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Mrs I Taylor
Harrogate Town Council
Room 10, Harrogate Community House
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27 August 2025

Dear Iona

Re: Harrogate Town Council
Internal Audit for Financial Year Ended 31 March 2026 – Interim Audit report

Executive summary
Following completion of our final internal audit on 27 August 2025 we enclose our report for your kind attention and presentation to the council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date.

Our report is presented in the same order as the assertions on the internal auditor report within the published Annual Governance and Accountability Return (AGAR). The start of each section details the nature of the assertion to be verified. Testing requirements follow those detailed in the audit plan previously sent to the council, a copy of which is available on request. The report concludes with an opinion as to whether each assertion has been met or not at this point in the year. **Recommendations for action are shown in bold text and are summarised in the table at the end of the report.**

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

It is clear the council takes governance, policies and procedures seriously, and while there are some gaps in these at present, I am pleased to report that overall, the systems and procedures you have in place, or are planning to put in place, are fit for purpose. Whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Harrogate Town Council are in the process of being established and future internal audits will focus on checking the robust following of adopted systems.

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. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all Members to support and inform them when they 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 35 years' experience in the financial sector with the last 15 years specialising in local government.

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.

Engagement Letter and inherent risk assessment
An engagement letter was previously issued to the council covering the 2025/26 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 is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be "walk through testing" on sample data to encompass the period of the council year under review.

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A. BOOKS OF ACCOUNT

Internal audit requirement

Appropriate accounting records have been kept properly during the year.

Audit findings

This is the first internal audit for Harrogate Town Council, with the authority coming into existence following elections held on 2 May 2025. The audit was conducted on site with the Clerk, who also acts as the council's Responsible Financial Officer (RFO). The Chair and Vice-Chair of the Finance & General Purposes Committee were present for the initial briefing, and I was also introduced to the Mayor during the morning.

The council is still in its early stages and is progressing through establishing a website and adopting the policies and procedures it requires to establish a sound base for future operation. The council benefits from having appointed an experienced Clerk, and I am impressed with the scheduled plan for the council, which includes setting up a structure and governance system as a sound base.

While many of these scheduled items are now in place, I note that some have yet to become effective and encourage the council to ensure that every effort is made to put the remaining policies and procedures in place as soon as possible.

As such, some areas of this report where testing would normally be conducted at the interim visit have been deferred to the year-end for detailed testing.

In particular, the council website should be 'live' as soon as possible to ensure the council is providing information to residents in a clear and transparent manner, and the establishment of clear risk management systems and policies should be a priority action for the council.

Once these essential foundations are in place, this will allow the obvious enthusiasm of the council to focus its attention on delivering for its community and growing the council's range of services and facilities.

I am pleased to note that councillors are working to develop a strategic plan for adoption by the council, and I discussed with the Clerk the recommended practice of incorporating a financial plan to support this, which will assist the council in explaining the need for any future precept rises to residents, as they can be directly linked to the council's adopted strategy.

The Clerk had prepared the information advised in advance of the visit, and overall, I have the impression that accounting records are neatly maintained and easily accessible.

The council uses the Scribe accounting package for recording the council's finances. This is a widely used accounting package within the sector. The accounting package is updated regularly and used to produce management information reports for review at council meetings.

There is currently only one user of the system, although the Administration officer will also be a user for data input purposes.

Where we would normally test the carry forward figures from the previous year to ensure the correct staring position, as a newly established authority, the opening balances as at 1/4/24 are nil.

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

Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit

As the council was established on 2 May 2025, it did not complete an AGAR for 2024/25 and therefore has no information publish under this category.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign "Acceptance of Office" forms together with a formal acceptance to receive information by electronic means.

The individual Register of Members' Interests forms are published on the North Yorkshire Council website and will be on the Town Council website once it is live.

Confirm that the council is compliant with GDPR

It was noted the council 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.

The Smaller Authorities Proper Practices Panel (SAPPP) Practitioner's Guide (March 2025) contains updated guidance on the matter as below, including details of the new Governance Assertion to be included in the 2025/26 AGAR:

Assertion 10 - Digital and data compliance

To warrant a positive response to this assertion, the authority needs to have taken the following actions:

1.47 Email management - Every authority must have a generic email account hosted on an authority owned domain, for example clerk@abcparishcouncil.gov.uk or clerk@abcparishcouncil.org.uk rather than abcparishclerk@gmail.com or abcparishclerk@outlook.com for example.

