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2025/26 Internal Audit Report for Felsted Parish Council

BASIS OF REPORT

This Internal Audit Report is based on the Practitioners' Guide 2025: Governance and Accountability for Smaller Authorities in England.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls, as outlined in the original Letter of Engagement. Where any such controls are found to be deficient, the internal audit aims to support improvement in those processes.

This report should be made available to all Members to support and inform their consideration of the Council's approval of the Annual Governance Statement.

By applying the principles of internal auditing, as set out in the Accounts and Audit Regulations, and following the approach to internal audit testing outlined above, every effort has been made to ensure that the audit has been conducted with due professional care, integrity, and independence. All conclusions are based on objective and traceable evidence.

It is important to note that internal audit should not be viewed as a detailed inspection of all records and transactions to detect error or fraud. Smaller authorities are required under the Accounts and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of risk management, control, and governance processes.

Internal audit is therefore a periodic, independent review of a Council's internal controls, resulting in an assurance report designed to improve effectiveness and efficiency. Responsibility for day-to-day internal controls rests with the Council's staff and Members, not the internal auditor.

As Internal Auditor, I confirm that I am independent of the Council's financial management and internal control processes and have no conflicts of interest.

AUDIT REPORT

I reviewed the documentation provided, information published on the Council's website and met with the Clerk and RFO on 11th May 2026.

The Precept for the year 25/26 was set at £136,490.

AUDIT POINT	AUDIT FINDINGS	RECOMMENDATIONS & ACTIONS
A. Appropriate accounting records properly kept throughout the financial year		
Bookkeeping Arrangements	<ul style="list-style-type: none"> • <i>Appropriate accounting records are maintained and kept up to date. The Council operates on an Income & Expenditure basis.</i> • <i>The Council uses Quickbooks for their accounting system and this is being utilised appropriately.</i> • <i>Council minutes are up to date, signed and dated.</i> 	<p>The Council has continued to hold formal Council and Committee meetings online, including Planning Committee meetings and the January 2026 Full Council meeting. This is a significant governance concern.</p> <p>See High Priority/Urgent Recommendation on Page 7</p>
B. Financial Regulations complied with, payments supported by invoices, expenditure approved, VAT appropriately accounted for		
Document reviews, review of internal controls and decision making.	<ul style="list-style-type: none"> • <i>Standing Orders and Financial Regulations were reviewed during the year and are based on the relevant model documents. These are appropriately published on the Council's website.</i> • <i>No contracts during the year required formal advertisement under procurement legislation.</i> • <i>The Council adheres to its Standing Orders and Financial Regulations in relation to procurement.</i> • <i>A sample of payments was tested and confirmed to be supported by appropriate invoices, with all expenditure properly approved.</i> • <i>Invoices are verified and certified in accordance with Financial Regulations.</i> • <i>Payment authorisation and banking arrangements are appropriate and in line with Financial Regulations.</i> • <i>VAT is correctly accounted for and reclaimed.</i> • <i>Effective controls are in place for processing payments.</i> 	<p>For clarification, the quorum for a meeting of Full Council is one-third of the whole number of councillor seats which for Felsted means a quorum of 4. The quorum for a Committee meeting may remain as 3, where this has been properly set.</p> <p>Whilst it is evident that a Council debit card would be beneficial, this has been mentioned previously by Internal Auditors and whilst not ideal, both the Clerk and Council are happy with the existing arrangement and Financial Regulations have been amended to accommodate this practice.</p>
C. Risk management & Insurance assessed and reviewed and adequate		
Review of internal controls	<ul style="list-style-type: none"> • <i>The Council undertook a review of risk in the year.</i> • <i>Insurance arrangements were reviewed. Fidelity cover is currently £250,000 and considered appropriate.</i> • <i>Appropriate arrangements are in place for managing operational risk.</i> 	<p>It is recommended that a residual risk column (post-control risk score) is included within the risk register to enhance transparency and ongoing monitoring.</p> <p>It is recommended that the Sports Pavilion & Toilets are revalued on a rebuild basis to ensure adequate insurance cover.</p>

