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Clerk to the Council
Capel Parish Council
55a The Street
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2nd November 2026

Dear Cllrs,

Re: Capel Parish Council
Internal Audit Report for Financial Year Ended 31 March 2027 – Interim Audit Report

Executive summary

Following completion of our interim internal audit on 2nd November 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 transactions 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 Audit 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) Practitioners' Guide.

The report concludes with our opinion on whether each assertion has been met as at 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 action plan below.**

Our testing identified one matter that must be reported to the external auditor. The period for the exercise of public rights for 2025/26 was set to begin, and the notice was dated, before the council approved the AGAR on 22 June 2026 (objective M). The council should expect to answer "No" to assertion 4 of the 2026/27 Annual Governance Statement.

We found no indication of any loss of public funds. The council has acted on the main matters raised last year: Scribe has been in use since 1 April 2026 and bank reconciliations are now prepared monthly, verified and reported to council. The other recommendations in this report are improvements to controls and should not be viewed as indicators of error.

Conclusions by objective

Our conclusion on each internal control objective in the Annual Internal Audit Report is set out below. These conclusions are as at the date of the interim visit and will be updated at the final audit.

Objective	Area	Conclusion	Recommendations
–	Governance and follow-up (Introduction)	Met, with recommendations	IN1 to IN5
A	Books of account	Met, with recommendations	A1, A2, A3
B	Financial regulations, governance and payments	Met, with recommendations	B1, B2, B3, B4
C	Risk management and insurance	Met, with recommendations	C1 to C5
D	Budget, precept and reserves	Met, with recommendations	D1, D2
E	Income	Met	None
F	Cash	Met	None
G	Payroll	Met, with recommendations	G1, G2
H	Assets and investments	Met, with recommendations	H1
I	Bank and cash	Met, with recommendations	I1, I2, I3
J	Year-end accounts	Met (year-end testing at the final visit)	None
K	Limited assurance review	Not applicable	None
L	Publication of information	Met, with recommendations	L1
M	Exercise of public rights	Not met – reportable to the external auditor	M1, M2
N	Publication of the prior year AGAR	Met, with recommendations	N1
O	Digital and data compliance	Met, with recommendations	O1, O2, O3
P	Trusteeship	Not determined at the interim visit	P1

Action plan

We have made a number of recommendations. The council should record its response to each and report progress to a meeting.

Implications for the Annual Governance Statement

The council answers the assertions in Section 1 of the AGAR. Those answers are the council's judgement, not the auditor's. This table shows where matters in this report bear on each one.

Assertion	Subject	Reported under	Matters bearing on the council's answer
1	Financial management and preparation of the accounting statements	A, D, J	Scribe has been used since 1 April 2026, but meeting reports are still produced in Excel (A1). Reserves are not scheduled into general and earmarked reserves (D1).
2	Internal control, including prevention of fraud, and review of its effectiveness	B, C, E, F, G, H, I	Bank reconciliations are prepared monthly, verified and reported to council; the Chair verified those for July and August 2026 (I2). No review of the effectiveness of internal control has yet been minuted for 2026/27 (C5). Payment schedules were not always approved by resolution (B4).
3	Compliance with laws, regulations and proper practices	Introduction (Governance), B, K, L	Decisions were taken on business not on the agenda (IN4). The general power of competence was relied on while the council was not eligible (B2). Financial regulations and standing orders have not been re-adopted within 12 months (B3).
4	Exercise of electors' rights	M	The 2025/26 notice of public rights is dated 20 June 2026 and the period began on 3 June 2026, before the AGAR was approved on 22 June 2026 (M1, M2).
5	Assessment and management of risk, including insurance	C	Risk register approved on 19 January 2026; it omits cyber, legionella and Clerk absence (C3). Insurance with Zurich; the asset register is not used at renewal (C4).
6	System of internal audit	Introduction (Appointment, Independence)	Mulberry Local Authority Services Ltd is the internal auditor. Payroll is provided by Mulberry & Co, under common ownership; the auditor has no involvement in payroll. Annual review of independence not yet minuted (IN2).
7	Action on matters raised by internal and external audit	Introduction (Minutes and follow-up), N	The 2025/26 recommendations are being followed up: Scribe adopted and monthly reconciliations in place. The 2025/26 interim report is not minuted as presented to council.
8	Litigation, liabilities, commitments and events with a financial impact	Introduction (Minutes and follow-up), J	The discrimination claim against the council and the council's own claim (17 August and 21 September 2026) should be considered at the year end.
9	Trust funds	P	The Charity Commission register lists the Recreation Ground (charity 304989) at the council's address; the council's is not the sole managing trustee.
10	IT and data management	O	No council privacy notice is published (O1). The IT policy is to be adopted in November 2026 (O2). Website accessibility must be tested and minuted (O3).

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INTRODUCTION

Appointment

On 22 June 2026 the council resolved to consider "continuing the appointment of Mulberry and Company as the internal auditor", proposed by Mrs Schryver and seconded by Mr Salter (minute 17(a)(v) of 22 June 2026). On 20 July 2026 the minutes record that Mulberry and Company was appointed as internal auditor and that a three-year agreement had been signed giving "favourable rates" (item 17(i) of 20 July 2026). The minute names Mulberry and Company, not Mulberry Local Authority Services Ltd. Mulberry & Co is the previous trading name of Mulberry Local Authority Services Ltd for internal audit work, and I remind council to use the correct name in future.

