

21 January 2026



Princes Road  
Maldon  
Essex CM9 5DL

[www.maldon.gov.uk](http://www.maldon.gov.uk)



## URGENT ITEM OF BUSINESS

CHIEF EXECUTIVE  
Doug Wilkinson

Dear Councillor

### **Performance, Governance and Audit Committee – 22 January 2026**

Please find enclosed the following urgent report, brought forward for consideration at the above meeting with the agreement of the Chairperson.

14 a) Draft Audit Findings (ISA 260) 2024 / 25(Pages 3 - 64)

Yours faithfully

Chief Executive

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CIRCULATED PRIOR TO  
THE MEETING



## REPORT of DIRECTOR OF FINANCE

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to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
22 JANUARY 2026

### URGENT ITEM OF BUSINESS

#### DRAFT AUDIT FINDINGS (ISA 260) 2024/25

#### 1. PURPOSE OF THE REPORT

- 1.1 To advise the Committee of the detailed outcomes of the audit of the 2024/25 accounts ahead of the backstop date of 27 February 2026.
- 1.2 This matter is brought forward for consideration with the agreement of the Chairperson as the next meeting of the Committee is in March (after the backstop date).

#### 2. RECOMMENDATIONS

- (i) That the Committee reviews the draft Audit Findings Report (AFR) from KPMG (**APPENDIX 1**) and the details of their audit findings for the financial statements of accounts for 2024/25;
- (ii) That the Committee considers the draft letter of representation (**APPENDIX 2**);
- (iii) That the Director of Finance (S151 Officer) is granted delegated powers to approve any remaining changes to the 2024/25 accounts recommended by the auditor in consultation with the Chairperson of this Committee, in order for the accounts to be signed off by the backstop date of 27 February 2026;
- (iv) That the Committee receives the final signed version of the accounts for 2024/25 at its meeting on 12 March 2026.

#### 3. SUMMARY OF KEY ISSUES

- 3.1 The external auditor has been complimentary regarding the quality of the accounting statements prepared by the Council for the year 2024/25. This is borne out in the draft AFR (ISA260) findings.
- 3.2 The positive outputs of the audit review are summarised below, and the progress towards full assurance is positive.

## 4. BACKGROUND AND ANALYSIS

- 4.1 The AFR covers two conclusions regarding the accounts, and the arrangements in place at the Council to secure Value for Money (VFM). The auditor is obliged to adopt particular forms of words in line with the wider work of KPMG and the requirements of the National Audit Office etc. These are summarised below.

| Area of review                     | Theme                                          | Description                                                                                                                   |
|------------------------------------|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Statement of Accounts<br>(KPMG p6) | Property, Plant and Equipment Valuations       | <u>Minor issues</u> relating to finalising values; being addressed through work on the 24/25 accounts and planning for 25/26. |
|                                    | Management Override of Controls                | <u>No issues</u> identified.                                                                                                  |
|                                    | Pensions Valuation                             | <u>No issues</u> regarding the valuation of pension obligations and assets.                                                   |
|                                    | Prior-Year Control Deficiencies                | <u>Substantial improvement</u> 17 control deficiencies from prior audits have been remediated.                                |
|                                    | 2024/25 Control Deficiencies                   | Six (new) control deficiencies identified for 24/25; actions underway to address all of them. None are significant.           |
|                                    | Significant Control Deficiencies               | <u>None</u> identified.                                                                                                       |
| Value for Money<br>(KPMG p19)      | Financial sustainability                       | <u>No issues</u>                                                                                                              |
|                                    | Governance                                     | <u>No issues</u>                                                                                                              |
|                                    | Improving economy efficiency and effectiveness | <u>No issues</u>                                                                                                              |

- 4.2 The process of 'rebuilding assurance' and addressing the backlogs in assurance that have accumulated in recent years continues to move forwards. This is creating a degree of volatility and complexity in the audit environment as new guidance is prepared and discussed, issued, and implemented across the sector.
- 4.3 Locally, this work to rebuild assurance and progress towards unqualified audit opinions is progressing rapidly. In Maldon, the Committee has been advised by KPMG that the audit opinion for 2024/25 accounts will be 'disclaimed' and issued only at the backstop date as the work required in prior years to give assurance on the values brought forward on the balance sheet has not been undertaken, and so the overall position cannot be certified. However, the quality of engagement and the pace of progress being made suggests that an alternative (better) opinion may be appropriate. This is being explored by the audit team. While it is not guaranteed, it is helpful to know that, within the overall 'disclaimed' position, Maldon District Council (MDC) is close to crossing into a better audit category (rather than risking entering a worse category).

## 5. CONCLUSION

- 5.1 The KPMG report (**APPENDIX 1**) evidences the current position in terms of the independent external audit of MDC accounts for the year 2024/25. It shows clear progress and evidences that the accounts for 2024/25 have been prepared to a high standard. This is very positive feedback and helps progress towards unqualified audit opinions in the future.

## **6. IMPACT ON PRIORITIES AS SET OUT IN THE CORPORATE PLAN 2025 - 2028**

### **6.1 Supporting our communities**

- 6.1.1 Confirmation of the accuracy of the accounts provides the basis for wider confidence in the financial management of the Council.

### **6.2 Investing in our District**

- 6.2.1 Supports the ability to invest resources.

### **6.3 Growing our economy**

- 6.3.1 Supports investment in the local area and confidence in local public services.

### **6.4 Protecting our environment**

- 6.4.1 Enables appropriate investment in environmental protection.

### **6.5 Delivering good quality services.**

- 6.5.1 Enables good quality services to be planned, resourced, and delivered.

## **7. IMPLICATIONS**

- (i) **Impact on Customers** – Confidence in the Council.
- (ii) **Impact on Equalities** – Accuracy of reporting.
- (iii) **Impact on Risk (including Fraud implications)** – Clear management of risk.
- (iv) **Impact on Resources (financial)** – Good management of resources.
- (v) **Impact on Resources (human)** – Staff confidence in Council management.
- (vi) **Impact on Devolution / Local Government Reorganisation** – Ability to engage with this process with clear awareness of our current financial position.

Background Papers:

**APPENDIX 1** - KPMG – draft ISA 260

**APPENDIX 2** - KPMG – draft letter of representation

Enquiries to: Ben Jay, Director of Finance (S151)

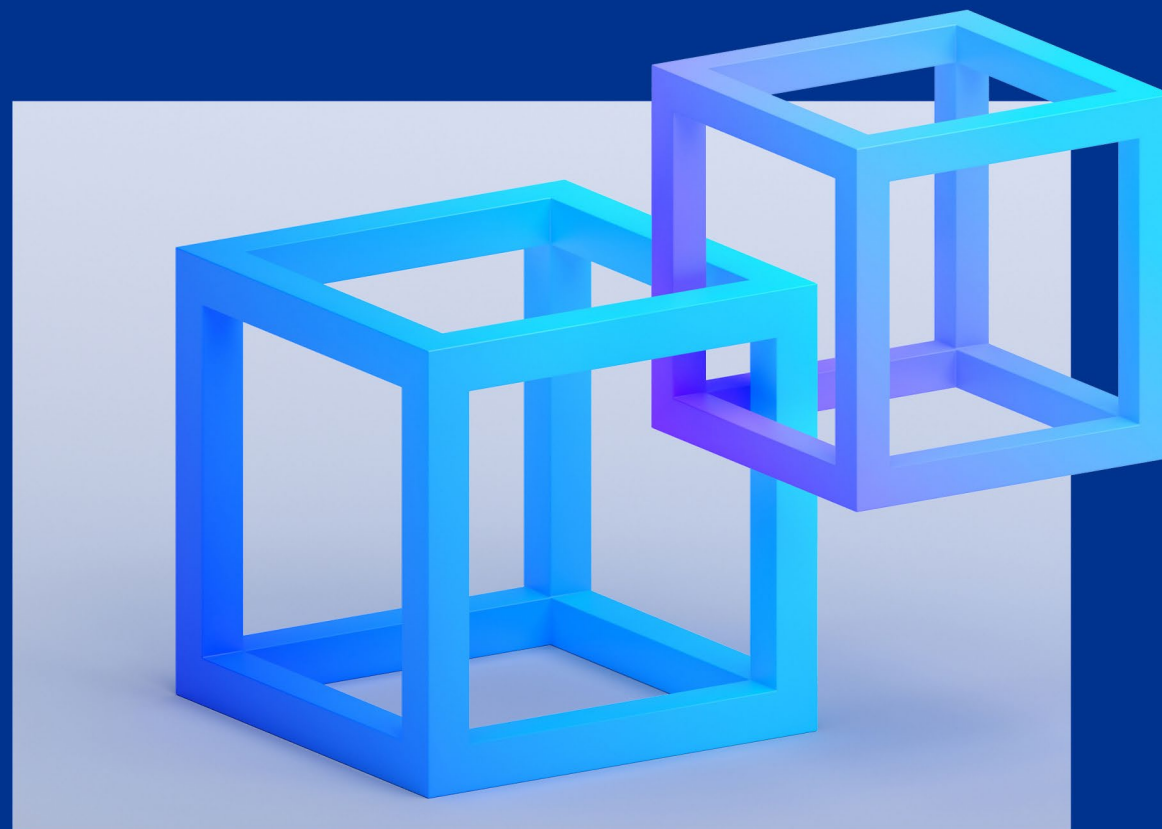
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# Maldon District Council