1.48 All smaller authorities (excluding parish meetings) must meet legal requirements for all existing websites regardless of what domain is being used.

1.49 All websites must meet the Web Content Accessibility Guidelines 2.2 AA and the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 (where applicable).

1.50 All websites must include published documentation as specified in the Freedom of Information Act 2000 and the Transparency Code for Smaller Authorities (where applicable).

1.51 All smaller authorities, including parish meetings, must follow both the General Data Protection Regulation (GDPR) 2016 and the Data Protection Act (DPA) 2018.

1.52 All smaller authorities, including parish meetings, must process personal data with care and in line with the principles of data protection.

1.53 The DPA 2018 supplements the GDPR and classifies an authority as both a Data Controller and a Data Processor.

1.54 All smaller authorities (excluding parish meetings) must also have an IT policy. This explains how everyone - clerks, members and other staff - should conduct authority business in a secure and legal way when using IT equipment and software. This relates to the use of authority-owned and personal equipment.

Testing for compliance with these requirements will be completed at the year-end internal audit as the council website is yet to go live.

Confirm that the council is compliant with the relevant transparency code
As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so.

Confirm that the council meets regularly throughout the year
In addition to full council, the council has committees for Finance & General Purposes, Planning and Staffing, as well as a Neighbourhood Plan Group. Terms of reference for each committee agreed and adopted by the council and will be published on the council website.

It is planned for Council to meet bi-monthly, with the Finance & General Purposes Committee meeting monthly and the Planning Committee every three weeks.

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 these have not been available on the council website as yest, they have been published via the council's Facebook page, through a mainlining list and in the window of the Civic Centre.

I note the council has also made available the non-confidential supporting documentation with the agendas as outlined by the Information Commissioner's Office, and this information will also be on the council website.

Check the draft minutes of the last meeting(s) are on the council's website
To be reviewed at the final internal audit once the website is fully established.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months
The Standing Orders are based on the current NALC model and were most recently reviewed and adopted by council on 14 May 2025 (minute ref 11a 25-26).

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 May 2025 (minute ref 11c 25-26). The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council. I note the council also has an adopted Scheme of Delegation to support the Financial Regulations.

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

The council has thresholds in place at which authorisations to spend must be obtained as below:

FR 5.10 *Individual purchases within an agreed budget for that type of expenditure may be authorised by:*

- *the Clerk or RFO, under delegated authority, for any items below £3,000 excluding VAT*
- *the Clerk, in consultation with the Chair of the Council or Chair of the appropriate committee for any items above £3,000 but below £10,000 excluding VAT*
- *a duly delegated committee of the council for all items of expenditure within their delegated budgets for items under £50,000 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 £50,000;*

FR 5.13 *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 £5,000 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, and through discussion with the Clerk, these authorisation thresholds have been set based on the future planned financial position of the council and while against the current budget appear high at delegated committee level, at present there are no individual budget lines set at that level anyway.

A review of the payment process to ensure that the adopted procedures are being followed will be conducted as part of the final internal audit.

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 £11.10 per elector

The council confirmed its eligibility and adopted the General Power of Competence (GPC) at the annual council meeting in May 2025 (minute ref 9 25-26) and the section 137 threshold does not apply.

Check receipt of VAT refund matches last submitted VAT return

The council has yet to submit a VAT return, and the Clerk plans to do this annually initially, although a more frequent return may be used in future as the council grows.

Confirm that checks of the accounts are made by a councillor

The system noted above details internal review takes place, and the Clerk confirmed that as part of the ongoing schedule of works, a detailed internal control checklist is in the process of development. I am under no doubt that council properly approves expenditure.

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

I confirmed that the council has a valid insurance policy in place with Ansvar Insurance, provided through James Hallam brokerage, which covers the year under review. The policy includes Public Liability cover of £10 million, Employers Liability cover of £10 million and a Fidelity Guarantee level of £250,000.

The Fidelity Guarantee level is sufficient at present, although this should be kept under review as the council increases in size.

The council is yet to adopt a Risk Management Policy. Consequently, at this stage I must conclude that the council has not met the requirements of this internal control objective and I will need to see evidence of the Policy being adopted by the council, and it being followed at the final internal audit to achieve a positive sign-off for this internal control objective.