At the annual meeting on 18 May 2026 the appointment was deferred to June, the minutes noting that "It is recommended good practice to rotate the use of auditors" (annual meeting minutes of 18 May 2026).

Independence

The Practitioners' Guide (paragraph 4.11) requires the council to review the independence of its internal auditor each year. No review of independence is minuted between October 2025 and September 2026.

On 22 June 2026 the council also resolved to appoint "Mulberry and Company as the payroll provider" (minute 17(a)(vi) of 22 June 2026; see also item 12), with effect from 1 July 2026 (item 17(ii) of 20 July 2026). The auditor has no involvement in the preparation of payroll.

The officers page of the council website lists Andy Beams as "Internal Auditor (Mulberry and Co.)" with the address andy@mulberryandco.co.uk. The council should remove the reference to an individual and name Mulberry Local Authority Services Ltd as its internal auditor.

Payments to the firm in the published minutes: Mulberry LAS interim audit £249.60 (£208.00 plus VAT) on 17 November 2025 (minutes of 17 November 2025); Mulberry LAS invoice 2195 £430.02 (£358.35 plus VAT) on 18 May 2026 (item 11(a)(iv) of 18 May 2026); Mulberry Local Authority Services training £144.00 (£120.00 plus VAT) on 21 September 2026 (minute 16(a)(i) of 21 September 2026). No payroll fee appears in the schedules to 21 September 2026.

Conduct of the audit

The audit was carried out on site with the Clerk, who is also the council's Responsible Financial Officer (RFO), together with the Chair of Finance. Further evidence was obtained by review of the council's website.

Minutes and follow-up

I reviewed the published minutes of council meetings held between 15 September 2025 and 21 September 2026 (minutes folder) and of the Finance Committee of 27 October 2025, 5 May and 7 September 2026. The following matters were noted:

- the minutes headed "Full Parish Meeting held on Monday 09 March 2026" (March 2026 minutes) record work done "up until 13th March", approve the annual parish meeting minutes of the same day (item 4), and are approved on 20 April 2026 as the minutes of 16 March 2026 (item 2 of 20 April 2026);
- minute 17(a)(i) of 22 June 2026 records that "The accounts to 31 March 2025 have been audited by Mulberry and Company"; the return approved was for 2025/26;
- the agendas for 20 April, 20 July and 21 September 2026 refer to minutes of "16 March 2025", "22 June 2025" and "17 August 2025" (April, July, September); the July agenda is headed "Annual Council Meeting"; agenda items are missing or duplicated (July item 15, October item 4, September items 14 and 15 twice);
- the minutes of 20 April 2026 record decisions on business not on the agenda: allotment charges under public questions (item 5) and items 15 and 16 (minutes of 20 April 2026; agenda);

- the payment totals printed on 21 September 2026 do not add: £13,788.56 net plus £865.46 VAT is £14,654.02, against £15,652.02 printed (minute 16(a)(i)); on 22 June 2026 the total is printed "£101,40.65" (item 17(a)(iv));
- sub-item numbering is out of sequence in the minutes of 17 August and 21 September 2026 (August, September);
- a sex discrimination claim against the council and the council's own claim are recorded in the public minutes and agendas, naming the claimant (item 10 of 17 August 2026; item 14 of the agenda for 19 October 2026); no resolution to exclude the press and public is recorded. The council is aware of this and is redacting the information from the website and the signed minutes.

Our 2025/26 interim report (29 October 2025) is not recorded as presented to council in the minutes of November 2025 to May 2026. The 2025/26 final report was considered on 22 June 2026, when the minutes record that "a Parish Councillor would be available to attend any future audits" (minute 17(a)(i) of 22 June 2026). The 2025/26 final report made recommendations under A (accounting package), I (bank reconciliation) and J (audit trail). On 20 July 2026 the council signed for the Scribe accounting package (item 10) and on 17 August 2026 noted Scribe bank reconciliations for April to July (item 12(a)(v)). The council is following up the auditor's recommendations.

Governance

The website lists nine councillors (Beare Green, Capel, Coldharbour), which agree to the minutes. Mr Ransome resigned before 18 May 2026 and Mr Handley was co-opted on 22 June 2026 (item 7 of 22 June 2026). I have seen the signed declarations of acceptance of office.

Cllr Watson sent apologies to every meeting from 22 June to 21 September 2026; her last recorded attendance is 18 May 2026. The apologies have been accepted and the Clerk is aware of the six-month rule (Local Government Act 1972, section 85).

The Chair declared an interest in Helpdesq at the Finance Committee on 7 September 2026 (Finance Committee minutes). Helpdesq appears as a supplier in the payment schedules.

Full council meets monthly, with Planning and Finance Committees; a Management Committee without decision-making powers was formed on 22 June 2026 (item 12). No agenda tested contains an "any other business" item. I have seen the signed minutes and each councillor's consent to receive the summons by electronic means.

Recommendations:

IN1 – Update the website to remove the reference to an individual and to Mulberry & Co as internal auditor; the internal auditor is Mulberry Local Authority Services Ltd.