Year End Report to the Performance,  
Governance and Audit Committee

**Year end report for the year ended 31 March 2025**

22 January 2026





# Introduction

## To the Performance, Governance and Audit Committee of Maldon District Council

We are pleased to have the opportunity to meet with you on 22 January 2026 to discuss the findings and key issues arising from our audit of the financial statements of Maldon District Council as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 17 July 2025. We will be pleased to elaborate on the matters covered in this report when we meet.

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and,
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We are committed to providing you with a high-quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Emma Larcombe (Emma.Larcombe@KPMG.co.uk) the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler. ([tim.cutler@kpmg.co.uk](mailto:tim.cutler@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: [Complaints](#).

## The engagement team

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit report on the approval of those statement of accounts and auditor's representation letter on [date]

There have been no significant changes to our audit plan and strategy. We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,

[Personal signature]

**Emma Larcombe**

**Partner**

[Date]

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# Important notice



**This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.**

The content of this report is based solely on the procedures necessary for our audit.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication in November 2025.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit (to the extent it has been possible in the context of our expected disclaimer of opinion - see page 5).

## Status of our audit and the implications of the statutory backstop

Page 4 'The statutory backstop and rebuilding assurance' explains the impact of the statutory backstop and our current expectation is that we will issue a disclaimer opinion on the financial statements

While we are expecting to disclaim our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified findings as reported in our report.

## Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Maldon District Council for the year ended 31 March 2025.

This Report has been prepared for the Council's Performance, Governance and Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

# The statutory backstop and rebuilding assurance

## Background

The Government has introduced measures to resolve the legacy local government financial reporting and audit backlog.

Last year, amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which introduced the requirement for audit reports in respect of any open, incomplete audits up to the period ending 31 March 2023 to be published by 13 December 2024. It also introduced a statutory back stop date of 28 February 2025 for the 2023/24 audit. For the Authority this had the impact of disclaimer of opinion issued by your predecessor auditor for two financial years up to and including 2022/23. We then issued a disclaimer of opinion for 2023/24 on 27 February 2025 to comply with the statutory backstop date for the reasons set out in our Basis of Disclaimer Opinion below.

Work has been ongoing in the sector to develop guidance to help support appropriate audit procedures for audits where further work is required to build back assurance. In addition to Local Audit Rest and Recovery Implementation Guidance (LARRIGs) that were published in 2024 by the NAO, further guidance has now been published by the NAO LARRIG 06 - Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions (e.g reserves balances where a disclaimer has been previously issued). We note the LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

## The 2023/24 audit

In our *Basis of Disclaimer Opinion* section of our audit report in 2023/24 we reported:

In 2023/24 we have only been able to complete our planning and risk assessment work. Due to the capacity constraints in finance team of Maldon and delay in providing the draft accounts we have not undertaken any controls testing or substantive testing of balances disclosed within the financial statements. Therefore, we have issued the Disclaimed opinion in 2023/24.

## The 2024/25 audit

Our audit plan, presented to you in July 2025 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks in the pages overleaf, identifying the work we have been able to complete.

Although we expect to issue a disclaimer of opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report. Our audit for 2024/25 is now complete.

We have also started our rebuilding assurance risk assessment. Once this is complete, we will report separately the findings along with the time we will take to complete this work if the findings indicate it is possible to rebuild assurance.

## Impact on our audit report on the financial statements

Given our work to rebuild assurance is not complete and due to the statutory backstop date of 27 February 2026, we have determined that there is insufficient time to obtain sufficient appropriate audit evidence over the split of useable and unusable reserves as at 31 March 2025 or 31 March 2024 ahead of the backstop, and, in our view, this is pervasive to the Council's financial position as at 31 March 2025.

Further to this in previous year, we were unable to gain assurance on opening balances as there were no substantive work completed which we consider necessary to form our opinion on the financial statements ahead of the Backstop Date.

As a result of the pervasiveness of the above, we intend to issue a disclaimer of opinion on the financial statements as a whole

# The statutory backstop and rebuilding assurance



## Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion on the financial statements as a whole, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

## Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Council's Value for Money arrangements, specifically we are responsible for reporting if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We also provide a summary of our findings in the commentary in this report.

Page 19 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2024/25.



# Our audit findings

Page 12

| Significant audit risks | Page 8-13 |
|-------------------------|-----------|
|-------------------------|-----------|

| Significant audit risks                          | Our findings                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation of land and buildings                  | We challenged the management expert assumptions, tested the data provided to the Specialist and performed independent calculation of the valuation on which the carrying value of building is based. We have identified a material audit misstatement of £165k in the valuation of two investment properties which is detailed under audit misstatements section of this report. Refer to page 26. |
| Management override of controls                  | Our work on journals is completed. We have not found any issues from our substantive work performed. We have found one control deficiency related to review of journals which is consistent with previous years.                                                                                                                                                                                   |
| Valuation of post retirement benefit obligations | The results of our testing were satisfactory. We have not identified any issues in relation to the significant assumptions used within the valuation of the LGPS gross pension liability.                                                                                                                                                                                                          |

| Year of Prior Period restatement | Description                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2023/24                          | Management have identified a restatement in the prior year comparative Balance Sheet, £6m was presented as Short-term investments which is to be disclosed under Cash and Cash equivalents on the basis of nature of investments. This is a change in the classification presentation which does not affect the overall financial position as it net to nil position). This is corrected in the final version of accounts |

| Misstatements in respect of Disclosures | Description |
|-----------------------------------------|-------------|
|-----------------------------------------|-------------|

| Misstatement in respect of Disclosures                                       | Our findings                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Senior officer's salary banding                                              | We identified that banding was not correctly disclosed for a one officer. This is updated in the final version of the accounts.                                                                                                       |
| Termination benefits                                                         | We identified that a two members were not included in the disclosure. This is updated in the final version of the accounts                                                                                                            |
| Other presentational disclosure in remuneration of Senior staff's disclosure | We found one presentational errors in the Remuneration of Senior staff disclosures which is corrected in the final version of the accounts.                                                                                           |
| Note 29- Council as a Lessor                                                 | We noted that there were errors in the value of leases in the lease register which resulted in the disclosure note being overstated by £1.59m. This is corrected in the final version of accounts. Refer to page 14 for more details. |

| Number of Control deficiencies | Page 27-30 |
|--------------------------------|------------|
|--------------------------------|------------|

|                                            |    |
|--------------------------------------------|----|
| Significant control deficiencies           | 0  |
| Other control deficiencies in 2024/25      | 6  |
| Prior year control deficiencies remediated | 17 |

| Uncorrected Audit Misstatements* |
|----------------------------------|
|----------------------------------|

| Understatement/ (overstatement)  | £m | % |
|----------------------------------|----|---|
| Revenues                         | -  | - |
| [Surplus/(deficit)] for the year | -  | - |
| Total assets                     | -  | - |
| Total taxpayers' equity          | -  | - |
| Disclosure Note                  | -  | - |

\* The misstatements identified are corrected. Hence, there are no uncorrected misstatement to disclose above

