MULBERRY
LOCAL AUTHORITY SERVICES LTD

Eastgate House
Dogflud Way, Farnham
Surrey, GU9 7UD

t: 07428 647069
e: office@mulberrylas.co.uk
w: www.mulberrylas.co.uk

Mrs A Begent
Faversham Town Council
12 Market Place
Faversham
Kent
ME13 7AE

14 October 2026

Dear Adrienne

Re: Faversham Town Council
Internal Audit Report for Financial Year Ended 31 March 2027 – Interim Audit Report

Executive summary
Following completion of our interim internal audit on 14 October 2026, we are pleased to enclose our report for your review and presentation to the council. The audit was conducted in accordance with current professional standards and guidelines, employing a risk-based approach to our testing. While not all transaction were examined, our sample testing, where appropriate, covered the financial year to date.

The structure of this report aligns with the assertions set out in the Annual Internal Auditor Report section of the Annual Governance and Accountability Return (AGAR). Each section begins with a summary of the assertion being assessed, followed by details of the testing undertaken, which was guided by the audit plan. A copy of the audit plan is available within our Internal Audit Guide and follows the requirements of the Smaller Authorities Proper Practices Panel (SAPPP) Practitioner's Guide.

The report concludes with our opinion on whether each assertion has been met as of the date of the interim audit. Where the standard has not been met, we have set out the required action for the council to take to meet the requirements by the year-end internal audit. **Any recommendations for action are highlighted in bold and summarised in the table at the end of this report.**

Our testing did not identify any procedural errors requiring reporting to the external auditor at this time, nor did we observe any material weaknesses in internal controls that would pose a risk to public funds. We are pleased to report that overall, the systems and procedures currently in place are appropriate and effective. While this report may include recommendations for improvement, these should not be viewed as indicators of significant deficiencies. Rather, they are intended to support the continued development of what is, in our view, a well-managed and robust governance framework.

Regulation
The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to "undertake an effective internal audit to

evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Where we have provided other support to the council, a separate individual will be assigned as the internal auditor to maintain that independence.

The primary purpose of internal audit is to assess and report to the authority on the effectiveness of its financial systems and other internal controls, including the operational procedures that support its activities.

The internal audit function involves testing and evaluating whether the authority's internal control framework is both adequate and functioning effectively. Internal audit reports should be made available to all Members, providing a basis for informed decision making when considering the authority's approval of the Annual Governance Statement.

Independence and competence
Your audit was conducted by Andy Beams of Mulberry Local Authority Services Ltd, who has over 36 years' experience in the financial sector with the last 16 years specialising in local government.

In accordance with paragraphs 4.9 to 4.11 inclusive of the SAPPP Practitioner's Guide, we confirm that your auditor is independent from the management of the financial controls and procedures of the council and has no conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

We further confirm that Mulberry Local Authority Services Ltd, as experience sector specialist internal auditors are competent to complete the internal audit process.

We remind the council of the requirements of paragraph 4.11 of the SAPPP Practitioner's Guide requiring councils to review the independence of the appointed internal auditor annually.

Engagement Letter and inherent risk assessment
An engagement letter was previously issued to the council covering the 2026/27 internal audit assignment, which includes the scope and plan of works and fee structure. Copies of this document are available on request from anna@mulberrylas.co.uk

In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

It is our opinion that the inherent risk of error or misstatement within the council's financial systems is low. The internal control environment is considered reliable, and as such, substantive testing of individual transactions is not deemed necessary at this stage.

Audit testing will therefore consist of walk-through testing on a selection of sample data, covering the period under review within the current council year. This approach is designed to confirm that key controls are operating effectively throughout the financial period.

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INTRODUCTION

This is the first internal audit conducted by Mulberry Local Authority Services Ltd, with the appointment agreed at the Policy & Resources Committee meeting held on 6 July 2026 (minute ref 343).

I remind the council that in accordance with 4.11 of the Practitioner's Guide *'the independence of the appointed person or firm should be reviewed every year with regard to; personal independence, financial independence, and professional independence.'*

The audit was conducted on site with the Interim Clerk and Interim RFO. The information advised in advance of the visit had been prepared and was available for review, and overall, I have the impression that accounting records are neatly maintained and easily accessible.