IN2 – Review the independence of the internal auditor annually and minute it (Practitioners' Guide, paragraph 4.11).

IN3 – List the errors in previous minutes and agendas noted above and take the list to council, recording each correction (before and after).

IN4 – No council business can be decided unless it is on the agenda. Take the decisions of 20 April 2026 to council, recording that they were not properly made, and resolve to approve them retrospectively.

IN5 – Review procedures for keeping information confidential in the light of the sex discrimination claim against the council, including use of a resolution to exclude the press and public.

A. BOOKS OF ACCOUNT

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective A. See "Sources and references" at the end of this report.

Internal audit requirement

Appropriate accounting records have been kept properly throughout the year.

Audit findings

Evidence examined: accounting system; cashbook and nominal ledger; bank statements; payment and receipt vouchers; VAT reclaim.

Accounting system and access

The council has used Scribe since 1 April 2026 to keep its accounting records. Passwords are not routinely prompted to change. The council also uses other cloud-based systems, such as Microsoft. Two users have written access, the Clerk and the Assistant Clerk, and councillors have read access. Each has an individual login. Permissions are administered by the Clerk. Prior periods are not locked.

It is intended that the Clerk and Assistant Clerk will perform a close-down on Scribe for each meeting; at present only the bank reconciliation is printed. There is no formal checklist or written month-end procedure; the experience of the Clerk is relied upon. The council should have a written checklist for use in the event of the Clerk's absence.

Scribe requires key data fields to be completed before a transaction can be recorded. It is a clear and easy system to follow, and the cashbook shows that some of the optional fields are being completed. Scribe allows many more fields to be used (power, minute reference, payment reference and notes, with PDFs of invoices stored against the transaction). Using these fields and uploading invoices will improve the audit trail and document retention.

The system is not yet used to produce management information for councillors; information is taken to Excel and reproduced. This is not the best use of the system. Continued use of Scribe, with training, will ensure the system is used efficiently.

Supplier invoices, bank statements and VAT reclaims are filed in lever arch files by year and month. This simple method of filing is entirely suitable for a council of this size. The files were up to date and in good order.

Cashbook and audit trail

We selected a sample of six payments and some receipts covering the period 1 April to 2 November 2026. For each item the supporting documentation was located and agreed to the cashbook and the bank statement. No exceptions were identified.

We agreed the opening balances at 1 April 2026 to the balances carried forward in the 2025/26 accounting statements (AGAR Section 2, Box 7) and to the year-end bank reconciliation; both showed £85,672.26.

I sampled nominal ledger entries for the period 1 April to the audit date. Expenditure was correctly posted to the headings to which it related and there was no evidence of netting off.

VAT returns

The council is not VAT registered and reclaims VAT under section 33 using form VAT126. We reviewed the claim for the period ended 30 April 2026, which showed a refund of £6,203.48 and was supported by the ledger. We agreed receipt of this amount to the bank statement on 7 May 2026. The council is up to date with its VAT claims.

Recommendations:
A1 – Use Scribe to produce the financial reports for each meeting, with training as needed.
A2 – Prepare a written checklist for month-end and meeting close-down procedures.
A3 – Complete the additional Scribe fields for the audit trail and upload PDFs of invoices to the transaction lines.

CONCLUSION: We are satisfied this internal control objective has been met, subject to the recommendations above.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective B. See "Sources and references" at the end of this report.

Internal audit requirement

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

Audit findings

Evidence examined: standing orders and financial regulations; minutes of council and Finance Committee; payment schedules; purchase invoices.

Standing orders and financial regulations

The financial regulations state that they were "adopted by the council at its meeting held on 16 June 2025". Adoption of financial regulations, standing orders and the Transparency Code was deferred on 18 May 2026 (item 9), 22 June 2026 (items 13 to 15) and 20 July 2026 (items 12 to 14), and is not minuted on 17 August or 21 September 2026. Standing orders headed "Reviewed July 2026" are published with no adoption date and with unfilled gaps at standing order 8(d). Financial Regulations are being taken to council in November 2026.

Regulation 5.15 permits the RFO to authorise items below £750 excluding VAT, and below £3,000 in consultation with the Chair; the council authorises items over £3,000. Regulation 5.8 requires at least two fixed-price quotes above £3,000 excluding VAT.

Procurement and approval of expenditure

Spending above £3,000 in the period:

- Parish Hall roof: a preferred quotation of £9,358.74 "inclusive of VAT" was agreed on 19 January 2026 (item 10 of 19 January 2026). PJM invoice 958 "Roof Repairs" was paid at £9,800.00 plus £1,960.00 VAT, £11,760.00 (item 17(a)(ii) of 20 April 2026). The reference to "inclusive of VAT" in the January minute was an error; the quotation was excluding VAT. Council should note the error and approve the additional spend;
- tree works: thirteen urgent trees completed "with an estimated bill of £6570 exc vat", after which the Clerk was to seek further quotations (item 10 of the March 2026 minutes);
- three-bay swing set: £8,500 approved toward a quotation of £12,376.00 excluding VAT (item 8 of 18 May 2026).

I have reviewed the invoices and can confirm that the council is following its financial regulations in ordering goods and services.

Authorisation of payments

Regulation 6.6 requires the RFO to present a schedule of payments and the council to "authorise payment by resolution". The schedules are printed within the minutes. The resolution recorded at each meeting is set out below.