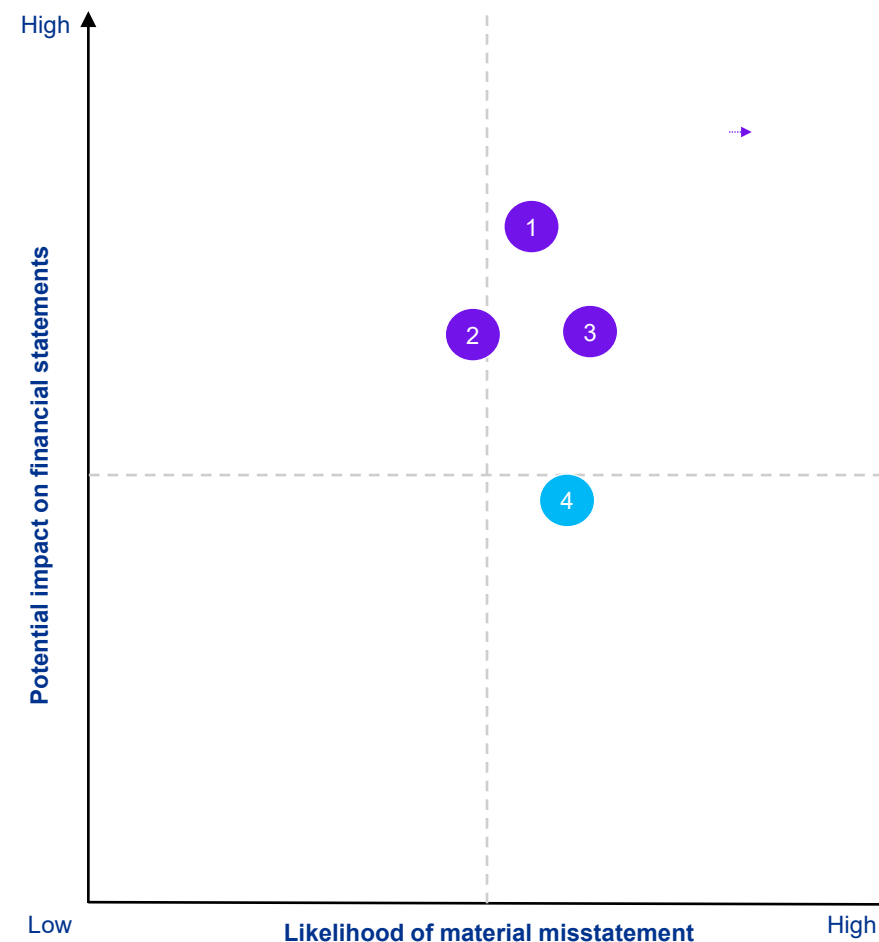
# Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which Maldon District Council operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

| Significant risks |                                                  |
|-------------------|--------------------------------------------------|
| 1.                | Valuation of land and buildings                  |
| 2.                | Management override of controls                  |
| 3.                | Valuation of post retirement benefit obligations |
| Other audit risks |                                                  |
| 4.                | Adoption of IFRS 16                              |



- Key:**
- Significant financial statement audit risks
  - Key audit matter and significant financial statement audit risk
  - Significant financial statement audit risks
  - Increasing or decreasing risk compared with planning
  - Other audit risk
  - New [key audit matter]/[significant audit risk]/[other audit risk]

<sup>a</sup> A significant risk that auditing standards require us to assess on all audit engagements. Not always included in the graph except where we have also identified an entity-specific risk of management override of controls

# Audit risks and our audit approach

## 1 Valuation of land and buildings

There is a risk that the carrying amount of revalued Land & Buildings and investment properties differs materially from the fair value



### Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five-year cycle, with certain assets, including the council office, leisure centres, being revalued annually. The majority of the council's assets are valued using a non-specialised basis, with two of the properties that are revalued using a specialised basis.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer – Valuation office Agency.

### Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of specialist Valuation Office Agency (VoA), the valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We inspected the instructions issued to the valuers for the valuation of land and buildings and investment properties to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings and investment properties; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements in value of land and buildings and investment properties and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Key:  
 Prior year  Current year

# Audit risks and our audit approach (cont.)



## 1 Valuation of land and buildings (cont.)

There is a risk that the carrying amount of revalued Land & Buildings and investment properties differs materially from the fair value



### Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five-year cycle, with certain assets, including the council office, leisure centres, being revalued annually. The majority of the council's assets are valued using a non-specialised basis, with two of the properties that are revalued using a specialised basis.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer – Valuation office Agency.

### Our findings

- From our work performed, we found the valuer to be independent, objective and have sufficient expertise to carry out the valuation. We have challenged the management expert assumptions, tested the data provided to the expert and performed independent calculation of the valuation on which the carrying value of building is based.
- From our control testing, we have found a control recommendation on the review of management on valuation assumptions. Refer to page 27 for more details.
- From our substantive work performed, we have found an audit misstatement in the valuation of our two investment properties. Refer to page 26 for more details. No other findings to report.

Key:  
 Prior year  Current year

# Audit risks and our audit approach



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## Management override of controls<sup>(a)</sup>

Fraud risk related to unpredictable way management override of controls may occur



### Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



### Our response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assessed the accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business or are otherwise unusual.
- We analyzed all journals through the year using data and analytics and focussed our testing on those with a higher risk.

Note: (a) Significant risk that professional standards require us to assess in all cases.

# Audit risks and our audit approach (cont.)



2

## Management override of controls(cont.)<sup>(a)</sup>

Fraud risk related to unpredictable way management override of controls may occur



### Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



### Our findings

- Communicated our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- We evaluated accounting estimates, including the consideration and did not identify any indicators of management bias.
- Our procedures did not identify any significant unusual journal transactions.
- No issues were identified from related party testing. Our work on journals high-risk criteria samples is completed. We have not identified any audit misstatements. However, we have raised a control finding in respect to journal review control detailed on page 27.

Note: (a) Significant risk that professional standards require us to assess in all cases.

# Audit risks and our audit approach



3

## Valuation of post retirement benefit obligations (cont.)

There is a risk that an inappropriate amount is estimated and recorded for the defined benefit obligation



### Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



### Our response

We have performed the following procedures:

- Understand the processes the Councils have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Where applicable, assess the level of surplus that should be recognised by the entity.

Key:

Prior year Current year



# Audit risks and our audit approach (cont.)

## 3 Valuation of post retirement benefit obligations (cont.)

There is a risk that an inappropriate amount is estimated and recorded for the defined benefit obligation



### Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

### Our findings

- From our control testing, we have found that the review of valuation assumptions were not formalised/documentated properly. Therefore, we could not perform the testing of controls. Refer to page 28 where we have raised a control recommendation on this matter.
- Actuarial assumptions are assessed by management for appropriateness. However, the review was not performed on a sufficiently detailed or documented basis to allow us to rely on the control. Consequently, we concluded that controls in place to review the valuation were ineffective as the review of control was not documented which is consistent with the prior period findings. We note the review is considered adequate by management for their own purposes.
- We were satisfied with the independence, objectivity and expertise of the scheme actuary.
- We considered that the assumptions used in valuing the defined benefit obligation and concluded overall to be balanced compared to our central actuarial benchmarks.
- Individually all assumptions are balanced except CPI rate, which is considered as cautious but within reasonable range. This is mainly because proposed CPI rate is 0.16 basis points higher than the KPMG's central benchmark.
- The net pension surplus has been restricted to £nil on the basis of estimated future service costs less the estimated minimum funding contributions meaning the surplus is not recoverable. Additionally, a minimum funding liability of £709k is applied. We agree with the basis for restricting the surplus and recording additional liability.

We note the overall liability is balanced. We are satisfied that we have obtained sufficient appropriate audit evidence to address this risk.

Key:  Prior year  Current year

Note: (a) Significant risk that professional standards require us to assess in all cases.

# Audit risks and our audit approach



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## Adoption of IFRS 16

An inappropriate amount is estimated and recorded for lease liabilities and right of use assets



### Other audit risk

- The Council has adopted IFRS 16 as per CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (2024/25) with an implementation date of 1 April 2024.

We anticipate the following challenges/impact in the first year of implementation.

- Completeness of lease listing used in transition computations.
- Inadequate lease disclosures as per IFRS 16.
- Inaccurate computation of lease liabilities and right of use assets.
- Training needs for new/existing staff



### Our response

We performed the following procedures in order to respond to the other audit risk identified:

- Obtained the full listings of leases and reconciled to the general ledger.
- Reviewed a sample of the lease agreements to determine the terms of the leases and confirmed correct classification.
- Reviewed the transition adjustments passed by the Council
- Reviewed the disclosures made on the financial statements against requirements of IFRS16.



### Our findings

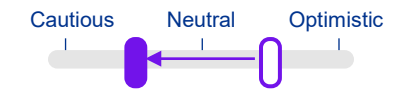
On the basis of above procedures performed, we noted that there is no risk of material misstatement associated with the adoption of IFRS 16 as the closing lease amount for 2024/25 as a lessee is not material.