Other information was reviewed through discussion with the officers and a review of the council website www.favershamtowncouncil.gov.uk

I'd like to thank the Interim Clerk and Interim RFO for their help during the audit visit. It is clear they are both working extremely hard to keep the council's governance and financial processes on track while the council decides on its future staffing structure.

A. BOOKS OF ACCOUNT

Internal audit requirement

Appropriate accounting records have been kept properly throughout the year.

Audit findings

The council uses the Rialtas accounting package for recording the council's finances, including using the sales and purchase ledger functions. This is an industry specific accounting package. The accounting package is updated regularly and used to produce management information reports for review at council meetings.

The system requires the population of key data fields to enable the user to record a transaction. This is a clear and easy to follow system and a review of the cashbook shows that all data fields are being entered with sufficient detail to identify the source and nature of the transaction.

I conducted a sample of transactions from the information provided in income and expenditure reports and sales and purchase ledger reports and can confirm the details agreed to the cashbook details and relevant bank statements. I make no recommendation to change in this system.

Check receipt of VAT refund matches last submitted VAT return

The VAT return is submitted on a quarterly basis. I reviewed the submission for the period ending 30 June 2026 which showed a refund amount due of £17,286.78 and was fully supported by the required details. I was able to confirm receipt of this amount to the council's bank account on 31 July 2026. The council is up to date with its VAT submissions.

CONCLUSION
I am satisfied this internal control objective has been met.

B. FINANCE REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement
This authority complied with its Finance Regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

Audit findings
Confirm by sample testing that councillors sign statutory office forms
I confirmed by sample testing that councillors sign "Acceptance of Office" forms. **I recommend the form is amended to include formal acceptance to receive information by electronic means in the form *"As per Schedule 12 of the Local Government Act 1972, I consent to the receipt of all council meeting papers by electronic methods. I understand I may withdraw this consent at any time."***

The council website includes a councillor page where the individual Register of Members' Interests forms are published.

Confirm that the council meets regularly throughout the year
In addition to full council, the council has a committee structure in place. Terms of reference for each committee are published on the council website, along with a diary of future meeting dates and historic agendas and minutes for meetings.

Check that agendas for meetings are published giving 3 clear days' notice
I was able to confirm that at least 3 clear days' notice is given on agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting.

I note the council publishes the non-confidential supporting documents accompanying agendas on the council website in accordance with the requirements of the Information Commissioner's Office (ICO).

Check the draft minutes of the last meeting(s) are on the council's website
Draft minutes are uploaded to the council website and clearly annotated as draft.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months
The Standing Orders are based on the current National Association of Local Councils (NALC) model and were most recently reviewed and adopted by council in June 2026.

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations
Financial Regulations are based on the current NALC model and were last reviewed and adopted by council in June 2026. The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

Check that the council's Financial Regulations are being routinely followed

Procurement

The council's adopted Financial Regulations include processes relating to procurement and include the following:

FR 5.6 *For contracts estimated to exceed £5,000 including VAT, the Clerk shall seek formal tenders from at least three suppliers agreed by the council. Tenders shall be invited in accordance with Appendix 1.*

FR 5.7 *For contracts estimated to be over £30,000 including VAT, the council must comply with any requirements of the Legislation regarding the publication of invitations and notices.*

FR 5.8 *For contracts greater than £3,000 excluding VAT the Clerk shall seek at least 3 fixed-price quotes;*

FR 5.9 *where the value is between £500 and £3,000 excluding VAT, the Clerk shall try to obtain 3 estimates which might include evidence of online prices, or recent prices from regular suppliers.*

FR 5.10 *For smaller purchases, the Clerk shall seek to achieve value for money.*

I discussed with the officers the council's procurement process and saw an example for a large project the council is in the process of delivering. **I note the tender threshold in FR 5.6 has been amended from the NALC suggested £60,000 to only £5,000 and recommend the council considers increasing this level, as otherwise the formal tender process is likely to be required regularly for relatively small value contracts.**