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

The council precept for 2025/26 was set by North Yorkshire Council as £362,000. With a tax base of 28,426.89, this equates to a band D equivalent of £12.73 (compared to the average in England of £92.92).

The initial budget was also set for the Town Council by North Yorkshire Council, and at the earliest opportunity the council has addressed this outline budget, and reallocated the planned expenditure to more detailed budget descriptions.

The Clerk confirmed that the 2026/27 budget and precept schedule is currently being discussed and is being driven by the strategic plan, with the aim to approve the budget by the end of December 2025 in line with the requirements of the precepting authority.

The Finance & General Purposes Committee are presented with a monthly budget report which provides information on actual spend against budget, and the Clerk will also provide a narrative report twice during the year to provide more detailed explanations.

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.

A review of the general and earmarked reserves will be conducted as part of the final internal audit. As the council is starting from a position of no reserves being held, I acknowledge that it is unlikely to meet the recommended guidance levels at the end of the 2025/26 financial year, but through discussion with the Clerk, she feels it is realistic to aim to reach this level within three years.

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 currently has no other source of regular income, although the council may be acquiring allotments in due course.

There are currently no fees nor charges to review, although the council has made provision to deal with these in the future within the adopted Financial Regulations as below:

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 or other responsible officer. The RFO shall be responsible for the collection of all amounts due to the council.'*

F. PETTY CASH

Internal audit requirement

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

Audit findings

The council has no petty cash and the testing for this internal control objective does not apply.

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

The council currently has two employees on the payroll. Both staff members have a signed contract of employment, based on the NALC template, and the council is a member of the Local Government Pension Scheme (LGPS). The council receives HR support from an external advisor, which includes provision of a staffing handbook incorporating policies for management of staff.

Payroll is processed in house using Bright Pay software. The payroll information is verified by the Finance & General Purposes Committee prior to payments being made, with the actual payments approved in the same manner as other expenditure items.

There are no councillor allowances, although there is a mayor's expense account with repayment made on production of valid receipts. The Clerk is aware that if councillor allowances are paid to eligible (elected) members, these must be processed through payroll and assessed for tax and national insurance.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

The Smaller Authorities Proper Practices Panel (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 includes details of asset location, supplier information, date of acquisition, acquisition cost, replacement value and insurance value.

A review of the assets held as part of the civic collection is due to be completed, and this information will subsequently be added to the asset register

I confirmed by sample testing of the invoices that items added during the year has been accurately recorded as the original net purchase price, although we found one error which included VAT which the Clerk has noted to correct.

The Smaller Authorities Proper Practices Panel (SAPPP) Practitioner's guide provides updated guidance on investments, and defines a long-term investment as below:

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.

1.11 Arrangements need to be in place to ensure that the authority's funds are managed properly and that any amounts surplus to requirements is invested appropriately, in accordance with an approved strategy which needs to have regard to the government's Statutory Guidance on Local Government Investments. If total investments are to exceed the threshold specified in the statutory guidance at any time during a financial year, the authority needs to produce and approve an annual Investment Strategy in accordance with the guidance.

The Clerk has scheduled the adoption of an Investment Policy, and this will be reviewed once adopted.

The council has no borrowing through the PWLB.

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, two members of the Finance Committee shall verify bank reconciliations (for all accounts) produced by the RFO. The members 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 Finance Committee.'*

Bank reconciliations are completed monthly. I reviewed the I reviewed the April 2025 bank reconciliation for all accounts and was able to confirm that the bank reconciliations have been verified in accordance with Financial Regulations, and this activity is taking place during the meetings.

The Clerk intends to include this as part of the internal controls and for the verification process to be completed in advance of meetings in future, with the results reported as per the Financial Regulations.

As the council's annual budget is below the €500,000 (£430,950 as of 3 July comparative date) threshold, it is protected by the Financial Services Compensation Scheme (FSCS).

The council holds two accounts with Unity Trust. At the date of the interim audit, the balances held with Unity exceed the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) and there is therefore a risk attached to this.

As the council grows and its budget exceeds the protection threshold, this will not be relevant in the future, although the council may wish to consider opening an account(s) with alternate providers to spread any risk.

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), supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.

Audit findings

To be tested at the final internal audit.

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

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

Audit findings

The council did not exist in 2024/25, and this test does not apply.

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

Audit findings

The council is reminded that the following requirements apply.