Meeting	Minute	Resolution recorded	Totals as printed (net / VAT / gross)
20 October 2025	16(a)(ii)	None recorded	£7,696.85 / £377.74 / £8,064.59
17 November 2025	11(a)	None recorded	£11,019.78 / £330.51 / £11,350.29
15 December 2025	15(a)(ii)	None recorded	£8,104.72 / £280.29 / £8,385.01
19 January 2026	18(i)	None recorded	£8,422.58 / £204.67 / £8,627.28
16 February 2026	13	None recorded	Expenditure £8,652.48
March 2026	20	“All agreed and signed off”	No totals printed
20 April 2026	17(a)(ii)	None recorded	£17,597.18 / £2,161.62 / £19,758.80
18 May 2026	11(a)(iv)	No explicit resolution	£10,466.33 / £356.29 / £10,824.62
22 June 2026	17(a)(iv)	Approved for payment	£9,715.76 / £424.89 / “£101,40.65”
20 July 2026	15(a)(iv)	Approved for payment	“£8,553.276” / £403.28 / £8,956.55
17 August 2026	12(a)(vi)	Approved for payment	£8,297.68 / £452.04 / £8,749.72
21 September 2026	16(a)(i)	Approved for payment	£13,788.56 / £865.46 / £15,652.02

Schedules from June 2026 include lines headed “Confidential Payment” with no payee. I have noted and agreed the confidential nature of these payments.

VAT on expenditure
VAT on the payments sampled was correctly identified and reclaimed.

General power of competence and section 137
On 18 May 2026 “The Council unanimously agreed to continue with this entitlement” (item 10). On 21 September 2026 the council recorded that it “does not comply with the General Power of Competence as only 4 of the current 9 Councillors were elected” (minute 15). The General Power of Competence statement remained on the website at the date of the audit. No section 137 expenditure is recorded to date.

A council may spend money only where a power allows it. Without the general power of competence, the council must identify the specific statutory power for each item of spending. Scribe has a field for the power against each transaction; recording it gives councillors and the auditor a clear record that each payment was lawful, and highlights any item that can only be made under section 137 and its per-elector limit.

Recommendations:

B1 – Note that the roof quotation agreed on 19 January 2026 was excluding VAT, and approve the additional spend.

B2 – Remove the general power of competence statement from the website, and record the power relied on for each payment in Scribe.

B3 – Adopt the financial regulations, standing orders and Transparency Code, as planned for November 2026, and review them annually.

B4 – Approve each schedule of payments by resolution, as required by financial regulation 6.6.

CONCLUSION: We are satisfied this internal control objective has been met, subject to the recommendations above.

C. RISK MANAGEMENT AND INSURANCE

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective C. See "Sources and references" at the end of this report.

Internal audit requirement

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

Audit findings

Evidence examined: risk management policy and register; insurance schedule; training records and payments; minutes.

Risk assessment

The risk management policy and risk register was "Approved and adopted" on 19 January 2026 (item 16 of 19 January 2026), having been deferred on 15 December 2025 (item 14). The document carries no adoption or version date. Each risk has a single low, medium or high rating and a control. This is a simple register suitable for a council of this size. It covers trees, play areas, insurance, fraud, reserves and legal claims, but contains no entry for cyber or IT security, legionella or Clerk absence, and predates the introduction of Scribe.

Training and continuity

The training and development policy was uploaded in 2022; no review is minuted. I have seen evidence of training: ILCA £168.00 (19 January 2026); CiLCA £475.00 and SLCC £46.70 and £70.20 (22 June 2026); Mulberry Local Authority Services training £144.00 (21 September 2026). The council expects both Clerks to hold CiLCA by May 2027 (minute 15 of 21 September 2026). Councillors are encouraged to train.

Councillors are collectively responsible for the council's financial management and governance. Each year the full council approves the Annual Governance Statement, which commits every member to the assertions it contains: that the council has maintained an adequate system of internal control, has acted only within its legal powers, and has responded to matters raised by its auditors. Members can only make those assertions with confidence if they understand what each one requires and how the council's own controls support it.

This is particularly relevant to Capel at present. Five of the nine members were co-opted rather than elected, which is why the council cannot use the general power of competence. A new accounting system was introduced in April 2026, and several matters in this report, including the period for public rights, decisions taken on business not on the agenda and the verification of bank reconciliations, are areas where training would directly strengthen the council's controls. The council should keep a record of training attended by each councillor and

officer, and should ensure that every member completes core governance and finance training. Members who verify bank reconciliations or act as signatories should be trained in those duties.

Play areas, open spaces and other physical assets
The council is engaging a third-party contractor to carry out annual and quarterly inspection of the play area to a RoSPA-type standard. Councillors and the Clerk carry out ad hoc inspections between those visits, but have not been trained to do so. On 22 June 2026 the minutes record that "Yearly inspection reports from Mole Valley have not been received", and that corrective repairs to the climbing frame and slide would be carried out without delay (item 9).

Review of the effectiveness of internal control
No review of the effectiveness of internal control is minuted between September 2025 and September 2026. The review must be completed and minuted before the council approves the 2026/27 Annual Governance Statement. A practical approach is for the council to reproduce the Annual Governance Statement with an additional column, setting out against each assertion two or three points describing what the council does locally to meet it, and to approve that document by resolution.

