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17th July 2023

Internal Audit Results and Recommendations – Financial Year 1st April 22 – 31st March 23

To whom it may concern,

The following should be read in conjunction with the Annual Internal Audit Report 2022/23 for Axminster Town Council. It provides further details, explanations and recommendations where the Internal Control Objectives were not achieved. Testing was performed in line with the guidance provided by the Joint Panel on Accountability and Governance Practitioners' Guide March 2022.

It should be noted that the Responsible Financial Officer (RFO) was very supportive of the audit and provided significant time and support to the process. In general there was an excellent record of transactions and an overall desire to understand control weaknesses and where improvements could be made.

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

Tender Process:

- Weakness: For purchases made under the quotes and tender processes defined within the Standing Orders (SO) and Financial Regulations (FR) of the council, due to changes in personnel it was not possible to examine supporting documentation to ensure the required processes had been followed.
- Recommendation: A process for documenting and storing quotes and tenders should be established to ensure ease of future access and reference.

Standing Orders and Financial Regulations:

- Weakness: There were inconsistencies between the limits for the purchasing processes between the two documents.
- Recommendation: The two documents should be review and updated for consistency where applicable.

Invoice Receipts & Payment Authorisation:

- **Weakness:** Whilst there are good controls in place regarding the actual authorisation of payments (dual authorisations and segregation between those setting payments up and those sending) there are weaknesses in the control systems for the receipt of invoices and confirmation of goods / services delivery prior to setting up payment. At present this process is entirely managed by the RFO who may also be responsible for the initial order.
- **Recommendation:** A formal process should be established for the collation of invoices and confirmation of goods / services receipt, this should be segregated from the person initiating the order. A suitable approach would be for a member of the council (someone who hasn't placed the order) to stamp and sign the invoices they have checked and have approved for payment prior to them being entered onto the banking system. Those sending payment should ensure this sign-off has taken place before they initiate payment.

Recovery of VAT

- **Weakness:** It was noted that whilst VAT was being recovered regularly, this wasn't a slightly irregular basis. Given the council is in a VAT receivable position each month, a more frequent and established process for recovery is suggested.
- **Recommendation:** Although VAT may be reclaimed on a monthly basis, given the amounts involved (circa £2k - £3k per month) it is recommended that a formal quarterly reclaim is put in place to maximise timeliness of cash receipts and benefit from additional interest.

Review of Debit / Credit Card Limits

- **Weakness:** The council has no credit cards however the debit card has a limit significantly above the day-to-day requirements of the authority. Although physical security of the card is good and the account checked frequently it does extend the risk of fraud unnecessarily.
- **Recommendation:** The council's bank does not allow for a reduction in the daily limit on the debit card so it's recommended that a credit card with a suitable limit is applied for instead to limit risk and the debit card cancelled. The account should be paid in full each month so as not to incur any interest charges.

Internal Control Objective I – Periodic bank account reconciliation were properly carried out during the year

- **Weakness:** Whilst monthly reconciliations were performed, these were not always reviewed and approved. It was also noted that the bank reconciliations were also based on excel data rather than a check against bank statements.
- **Recommendation:** Bank reconciliations are reviewed monthly and should include confirmation against third party documentation (e.g. statements / online accounts). This will probably require a separate process to the existing one where a financial pack is presented to the wider council, but the results of this check and control should become part of that financial pack.

Internal Control Objective L – The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with any relevant transparency code requirements

- **Weakness:** At the time of the audit this process was not yet in place, however the RFO had identified this issue and the council is in the process of beginning to follow the latest transparency code. It was noted that a placeholder was now showing on the council website in readiness for this reporting.
- **Recommendation:** The council should ensure that the requirements of the code are met as soon as practicable.