

**John P Watson & Co**

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**Felsted Parish Council**

**Internal Audit Report 2024-25**

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**86 Southchurch Boulevard  
Southend on Sea  
Essex, SS2 4UZ**

## **Introduction**

Legislation introduced from 1<sup>st</sup> April 2001, requires all Town and Parish Councils to implement an independent internal audit examination of their accounts and accounting processes annually. The following report complies with these requirements.

This report sets out the work undertaken in relation to the 2024-25 financial year, during the course of the audit, which was completed on 26th May 2025.

As detailed in the Joint Panel on Accountability and Governance Practitioners' Guide, it is not the purpose of either the Internal or External Audit to detect or prevent fraud.

## **Internal Audit Approach**

The basis of the review is that regard should be given to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. The programme of cover has been designed to afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective control of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to assist the completion of the 'Internal Audit Report' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

## **Overall Conclusion**

The Responsible Financial Officer is thanked for his assistance during this internal audit review of the 2024-25 financial year, which has ensured the smooth progress of our work.

We have completed and signed the 'Annual Internal Audit Report' in the year's AGAR, having concluded that, in all significant respects, the Internal Control Objectives set out in that report, were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

This report has been prepared for the sole use of Felsted Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by John P Watson & Co to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

## 1 Accounting Records & Bank Reconciliations

### a) Objective

To ensure that the accounting records are being maintained accurately and currently and that no incorrect or inexplicable entries appear in cashbooks or financial ledgers.

### b) Detail

- i. There are six bank accounts in operation, three accounts with Barclays Bank, one account with Metro Bank and two accounts with Unity Trust.
- ii. The Council maintains their accounting records on QuickBooks Accounting System which is adequate for a Council of this size.
- iii. The opening cashbook balances for 2024-25 have been reconciled to the 2023-24 closing Statement of Accounts and the certified AGAR detail.
- iv. There is a detailed receipts and payments coding analysis structure in place in the accounting system which is more than adequate and is appropriate for purpose.
- v. VAT is identified separately in the accounts coding structure.
- vi. All transactions on all Bank Accounts have been checked for the year with no issues arising.
- vii. It is noted that bank reconciliations are produced on a monthly basis.
- viii. It is understood that data is backed up to Microsoft One Drive using auto synchronisation. It is suggested that, to protect the integrity of the Council records, consideration be given to utilising a second form of backup.
- ix. All accounts remained “in balance” at the end of the period under review.

### c) Conclusion

- i. It is suggested that, to protect the integrity of the Council records, consideration be given to utilising a second form of backup.

## 2 Corporate Governance

### a) Objective

To ensure that the Council has a robust regulatory framework in place, that Council meetings are conducted in accordance with the adopted Standing Orders and that, bearing in mind we do not attend Council or Committee meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

### b) Detail

- i. The Council Minutes have been reviewed for the year by reference to the Council’s website to identify whether any issues arise that may have an adverse effect on the Council’s future financial stability, either in the short, medium or longer term.

- ii. Standing Orders and Financial Regulations were reviewed and approved by Council at their meeting on 1st May 2024 (minute 24/102 refers). Financial Regulations were further reviewed and approved by Council at their meeting on 4th September 2024 (minute 24.182/4 refers)
- iii. Council adopted the General Power of Competence at their meeting in May 2023 (minute 23/112.2 refers).
- iv. Council's precept for 2025/2026 was agreed in the sum of £136,490 at their meeting on 8th January 2025 (minute 29/09.5 refers)
- v. Council has correctly provided the proper opportunity for the exercise of public rights in respect of the accounts for the year to 31st March 2024.

**c) Conclusion**

- i. There are no matters to be commented on in this area of the Report.

### **3 Expenditure**

**a) Objective**

To ensure that the Council follows good practice when making payments.

**b) Detail**

- i. All payments (excluding salary payments) in excess of £50 together with every approximately 20th payment in the cash book have been checked with no issues arising.
- ii. All Payments were supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due.
- iii. All discounts due on goods and services were taken where appropriate.
- iv. The correct expense codes had been applied to all payments.
- v. VAT has been appropriately identified and coded to the control account for periodic recovery.
- vi. It is noted that there were several discrepancies regarding the VAT entries and these have been brought to the attention of the Responsible Financial Officer.
- vii. Council does not hold a Debit or Credit Card.
- viii. A VAT Return has been submitted to HMRC for recovery in the amount of £8,272.19 in respect of the year from 1st October 2023 to 30th September 2024. The refund in respect of this claim was received on 9th October 2024.

**c) Conclusion**

- i. There are no matters to be commented on in this area of the Report.

## 4 Risk

### a) Objective

To ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks.

### b) Detail

- i. Council reviewed and adopted their Financial Risk Assessment at their meeting on 6th November 2024 (minute 24/241.4 refers).
- ii. Council also reviewed and adopted their Bus Shelter Risk assessment at their meeting on 4th December 2024 (minute 24/274 refers)
- iii. Council's insurance is with Zurich. The policy is an annual policy, the current policy expiring on 13th June 2025, with Employers Liability set at £10m, Public Liability set at £12m and Fidelity Guarantee being set at £250k.
- iv. It is understood that the Council owns four Play Areas and that these Play Areas are inspected on a weekly basis by the Village Attendant who verbally reports issues to the Clerk. The inspections are also reported on the Attendant's timesheets. Council is reminded that it is a statutory requirement to retain all playground inspection reports for a period of eighteen plus three years, twenty-one years in total, and to ensure that a reasonable and proportionate Playground Management Policy is maintained. It is recommended that separate weekly reports are prepared in respect of Playground Inspections and that these reports are kept in line with the narrative above.
- v. It is understood that annual inspections are carried out by a RoSPA accredited Company.