Authorisation

The council's adopted Financial Regulations include thresholds at which authorisations to spend must be obtained as below:

FR 5.15 *Individual purchases within an agreed budget for that type of expenditure may be authorised by:*

- *the Clerk, under delegated authority, for any items below £1,000 excluding VAT.*
- *the Clerk, in consultation with the Chair of the Council or Chair of the appropriate committee}, for any items below £2,000 excluding VAT.*
- *a duly delegated committee of the council for all items of expenditure within their delegated budgets for items under £5,000 excluding VAT*
- *in respect of grants, a duly authorised committee within any limits set by council and in accordance with any policy statement agreed by the council.*
- *the council for all items over £5,000;*

Such authorisation must be supported by a minute (in the case of council or committee decisions) or other auditable evidence trail.

FR 5.18 *In cases of serious risk to the delivery of council services or to public safety on council premises, the clerk may authorise expenditure of up to £2,000 excluding VAT on repair, replacement or other work that in their judgement is necessary, whether or not there is any budget for such expenditure. The Clerk shall report such action to the Chair as soon as possible and to the council as soon as practicable thereafter.*

Based on the level of financial activity of the council the authorisation thresholds in FR 5.15 appear low and the council may wish to consider increasing them in accordance with the financial size of the council.

I tested a sample of invoices and was able to confirm that amounts have been properly authorised in accordance with the adopted Financial Regulations.

Payment

The council's Financial Regulations include a section covering the making of payments via online banking and state:

FR 7.4 *The Service Administrator shall set up all items due for payment online. A list of payments for approval, together with copies of the relevant invoices, shall be sent by email to two authorised signatories.*

FR 7.5 *In the prolonged absence of the Service Administrator, the Clerk shall set up any payments due before the return of the Service Administrator.*

FR 7.6 *Two councillors who are authorised signatories shall check the payment details against the invoices before approving each payment using the online banking system.*

FR 7.7 *Evidence shall be retained showing which members approved the payment online and a printout of the transaction confirming that the payment has been made shall be appended to the invoice for audit purposes.*

FR 7.8 *A full list of all payments made in a month shall be provided to the next council meeting and appended to the minutes.*

I confirmed with the Interim RFO the council's payment process, and that this conforms with the Financial Regulations, although **I recommend that FR 7.7 removes the requirement to print out each transaction as evidence of the authorisers can be kept as confirmation via email of completing the process.**

Corporate Cards

The council has in place Financial Regulations relating to the use of corporate cards, including as below:

FR 9.3 *Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the Clerk and Deputy Town Clerk and any balance shall be paid in full each month.*

The council has a corporate credit card in the name of the former Clerk which is reconciled as a separate cashbook within the accounting software package. At present, the card is being used by various employees and the council must arrange to obtain cards in the names of those individuals needing them, updating the Financial Regulations accordingly.

Confirm the council has adopted the General Power of Competence (GPC) and met the eligibility criteria at the time of adoption, or if GPC not adopted, confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £11.60 per elector
The council confirmed its eligibility and adopted the GPC, and the section 137 threshold does not apply.

Confirm that checks of the accounts are made by a councillor
The system noted above details internal review takes place and I am under no doubt that council properly approves expenditure.

CONCLUSION
I am satisfied this internal control objective has been met.

C. RISK MANAGEMENT AND INSURANCE

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

Audit findings
The council's adopted Financial Regulations include a section covering Risk Management and state:

FR 2.1 *The council must ensure that it has a sound system of internal control, which delivers effective financial, operational and risk management.*

FR 2.2 *The Clerk shall prepare, for approval by the council, a risk management policy covering all activities of the council. This policy and consequential risk management arrangements shall be reviewed by the council at least annually.*

FR 2.3 *When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration by the council.*

FR 2.4 *At least once a year, the council must review the effectiveness of its system of internal control, before approving the Annual Governance Statement.*

The council has a Risk Assessment and Management Strategy in place, which was last reviewed and approved by council in March 2026, with the next scheduled review listed as April 2027. **I recommend that the review of the Risk Assessment and Management Strategy takes place before the end of the financial year to ensure that the council can evidence that it has reviewed the adequacy of its risk management arrangements in completing the Annual Governance Statement.**

I reviewed the risk register which is split into three sections covering financial risks, strategic risks and operational risks. The document breaks down the potential risks into different areas within each section, provides a risk level, and then details the control measures in place and any issues raised.

