

Kea Parish Council

Internal Audit Report

Year Ended 31st March 2025

Prepared by: Aalgaard Renshaw Business Solutions Ltd

Date of Interim Visit: n/a

Date of Final Inspection: 8th April 2025

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Internal Audit Regulation

All town and parish Councils are required, by the provisions set out in **The Audit Commission Act 1998** and **Accounts and Audit Regulations** (issued 2015) to arrange for an independent internal audit examination, to be undertaken in respect of the authority's accounting records and system of internal control. The conclusions of the said examinations are, thereafter, reported at Section 4 of the authority's Annual Return for the relevant year.

Internal auditing is defined as "an independent, objective assurance and consulting activity designed to add value and 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."

Aalgaard Renshaw Business Solutions Ltd was appointed as the Internal Auditor by Kea Parish Council, for the Municipal Year 2024/25

The Internal Audit Review was undertaken after the year end. This audit included compliance and substantive testing to ensure that the control objectives are being met.

The Audit does not guarantee that the accounting records are free from fraud or error.

This report details the scope of the assessment undertaken in relation to Kea Parish Council for the 2024/25 financial year. This assessment was undertaken on 8th April 2025.

Methodology

When undertaking the Internal Audit for the financial year 2024/25 regard has been given to the materiality of the authority's transactions and the potential for mis-recording or misinterpreting the same in year- end Statement of Accounts/ Annual Return.

Aalgaard Renshaw Business Solutions Ltd operates an investigatory programme, designed to provide the requisite level of assurance that the audited authority has appropriate and robust financial processes in situ, which ensure that transactions are enacted with both efficacy and integrity, and which provide a reasonable probability that any material errors, or possible abuses of organisational, or national, regulatory frameworks are easily identifiable.

The Internal Audit programme applied by Aalgaard Renshaw Business Solutions Ltd also facilitates the completion of the Internal Audit Report, which forms part of the authority's Annual Return document.

Observations and Conclusion

Having undertaken a comprehensive Internal Audit of Kea Parish Council's accounting records and system of internal control, we have concluded that, based on our inspection, the Parish Council has striven to comply with the basic tenets of management, and financial, reporting for the accounting period 2024/25.

It is evident that the current Parish Clerk/RFO and Councillors have worked tenaciously to achieve compliance with both the legislation and regulations which govern the operations of a Parish Council, and are to be commended on their achievements. It is noted that the recommendations from the 2023/24 Internal Audit have been accepted and implemented.

Although three minor matters have been identified for rectification, it is felt that these do not adversely impact upon the overall efficacy of the organisation.

In conclusion, we believe that a special mention should be given for the Parish Clerk/ RFO who has clearly worked resolutely to improve the operational processes of the Parish Body.

Acknowledgement

Aalgaard Renshaw Business Solutions Ltd would like to take this opportunity to thank the Members of Kea Parish Council for their instruction to undertake their Internal Audit.

Thank you also to the Clerk/RFO, Joanna Picton, for her kind co-operation.

Aalgaard Renshaw Business Solutions Ltd

Carolyn Y. May

Jacqui Peskett

Overview of Council and Corporate Governance Statement

Terms of Engagement		Ref	Notes
1.	Review Terms of Engagement; confirm that engagement is appropriate to this financial year.	n/a	February 2025.
2.	Confirm the professional independence and competence questionnaire has been completed and agreed with the client	n/a	N/A
3.	Agree Internal Audit fee with client	n/a	£325.00 plus VAT
4.	Agree attendance date	n/a	8 th April 2025.

Planning Notes		Ref	Notes
5.	Number of Electors	n/a	1606
6.	Precept sum	Minutes	£33,285.00
7.	Other Income (Total)	n/a	£21,272.00
8.	Key Personnel	n/a	Joanna Picton – Clerk & RFO Shane Dunning – Maintenance
9.	Type of Manual Accounting in Place	n/a	Excel spreadsheet.
10.	Any significant changes to staff/ procedures since previous Internal Audit?	n/a	New Policies adopted as suggested and placed on the Parish Council website.
11.	Are there any matters arising from the last Internal Audit and/ or Management Letter?		No matters arising.
12.	Have there been any matters arising from discussions with Council, including whether there is any evidence of fraud/ material mis-statement?	n/a	None.
13.	Key high risk/ expected problem areas	n/a	Issues identified in the last Internal Audit have been addressed and all RoSPA requirements have been complied with. New CCTV has been installed to deal with the Vandalism issues, this was paid for using CIL monies. A further RoSPA inspection has been arranged.