D. Budget, Precept and Reserves have adequate processes, progress monitored and appropriate		
Review of internal controls, monitoring and decision making	<ul style="list-style-type: none"> • <i>An annual budget was prepared and approved prior to setting the precept.</i> • <i>Budget monitoring during 2025/26 was evidenced in the minutes.</i> • <i>The Council reviewed its reserves.</i> 	<p>The precept for 2026/27 is £150,140</p> <p>The General Reserve is not currently being maintained at a level consistent with best practice. The Council is aware of this and has begun to address the position through its annual budget-setting process, while seeking to avoid an unnecessary increase in the precept.</p>
E. Income fully received, properly recorded, banked and VAT accounted for		
Review of internal controls, banking and VAT accounting	<ul style="list-style-type: none"> • <i>The precept received in 2025/26 agreed to the precept demand.</i> • <i>VAT is not currently being charged on the income streams reviewed.</i> • <i>All fees are reviewed annually.</i> • <i>Income was received as expected.</i> • <i>Appropriate agreements are in place.</i> 	<p>In view of the Council's business activity, VAT advice should be sought to confirm that the current treatment of income remains appropriate.</p>
F. Petty Cash supported by receipts, approved and VAT accounted for		
Review of internal controls, decision making and VAT accounting	<p><i>A Petty cash system is not operated by the Council.</i></p>	
G. Payroll paid in accordance with approvals and PAYE and NI properly applied		
Review of process, internal controls and decision making	<ul style="list-style-type: none"> • <i>Appropriate contracts of employment are in place.</i> • <i>The Council is registered with HMRC as an employer.</i> • <i>The Council is registered with the Pension Regulator and staff automatically enrolled for a pension when applicable.</i> • <i>Salaries were paid in accordance with Council approvals and PAYE and NI requirements were properly applied.</i> • <i>Staff appraisals are undertaken.</i> • <i>Councillors do not receive allowances.</i> 	<p>It was evidenced that a salary issue had come to light in 2025, addressed and processes tightened to ensure that this would not re-occur.</p> <p>With the Council not having adequate premises to accommodate the working arrangements of all staff on site, consideration should be given to whether a homeworking allowance should be paid where the relevant conditions are met. HMRC permits employers to reimburse additional household costs of up to £26 per month for monthly paid employees, without the need for supporting evidence.</p> <p>Costs such as stationery, printer costs and phone expenses should be dealt with separately through an appropriate expense claim process.</p>

H. Assets, Investments and Loans complete, accurate and properly maintained		
Review of registers, policies and records	<ul style="list-style-type: none"> • <i>The Council holds an asset register which is up to date and assets were inspected internally during the past year for risk.</i> • <i>The Council has adopted an Investment Strategy.</i> 	
I. Bank Reconciliations carried out properly during the year		
Review of internal controls	<i>The Clerk completes quarterly bank reconciliations which in accordance with Financial Regulations are presented to and approved by the Finance Committee, with the minutes reported to Council.</i>	
J. Accounting Statements prepared on correct basis, agreed to cash book, supported by audit trail		
Review of process	<ul style="list-style-type: none"> • <i>Appropriate accounting procedures are used and can be followed through from working papers to final documents.</i> • <i>End of year accounts were prepared on an Income & Expenditure basis.</i> • <i>Figures were checked to Council's records.</i> 	
K. Limited Assurance Review in 2024/25 - criteria met and correctly declared exempt		
Criteria review	<i>The Council did not meet the criteria for exemption from a Limited Assurance Review.</i>	
L. Website publishes required information, is up to date and in accordance with relevant legislation		
Review of published information on website	<ul style="list-style-type: none"> • <i>Neither the Local Government Transparency Code 2015 nor the Transparency Code for Smaller Authorities applied to the Council in 2025/26.</i> • <i>Three years of minutes & agendas are published to the Council website.</i> • <i>Five years of AGAR information is available on the website.</i> • <i>There are contact details for all Councillors on the website. Councillors use a gmail account.</i> • <i>An ICO publication scheme is published to the website.</i> 	<p>The ICO's publication scheme guidance expects reports presented to Council meetings to be made routinely available, subject to any lawful exemptions from disclosure. The Council should therefore review whether meeting reports are being published consistently alongside agendas and minutes where appropriate.</p> <p>See 2026/27 AGAR Priority recommendation on page 8</p> <p>The Publication Scheme should be reviewed annually unless Standing Order 5j is amended.</p>

M. Exercise of Public Rights correctly provided for		
Review of 2024/25	<i>In 2024/25, the Council correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.</i>	It is recommended that the dates are recorded in the Council minutes.
N. AGAR publication complied with		
Review of 2024/25	<i>The Parish Council complied with the publication requirements for the 2024/25 AGAR.</i>	
O. Digital and Data Compliancy to the laws, regulations & proper practices		
	<p><i>The Council has not demonstrated full compliance with relevant legal and best practice requirements relating to digital and data compliance:</i></p> <ul style="list-style-type: none"> • <i>The Council has a generic email address on the Council owned domain.</i> • <i>There is no Accessibility Statement on the Council's website</i> • <i>There is no evidence that the website is WCAG 2.2AA compliant</i> • <i>A Data Protection Policy has been adopted.</i> • <i>There is no IT policy.</i> 	<p>It is recommended that a data audit be completed annually and presented at future internal audits.</p> <p>The Council should take steps to ensure that its website is WCAG 2.2AA compliant.</p> <p>The Council should take steps to ensure that it publishes an Accessibility Statement.</p> <p>An IT Policy should be adopted.</p> <p>Based on the above, the Council should record a 'No' response to Assertion 10 on the Annual Governance Statement.</p>
P. Trust Funds – The Council met its responsibilities as a trustee		
Review if applicable	<i>Not applicable</i>	