This is a suitable approach and includes analysis of all risks typically associated with a council of this size with its range of services and facilities. **The risk assessment could be enhanced by the addition of a colour coded risk matrix showing how the overall risk level has been determined.**

I note the council also has a monthly audit checklist completed by a councillor, covering a review of purchase and sales ledger invoices, bank account balances and cashbooks, salary payments, receipts and payments made during the month and VAT, and I have no doubt that the council takes its risk management responsibilities seriously.

I confirmed that the council has a valid insurance policy in place with Zurich which covers the year under review. **I recommend the council reviews the insurance policy against the asset register to ensure the buildings and key assets are consistent across both documents.**

The insurance policy includes Public Liability cover of £15 million, Employers Liability cover of £10 million and a Fidelity Guarantee level of £2 million which is sufficient for a council of this size.

CONCLUSION
I am satisfied this internal control objective has been met.

D. BUDGET, PRECEPT AND RESERVES

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

Audit findings
Budget
Regular detailed budget reports are produced from the accounting software. There is no evidence to suggest that the budget has not been accurately set and carefully monitored throughout the year.

There is evidence within the minutes of meetings that councillors regularly receive these budget reports for review, providing them with sufficient financial information to make informed decisions.

Precept
The council set a precept of £973,600 for 2026/27. With a tax base of 7,487.57, this equates to a band D equivalent of £130.03 (compared to the average in England of £99.79).

The Interim RFO confirmed that the 2027/28 budget setting process has commenced, with initial discussions having taken place with the Mayor and former Mayor. A first draft budget is being presented to the Policy & Resources Committee in October with the final budget and precept due to be agreed by the council meeting scheduled for January 2027.

Reserves
The Smaller Authorities Proper Practices Panel (SAPPP) Practitioner's guide provides updated guidance on the appropriate level of general reserves that councils should retain as below:

5.33 The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

5.34 The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.

5.35 The reason for the wide range is to cater for the large variation in activity level between individual authorities. 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.

5.36 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.

5.37 Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

At the date of the interim audit, the council held circa £196,000 in earmarked reserves, split between clearly identified categories.

I checked the purpose of the earmarked reserves and am satisfied they are all for legitimate future planned projects of the council.

A review of the general reserve balance will be conducted as part of the final internal audit and the council is advised to follow the guidance contained within the Practitioner's Guide in determining an appropriate level.

CONCLUSION
I am satisfied this internal control objective has been met.

E. INCOME

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

Audit findings
Apart from the precept, the council receives income from a range of sources including moorings income, weddings and bookings at the Guildhall and bike hangers along with bank interest and VAT refunds.

FR 13.2 states *'The council will review all fees and charges for work done, services provided, or goods sold at least annually as part of the budget-setting process, following a report of the Clerk. The Clerk shall be responsible for the collection of all amounts due to the council.'*

Fees are reviewed as part of the budget setting process, and the Interim Clerk confirmed that these will be reviewed again during this year's budget setting process.

From a review of the accounting records, income appears to be recorded with sufficient narrative detail to identify the source and allocated to the most appropriate nominal code.

I reviewed the outstanding debtors with the Interim RFO who is aware of the outstanding amounts which primarily relate to moorings fees.

CONCLUSION
I am satisfied this internal control objective has been met.

F. CASH

Internal audit requirement
Cash payments were properly supported by receipts; all cash expenditure was approved and VAT appropriately accounted for.

CONCLUSION
The council has no cash expenditure and the testing for this internal control objective is not applicable.

G. PAYROLL

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

Audit findings
Payroll is processed in house using the SAGE payroll software. I reviewed the payroll summary and a sample of payslips for two different pay periods. The payroll deductions appear correct, and I was able to confirm the net salary payments. The backdated NJC pay rise was paid in the September salaries.

I was able to verify that the council is correctly not claiming the employment allowance for national insurance contributions.

