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9th May 2025

Internal Audit Results and Recommendations – Financial Year 1st April 24 – 31st March 25

To whom it may concern,

The following report should be read in conjunction with the Annual Internal Audit Report 2024/25 for Axminster Town Council. It provides further details, explanations and recommendations in relation to the control testing performed. Audit testing has been performed in line with the guidance provided by the Joint Panel on Accountability and Governance Practitioners' Guide March 2024.

As with previous years, 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. The introduction of the Scribe accounting software has produced major benefits to invoicing and ensuring completeness of revenue and has simplified reporting.

Part 1 of this report relates to the findings of the Internal Audit Report for the current year, part 2 identifies recommendations for further process and control improvements and part 3 relates to an outstanding risk item identified in December 2023 in regard to the external auditor's (PKF) testing procedures that has not been responded to by PKF.

Part 1 – Annual Internal Audit Report 2024/25 Failures and Recommendations

No failures were noted during the Control testing in any of the sections in relation to the 24/25 financial year.

However, whilst undertaking testing of Internal Control Objective H which relates to Assets it was noted that several of the Council's assets were recorded on the register at values likely to exceed what they were originally paid for, having been updated to reflect the insurance value.

Further investigations show that there are 5 building and related assets, whose values were increased over time in line with expected insurance value rather than the price originally paid, the date of these revaluations appears to be pre-2015/16.

Our understanding of the JPAG guidance is that assets should be held at historic cost, not replacement value and therefore a restatement to asset values is required on the Annual Governance & Accountability Return 2024/25, the revised values having been supported by historic documentation, some, many decades old.

Description	Date Acquired	Purchase Value	23/24 AGAR value	Adjustment
Cemetery Workshop and Chapels	01/01/1855	£643	£220,000	£219,357
Victoria Diamond Jubilee Fountain (1887)	01/01/1887	£76	£30,000	£29,924
Guildhall (West Street)	01/01/1963	£18,000	£1,353,870	£1,335,870
Old Courthouse (Church Street)	01/01/1973	£4,000	£820,000	£816,000
Axminster Engine Name Plate	01/01/1997	£1	£11,000	£10,999
				<hr/> -£2,412,150 <hr/>

It is important to note, that in practical terms, this doesn't suggest that the underlying value of the Council's assets have suddenly diminished, just that they are now shown at the value at which they were procured rather than the value that they may be worth.

It is recommended that PKF review this finding and confirm the appropriateness of this adjustment.

Part 2 – Other recommendations from Internal Audit 2023/24

The following recommendations seek to improve the control environment at Axminster Town Council, they are not evidence or suggestions of existing control failures.

- Procurement:** As a control against the risk of unauthorised expenditure the Council has destroyed its debit card and introduced a charge card with a low limit to manage small purchases where the retailer will only accept card payments (e.g. many online retailers). It was raised during the audit that this has caused issues in the scenario where a larger value purchase needs to be made but on the same terms. To facilitate a practical means to manage this scenario, it is recommended that a prepaid Mastercard (or similar) is obtained for this specific type of scenario and kept free of cash until needed. At the point of purchase, the appropriate amount should be authorised to be transferred to the card by the appropriate council members.
- Staff Training – facilities inspections:** It was noted that currently the RFO is the only member of Council staff who is trained to be able to carry out the necessary inspections of Council facilities e.g. playparks. This reliance hasn't yet caused any issues as the RFO has always been available to meet the inspection frequency requirements, however there is a risk that this may not always be the case and it is therefore recommended that the Council ensure that at least one additional member of staff receives the appropriate training to be able to undertake this role.
- Insurance valuations:** Given the issues noted in Part 1 regarding asset valuations, the Council may wish to consider whether a formal insurance assessment is performed of its asset portfolio to ensure that an appropriate level of insurance is in place and at a suitable premium.

Part 3 – Outstanding recommendations following Annual Internal Audit Report 2023/24

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

- **Interim Update December 2023:**
 - **Recommendation:** It was noted that the reconciliation process and the audit performed by the Council's external auditors (PKF) does not independently verify the actual bank account balances, instead relying on printed statements. If correct, this is a significant weakness in the audit testing performed by PKF and it is recommended that their year-end testing include the sending of bank confirmation letters to the relevant account providers in order to independently verify the Council's balances.
- **Final Audit Update May 2024:**
 - **OUTSTANDING:** There has been no further update regarding PKF's testing procedures and the risk remains.
- **Interim Audit Update November 2024:**
 - **OUTSTANDING:** There has been no further update regarding PKF's testing procedures and the risk remains.
- **Final Audit Update May 2025:**
 - **OUTSTANDING:** There has been no response from PKF on this highlighted risk and there has been no further update regarding PKF's testing procedures and the risk remains. It is recommended that a formal response to this issue is sought from PKF.