From our review of Disclosure note "Council as a lessor"- we identified that there were errors in the value of leases in the lease register which resulted in the disclosure note being overstated by £1.59m. This has been updated in the final version of accounts.

# Key accounting estimates and management judgements– Overview

## Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



| Asset/liability class                | Our view of management judgement                                          | Balance (£'000) | YoY change (£m) | Our view of disclosure of judgements & estimates                                      | Further comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------|---------------------------------------------------------------------------|-----------------|-----------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation of land and buildings      | <div> <div>Cautious</div> <div>Neutral</div> <div>Optimistic</div> </div> | 29,356          | 1,001           | <div> <div>Needs improvement</div> <div>Neutral</div> <div>Best practice</div> </div> | Valuation Office Agency (VoA) is an accredited valuer by RICS and follow the industry benchmark and DHCS guideline for the valuations. The management expert judgement was found to be neutral. We found the assumptions to be appropriate. We have completed the work over the valuation of Buildings and noted one control deficiency. Refer to page 9 for more details.                                                                                                                                                                                                                                                                      |
| Valuation of post retirement benefit | <div> <div>Cautious</div> <div>Neutral</div> <div>Optimistic</div> </div> | 770             | 811             | <div> <div>Needs improvement</div> <div>Neutral</div> <div>Best practice</div> </div> | <p>We are satisfied with the independence, objectivity and expertise of the scheme actuary.</p> <p>We considered that the assumptions used in valuing the defined benefit obligation and concluded it to be balanced as compared to our central actuarial benchmarks.</p> <p>Individually all assumptions are balanced except CPI rate, which is considered as cautious but within reasonable range. This is mainly because proposed CPI rate is 0.16 basis points higher than the KPMG's central benchmark.</p> <p>We have raised one control deficiency regarding the review of actuarial assumptions. Refer to page 13 for more details.</p> |

Key:  
 Prior year
 Current year



# Other significant matters

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. The below are other significant matters we have identified in our audit.

## Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Council's internal control.

Key:

- These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have not identified any significant control deficiencies in the current year.
- These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have identified two such deficiencies in the previous year which is still not resolved yet.
- These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have not raised any related observations in the current year.

## ● Management review of land and buildings valuation assumptions

Our risk assessment procedures indicated that the Finance Lead and Estates team perform a high-level review of the valuation. However, we could not identify a systematic process by which assets are identified for further investigation. If there is no systematic and precise approach to performing the review, there is a risk that the carrying amount of assets may materially differ to the fair value.

## ● Management review of actuarial assumptions

In-line with International Auditing Standards, it is important for management to have ownership over the defined benefit pension valuation, even though this draws upon the expertise of actuarial experts engaged by the pension fund itself. While we are aware that management has discussed the assumptions to be used with the scheme actuary, this review and challenge by management has not been documented for our review in line with the requirements of auditing standards for an effective management review control. Auditing standards define a management review control to include independent assessment of underlying assumptions by management. As part of our risk assessment procedures, we carried out a walkthrough to obtain an understanding of the pension assumption review process. We identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, although they do review the output of the actuary, there is no evidence of the review. Thus, there is not sufficiently well-defined process in place for it to meet the criteria of an effective review control.



# Other matters

## Narrative report

As Performance, Governance and Audit Committee members you confirm that you consider that the Narrative Report, including the Annual Governance Statement, and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Our responsibility is to read the other information, which comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon and, in doing so, consider whether, based on our financial statements audit work, the other information is materially misstated or inconsistent with the financial statements or our audit knowledge.

Due to the significance of the matters leading to our expected disclaimer of opinion, and the possible consequential effect on the related disclosures in the other information, whilst in our opinion the other information included in the Statement of Accounts is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.

## Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We have confirmed that, for Maldon District Council, the threshold at which detailed testing is required has not been exceeded. We have not completed our work in respect of the WGA consolidation pack, until we have completed this work, we are unable to certify the we have completed the audit of the financial statements.

## Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning, and no further work or matters have arisen since then.

## Audit Fees

We have set out audit fees, as set by PSAA and fee variations on page 22.

We have not completed any non-audit work at the Council during the year.

**01**

# **Value for money**

# Value for Money

**We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.**

In discharging these responsibilities, we include a statement within our audit report on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor’s Annual Report, which is required to be published on your website alongside your annual report and accounts.

## Commentary on arrangements

We have prepared our Auditor’s Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

## Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified no risk of a significant weakness in the Council’s arrangements to secure value for money.

## Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

| Domain                                          | Risk assessment                 | Summary of arrangements              |
|-------------------------------------------------|---------------------------------|--------------------------------------|
| Financial sustainability                        | No significant risks identified | No significant weaknesses identified |
| Governance                                      | No significant risks identified | No significant weaknesses identified |
| Improving economy, efficiency and effectiveness | No significant risks identified | No significant weaknesses identified |

Further detail is set out in our Auditor’s Annual Report.



# Appendix

Contents

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# Required communications

| Type                                                                                     | Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Our draft management representation letter</b>                                        | <input checked="" type="checkbox"/> OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Adjusted audit differences</b>                                                        | <input checked="" type="checkbox"/> OK There was one adjusted audit difference of £167k in valuation of Investment Properties. See Page 27 for more details.<br><br>We found some presentational errors in the disclosures which is corrected in the final version of the accounts. Refer to page 6 for more details.<br><br>From our review of Disclosure note "Council as a lessor"- we identified that there were errors in the value of leases in the lease register which resulted in the disclosure note being overstated by £1.59m. This has been updated in the final version of accounts. Refer to page 14 for more details. |
| <b>Unadjusted audit differences</b>                                                      | <input checked="" type="checkbox"/> OK None identified. The aggregated surplus impact of unadjusted audit differences would be nil.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Related parties</b>                                                                   | <input checked="" type="checkbox"/> OK There were no significant matters that arose during the audit in connection with the entity's related parties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Other matters warranting attention by the Audit Committee</b>                         | <input checked="" type="checkbox"/> OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Control deficiencies</b>                                                              | <input checked="" type="checkbox"/> OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.                                                                                                                                                                                                                                                                                                                                                   |
| <b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b> | <input checked="" type="checkbox"/> OK No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Issue a report in the public interest</b>                                             | <input checked="" type="checkbox"/> OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Type                                                                              | Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Significant difficulties</b>                                                   | <input checked="" type="checkbox"/> OK No significant difficulties were encountered during the audit.                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Modifications to auditor's report</b>                                          | <input checked="" type="checkbox"/> X Our audit opinion will be disclaimed. See page 4 for further details.                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Disagreements with management or scope limitations</b>                         | <input checked="" type="checkbox"/> OK The engagement team had no disagreements with management, and no scope limitations were imposed by management during the audit.                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Other information</b>                                                          | <input checked="" type="checkbox"/> OK No material inconsistencies were identified related to other information in the statement of accounts.                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Breaches of independence</b>                                                   | <input checked="" type="checkbox"/> OK No matters to report. The engagement team have complied with relevant ethical requirements regarding independence..                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Accounting practices</b>                                                       | <input checked="" type="checkbox"/> OK Over the course of our audit, we have evaluated the appropriateness of the Councils accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.                                                                                                                                                                                                                                                                                 |
| <b>Significant matters discussed or subject to correspondence with management</b> | <input checked="" type="checkbox"/> OK The significant matters arising from the audit were discussed, or subject to correspondence, with management.                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Certify the audit as complete</b>                                              | <input checked="" type="checkbox"/> X We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.<br><br>We will issue our certificate once we have received confirmation from the National Audit Office that their audit of the Whole of Government Accounts is complete and therefore all our work in respect of the Authority's Whole of Government Accounts consolidation pack is complete. |
| <b>Whole of government accounts</b>                                               | <input checked="" type="checkbox"/> OK As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.<br>The threshold of detailed testing required has not been exceeded.                                                                                                                                                                                                                                                                              |

# Fees

## Audit fee

Our fees for the year ending 31 March 2025 are set out in the table below (note all fees are exclusive of VAT).

| Entity                                                                       | 2024/25 (£'000) | 2023/24 (£'000) |
|------------------------------------------------------------------------------|-----------------|-----------------|
| Statutory audit, including VFM Scale fee as set by PSAA                      | 158             | 144             |
| Agreed fee variations for additional work and time incurred*                 | 18              | 64              |
| Disclaimer fee variation subject to be PSAA approval                         | 6               | 5               |
| Build back fee variation for risk assessment subject to the PSAA approval ** | 50              | -               |
| <b>TOTAL FEE PAYABLE</b>                                                     | <b>232</b>      | <b>213</b>      |

\*This has been agreed with S151 Officer and is subject to PSAA approval

\*\*This is calculated on the basis of number of years of disclaimed audit opinion and risk assessment work completed on Build back assurance

## Billing arrangements

Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Note some fees are subject to PSSA determination and will therefore be confirmed on that determination.

# Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

## To the Performance, Governance and Audit Committee members

### Assessment of our objectivity and independence as auditor of Maldon District Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result, we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity [except for those detailed below where additional safeguards are in place.

### Independence and objectivity considerations relating to the provision of non-audit services

#### Summary of non-audit services

There are no non-audit services applicable.

# Confirmation of Independence (cont.)

## Summary of fees

We have considered the fees charged by us to the Council for professional services provided by us during the reporting period.

## Fee ratio

There are no non-audit services provided to Maldon.

|                                                       | 2024/25    |
|-------------------------------------------------------|------------|
|                                                       | £'000      |
| Statutory audit, including VFM                        | 158        |
| Agreed Fee variations                                 | 18         |
| Other Assurance Services                              | -          |
| Disclaimer fee variation subject to the PSAA approval | 6          |
| Build back fee variation subject to the PSAA approval | 50         |
| <b>Total Fees</b>                                     | <b>232</b> |

## Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

## Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

## Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

# Uncorrected audit misstatements

Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported uncorrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Performance, Governance and Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Performance, Governance and Audit Committee.

There are no uncorrected misstatements to report..

# Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Performance, Governance and Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

| Corrected audit misstatements (£'000s) |                                                  |              |                      |                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------|--------------------------------------------------|--------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No.                                    | Detail                                           | SOCI Dr/(cr) | SOFP Dr/(cr)         | Comments                                                                                                                                                                                                                                                                                                                                          |
| 1                                      | Dr Revaluation reserve<br>Cr Investment property |              | £167,500<br>£167,500 | From our work performed, we have identified a material misstatement in the valuation of two investment properties i.e. Land Park Drive and Burnham Gold Club. We consider Land Park drive to be overstated by £336,500 and Burnham Gold club to be understated by £169,000. Hence, the net impact of misstatement will be £167,500 overstatement. |
| Total                                  |                                                  |              | £167,500             |                                                                                                                                                                                                                                                                                                                                                   |

- We identified some presentational errors in staff banding, termination benefits and other senior officers pay disclosure which is corrected in the final version of the accounts. Refer to page 6 for more details.
- From our review of Disclosure note "Council as a lessor"- we identified that there were errors in the value of leases in the lease register which resulted in the disclosure note being overstated by £1.59m. This is corrected in the final version of accounts. Refer to page 14 for more details.
- Management identified a restatement in the prior year comparative Balance Sheet, £6m was presented as Short-term investments which is to be disclosed under Cash and Cash equivalents on the basis of nature of investments. This is corrected in the final version of accounts.



# Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

## Priority rating for recommendations

- 1

**Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2

**Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3

**Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

| # | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Management Response/Officer/Due Date                                                                                                                                                                                                                                                                                                                                |
|---|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | 2    | <p><b>Review of journal entries posted to GL</b></p> <p>We noted that the standard journals process is that journals are reviewed by someone in a more senior position. There is a manual segregation of duties control operated before the journal is posted, However, there is no automatic segregation of duties enforced by the system and the system does not prevent the unapproved journals being posted. From our review of transactions listing we identified following classification issues which were posted in incorrect accounting codes:</p> <ul style="list-style-type: none"><li>-Other fee and service charge income transaction listing we identified that there were two entries amounting £77k which were incorrectly posted under income which relates to expenditure accruals reversals.</li><li>- In payroll expense listing- there was £102k salary cost which incorrectly coded to Other Service expenses.</li></ul> <p>On the basis of above findings, it is noted that journals should be reviewed by senior team members so that these are posted to correct GL code.</p> | <p><b>Management response:</b> To address this, the mapping exercise will be reviewed in detail to ensure correct classification between income and expenditure for the disclosure note.</p> <p><b>Officer responsible:</b> Senior Technical Accountant</p> <p><b>Due date:</b> FY25/26 Accounts closure</p>                                                        |
| 2 | 2    | <p><b>Preparation and Review of bank reconciliation</b></p> <p>From the review of bank reconciliations, we noted that the method used to prepare the reconciliation is not correct as it had carrying balances from March'24 and the reconciling items which were not cleared until March'25. Also, the amount per general ledger balances were taken incorrectly which resulted in bank reconciliation being incorrectly prepared.</p> <p>Therefore, we recommend management to review the method of reconciliation to be prepared and the reconciliation should be reviewed monthly by senior team members.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p><b>Management response:</b> Bank reconciliations have always been completed on a monthly basis but we accept the need to make it clearer where the amounts come from. As a result, we are streamlining the overall process to make it easier to review.</p> <p><b>Officer responsible:</b> Senior Technical Accountant</p> <p><b>Due date:</b> November 2025</p> |

# Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

| # | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Management Response/Officer/Due Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3 | 2    | <p><b>Management review of actuarial assumption</b></p> <p>We inquired with the audited entity to understand the pension process. We understood that the Interim Lead Finance Specialist reviews the assumptions and methodologies used in the calculation of the IAS19 Report. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances. The documentation is not formalised and may consist of email or corresponding and verbal confirmations. However, the audited entity was not able to provide the evidence of performing the control.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p><b>Management response:</b> Historically, we have always reviewed the assumptions used but fully accept the point on having the review formally documented.</p> <p><b>Officer responsible:</b> Lead Finance Specialist</p> <p><b>Due date:</b> To be carried out for FY25/26 year end accounts closure.</p>                                                                                                                                                                                        |
| 4 | 2    | <p><b>Management review of PPE valuation assumption</b></p> <p>Management reviews the assumptions and methodologies used in the calculation of the valuation. This includes inputs to testing such as square foot data and consideration of specialist/non-specialist classification. This is based on their understanding of the assets, the accounting standard and the business process and circumstances. As part of our risk assessment procedures, we carried out a walkthrough to obtain an understanding of the valuation review process. Via this walkthrough, we identified that there is no criteria or threshold developed for investigation/identification of outliers for valuation assumptions. Furthermore, there was insufficient evidence available to demonstrate the review and challenge of these reports. Therefore, it does not allow for an objective criteria to perform their review on and therefore it is ineffective. Management see this process as an annual occurrence and although they do review the output of the valuation specialist, there is no evidence of the review. Thus, there is not sufficiently well-defined process in place for it to meet the criteria of an effective review control.</p> <p>However, the audited entity was not able to provide the evidence of performing the control.</p> | <p><b>Management response:</b> Reviews of assumptions used have been carried out in the past but these tended to be light touch. There is a collective agreement that the control needs to be enhanced by having a formal, and documented control of checks and follow up queries. These will be implemented, ready for next year's accounts closure.</p> <p><b>Officer responsible:</b> Lead Finance Specialist</p> <p><b>Due date:</b> To be carried out for FY25/26 year end accounts closure.</p> |

# Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

| # | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Management Response/Officer/Due Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | 2    | <p><b>Management review of PPE valuation assumption</b></p> <p>Management reviews the assumptions and methodologies used in the calculation of the valuation. This includes inputs to testing such as square foot data and consideration of specialist/non-specialist classification. This is based on their understanding of the assets, the accounting standard and the business process and circumstances. As part of our risk assessment procedures, we carried out a walkthrough to obtain an understanding of the valuation review process. Via this walkthrough, we identified that there is no criteria or threshold developed for investigation/identification of outliers for valuation assumptions. Furthermore, there was insufficient evidence available to demonstrate the review and challenge of these reports. Therefore, it does not allow for an objective criteria to perform their review on and therefore it is ineffective. Management see this process as an annual occurrence and although they do review the output of the valuation specialist, there is no evidence of the review. Thus, there is not sufficiently well-defined process in place for it to meet the criteria of an effective review control.</p> <p>However, the Council was not able to provide the evidence of performing the control.</p> | <p><b>Management response:</b> Reviews of assumptions used have been carried out in the past, but these tended to be light touch. There is a collective agreement that the control needs to be enhanced by having a formal, and documented control of checks and follow up queries. These will be implemented, ready for next year's accounts closure.</p> <p><b>Officer responsible:</b> Lead Finance Specialist</p> <p><b>Due date:</b> To be carried out for FY25/26 Year end accounts closure.</p> |

# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

| # | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Management Response/Officer/Due Date                                                                                                                                                                                                                                                                |
|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 | <p><b>Review of Minimum revenue provision (MRP) policy</b></p> <p>From our review of FY 24/25 MRP policy, we noted that is not detailed enough with all the facts and circumstances of MRP requirements. We also noted that there is internal borrowings which is utilised for purchase of capital assets and council has plans to invest in Leisure Centre in FY 25/26 thus increasing internal borrowings. Therefore, the MRP policy needs revisiting to consider the above facts.</p> <p>Therefore, we recommend the Council to revisit their policy to make it more details inline with MRP Statutory guidance to include the above facts.</p> | <p><b>Management response:</b> We accepts the recommendation and will review our policy for internal borrowings as there were no internal borrowings in past where MRP needs calculating.</p> <p><b>Responsible officer:</b> Interim Lead Finance Specialist</p> <p><b>Due date:</b> FY 2025/26</p> |

# Recommendations and Control Deficiencies- – Prior Periods

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

| Total number of recommendations raised in prior years | Implemented | In progress |
|-------------------------------------------------------|-------------|-------------|
| 21                                                    | 17          | 4           |

| # Risk               | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Management Response/Officer/Due Date                                                                                                                                                                                                                                                                                                                                                   | Update as of January'2026                                                                                                                                                                                                                                                  |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial Statements |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                            |
| 1                    | <p><b>2 Maintenance of a related party register (2023/24)</b></p> <p>Our risk assessment procedures indicated that the Council does not hold a register of related parties. This is not in line with good governance practices. Furthermore, it could lead to the council unknowingly transacting with a related party as well as potential incorrect disclosures in the financial statements.</p> <p>We recommend the Authority holds a uses the annual declaration of interests process to create a related party register that holds counterparties that meet the criteria for related parties under accounting standards and performs a review of transactions with these parties to ensure that transactions with related parties can be clearly identified.</p> | <p>The Council already maintains a list of members declaring interests during committee meetings. However, the Finance Team will look into enhancing the process by maintaining a register and carry out a check against company house for potential related parties.</p> <p><b>Lead Finance Specialist, May 2025</b></p>                                                              | <p>In progress</p> <p>During the year end accounts closure, the finance team received nil responses from the members – thus warranting no further investigation/checks.</p> <p>Should there be any instance of transactions, these would be subject to further checks.</p> |
| 2                    | <p><b>2 Inconsistent valuation approach to investment properties (2023/24)</b></p> <p>Our review of the approach taken to investment properties noted that certain investment properties are not included in the annual revaluation. Accounting standards, IAS40, requires all investment properties measured at fair value to be subject to a fair value assessment. This is to ensure there is no material difference between the fair value and carrying value of the assets.</p> <p>Management should ensure all investment properties are subject to an annual fair value assessment. This assessment could be undertaken by an external valuer or internally through an indexation impairment assessment.</p>                                                   | <p>The Council already value investments properties every year at fair value. After the original valuation in 2023/24, there was some reclassification of operational assets as investment properties. Going forward, the Council will ensure all assets classified as investment property are subject to a fair value assessment.</p> <p><b>Lead Finance Specialist, May 2025</b></p> | <p>Implemented</p> <p>No issues during FY24/25 accounts closure – all investment properties are subject to fair value valuation</p>                                                                                                                                        |

# Recommendations and Control Deficiencies- – Prior Periods

| #               | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Management Response/Officer/Due Date | Update as of January'2026 |
|-----------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------|
| Value for Money |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                      |                           |
| 3               | 2    | <b>Further insights into Corporate Risk Register (2023/24)</b><br><br>Our review of the Corporate Risk Register and related reporting to the Performance, Governance and Audit Committee identified the following: <ul style="list-style-type: none"> <li>Risks are not assigned a target risk score, meaning that there is a potential lack of clarity about the desired level of risk mitigation. This can lead to risks not being managed effectively, with the potential for resources being deployed to resolve risks which are acceptable to the Council and therefore resources being misallocated.</li> <li>The Corporate Risk Register is available on the internal SharePoint to all colleagues, but Council members are unable to access and review this and are presented with a high-level overview only. Not all actions and control points are presented in this overview, and only the final risk score is presented, which could impact decision making.</li> </ul> <p>We recommend the Authority sets target risk scores in line with its risk appetite to better align risk management with strategic objectives and to provide a clear framework for evaluating the success of risk management and that reporting of the Corporate Risk Register to the Performance, Governance and Audit Committee is included in sufficient detail for decision making.</p> | Accepted                             | In progress               |
| 4               | 2    | <b>Policy Management (2023/24)</b><br><br>Our review of key relevant policies in place at the Council identified: <ul style="list-style-type: none"> <li>Many policies which had not been updated or reviewed in a number of years. We would expect all policies to be subject to review every 3 years.</li> <li>No evidence or audit trail to indicate what changes had been made to policies reported as having been recently reviewed or the date of this review</li> <li>The policies in place did not consistently identify when they would next be subject to review.</li> </ul> <p>We recommend the Authority sets out a standardised template for its policies to ensure that the Council can evidenced they have been reviewed every 3-5 years, logs of changes made to the policies are maintained and the date of next review is evident on the document itself. Alongside this, a register should be maintained and regularly monitored to support the Council in knowing what policies are in existence, and they remain in date.</p>                                                                                                                                                                                                                                                                                                                                | Accepted                             | In progress               |

# Recommendations and Control Deficiencies- – Prior Periods

| #               | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Management Response/Officer/Due Date                                                                                                                                                                            | Update as of January'2026 |
|-----------------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Value for Money |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                 |                           |
| 5               | 2    | <b>Savings plans (2023/24)</b><br><br>Our review of the savings plans and our service line enquiries for 2023-24 identified the following: <ul style="list-style-type: none"><li>Savings plans were primarily from reduction in services and were not always linked to the delivery of the Corporate Plan.</li><li>Savings are RAG rated, but there is no formal criteria for what constitutes a Red, Amber or Green Rating, although it is noted that the impact on likelihood and deliverability is considered.</li><li>Budgets are not formally signed off by service lines</li></ul><br>We recommend that further areas for growth are reviewed and included in the savings plans, and that a formal criteria for rating savings is developed for review by the Finance Member Group . We also recommend that budgets are formally signed off by service lines to ensure alignment between financial plans and service delivery. | <br><br>Processes in budget setting have been enhanced by a detailed MTFS review during 2024-25. The weakness has already been addressed as part of FY25-26 budget setting process.<br>Responsible officer- CFO | In progress               |

# Recommendations and Control Deficiencies – Prior Periods

While we have obtained management responses on the progress of implementing open recommendations raised by your previous auditors, we have not undertaken any detailed testing to verify the responses provided.

| # | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Management Response/Officer/Due Date                                                                                                                                                                                                                                                                                               | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                                                       | Update as of January'2026                                                                                                                                                                                                                                                             |
|---|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 | 1    | <p><b>Preparation of Draft Financial Statements (2021)</b></p> <p>As part of our review of the Statement of Accounts prepared by Management, we have noted deficiencies with regards to the quality of the Statement of Accounts provided for our review. We have noted the following issues in relation to the accounts preparation process:</p> <ul style="list-style-type: none"> <li>a) Several inconsistencies in the accounting policies disclosed within the financial statements;</li> <li>b) Some inconsistencies between the notes and the Primary Statements;</li> <li>c) Differences noted during our "call and cast" process and various notes not casting appropriately. We recommended that management continues to adopt strengthened quality control and review procedures which could improve on the quality of the statement of accounts which include documented and reviewed internal tie back of the statements to supporting working papers and internal checks of arithmetic accuracy and consistency.</li> </ul> | <p>Our SoA model include validation checks for various part of the accounts, such as primary statement to individual note. 23/24 accounts was submitted shortly after 21/22 &amp; 22/23 accounts. Hence we didn't have enough time to resolve validation discrepancies. These discrepancies are predominantly rounding errors.</p> | <p><b>Management Response:</b> This is part of the on- going work to improve the production of the Council's Statement of Accounts. As a result, there will be a detailed Quality Assurance process in place to help deliver the draft Statement of Accounts 2024-25.</p> <p><b>Revised Due Date:</b> 31 May 2025</p> <p><b>Responsible Individual:</b> Lead Finance Specialist</p> | <p>Implemented</p> <p>As part of our accounts closure, the draft Statement of Accounts is subject to a quality assurance process – this includes a casting checks. These were done for the draft FY24/25 SoA – minimal issues were identified by KPMG compared to previous years.</p> |

