make it clear what must be done to produce

accurate financial statements that is both achievable and proportionate to the size of the Smaller Authority.

Annual accounts

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| Q1 | Does the AGAR provide you and your community with the information you want to know about your Smaller Authority? |
| Q2 | If you answered no to Q1, what additional information would be helpful? |
| Q3 | Should the AGAR show more detail of the cost of providing services and delivering activities for the local community particularly for larger Smaller Authorities? |
| Q4 | If you answered no to Q3, please provide details to support your answer. |
| Q5 | Should the guide provide Smaller Authorities with clearer guidance on how to recognise fixed assets in the financial statements? |
| Q6 | Do you have any other comments on this topic? |

3.2 Clarity on accounting methods

25. The current Guide lacks clear and consistent application of rules regarding the roles, responsibilities and appropriate accounting methods for different types of Smaller Authorities. This ambiguity leads to a range of issues, from incorrect declarations of exemption and non-compliance with reporting requirements, to an inaccurate reflection of an authority's financial position. This can undermine the reliability of financial reporting and increase the risk of errors in the AGAR.
26. Currently, under legislation, all Smaller Authorities can and should account for transactions on an income and expenditure basis. However, legislation allows for the smallest authorities to use receipts and payments. SAPPP is considering sections in the new Guide that would be specifically adapted to either the receipts and payments basis or the income and expenditure basis, ensuring the guidance is both clear and directly applicable.
27. All of these changes will be underpinned by training to ensure that Clerks, RFOs and other officers are able to understand the tasks required of them.

Accounting methods

- Q7 Do you agree that the Guide should clarify the difference between the receipts and payments basis and the income and expenditure basis and if so how to use each one?
- Q8 Do you have any other comments on this topic?

3.3 Accounting records

28. Inadequate and incomplete accounting records remain a fundamental barrier to effective financial reporting and auditing across the sector. Where records are missing, poorly maintained or not reconciled, it becomes impossible to verify financial transactions, produce accurate financial statements, or ensure compliance with statutory requirements. This can result in qualified audit opinions and undermines public confidence in the financial management of Smaller Authorities.
29. The requirement to allow the public access to these records further strengthens the need for the Guide to be clear on what is required, where it should be held and for how long. The Guide should also detail what information must not be shared with the public, such as an individual's salary and other sensitive data.
30. To address this, the Guide needs to set out clearly the importance of maintaining complete and accurate records throughout the financial year.

Accounting records

- Q9 Do you agree that the Guide should include more details of what documents should be held as part of the accounting records as well as the length of time they should be kept for?
- Q10 Do you agree that the Guide should include details of what information can and cannot be shared with the public?
- Q11 Do you agree that any financial statements produced should be shared on the Smaller Authority's own website, or suitable alternative, to ensure that the public are able to view them?
- Q12 If you answered no to Q11, please provide details of where you would want the AGAR and other documents to be held.
- Q13 Do you have any other comments on this topic?

3.4 Financial governance and accountability

31. External auditors have observed that some Smaller Authorities do not adequately respond to issues raised in previous audit reports. This can result in repeated findings and undermines the purpose of the audit process, which is to improve governance and accountability.

32. To support better follow up on issues raised, SAPPP proposes that the existing requirements are strengthened.
33. SAPPP suggests that all internal and external audit reports should be reviewed by the full authority in a public meeting and that Smaller Authorities should be required to agree and publish an action plan to address any issues raised by these reports.

Financial governance and accountability

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| Q14 | Do you agree that the Guide should include a requirement that the Internal Audit Report of the AGAR and the External Auditors' Certificate are to be reviewed at a public meeting of the full authority? |
| Q15 | Do you agree that any other internal audit reports must also be reviewed by the full authority at a public meeting? |
| Q16 | Should these reports be published on the authority's website or suitable alternative? |
| Q17 | Do you agree that a Smaller Authority must be required to agree and publish an action plan to address any concerns raised by internal or external auditors? |
| Q18 | Do you have any other comments on this topic? |

3.5 Training related to the accounts

34. Clerks and other officers within Smaller Authorities are not required to hold financial qualifications. Therefore, Clerks and other officers may need dedicated and tailored training to support their effective compliance with the proper practices as set out in the Guide.