Observations	<i>Satisfactory – no issues identified.</i>
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Governance Statement

Area	Response (please provide detail below or on supplementary pages)
<p>Please confirm whether or not Standing Orders and Financial Regulations are in place.</p> <p>If so, when were they last updated and formally adopted by the Council?</p> <p>(Please provide an electronic copy of both).</p>	<p>Standing orders were discussed, approved, and re adopted at the Annual meeting held on 16th May 2024 (item 12 refers).</p> <p>Financial Regulations re adopted at the meeting held on 20th June 2024 (item 17 refers).</p>
<p>Where original minutes are not provided for our examination, please confirm that each page of the master copy is signed or initialed by the Chairman at the subsequent meeting when they are approved.</p>	<p>Minutes were inspected by the Internal Auditor and were found to have been appropriately signed by the Chairman.</p> <p>Recommendation was made that signed Minutes are retained by the Clerk after each meeting for filing.</p>
<p>Does the Council meet the criteria for adoption of the General Power of Competence and, if so, has it been adopted? Please confirm minute reference and date.</p> <p>If reliance is still placed on S.137, etc., when considering the approval of grants and donations to local (and other) bodies, are the relevant powers considered and formally minuted?</p>	<p>No, the Clerk is not CILCA qualified.</p>
<p>Please confirm that all internal and external audit reports are presented to and agreed by members, also with agreement on the actions to be taken to address any issues identified. Again, please provide detail of the relevant meeting and minute reference.</p>	<p>It is noted that the Internal Audit was reviewed and adopted at the meeting held on 20th June (item 15 refers).</p> <p>External Audit was reviewed and discussed by Members of the Parish Council but was omitted from Minutes.</p>
<p>Has the Council reviewed an updated version of the financial risk assessment and formally approved its re-adoption (Governance and Accountability Manual – 2014 refers)</p>	<p>This is kept on an Excel spreadsheet and was reviewed at the meeting held on June 20th 2024.</p>
<p>When approving payments for release, do those members signing cheques examine and sign / initial individual invoices. Please provide a brief description of the approval process from receipt of invoice through to release of funds, on a separate sheet.</p>	<p>The Clerk presents a payment schedule at each meeting, all invoices are checked against the schedule prior to the list being approved.</p> <p>All payments made by BACS with a “2 step “authorisation process.</p>
<p>Are all individual payments by direct debit, smaller bankers’ standing order or internet, if in use, similarly examined and approved for payment by members? Please provide detail of the controls in place over such payments, where different to those for cheque payments.</p>	<p>Clerk has a debit card for purchase of smaller items, from Amazon.</p>

<p>Does the Council / a nominated member review the detail of bank reconciliations routinely throughout the year and verify detail to underlying cashbooks and bank statements (Governance and Accountability manual refers)</p>	<p>This is undertaken by a Member of the Parish Council– Cllr Spencerley.</p>
<p>Please provide a brief description of the approach taken to the preparation and approval of the Annual Budget and Precept.</p>	<p>A Finance Group meeting was held on 5th December 2024 to discuss and approve the 2025/25 budget and precept. The recommendations of the group were then taken to the Full Council for approval, at the Parish Council meeting held on 19th December 2024 (Minute reference 17d refers).</p>
<p>Does the Council formally consider and approve the level of reserves (General and Earmarked Funds) to be carried forward to the next financial year? (Such consideration should be minuted formally).</p>	<p>A portion of monies are allocated for reserves and shown as ringfenced monies.</p>
<p>Has a physical examination / verification of the Councils stock of assets been undertaken recently? If so, when and by whom?</p>	<p>This is undertaken by the Maintenance manager on a regular basis. An Asset Register kept and updated by the Clerk.</p>
<p>Are asset values based on purchase cost net of VAT (where known)? Where detail of the purchase cost is unknown, asset values should be reported on the Annual Return at the same value as the previous year, except where new assets are acquired or disposed of.</p>	<p>Not evidenced. It was agreed that the Internal Auditor would meet with the Clerk to assist with the creation of a new register.</p>
<p>Does the Council act as Sole or Custodial trustees of any charitable funds? If so, are the transactions excluded from the Annual Return financial detail at Section 2?</p>	<p>No.</p>