Insurance
The council is insured with Zurich. The policy provides employer's liability cover of £10,000,000, public liability cover of £10,000,000 and fidelity guarantee cover of £250,000, which is sufficient against peak balances of about £162,000 in September 2026. The annual premium of about £4,600 was paid in July 2026 (item 12(a)(i) of 17 August 2026). Rebuild values from an estate valuer were sent to Zurich (item 8 of the Finance Committee, 5 May 2026). No consideration of cyber cover is minuted.

The fixed asset register is not routinely presented to the insurer at renewal. The register is the council's record of what it owns; if it is not used at renewal, items can be uninsured or under-insured, and the council may find after a loss that an asset was never on the schedule. Agreeing the insurance schedule to the register each year, and reporting the outcome to council, closes that gap.

Recommendations:
C1 – Keep a record of councillor and officer training and ensure every member completes core governance and finance training.
C2 – Provide training for councillors and the Clerk who carry out play area inspections.
C3 – Update the risk assessment now Scribe is in place, adding cyber and IT security, legionella and Clerk absence.
C4 – Present the fixed asset register to the insurer at each renewal and consider cyber cover.
C5 – Review the effectiveness of the system of internal control and minute it before 31 March 2027.

CONCLUSION: We are satisfied this internal control objective has been met, subject to the recommendations above.

D. BUDGET, PRECEPT AND RESERVES

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective D. See "Sources and references" at the end of this report.

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

Evidence examined: budget and precept minutes for 2026/27; published budget; budget reporting in the minutes; Scribe reserves report.

Budget monitoring

The minutes record a finance statement at each meeting: about 60% of budgets remaining, the swings and legal fees to come from reserves. The Finance Committee expects the legal budget to be overspent (item 5 of 7 September 2026). I confirm there is regular discussion of budget performance throughout the year. Producing these reports from Scribe will improve them.

Budget and precept

On 15 September 2025 "A sum of £125,746 was proposed" as the 2026/27 precept and "This was agreed and accepted by all Councillors" (minute 16(a) of 15 September 2025). The 2026/27 budget totals £137,010, funded by the precept and £11,264 of concurrent grant and council tax support. The precept is a decrease of 1.0% on the 2025/26 precept of £127,010. The precept received has been agreed to the precept request and to the accounts.

Reserves

Earmarking continues for the PWLB repayment, solar panels and the children's playground (item 9 of 7 September 2026); the Finance Committee expects a year-end reserve of about £70,000 (item 5). Scribe shows total reserves of £136,676, but these are not scheduled into general and earmarked reserves. Council should resolve the reserves it holds under each heading – CIL, section 106, capital earmarked, other earmarked and general – and record them in Scribe.

Recommendations:

D1 – Resolve the earmarked reserves held and record CIL, section 106, earmarked and general reserves in Scribe.

D2 – Use Scribe reports for budget reporting to council.

CONCLUSION: We are satisfied this internal control objective has been met, subject to the recommendations above.

E. INCOME

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective E. See "Sources and references" at the end of this report.

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

Evidence examined: approved fees and charges; sales invoices; allotment and burial registers; precept request; bank statements.

Income streams

Apart from the precept, the council receives income from hall hire, allotments, burials, grants, bank interest and VAT refunds. The precept received was agreed to the precept request.

Fees and charges are reviewed and updated by council, as evidenced in the minutes: allotment charges of £45.00 a full plot (item 5 of 20 April 2026); Parish Hall hire rates to rise from 1 January 2027 and the FOI copying charge from 20p to 40p (item 8 of the Finance Committee, 7 September 2026).

Testing by income stream

Published fees were agreed to invoices. An allotment register is in place and the burial register is up to date.

VAT on income

There is no evidence that the council should be charging VAT.

CONCLUSION: We are satisfied this internal control objective has been met.

F. CASH

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective F. See "Sources and references" at the end of this report.

Internal audit requirement

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

Audit findings

Petty cash and floats

The council has no petty cash. Cash transactions are very limited, perhaps one or two a year, and cash is banked intact.

I tested the single cash receipt of £40 that was kept in a locked safe. There were no errors.

CONCLUSION: We are satisfied this internal control objective has been met.

G. PAYROLL

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective G. See "Sources and references" at the end of this report.

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

Evidence examined: contracts of employment; payroll records; HMRC account; minutes.

Staffing and contracts

The council has two employees on the payroll, the Clerk and the Assistant Clerk, who was appointed from 1 January 2026 (item 9 of 17 November 2025). Contracts are in place on the NALC model and pay is in accordance with the NJC scales. The NALC 2026/27 pay award of 3.3% was backdated to 1 April 2026 on the recommendation of the Finance Committee (item 9 of 7 September 2026) and backpay was noted by council (minute 16(a)(i) of 21 September 2026). The council should ensure there is a clear audit trail showing council approval of each employee's remuneration package and this should be recorded on the employees HRT file, detailing not just the increase but also the salary amount and scale point.

Payroll processing

Payroll is processed by a third party, Mulberry & Co, from 1 July 2026 (see Introduction, Independence). Tax and National Insurance were correctly calculated and the HMRC account is up to date. No pension is in place, as neither employee meets the auto-enrolment thresholds.