Training related to the accounts

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| Q19 | Do you agree that training should be provided to all Clerks and other officers that are required to complete the AGAR? |
| Q20 | Do you agree that training should be provided to all Clerks and officers that are required to undertake more detailed financial reporting? |
| Q21 | Do you have any other comments on this topic? |

4. Internal audit competency and training

4.1 Appointing an internal auditor

35. The Guide currently does not provide enough information and guidance on how a Smaller Authority should appoint its internal auditor. SAPPP suggests that the Guide should outline how to assess the competence and independence of an internal auditor before appointment. This will protect the independence of the internal auditor and safeguard the value of the assurances provided.

36. Internal auditors require specialised knowledge in areas such as risk management, professional ethics, control frameworks and compliance. Although individuals may have experience working within internal audit or finance roles in other sectors, there is a risk that they lack the understanding of specific governance requirements unique to Smaller Authorities.
37. SAPPP recognise that many Smaller Authorities may not have the capacity or resources to mandate the use of professional internal audit bodies. Therefore, as a first step, we believe any approach should be proportionate to the size and circumstances of the authority.
38. Many Smaller Authorities can declare themselves to be 'exempt'; this means that their external auditor has no authority to complete a review, unless the Smaller Authority requests one. However, these Smaller Authorities must have an internal audit. Therefore, for exempt Smaller Authorities, internal audit becomes a more important check of an authority's governance and accountability, increasing the need for the Smaller Authority to appoint an appropriate person to complete this task.

Internal audit competency requirements

- Q22 Do you agree that the Guide should mandate that internal audits be conducted by appropriately trained experienced professionals that understand both professional ethics and the unique characteristics of Smaller Authorities?
- Q23 If you answered no to Q24, please provide details to support your response.
- Q24 As all Smaller Authorities face different levels of risk, would you agree that a proportionate approach to the provision/undertaking of internal audit be detailed within the Guide?
- Q25 Do you agree that the Guide should outline that larger Smaller Authorities must appoint an internal auditor that is a member of a recognised membership body and/or holds a relevant qualification?
- Q26 Do you have any other comments on this topic?

4.2 Training for internal auditors

39. SAPPP is keen to support the improvement of internal audit for Smaller Authorities. This could include specifying the areas of training that internal auditors should undertake before conducting internal audits for Smaller Authorities.
40. Internal audit tests may involve access to sensitive or confidential information, such as customer debt records or salary information. Without appropriate training and experience, including an understanding of professional ethics, there is a significant risk that internal audits may be conducted by individuals are not competent to conduct an accurate and complete internal audit, resulting ultimately in poor assurance for the Smaller Authority.

Training on internal auditors

- Q27 Should SAPPP specify areas of training for internal auditors, including the handling of sensitive and confidential information?
- Q28 Do you have any other comments on this topic?

Section B – Other issues identified

5. The Practitioners' Guide

5.1 Structure of the Guide

41. It is important to SAPPP that the Guide is accessible to all and easy to use. SAPPP would welcome your feedback on whether there are any areas in the Guide that you find difficult to understand, find, follow or apply.

Structure of the Guide

- Q29 Do find the Guide easy to navigate?
- Q30 If you answered no to question Q29, what could be changed in the Guide to make it clearer?
- Q31 Do you understanding the language used within the Guide?
- Q32 If you answered no to question Q31, how can it be improved?
- Q33 Should the Guide include a dedicated section providing guidance specifically for parish meetings?
- Q34 Do you have any other comments on the Guide?

5.2 Training for Clerks and other officers

Training on the other areas in the Guide

- Q35 Would you benefit from training to help you to understand the requirements of the Guide?
- Q36 If so, are there any areas in particular where you would benefit from training?
- Q37 Do you have any other comments on this topic?

Section C – Any other comments

42. Thank you for taking part in this consultation. SAPPP would welcome any other comments that you would like to make on the proper practices, the Guide and the AGAR forms.

Any other comments

- Q38 Do you have any other comments, concerns or issues that you would like SAPPP to consider when reviewing the Guide?