# Recommendations and Control Deficiencies – Prior Periods

While we have obtained management responses on the progress of implementing open recommendations raised by your previous auditors, we have not undertaken any detailed testing to verify the responses provided.

| # | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Management Response/Officer/Due Date                                                                                                                                                                                                                                                                                    | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                    | Update as of January'2026 |
|---|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| 7 | 1    | <b>Cash and cash equivalents (2021)</b><br><br>From the review performed on the cash & cash equivalent balance, we noted various deficiencies in the cash reconciliation process undertaken during the period, such as:<br>a) Differences between the bank reconciliation and the financial statements; b) Invalid reconciling items which could not be supported or substantiated; c) Monthly reconciliations were not performed on a timely basis, which resulted in significant additional time being required to reconcile and resolve noted errors accumulated from previous months. Although this variances had been subsequently adjusted by management in the financial statements, we have not performed follow up reviews on the adequacy of the adjustments due to the impact of the backstop. | This has improved significantly since<br>2021: A) Monthly bank reconciliation are taken place on a timely manner and ledger and bank balances are agreed periodically. B) difference in Bank reconciliation are not material and can be justified with evidence. C) there are no invalid reconciliation items for 23/24 | <b>Management Response:</b> A robust system is in place with preparer and approver for recoding and reconciling cash book entries.<br><br>Therefore, already implemented.                                                                                                                                                                        | Implemented               |
|   |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                         | <b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024- 25 financial statements audit. |                           |

# Recommendations and Control Deficiencies – Prior Periods

| # | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Management Response/Officer/Due Date                                                                                                                        | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Update as of January 2026                                                                                                    |
|---|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| 8 | 1    | <p><b>Journals (2020)</b></p> <p>Based on the partial review performed of the financial reporting process during the year, we observed that journal entries could be approved by personnel who reported to the preparer of the journal. Due to the reporting structure which exists within the Council, pressure could be placed on the junior personnel to approve the journal without appropriate review being performed on the journal entry due to the preparer of the journal holding a senior role to the approver. We noted also that evidence regarding the review and approval of journals were not consistently maintained by the council during the period.</p> <p>We recommend that management revisits and strengthens the control environment over the journal entry posting and the financial reporting process to lower the inherent risks to an acceptable level by ensuring that journal entries are approved by personnel with the requisite knowledge and experience.</p> |                                                                                                                                                             | <p><b>Management Response:</b> The Council has a system posting and reviewing journals which has been improved since 2019/20. Each journal documents the preparer &amp; approver names and contains clear evidence as to why the journal is performed.</p> <p>The Council also ensure journals are not requested to be approved by someone who is managed directly by the journal preparer.</p> <p>Lead Finance Specialist, Implemented.</p> <p><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit.</p> | <p>Implemented</p> <p>This control is now firmly in place – and during FY24/25 audit testing, no issues were identified.</p> |
| 9 | 1    | <p><b>General IT Control (2022)</b></p> <p>User access reviews are performed over every system, however in the form of a 'risky login' report, which shows Amber or Red logins which are then reviewed on ad-hoc basis. We noted however, that this control was incorporated as a detective control, and did not prevent unauthorised or inappropriate access.</p> <p>We noted also that there was an attempted fraud during the period (May 2022), albeit unsuccessful, we recommend that management revisits the relevant IT controls and ensure appropriate cybersecurity trainings are provided to employees.</p>                                                                                                                                                                                                                                                                                                                                                                         | <p>The Council is currently carrying out a review of various systems and this will include log-in access. Cyber security training module is now in use.</p> | <p><b>Management Response:</b> Implemented.</p> <p><b>KPMG Response:</b> Our risk assessment procedures over the Council's IT Control Environment has not identified any areas of concern. KPMG are satisfied this recommendation has been fully implemented.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>Implemented.</p>                                                                                                          |

# Recommendations and Control Deficiencies – Prior Periods

| #  | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Management Response/Officer/Due Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                                                                              | Update as of January'2026                                                                                    |
|----|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| 10 | 2    | <p><b>Housing benefit expenditure (2022)</b></p> <p>As part of our review of the housing benefit (HB) expenditure business process, we noted that the caseworkers were not required to obtain approval of HB payments below a specific threshold. We further noted that there were no additional checks in place to verify the accuracy of payments made during the year. In addition, we observed that the identity verification of claimants was not consistently performed, which could provide the opportunity for fraud within the HB process.</p> <p>We recommend that management revisits the control relating to the housing benefit payment process to ensure adequate checks are in place.</p> | <p>Identity verification was not consistently undertaken during the lockdown period, but this process has now been reinstated. We conduct random sampling and checks across the entire caseload through various DWP initiatives, such as HBAA, to which we are subscribed. Our robust internal QA processes already include identity and bank account processing, as well as payment verification for new and updated records. A review of these processes is currently underway and will be completed in the 2024-25 fiscal year. The recommendation has been noted for consideration as part of this review.</p> | <p><b>Management Response:</b> Now implemented.</p> <p><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit.</p> | <p>Implemented<br/>These will be considered as a part of our rebuild assurance work on opening balances.</p> |

# Recommendations and Control Deficiencies – Prior Periods

| #  | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Management Response/Officer/Due Date                                                                                                                   | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Update as of January'2026                                                                                       |
|----|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| 11 | 2    | <p><b>Property, plant and equipment (2019)</b></p> <p>The Council values its property, plant and equipment on an annual basis using a cyclic model. From our review of the process surrounding the review of the valuation report received by the Council from DVS (external valuer), we noted that there was insufficient specialist input to the review process as although the s151 officer who is charged with the review of the report is CIPFA qualified, the involvement of a specialist would ensure that appropriate challenge is raised regarding the appropriateness of the report, and inconsistencies and/or misstatements in the report received from DVS are adequately flagged during the valuation process.</p> <p>Hence, we recommend that management revises the design of the control relating to the review of the valuation report to ensure appropriate involvement and input by an internal valuation specialist as part of the review process.</p> | <p>Lead Asset Specialist and Finance Specialists do review the VOA's valuations for reasonableness and completeness. In 23/24 this was documented.</p> | <p><b>Management Response:</b> Implemented.</p> <p><b>KPMG Response:</b> Our 2023-24 risk assessment procedures considered the management review of the valuation assumptions and identified a deficiency in the design of this control. Whilst the control as designed does not meet the requirements of a management review control as outlined in the auditing standards, it is sufficient for purpose at Maldon and we have not raised a recommendation to address this finding.</p> <p>KPMG are satisfied this recommendation has been fully implemented.</p> | <p>Implemented</p> <p>These will be considered as a part of our rebuild assurance work on opening balances.</p> |

# Recommendations and Control Deficiencies – Prior Periods

| #  | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Management Response/Officer/Due Date                                                                                                 | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Update as of January'2026                                                                                       |
|----|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| 12 | 2    | <p><b>Property, plant and equipment (2022)</b></p> <p>Based on our review of the valuation report received by the Council from its value (District Valuation Specialist [DVS]), we have identified the following:</p> <ul style="list-style-type: none"> <li>a) We have, as in prior years, observed a weakness and lack of rigour in the application of the valuation technique on Springfield Industrial Estate with no explicit regard had to the rent reviews or reversionary value of the asset. Whilst the asset is less significant in value a similar observation may be applied to the valuation of White Horse Lane Car Park for which the long-term rent is the subject of annual RPI-linked uplifts.</li> <li>b) For the sampled revalued assets where the profits method was adopted for the revaluation, the evidence to support the capitalisation rate presented related to properties sold as investments with an existing income stream and not as operational entities with no commentary to support the different risk profile</li> <li>c) The supporting valuation working papers present comparable evidence and a degree of rationale in support of the adopted judgemental valuation inputs. However, this information is not included in the valuation report and the relevance of some of the evidence presented is unclear. In future, valuation reports should include recent and relevant occupational and transactional evidence together with an appropriate explanation to support the inputs adopted, especially in relation to valuations for which there is less evidence is available and benchmarking the key inputs requires a greater degree of judgement by the valuer.</li> </ul> | <p>Noted. As per previous years' recommendations, this will be requested from VOA as part of engagement agreement going forward.</p> | <p><b>Management Response: Elements of this recommendation are</b> implemented while other aspects will be addressed as part of 2024-25 accounts closure process.</p> <p><b>Revised Due Date:</b> 31 May 2025</p> <p><b>Responsible Individual:</b> Lead Finance Specialist</p> <p><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit.</p> <p>Our 2023-24 risk assessment procedures considered the management review of the valuation assumptions and identified a deficiency in the design of this control. Whilst the control as designed does not meet the requirements of a management review control as outlined in the auditing standards, it is sufficient for purpose at Maldon and we have not raised a recommendation to address this finding.</p> | <p>Implemented</p> <p>These will be considered as a part of our rebuild assurance work on opening balances.</p> |