The council has no access of its own to the HMRC Government Gateway account. The council should hold its own access, so that it can see its PAYE position independently of its payroll provider.

Members' allowances

No allowances are paid to members.

Recommendations:

G1 – Ensure a clear audit trail shows council approval of each remuneration package and copy to HR file

G2 – Obtain the council's own access to its HMRC Government Gateway account.

CONCLUSION: We are satisfied this internal control objective has been met, subject to the recommendations above.

H. ASSETS AND INVESTMENTS

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective H. See "Sources and references" at the end of this report.

Internal audit requirement

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

Audit findings

Evidence examined: asset register; investment policy; PWLB statement; minutes.

Asset register

The council keeps a simple asset register. The published fixed asset register is the 2020/21 register. The Finance Committee recorded that updated rebuild values "cannot" be included in the AGAR total and that the rebuild-value register would be posted on the website (item 8 of 5 May 2026).

Box 9 for 2025/26 of £526,051 was agreed to the register. Additions in the year, including the swing set, are to be added to the register by 31 March 2027.

Investments

The investment policy was uploaded in 2022; no review is minuted. A one-year NatWest investment account was opened with £20,000 (item 6 of the Finance Committee, 27 October 2025). Balances are correctly shown as bank and cash balances.

Borrowing

The council has PWLB borrowing for the Sports Pavilion. Repayments agree to the PWLB statements.

Recommendation:

H1 – Update the asset register for 2026/27 additions, consider keeping it in Scribe, and publish the current register on the website.

CONCLUSION: We are satisfied this internal control objective has been met, subject to the recommendation above.

I. BANK AND CASH

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective I. See "Sources and references" at the end of this report.

Internal audit requirement

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

Audit findings

Evidence examined: bank mandate; bank statements; bank reconciliations; financial regulations; minutes.

Bank accounts and mandate

The council holds current, reserve and higher interest accounts with NatWest and an account with NS&I. The bank mandate needs to be updated. An out-of-date mandate can leave former members able to authorise payments, or leave the council unable to make payments if too few current signatories remain; the mandate should be reviewed whenever membership changes and at least annually.

Reconciliations

Reconciliations are now prepared monthly by the Clerk for all accounts, addressing the matter reported last year. We reviewed the reconciliations at 31 July 2026 and agreed the balances to the bank statements and to the cashbook. There were no unpresented items. The reconciliations are verified by a councillor who is a bank signatory, signed and dated, and reported to council as recorded in the minutes.

Financial regulation 2.6 requires that "a member other than the Chair shall be appointed to verify bank reconciliations" (financial regulations). The reconciliations for July and August 2026 were "signed by the Chair" (item 12(a)(ii) of 17 August 2026; item 16(a)(ii) of 21 September 2026).

Deposit protection

At 21 September 2026 the council held £161,642.16 with NatWest across three accounts and £623.19 with NS&I (minute 16(a)(iii)). FSCS protection is limited to £120,000 per authorised institution.

Recommendations:

I1 – Update the bank mandate.

I2 – Consider the balance held with one institution against the £120,000 FSCS limit.

CONCLUSION: We are satisfied this internal control objective has been met, subject to the recommendations above.

J. YEAR END ACCOUNTS

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective J. See "Sources and references" at the end of this report.

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.

Audit findings

Accounting basis

The council's gross income and expenditure are below £200,000. The 2025/26 accounting statements were prepared on a receipts and payments basis, and the reports produced during 2026/27 use the same basis.

Year-end accounting statements

The council's year-end accounting statements will be tested at the final visit. That testing will cover the AGAR Section 2 figures, the reconciliation of the cashbook to Box 7 and Box 8, and year-end cut-off.

CONCLUSION: We are satisfied this internal control objective has been met to date; year-end testing will take place at the final visit.

K. LIMITED ASSURANCE REVIEW

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective K. See "Sources and references" at the end of this report.

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

Exemption from limited assurance review

The council did not certify itself exempt for 2025/26 and was subject to a limited assurance review by Littlejohn. Gross income was £166,367 (Boxes 2 and 3) and gross expenditure £150,258 (Boxes 4, 5 and 6), both above £25,000.

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

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective L. See "Sources and references" at the end of this report.

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

Evidence examined: council website; agendas and minutes.

Which regime applies

Gross income and expenditure for 2025/26 were about £166,000 and £150,000. Neither transparency code is mandatory for an authority of this size. A Transparency Code 2026 document is published; its adoption is to be considered in November 2026.

Meetings, agendas and minutes

We tested the agendas for council meetings from April to October 2026. Minutes for September 2025 to September 2026 are published (minutes folder); the archive reaches 2014. No agenda contains an "any other business" item.