CONCLUSION
I am satisfied this internal control objective has been met.

H. ASSETS AND INVESTMENTS

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

Audit findings

The SAPPP Practitioner's guide provides updated guidance on assets and asset registers as below:

5.58 The asset register should contain in its most simple form the date of acquisition, cost of acquisition, useful life estimate and location along with value held for investments; however, it is desirable for the register to contain other such supplementary information to enable the user to better understand the nature and scope of the use of the fixed asset. It is therefore recommended to show insurance value, replacement value, custodian, date last physically vouched.

5.59 Each authority may choose an appropriate minimum value for deciding between fixed assets and general consumables. The limit chosen will relate to expected useful life, whether the item would be included on an insurance claim and whether it is included in the risk assessment of the authority in any way. This minimum level is to be minuted and reviewed at least annually. The rationale and methodology should be recorded in the minutes.

5.60 One item or group of similar items shall be regarded for inclusion in the fixed asset register.

5.61 Assets should be first recorded in the asset register at their actual purchase cost.

5.62 Assets that are either under construction or have not been brought into use should be included on the asset register only once complete and they benefit the community.

5.63 Obsolete assets that are no longer in use or are awaiting disposal should be clearly recorded as such.

5.64 Where an authority receives an asset as a gift at zero cost, for example by community asset transfer, it should be included with a nominal one pound (£1) value as a proxy for the zero cost.

5.65 Assets that do not have a functional purpose or any intrinsic resale value (for example, a village pond or war memorial) are often referred to as 'community assets.' Authorities should record community assets in the asset register in the same way as gifted assets.

5.66 The particular method of asset valuation is not specified in proper practices so authorities may use any reasonable approach to be applied consistently from year to year. The method of asset valuation adopted should be set out in a policy approved by the authority and recorded in the authority's minutes and in the asset register.

5.67 For authorities covered by this guide, the most appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that the recorded value of the asset will not change from year to year, unless it is materially enhanced.

5.68 Commercial concepts of depreciation, impairment adjustments, and revaluation are not required nor appropriate for this method of asset valuation.

5.69 The total value of an authority's assets recorded on the asset register as at 31 March each year is reported at Line 9 on the authority's AGAR. Authorities should be able to track and explain fully any changes in the asset register from year to year.

The council has a fixed asset register in place, maintained in an Excel format, which the Interim Clerk is planning to review and update. A further review of the document will be conducted at the final internal audit along with a check of invoices for any new items to ensure that they have been accurately recorded at the original net purchase price.

The SAPPP Practitioner's guide provides updated guidance on investments, and includes the following:

2.23 Short-term investments, which mainly include deposit and savings accounts typically provided by banks, are those that display the following characteristics:
a. are denominated in pounds Sterling;
b. be realisable at full value on demand or have a maturity end date of ***not more than 12 months****;*
c. the whole of the original sum invested can, from the time that the investment is made, be accessed for use by the authority without any reduction; and
d. the authority has assessed the counterparty and is satisfied that the original sum invested is not subject to unreasonable risk.

2.26 A long-term investment arises where the authority invests money in anything other than a short-term investment.

5.30. In deciding whether it is appropriate to make long-term investments, the authority should follow the Ministry Guidance on local government investments.

5.189 Long-term investments should be recorded in the asset and investments register at original cost at acquisition (the purchase price) which for accounting purposes will remain unchanged until disposal. It is recognised that the market value of long-term investments may change over time; therefore, at each year end, the RFO should make a note in the asset register of the notional market value of each investment as at 31 March to inform readers.

The council has bank balances exceeding £100,000 and has adopted an Investment Strategy to support its future decision making on placement of funds in accordance with the statutory guide. The Investment Strategy was most recently reviewed and adopted by the council at the meeting held in October 2025.

The council has no long-term investments.

The council has borrowing through the Public Works Loan Board (PWLB) and confirmation of the figures for in year payments (box 5) and year-end balance (box 10) will be completed at the final internal audit against the PWLB statement and remittance advices.

CONCLUSION
I am satisfied this internal control objective has been met.

I. BANK AND CASH

Internal audit requirement

Periodic bank account reconciliations were properly carried out during the year.

