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30th April 2026

Internal Audit Results & Recommendations - Financial Year 1st April 25 – 31st March 26

To whom it may concern,

As part of our engagement for the 2025/26 financial year, we have completed a review of the Council's financial control processes.

This report is structured in three sections:

1. An update on an unresolved issue identified during the FY23/24 internal audit relating to the external audit process
2. Updates on recommendations arising from the FY26 interim audit
3. New recommendations following the FY26 final audit

Part 1: Unresolved Issues from the FY24 Audit – External Audit Process

During the FY24 internal audit (April 2023 to March 2024), we identified a significant weakness in the audit procedures performed by the Council's external auditors, PKF. Specifically, PKF does not independently verify bank account balances and instead relies on printed bank statements provided by the Council. This evidence is inherently open to manipulation and does not meet best practice audit standards.

We recommended that PKF introduce independent bank confirmations by issuing confirmation requests directly to the Council's banking providers. This issue was formally raised in the FY24 internal audit report; however, no response or comment was received from PKF. The same issue and lack of engagement were again noted in the FY25 internal audit report.

As at the date of this report, no correspondence has been received by either the Council or Internal Audit from PKF in relation to this matter.

Part 2: Recommendations from the FY26 Interim Audit

Revenue Leakage Controls

The interim review identified further opportunities to strengthen revenue controls following the implementation of the Scribe accounting system. While Scribe integrates effectively with the Guildhall booking system to enable billing, it does not automatically flag unbilled bookings.

It was therefore recommended that a monthly reconciliation be performed between bookings and invoices to confirm that all income has been billed.

During the final audit, progress was reviewed. While the original recommendation is achievable, it has proven time-consuming due to the lack of automated reporting within Scribe. Following discussion with the RFO, it was agreed that a revised approach would be adopted: performing ad hoc monthly sample testing (e.g. reviewing 2–3 days per month) to confirm that bookings have been fully and accurately billed.

Part 3: Recommendations from the FY26 Final Audit

Insurance and Cyber Security

The Council's current insurance arrangements provide limited and indirect cyber risk coverage and have not been specifically tailored to the Council's risk profile.

We recommend that the Council undertake a formal review of cyber risks and, where appropriate, seek specialist insurance cover aligned to those risks.

In addition, it is recommended that all councillors and officers involved in financial transactions undertake regular cyber crime awareness training. Given the increasing frequency and sophistication of cyber fraud, maintaining awareness of current threats is essential. NatWest provides free fraud awareness webinars, and it is suggested that relevant individuals attend at least one session annually:

<https://www.natwest.com/business/insights/technology/fraud.html>

Budget Monitoring and Reporting

The Scribe system has significantly enhanced budget monitoring and financial reporting capabilities. While the RFO provides verbal updates to Committees and Full Council as required, further formalisation would strengthen oversight.

We recommend that a written report highlighting significant budget variances be presented to Full Council at least twice per year — suggested timings are October (to inform budget setting) and March (year-end).

A further, optional recommendation is to adjust the budget reporting format to present each Council function as a separate profit centre, with both income and expenditure attributed accordingly. This may improve transparency around which activities generate surplus and which require subsidy. However, the current format remains acceptable, and this recommendation reflects a preference rather than a control weakness.

Cash Tills and Stock Control

Although cash usage continues to decline, it remains a primary method of payment at the Guildhall bar. Till reconciliations are completed promptly after events and no issues were identified during testing. However, stock movements are not currently reconciled against sales.

We recommend that a full stock count be carried out at least monthly and reconciled to expected stock usage based on recorded sales. Once accuracy and reliability are established, the frequency of stock counts can be reviewed.

Fixed Asset Identification

The Council maintains a fixed asset register within Scribe; however, asset identification currently relies heavily on individual knowledge.

We recommend that assets are physically tagged (for example using numbered labels) and that the asset register includes a brief description and location for each item. This will improve accountability and ease of verification.

Conclusion

Overall, the Council benefits from a well-established and generally effective control environment. Financial processes are well understood, and the Scribe system provides strong foundations for robust financial management. The RFO has demonstrated a positive and constructive approach to challenge, continuous improvement, and audit recommendations.

The matters raised in this report are largely incremental enhancements rather than indications of fundamental weakness and, if implemented, will further strengthen governance, transparency, and resilience — particularly in areas of external assurance, cyber risk, and financial reporting. Continued engagement with both Internal and External Audit will be important to ensure that identified issues are resolved promptly and controls remain proportionate to the Council's evolving risks.