Website review

We reviewed the council website against the publication requirements of the relevant legislation:

Requirement	Source	Finding
Notices and agendas of meetings	Public Bodies (Admission to Meetings) Act 1960, as amended; Local Government Act 1972, Schedule 12	Clear days from the date on the agenda: 19 October 4; 21 September 4; 17 August 4. 20 July and 20 April agendas undated. No agenda published for 18 May; 22 June folder empty.
Minutes of meetings	Proper practice and publication scheme	Published to 21 September 2026 (minutes folder). Archive to 2014.
Officer decision records	Openness of Local Government Bodies Regulations 2014	None published.
Registers of members' interests	Localism Act 2011, section 29	Published by Mole Valley District Council (link).
AGAR 2025/26 Sections 1 and 2, notice of public rights	Accounts and Audit Regulations 2015	AGAR published (AGAR file); see objectives M and N.
AGAR 2025/26 external auditor report and notice of conclusion	Accounts and Audit Regulations 2015	External audit not concluded at 21 September 2026; see objective N.
AGARs for the previous five years	Accounts and Audit Regulations 2015	Audited accounts folders for 2019 to 2026.
Publication scheme	Freedom of Information Act 2000, section 19	Publication policy and Freedom of Information documents published.

Recommendation:
L1 – Publish every agenda, showing its date of issue, at least three clear days before the meeting, and keep it on the website with the minutes.

CONCLUSION: We are satisfied this internal control objective has been met, subject to the recommendation above.

M. EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective M. See "Sources and references" at the end of this report.

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

Evidence examined: notice of public rights for 2025/26; minutes of the meetings of 18 May and 22 June 2026.

Period for the exercise of public rights

Inspection – key dates	2025/26 Actual
Date AGAR signed by council	22 June 2026 (minute 17(a)(i))
Date inspection notice issued	20 June 2026 – No, before the AGAR was approved
Inspection period begins	3 June 2026 – No, before the AGAR was approved
Inspection period ends	14 July 2026
Correct length (30 working days)	Yes
Common period included (first 10 working days of July)	Yes

Signing of the AGAR was deferred on 18 May 2026 (item 11(a)(i)). On 22 June 2026 "The Return was approved unanimously by all Councillors" (minute 17(a)(i)).

The notice of public rights is dated 20 June 2026 and sets the period from 3 June to 14 July 2026. The period is the correct length and includes the first ten working days of July. However, the notice was issued, and the period began, before the council approved the AGAR on 22 June 2026. The period cannot begin until the accounting statements have been approved and published with the notice (Accounts and Audit Regulations 2015). Electors were therefore not given a proper period in which to inspect approved accounts.

This matter is reportable to the external auditor. The council should answer "No" to assertion 4 of the 2026/27 Annual Governance Statement, with an explanation of what happened and the action taken to prevent it recurring.

Recommendations:
M1 – Answer "No" to assertion 4 of the 2026/27 Annual Governance Statement, with a written explanation.
M2 – Report the matter to the external auditor, setting out what happened and how it will be prevented. In future, set the period only after the AGAR has been approved, and start it on or after the day following publication of the notice.

CONCLUSION: We are not satisfied this internal control objective has been met. The matter is reportable to the external auditor.

N. PUBLICATION REQUIREMENTS

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective N. See "Sources and references" at the end of this report.

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

Evidence examined: 2025/26 AGAR, notice of public rights and external auditor's documents on the council website; minutes.

Publication of the 2025/26 AGAR

The 2025/26 AGAR and our 2025/26 final internal audit report are in the 2026 audited accounts folder, last changed on 2 July 2026. The notice of public rights was issued before the AGAR was approved (objective M).

On 21 September 2026 the council noted an interim report from the external auditor, Littlejohn, with an interim letter ("completion not certified") and AGAR Sections 1 to 3, to be posted on the website (minute 16a(i)). The external auditor's document was uploaded to the regulatory folder on 22 September 2026.

Recommendation:

N1 – Publish a notice that the 2025/26 audit has not been concluded, and publish the notice of conclusion, Section 3 and the final Sections 1 and 2 when the external auditor completes the review.

CONCLUSION: We are satisfied this internal control objective has been met, subject to the recommendation above.

O. DIGITAL AND DATA COMPLIANCE

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective O. See "Sources and references" at the end of this report.

Internal audit requirement

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

Audit findings

Evidence examined: accessibility statement; privacy notice; data protection policy; data audit; email and internet usage policy; ICO register entry.

Email

The Clerk's address is clerk@capel-pc.gov.uk and the Assistant Clerk's pippa.beattie@capel-pc.gov.uk (officers page), on the council's own domain. Councillors have capel-pc.gov.uk addresses.

Website accessibility

The accessibility statement refers to WCAG 2.2 AA and states that the website "is partially compliant". It was prepared and last reviewed on 15 May 2026. It does not state when or by whom the website was tested. I remind council to test the accessibility of the website annually and minute it.

We discussed the website with the Chair of Finance and the Clerk, and reviewed websites of other local councils and whilst outside the scope of my report agreed that perhaps this could be a topic for discussion in the future.

IT policy

An email and internet usage policy was uploaded in December 2024. A draft IT policy was to be circulated before June 2026 (item 9 of 18 May 2026). The updated IT policy will be taken to council and published in November 2026.

Data protection

The council is registered with the Information Commissioner's Office (reference ZA322736, expiring 1 March 2027). A data protection policy dated September 2025 is published, and the data audit was "Approved and adopted" on 19 January 2026 (item 15). The website footer links "Privacy Policy" to the website provider's own policy, which does not mention the council. The council needs its own privacy notice.