Transparency Compliant		
PROCESS	FINDINGS	RECOMMENDATIONS & ACTIONS
1. Review of Internal Audit 2024/25 considered and actioned		
Good Practice	<i>The Internal Audit report was reviewed by Council and published to the website. There were matters raised which received attention.</i>	
2. External Audit recommendations 2024/25 considered and actioned		
Good Practice	<i>The Conclusion of Audit report was received for 24/25, reviewed by Council and published on the website. There were no matters requiring attention.</i>	
3. Compliance with Transparency Code		
Good Practice / Legal conformity	<i>The Council does not fall within either Transparency Codes and therefore does not need to publish all elements.</i>	It is good practice to follow the Local Government Transparency Code 2015 as much as possible.

Technical, Governance Observations and Further Recommendations:

High Priority/Urgent recommendation:

The temporary legislation introduced during the Covid-19 pandemic that permitted local authority meetings to be held remotely expired on 6 May 2021. The High Court subsequently confirmed that, in the absence of further primary legislation, formal local authority meetings held under the Local Government Act 1972 must take place in person at a single, specified geographical location, with councillors physically present in order to participate and vote. Although the Government has indicated an intention to legislate to reintroduce remote attendance, no such legislation is currently in force.

Accordingly, any meetings of Council and its Committees held wholly online since 7 May 2021 have not been lawfully convened as formal meetings of the authority. Any resolutions or decisions purportedly made at those meetings may therefore be vulnerable to legal challenge, including by way of judicial review, and cannot safely be regarded as having been made through a legally compliant decision-making process.

The Council must cease holding formal Council and Committee meetings online with immediate effect and ensure that all future meetings are convened and conducted in person in accordance with the statutory requirements. Where online access is offered, this may be used only to facilitate public viewing or informal participation where appropriate; it does not enable remote councillor attendance, voting, or the lawful conduct of formal Council business under the current legal framework.

Given the extent and duration of this non-compliance, the Council should also seek appropriate legal advice on the status of decisions taken at online meetings since 7 May 2021, particularly where those decisions have ongoing legal, financial, planning, or contractual implications.

In view of this identified non-compliance with the legal requirements governing Council and Committee meetings, the Council should answer “No” to Assertion 3 of the 2025/26 Annual Governance Statement. Assertion 3 requires the authority to confirm that it has assured itself there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on its ability to conduct its business or manage its finances. The continued unlawful holding of formal meetings online is incompatible with a positive response to that assertion.

2026/27 AGAR Priority recommendation:

Using authority-owned email accounts such as .gov.uk ensures that sensitive information is handled in a controlled environment with appropriate security measures. This aligns with GDPR principles such as data minimisation, integrity and confidentiality. They also provide a clear record of communications, which is essential for transparency and accountability. This helps in maintaining an audit trail and ensures all authority-related communications are accessible for review if needed.

Council already meets the best practice guideline to have a .gov.uk domain, so for Councillors to move to this email system is a logical step. It will help maintain a consistent and professional image for the Council and will ensure all communications are easily identifiable as coming from the authority. This is increasingly important as cyber scams are on the rise. Having authority-owned email accounts also makes Data Subject Access and Freedom of Information Requests easier to manage with less risk of personal devices being confiscated by the ICO should there be an investigation.

Other Considerations:

In accordance with the guidance of the JPAG 2025 1.5, the Council needs to have appropriate evidence to support a 'yes' answer to an assertion and therefore this evidence should be referenced with the Governance Statement decisions in a set of formal minutes.

The minutes did not evidence that the Chairman signed a Declaration of Acceptance of Office following their election, as required under Section 83 of the Local Government Act 1972. It is recommended that this is clearly minuted in future, immediately following the election of the Chairman. In view of the number of Grants approved by Council under s.137, it is recommended that a Grants Policy be formally adopted. This will ensure a fair and transparent process.

The Council has an adequate storage system for both digital and hard copy documentation.

Conclusion

Subject to the significant governance concern identified in relation to the continued use of online formal Council and Committee meetings, the Council otherwise maintains a good standard of internal control. The recommendations included within this report are intended to address the matters identified and to further strengthen existing arrangements.

I would like to thank the Parish Clerk and RFO for the timely provision of documentation and for their assistance which has ensured the smooth delivery of the audit.

This report should be formally noted at the next meeting of the Council, recorded in the minutes and published to the website.

Should you require any further assistance or clarification, please do contact me.

Helen Symmons

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Internal Auditor