<p>Observations</p>	<p><i>All signed Minutes should be retained and filed by the Clerk.</i></p> <p><i>The External Audit discussions should be specifically recorded in the appropriate Meeting Minutes.</i></p>
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Professional Independence and Competence Questionnaire

The internal audit function must be sufficiently independent from the management of financial controls and procedures of the council which are the subject of review. The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the council. The two key principles, which councils must follow in setting up their internal audit function are; **independence and competence**.

Independence	
Do you have any specific reliance on the fee to be earned from this assignment	No
Overdue fees	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
Litigation	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
Associated firms	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
Family or other personal relationships	
Do you or any of your staff have personal or family connections with the council or its officers?	No
Mutual business interest	
Do you or any of your staff have any mutual business interests with the client or with an officer or employee of the client?	No
Financial involvement	
Do you or your staff, or anyone closely related to you or any of your staff, have any financial involvement in the client in respect of the following:	
Any beneficial interest in shares or other investments?	No
Any loans or guarantees?	No
Goods and services: hospitality	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
Ex-partners or senior staff	
Has any senior officer of the council been a partner or senior employee of the practice?	No
Is the partner or any senior employee on the audit team in negotiations to join the client?	No
Long association	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review.	No
Provision of other services	
Do we provide any of the following services to the client:-	
Accounting services, book-keeping or payroll services	No
Staff secondments	No
IT services where we are involved in the design, provision or implementation of systems	No
Specialist valuations which are included in the accounts	No
Tax compliance work or tax planning	No

Section 1 – Maintenance of Accounting Records & Bank Reconciliations

Internal Control Objectives

	Control Objective	Comments
A	Has the RFO been appointed with specific duties? (S.151 LGA 1972)	Yes, the Clerk has been issued with a standard NALC contract which appoints as Clerk/RFO. This has been duly signed by the Chair of the Parish Council.
B	Appropriate records of account have been properly kept throughout the year	Yes, these are shown on an Excel spreadsheet and are clear and easy to follow.
C	Closing Cashbook Balance	£63,272.00
D	Formal, year-end, Bank Reconciliations were carried out.	Yes, these are shown on an Excel spreadsheet and are clear and easy to follow

Observations	<i>Satisfactory- no issues identified.</i>
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2. Review of Corporate Governance

	Control Objective	Comments
E	There are appropriate governance arrangements in place to help ensure compliance with extant legislation and that no decisions are taken that may result in unlawful, or unbudgeted costs.	Compliant.
F	The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved, and VAT was appropriately accounted for.	Compliant.
G	Clarity of Records	Compliant.
H	Precept Setting Function	Compliant.

Observations	<i>Satisfactory – no issues identified.</i>
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3. Review of Expenditure

	Control Objective	Comment
I	Payments	Payments are made in accordance with regulations.
J	Procurement of services above the 'de minimis' Amount	Compliant.
K	VAT	The sum of £1,130.04 was claimed on 20 th September 2024.
L	S.137 Expenditure (LGA 1972)	£1,473.79.

M	Petty cash payments were properly supported by receipts, expenditure was approved, and VAT appropriately accounted for	Not utilised.
N	Clerk's Expenditure	Not claimed.

Observations	<i>Satisfactory – no issues identified.</i>
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4. Review of Income

	Control Objective	Comment
O	The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate	Compliant.
P	Expected income was fully received, based on correct prices, properly recorded and promptly banked, with VAT appropriately accounted for.	All income received recorded on a spreadsheet.
Q	Are there any significant, unexplained, variances from the budget?	No.

Observations	<i>Satisfactory – no issues identified.</i>
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5. Review of Capital Budgeting

	Control Objective	Comment
R	Sale of fixed assets	No.
S	Use of income from sales (de minimis £10,000)	N/A.
T	Capital Expenditure	No.
U	Long-term capital budget/ rolling capital schemes	No.
V	Capital budget review.	N/A

Observations	<i>Satisfactory – no issues identified.</i>
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6. Review of Employment Arrangements

	Control Objective	Comment
W	Each employee has been issued with a contract of employment, with clear terms and conditions	Yes. A review of the Maintenance Manager contract hours and finance has taken place and he has reported that he is happy with the review.
X	Salaries paid agreed with those approved by the Council	Yes.