Recommendations:

O1 – Publish the council's own privacy notice on the website.
O2 – Adopt and publish the updated IT policy, as planned for November 2026.
O3 – Test the accessibility of the website annually and minute the result.

CONCLUSION: We are satisfied this internal control objective has been met, subject to the recommendations above.

P. TRUSTEESHIP

Source: Annual Governance and Accountability Return 2026/27, Annual Internal Audit Report, internal control objective P. See "Sources and references" at the end of this report.

Internal audit requirement

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

Audit findings

Evidence examined: Charity Commission register; minutes.

Trusteeship

The council has previously reported that it holds no trusts. The Charity Commission register lists charity 304989 "Recreation Ground" (indenture of 14 June 1921 and scheme of 5 June 1925; object: public park or recreation ground for the parish of Capel), with the council's address and one trustee, Mrs Mandy Schryver.

Reporting is up to date to 31 March 2024, with nil income and expenditure. On 19 January 2026 the council asked to confirm the recreation ground's registration with Fields in Trust (item 14), and in March 2026 recorded that the recreation ground is not registered at the Land Registry (item 11).

If the council is trustee, it must meet its responsibilities for the charity, account for it separately and answer assertion 9 and Box 11 of the AGAR accordingly.

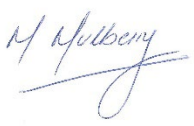
Recommendation:

P1 – Establish, with legal advice if needed, whether the council is trustee of the Recreation Ground charity (304989), and correct the Charity Commission register.

CONCLUSION: We will report on this internal control objective at the final visit, when the council has established its position as trustee.

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

Yours sincerely



Mark Mulberry
On behalf of Mulberry Local Authority Services Ltd

Appendix: Basis of the internal audit

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 Mark Mulberry of Mulberry Local Authority Services Ltd, who has over 25 years' experience in the financial sector with the last 15 years specialising in local government.

In accordance with paragraphs 4.9 to 4.11 inclusive of the SAPPP Practitioners' 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. Payroll services are provided to the council by Mulberry & Co, which is under common ownership with Mulberry Local Authority Services Ltd. The internal auditor has no involvement in the preparation of payroll.

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

We remind the council of the requirements of paragraph 4.11 of the SAPPP Practitioners' 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.

We assessed the inherent risk of error or misstatement within the council's financial systems as medium, because the 2025/26 internal audit identified a breakdown in the books of account and bank reconciliation, a

new accounting system was introduced in April 2026. Our testing combined walk-through tests of the key controls with tests of a sample of transactions back to supporting documents and bank statements. The samples, and the periods they cover, are stated in each section.

This approach is designed to confirm that key controls operated effectively throughout the period under review. It does not provide assurance over every transaction.

Sources and references

The internal control objectives quoted in this report are taken from the Annual Internal Audit Report in the AGAR. The legislation and guidance relied on are listed below. Links were correct at the date of this report.

Document	Relied on for	Public source
Annual Governance and Accountability Return (AGAR) 2026/27, Form 3	The internal control objectives A to P and the Annual Governance Statement assertions	Issued to each authority by its appointed external auditor. The council's completed AGAR is published on its own website.
Practitioners' Guide 2026/27 (Smaller Authorities Proper Practices Panel)	Proper practices for governance and accounts	nalc.gov.uk
Accounts and Audit Regulations 2015 (SI 2015/234)	Internal audit, review of internal control, exercise of public rights, publication of the AGAR	legislation.gov.uk/uksi/2015/234
Local Government Act 1972	Declarations of acceptance of office (s.83), delegation (s.101), section 137, meetings and summons (Schedule 12)	legislation.gov.uk/ukpga/1972/70
Local Government (Electronic Communications) (England) Order 2015 (SI 2015/5)	Consent to receive the summons in electronic form	legislation.gov.uk/uksi/2015/5
Public Bodies (Admission to Meetings) Act 1960	Public notice of meetings	legislation.gov.uk/ukpga/Eliz2/8-9/67
Localism Act 2011, section 29	Publication of the register of members' interests	legislation.gov.uk/ukpga/2011/20/section/29
Openness of Local Government Bodies Regulations 2014 (SI 2014/2095)	Records of decisions taken by officers	legislation.gov.uk/uksi/2014/2095
Freedom of Information Act 2000, section 19	Publication scheme	legislation.gov.uk/ukpga/2000/36/section/19
Transparency Code for Smaller Authorities	Mandatory publication where turnover does not exceed £25,000	gov.uk/government/publications/transparency-code-for-smaller-authorities
Smaller Authorities (Transparency Requirements) (England) Regulations 2015 (SI 2015/494)	Makes the Transparency Code for Smaller Authorities mandatory	legislation.gov.uk/uksi/2015/494
Local Government Transparency Code 2015	Mandatory publication where turnover exceeds £200,000	gov.uk/government/publications/local-government-transparency-code-2015
Procurement Act 2023	Procurement thresholds and notices	legislation.gov.uk/ukpga/2023/54
VAT Notice 749: Local authorities and similar bodies	VAT recovery under section 33	gov.uk/guidance/local-authorities-and-similar-bodies-notice-749
Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 (SI 2018/952)	Website accessibility	legislation.gov.uk/uksi/2018/952
Web Content Accessibility Guidelines (WCAG) 2.2	Accessibility standard	w3.org/TR/WCAG22