For councils with a turnover over £25,000, it is recommended best practice to follow the Local Government Transparency Code 2015, but not a statutory requirement and therefore not subject to verification during the internal audit.

All councils are required to follow The Accounts and Audit Regulations which include the following requirements:

13(1) An authority must publish (which must include publication on that authority's website)

(a) the Statement of Accounts together with any certificate or opinion entered by the local auditor in accordance with section 20(2) of the Act; and

(b) the Annual Governance Statement approved in accordance with regulation 6(3)

13(2) Where documents are published under paragraph (1), the authority must

(a) keep copies of those documents for purchase by any person on payment of a reasonable sum; and

(b) ensure that those documents remain available for public access for a period of not less than five years beginning with the date on which those documents were first published in accordance with that paragraph.

All councils are required to follow The Accounts and Audit Regulations which include the following requirements:

13(1) An authority must publish (which must include publication on that authority's website)

(c) the Statement of Accounts together with any certificate or opinion entered by the local auditor in accordance with section 20(2) of the Act; and

(d) the Annual Governance Statement approved in accordance with regulation 6(3)

13(2) Where documents are published under paragraph (1), the authority must

(c) keep copies of those documents for purchase by any person on payment of a reasonable sum; and

(d) ensure that those documents remain available for public access for a period of not less than five years beginning with the date on which those documents were first published in accordance with that paragraph.

Testing for publication to meet this requirement will be completed at the final internal audit. As the council was only established in 2025, it can only publish information relating to financial years 2025/26 onwards.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

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

Audit findings

As the council did not publish an AGAR prior to being established on 2 May 2025, it has no information to publish under this internal control objective.

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 2025 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 2024/25, approved and signed, page 4*
- *Section 2 - Accounting Statements 2024/25, approved and signed, page 5*

Not later than 30 September 2025 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

As the council did not publish an AGAR prior to being established on 2 May 2025, it has no information to publish under this internal control objective.

O. TRUSTEESHIP

Internal audit requirement

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

Audit findings

The council has no trusts, and 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.

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial 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	Petty cash payments were properly supported by receipts, all petty 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), 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 previous 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	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 or 07428 647069.

Yours sincerely

Andy Beams
Director, Mulberry Local Authority Services Ltd

Interim Internal Audit - Points Carried Forward

Audit Point	Interim Audit Findings	Council comments
A. BOOKS OF ACCOUNTS	In particular, the council website should be 'live' as soon as possible to ensure the council is providing information to residents in a clear and transparent manner, and the establishment of clear risk management systems and policies should be a priority action for the council. I am pleased to note that councillors are working to develop a strategic plan for adoption by the council, and I discussed with the Clerk the recommended practice of incorporating a financial plan to support this, which will assist the council in explaining the need for any future precept rises to residents, as they can be directly linked to the council's adopted strategy.	
B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	Testing for compliance with the requirements for Assertion 10 will be completed at the year-end internal audit as the council website is yet to go live. A review of the payment process to ensure that the adopted procedures are being followed will be conducted as part of the final internal audit.	
C. RISK MANAGEMENT AND INSURANCE	The Fidelity Guarantee level is sufficient at present, although this should be kept under review as the council increases in size. The council is yet to adopt a Risk Management Policy. Consequently, at this stage I must conclude that the council has not met the requirements of this internal control objective and I will need to see evidence of the Policy being adopted by the council, and it being followed at the final internal audit to achieve a positive sign-off for this internal control objective.	

D. BUDGET, PRECEPT AND RESERVES	A review of the general and earmarked reserves will be conducted as part of the final internal audit. As the council is starting from a position of no reserves being held, I acknowledge that it is unlikely to meet the recommended guidance levels at the end of the 2025/26 financial year, but through discussion with the Clerk, she feels it is realistic to aim to reach this level within three years.	
H. ASSETS AND INVESTMENTS	I confirmed by sample testing of the invoices that items added during the year has been accurately recorded as the original net purchase price, although we found one error which included VAT which the Clerk has noted to correct. The Clerk has scheduled the adoption of an Investment Policy, and this will be reviewed once adopted.	
I. BANK AND CASH	The council holds two accounts with Unity Trust. At the date of the interim audit, the balances held with Unity exceed the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) and there is therefore a risk attached to this. As the council grows and its budget exceeds the protection threshold, this will not be relevant in the future, although the council may wish to consider opening an account(s) with alternate providers to spread any risk.	