Audit findings

Financial Regulation 2.6 states *'At least once in each quarter, and at each financial year end, a member shall be appointed to verify bank reconciliations for all accounts produced by the Clerk. The member shall sign and date the reconciliations and the original bank statements (or similar document) as evidence of this. This activity, including any exceptions, shall be reported to and noted by the council Policy & Resources Committee.'*

Bank reconciliations are completed monthly. I reviewed the bank reconciliations for August and was able to confirm the balances to the bank statements and found no errors.

I was able to confirm that the bank reconciliations have been verified in accordance with Financial Regulations but remind the council that the bank statements must also be signed by the councillor completing the checks at least quarterly.

As the council's annual budget exceeds the €500,000 (£430,950 as of 3 July comparative date) threshold, it is not protected by the Financial Services Compensation Scheme (FSCS). The council holds accounts with a range of providers to mitigate the risk.

CONCLUSION

I am satisfied this internal control objective has been met.

J. YEAR END ACCOUNTS

Internal audit requirement

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.

CONCLUSION

To be tested at the final internal audit.

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

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

Audit findings

The council exceeded the threshold for exemption for the prior year.

CONCLUSION

The council did not certify itself exempt from a limited assurance review in the previous year and the testing for this internal control objective is not applicable.

L: PUBLICATION OF INFORMATION

Internal audit requirement

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

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CONCLUSION

To be tested at the final internal audit.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

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.

Audit findings

Inspection – key dates	2025/26 Actual
Date AGAR signed by council	8 June 2026
Date inspection notice issued	9 June 2026
Inspection period begins	10 June 2026
Inspection period ends	21 July 2026
Correct length (30 working days)	Yes
Common period included (first 10 working days of July)	Yes

I am satisfied the requirements of this control objective were met for the previous year, and assertion 4 on the Annual Governance Statement should therefore be signed yes by the council.

I was also able to confirm that the dates for the period of public rights are recorded in the minutes of the meeting where the AGAR was signed.

CONCLUSION
I am satisfied this internal control objective has been met.

N: PUBLICATION REQUIREMENTS

Internal audit requirement
The authority complied with the publication requirements for the prior year AGAR.

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.

Audit findings
I was able to confirm that the Notice of the Period of Public Rights and Section 1 (Annual Governance Statement) and Section 2 (Accounting Statement) were published on the council's website before 1 July 2026. I note that Question 11 on the Accounting Statements has been answered incorrectly for 2025/26, and the External Auditor may comment on this in their report.

At the date of the interim audit, the External Auditor's Report for 2025/26 had not been received although the council has published its own statement on the website stating this, meaning it has met the requirements of this internal control objective.

The council is reminded that once received, the External Auditor's Report must be published on the council website along with the Notice of Conclusion of Audit and reported to the next council meeting.

CONCLUSION
I am satisfied this internal control objective has been met.

O. DIGITAL AND DATA COMPLIANCE

Internal audit requirement
The authority complied with laws, regulations and proper practices relating to digital and data compliance.

Audit findings
Following the 'light touch' approach in 2025/26 to this internal control objective and associated Governance Assertion 10, a more robust audit approach is being taken in 2026/27. The council should ensure it has read the guidance in the Practitioner's Guide in addition to noting the internal audit comments below.

Website
I was able to confirm that the council website contains a Privacy Notice and a Website Accessibility Statement. **The Website Accessibility Statement references partial compliance with the Web Content Accessibility Guidelines (WCAG) 2.1 AA and should be updated to refer to WCAG 2.2 AA which is the current standard, with the new adoption date for this financial year added to the document.**

The council has an IT Policy in place which was last reviewed and approved by the council at the meeting held in December 2025, with the next review scheduled for June 2027. **Given the increased focus on ensuring that policies relating to digital and data compliance are regularly updated, I recommend that the IT Policy is reviewed again before the end of March 2027.**

Email management and GDPR
It was noted the council has a generic email address on a domain owned by the council and has established common email addresses for all councillors. This is recommended because it gives a natural segregation between work and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

Data Protection
The SAPPP Practitioner's Guide contains the following regarding data protection:

5.124 To ensure compliance with data protection regulations, smaller authorities should:

- *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 council will need to complete a data audit before 31 March 2027 and publish this document on the council website. I recommend using the Harrogate TC - Data Audit 2026-27 version as a template.