Y	Are all employees in a registered pension scheme/ have all employees been offered the opportunity to enrol in a work pension scheme	Clerk is enrolled in the Nest pension scheme.
Z	Are other payments made to employees reasonable and approved by the Council	Yes.
AA	Have PAYE / NIC been properly operated by the Council as an employer	Yes.
AB	Does the Council have current, appropriate Employer Liability Insurance?	Yes.

Observations	<i>Satisfactory – no issues identified.</i>
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7. Risk Management Arrangements

	Control Objective	Comment
AC	Does a review of the minutes identify any unusual financial activity?	No
AD	Do the minutes record the Council carrying out an annual risk assessment?	Risk assessment carried out and considered at the meeting held on 20 th June 2024 (item 16 refers).
AE	Is insurance cover current, appropriate and adequate?	Yes, Zurich Municipal Insurance policy number YLL - 2720430623.
AF	Is the Fidelity Guarantee .	Yes, appropriate and amount covered is commensurate with the asset register.
AG	Are internal control systems documented and regularly reviewed?	Not evidenced. It was agreed that the Internal Auditor would assist with the creation of a suitable process.
AH	Has the Council carried out a review of the effectiveness of internal auditing during the year?	Yes. Recommendation from the 2023/24 Internal Audit have been implemented.
AI	Has appropriate action been taken regarding matters raised in reports from Internal Audit?	Yes.
AJ	Have adequate measures and steps been put in place in respect of GDPR.	Yes.

Observations	Arrangements are to be agreed to meet the Internal Control System requirement.
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8. Asset Register

	Control Objective	Comment
AL	Does the Council maintain a register of all material assets owned, or in its care?	Yes.
AM	Are the assets and investments register up to date?	Yes.
AN	Have dates of acquisitions been noted?	No.

AO	Is a life estimate recorded?	No.
AP	Has the location of the item been recorded?	No.
AQ	Have costs of acquisitions and enhancement been recorded?	Yes,
AR	Have dates of upgrade and disposal been noted?	No.
AS	Do asset insurance valuations agree with those in the asset register?	

Observations	<i>Satisfactory – no issues identified.</i>
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9. Investments and Loans

	Control Objective	Comment
AT	Have all excess balances been appropriately and prudently invested in appropriate accounts for safeguarding? (LGA 2003 and guidance issued by the Secretary of State).	Compliant – two book accounts are currently in operation. The statements for both have been reviewed. It is noted that clear evidence of proper investment of excess balances.
AU	Does the Council have, documented and approved, appropriate recovery actions for unpaid debts/ writing off, of irrecoverable debts process/ debt monitoring arrangements in place?	No – advice has been and can be sought if it is deemed to be needed.

Observations	<i>Satisfactory – no issues identified.</i>
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10. Audit Notices and Annual Return

	Control Objective	Comment
AV	Were these advertised to the public?	Yes.

Observations	<i>Satisfactory – no issues identified.</i>
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11. Transparency

	Control Objective	Comment
AW	Publication Method of Agendas/ Minutes	Website- compliant.
AX	Publication of Annual Governance Statement	Website – complaint.
AY	Public Meeting date	Website - compliant
AZ	List of Council Members and their responsibilities	Website - but no responsibilities. listed.
ABA	Councillors Code of Conduct/ Complaints	Website – compliant.

ABB	Financial Regulations/ Standing Orders	Website – compliant.
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Observations	<i>Satisfactory – no issues identified.</i>
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RECOMMENDATIONS

Section	<p>Overall, the Parish Council has maintained effective records and policies.</p> <p>It has, however, been noted that the Parish Council requires an effective and robust Internal Control System Policy, which can be easily implemented. The Internal Auditor will assist with this process.</p> <p>The Clerk must ensure that all signed Minutes are retained and filed by the Clerk.</p> <p>External Audit discussions should be specifically recorded in the appropriate Meeting Minutes.</p>
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