### c) Conclusion

- vi. It is recommended that separate weekly reports are prepared in respect of Playground Inspections and that these reports are kept in line with the advice in 4 b) iv above.

## 5 Precept Determination

### a) Objective

To ensure that the Council has the appropriate procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council.

### b) Detail

- i. It is noted that a detailed budget in respect of 2024/2025 was reviewed and agreed by Council at their meeting on 8th January 2025 (minute 25/09 3 refers).

- ii. As mentioned previously in this Report, the Council's precept was also agreed in the sum of £136,490 at their meeting on 8th January 2025 (minute 25/09 3 refers).

**c) Conclusion**

- i. There are no matters to be commented on in this area of the Report.

## **6 Budget Control**

**a) Objective**

To ensure that Council has an effective reporting and monitoring process is in place and also to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

**b) Detail**

- i. It is noted from a review of the minutes that members are provided with regular management accounting information based on reports from the accounting system.
- ii. It is further noted that the year end budget outturn does not have any significant unexplained variances.
- iii. As mentioned previously in this Report a detailed budget in respect of 2025/2026 was agreed by Council at their meeting on 8th January 2025 (minute 25/09 3 refers).
- iv. It is noted that Total Reserves at the year end (including Nature and Events Reserves) were £170,472. Earmarked Reserves are £80,000. The balance of General Reserves at £21,890 equates to between one and two months average revenue expenditure which is below the generally accepted guideline of between three and six months average revenue expenditure.

**c) Conclusion**

- i. There are no matters to be commented on in this area of the Report.

## **7 Income**

**a) Objective**

To ensure that Council has appropriate procedures in place to ensure that all income due is identified, invoiced (if necessary), recovered and banked in a timely manner.

**b) Detail**

- i. The sources of income available to the Council are the precept, VAT recovery, bank interest, allotment income, playing field income, magazine income and occasional grants and donations.
- ii. It is noted that the allotment fees were reviewed in 2023/2024 the decision being made that they were in line with allotment rents in the area.

- iii. It is also noted that Felsted Focus fees were not reviewed in the year and it is recommended that all fees should be reviewed on an annual basis.
- iv. A random selection of 30% of allotment fee income has been checked with no issues arising.
- v. A random selection of 50% of the income from Felsted Focus has been checked with no issues arising.
- iv. As previously mentioned in this report VAT Returns have been submitted to HMRC for recovery in the amount of £8,272.19 in respect of the year to 30th September 2024.

**c) Conclusion**

- i. It is recommended that all fees should be reviewed on an annual basis.

## **8 Petty Cash**

**a) Objective**

To ensure that the Council follows good practice when making cash payments.

**b) Detail**

The Council does not operate a Petty Cash system.

**c) Conclusion**

There are no matters to be commented on in this area of the Report.

## **9 Salaries**

**a) Objectives**

To confirm that current Employment Law is being appropriately observed together with the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the Council's pension scheme, to which employees contribute.

**b) Detail.**

- i. The payroll calculations are provided by an external payroll provider.
- ii. The pay calculations for all members of staff have been checked for the months of May and December 2024 with no issues arising.
- iii. All required payments have been made to HMRC in respect of PAYE/NI deductions on a regular basis.
- iv. All required payments have been made to the pension provider on a regular basis.

**c) Conclusion**

- i. There are no matters to be commented on in this area of the Report.

## 10 Asset Register

### a) Objective

To ensure that the Council develops and maintains a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council as required by the Governance and Accountability Manual.

### b) Detail

- i. The Council maintains a formal Asset Register.
- ii. It is noted that items on the Asset Register have been valued at their insured value for purposes of Box 9 of Section 2 of the AGAR.
- iii. The Asset Register was approved by Council at their meeting on 6th November 2024 (minute 241/5 refers).
- iv. It is noted that the Council does not currently maintain a photographic record of its assets. It is suggested that this be done as photographic evidence can be useful in the event of an insurance claim in respect of an asset.

### c) Conclusion

- i. It is suggested that a photographic record be kept of all fixed assets.

## 11 Investments and Loans

### a) Objective

To ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

### b) Detail

- i. It is noted that Council has not adopted an investment policy in the year under review. It is understood that this was discussed by Council the decision being that, as the majority of funds held was in relation to Section 106 monies, an investment policy was not needed. It is pointed out that where “investments” including cash at bank are held in excess of £100,000 a formal Investment Policy must be in place. It is recommended that Council approve their Investment Policy annually and that the Investment Policy be loaded on their website.
- ii. It is noted that Council hold a Two Year Fixed Term Deposit with Unity Bank.
- iii. Council does not have any loans with external bodies repayable by or to it.

### c) Conclusion



- i. It is recommended that Council approve their Investment Policy annually and that this Investment Policy be loaded on their website.

## **12 Statement of Account and AGAR**

### **a) Objective**

To ensure Council meets the requirements of the 1996 Accounts and Audit Regulations in that they must prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

### **b) Detail**

- i. The accuracy of detail contained in the above documentation has been verified.
- ii. The reports have been checked against prime documentation, and it is confirmed that the Council's accounting reports accurately record the 2024-25 financial year's transactions.

### **c) Conclusion**

- i. There are no matters arising in this area of our review warranting formal comment or recommendation and, on the basis of the work undertaken during the course of our review for the year, the Internal Audit Certificate in the Annual Return has been completed and signed assigning positive assurances in all areas.

**26th May 2025**