The council will need to adopt and publish a Data Protection Policy on the council website before 31 March 2027 to meet the requirements of this internal control objective.

The council is reminded of the need to conduct regular training for officers and councillors on data protection principles and be able to evidence completion of this by 31 March 2027 to meet the requirements of this internal control objective.

CONCLUSION

I am not satisfied this internal control object has been met. Please see the comments above and our recommended course of action in the table at the end of this report.

P. TRUSTEESHIP

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

CONCLUSION

The council has no trusts and the testing for this internal control objective is not applicable.

Achievement of control assertions at final internal audit date

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives to date are summarised in the table below. Where any are marked 'no', guidance is provided as to the corrective action required by the council before the year-end internal audit to achieve a positive response.

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the year	✓		
B	This authority complied with its Finance Regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	✓		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	✓		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	✓		
F	Cash payments were properly supported by receipts, all cash expenditure was approved, and VAT appropriately accounted for			✓
G	Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H	Asset and investments registers were complete and accurate and properly maintained.	✓		
I	Periodic bank account reconciliations were properly carried out during the year.	✓		
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.	To be tested at final internal audit		
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.			✓
L	The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	To be tested at final internal audit		
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.	✓		
N	The authority complied with the publication requirements for prior year AGAR.	✓		
O	**The authority has complied with laws, regulations and proper practices relating to digital and data compliance.**		✓	
P	Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

Should you have any queries please contact me directly on andy@mulberrylas.co.uk

Yours sincerely



Andy Beams
Director Mulberry Local Authority Services Ltd

Internal Audit – Summary of recommendations

Audit Point	Internal Audit Findings	Council comments
	I remind the council that in accordance with 4.11 of the Practitioner's Guide *'the independence of the appointed person or firm should be reviewed every year with regard to; personal independence, financial independence, and professional independence.'*	
B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	I note the tender threshold in FR 5.6 has been amended from the NALC suggested £60,000 to only £5,000 and recommend the council considers increasing this level, as otherwise the formal tender process is likely to be required regularly for relatively small value contracts. Based on the level of financial activity of the council the authorisation thresholds in FR 5.15 appear low and the council may wish to consider increasing them in accordance with the financial size of the council. I recommend that FR 7.7 removes the requirement to print out each transaction as evidence of the authorisers can be kept as confirmation via email of completing the process. The council has a corporate credit card in the name of the former Clerk which is reconciled as a separate cashbook within the accounting software package. At present, the card is being used by various employees, and the council must arrange to obtain cards in the names of those individuals needing them, updating the Financial Regulations accordingly.	
C. RISK MANAGEMENT AND INSURANCE	I recommend that the review of the Risk Assessment and Management Strategy takes place before the end of the financial year to ensure that the council can evidence that it has reviewed the adequacy of its risk management arrangements in completing the Annual Governance Statement.	

	The risk assessment could be enhanced by the addition of a colour coded risk matrix showing how the overall risk level has been determined. I recommend the council reviews the insurance policy against the asset register to ensure the buildings and key assets are consistent across both documents.	
O. DIGITAL AND DATA COMPLIANCE	The Website Accessibility Statement references partial compliance with the Web Content Accessibility Guidelines (WCAG) 2.1 AA and should be updated to refer to WCAG 2.2 AA which is the current standard, with the new adoption date for this financial year added to the document. Given the increased focus on ensuring that policies relating to digital and data compliance are regularly updated, I recommend that the IT Policy is reviewed again before the end of March 2027. The council will need to complete a data audit before 31 March 2027 and publish this document on the council website. I recommend using the Harrogate TC - Data Audit 2026-27 version as a template. The council will need to adopt and publish a Data Protection Policy on the council website before 31 March 2027 to meet the requirements of this internal control objective. The council is reminded of the need to conduct regular training for officers and councillors on data protection principles and be able to evidence completion of this by 31 March 2027 to meet the requirements of this internal control objective.	