# Recommendations and Control Deficiencies – Prior Periods



| #          | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Management Response/Officer/Due Date | Current Status (January 2025) | Update as of January'2026                                                                            |
|------------|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------|------------------------------------------------------------------------------------------------------|
| 12 – cont. | 2    | <p><b>Property, plant and equipment (2022) - continued</b></p> <p>d)We have previously observed that MDC should ensure that both income and expenditure information should be available to the valuer where an income approach (profits method) is adopted with support and analysis presented by the valuer. For the sample assets, the DVS were only provided with income data.</p> <p>e)Further detail from the valuer should be included in future impairment reviews to ensure transparency and evidence their reasoning for the conclusions stated. Sources of such data would include BCIS data, analysis of movement within the portfolio of similar assets as well as local market commentaries.</p> <p>f)Based on our review of the Springfield Industrial Estate valuation performed by DVS, we observed that there was no explicit consideration of the reversionary value. No analysis was presented to consider the impact of the outstanding rent reviews on the current passing rent, nor the reversionary value either taking account of the buildings or the underlying site value which would revert to MDC on lease expiry. As the reversion is currently between 38 and 40 years into the future, the impact of the approach adopted currently by the DVS is mitigated. As reversion nears, a more forensic review and consideration of the reversionary value of the site would be expected. Thus, we recommend that consideration of outstanding rent reviews and reversionary value should be addressed in future reviews and as the asset nears reversion.</p> <p>g)In our review of the supporting valuation sheets, we observed that the valuer also adopts both the investment method and profits method as a valuation technique to determine the Exiting Use Value (EUV) for specific assets within the portfolio. These are both recognised methods of valuation and can be used as either a primary or secondary valuation method for non-specialised PPE assets as well as assets held as an investment, where accompanied by appropriate assumptions such as vacant possession. We however recommend that the DVS ensures that future valuation reports include reference to all appropriate valuation techniques adopted to provide a more accurate and complete overview of the methodologies applied.</p> | As detailed on prior page            | As detailed on prior page     | Implemented<br>These will be considered as a part of our rebuild assurance work on opening balances. |

# Recommendations and Control Deficiencies – Prior Periods



| #  | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Management Response/Officer/Due Date                                                                                                                                                                                                                                                                                                 | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                                                                   | Update as of January'2026                                                                            |
|----|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| 13 | 2    | <b>Revenue and Income Grants (2021)</b><br><br>As part of the monitoring process relating to the recognition of revenue, a COVID 19 Grant Income and Expenditure schedule is updated on a monthly basis by the Lead Finance Specialist. We noted however that there is no independent review performed with regards to the accuracy and completeness of the Grant income schedule. Further, there have been no mitigating controls identified which would ensure that the data included in the Delta return is free from misstatement. We recommend that management revises its control process to ensure adequate reviews are performed around the recognition of grant income | Since 2020/21 processes have improved. A Finance Specialist prepares a grant register at the start of the year. This register is used during the budget monitoring process during the financial year to monitor income and expenditure. This grant register is also being reviewed and monitored by the Senior Technical Accountant. | <b>Management Response:</b> Implemented.<br><br><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit. | Implemented<br>These will be considered as a part of our rebuild assurance work on opening balances. |
| 14 | 2    | <b>Capital Grants Received in advance (2021)</b><br><br>From our review of the Council's revalued assets, we noted that the Council had erroneously classified some of its revalued assets as operational assets as opposed to investment assets. We confirmed that these have been subsequently corrected by management in the financial statements, however, we recommend that management revisits its control around the classification of assets. We noted further that the Council had no formal documentation of its internal policies and procedures defining the role and responsibilities of personnel with regards to the management of the Council's assets.         | From 2022 onwards, any S106 income without a clawback clause has been recognised in the CIES. The introduction of a grant register has improved the process of recording and monitoring grants, which ensures the correct accounting treatment is applied.                                                                           | <b>Management Response:</b> Implemented.<br><br><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit. | Implemented<br>These will be considered as a part of our rebuild assurance work on opening balances. |

# Recommendations and Control Deficiencies – Prior Periods



| #  | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Management Response/Officer/Due Date                                                                                                                                | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                                                                   | Update as of January'2026                                                                            |
|----|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| 15 | 2    | <b>Revenue and Income Grants (2022)</b><br><p>We noted from our review of the grant income process that the Council did not retain evidence of comparing the actual monthly expenditure against the allocated COVID-19 budget. This comparison is crucial for management to monitor spending, identify variances, and take timely corrective action. The absence of this control increases the risk of ineligible or inaccurate expenditures, potentially leading to a misstatement of income. We further noted that the Council did not maintain an updated grant movement schedule classifying grants as ringfenced or unringfenced. This lack of tracking increases the risk of misclassification and misstatement of grant income in the financial statements. We recommend management implements a formal process for monthly budget vs. actual reporting for grants, documenting variance analysis and corrective actions. Additionally, the Council should strengthen the process around grant agreement review and tracking, documenting formal reviews for compliance, developing and maintaining an updated grant movement schedule with ringfenced/unringfenced classifications, and conducting regular reviews for accuracy and completeness.</p> | These returns were regularly reviewed by the Director of Resources, although documentation of such was scarce. Documentation of reviews will be recorded in future. | <b>Management Response:</b> Implemented.<br><br><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit. | Implemented<br>These will be considered as a part of our rebuild assurance work on opening balances. |
| 16 | 3    | <b>Operating expenditure (2022)</b><br><p>We noted from our review of the expenditure process that updates to the supplier master file do not require approval, allowing caseworkers to make changes without secondary review. We recommend that management revises and strengthens controls over supplier master file updates, mandating appropriate approval and review procedures to mitigate this risk.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Council has reviewed this and put controls in place to ensure the changes are approved.                                                                             | <b>Management Response:</b> Implemented.<br><br><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit. | Implemented<br>These will be considered as a part of our rebuild assurance work on opening balances. |

# Recommendations and Control Deficiencies – Prior Periods

| #  | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Management Response/Officer/Due Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                                                                          | Update as of January 2026                                                                            |
|----|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| 17 | 3    | <p><b>Property, plant and equipment (2021)</b></p> <p>Per the Council's account policy for Infrastructure assets, the useful economic life (UEL) for its infrastructure assets range from 10 years to 40 years. We noted however from our review of the Council's asset register and discussion with relevant personnel that the Council does not have a clearly documented process for the determination of the useful economic life of its assets with the process relying on the experience of the Asset &amp; Maintenance personnel with minimal documentation being captured as to how the assets UEL have been determined.</p> <p>We therefore recommend that management ensures it incorporates a clearly documented process for the determination of the Useful Economic Lives of its fixed assets</p> | Agreed. As part of the Fixed Asset Register check list, we include a review of all UEL and basis for determination.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p><b>Management Response:</b> Implemented.</p> <p><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit.</p> | Implemented<br>These will be considered as a part of our rebuild assurance work on opening balances. |
| 18 | 3    | <p><b>Property, plant and equipment (2022)</b></p> <p>From our review of the Council's revalued assets, we noted that the Council had erroneously classified some of its revalued assets as operational assets as opposed to investment assets. We confirmed that these have been subsequently corrected by management in the financial statements, however, we recommend that management revisits its control around the classification of assets. We noted further that the Council had no formal documentation of its internal policies and procedures defining the role and responsibilities of personnel with regards to the management of the Council's assets.</p>                                                                                                                                      | The Council is currently reviewing its assets and implementing a project to create a new Asset Register, which will classify each asset as either operational or investment. This project is scheduled for completion by March 2025. To ensure the ongoing accuracy of the data within the Asset Register, additional controls will be introduced. These controls will include audit trails to document any changes to asset designations, which will be agreed upon by the Assets and Building Services Manager and the Lead Specialist Finance. Furthermore, the Council will review management roles and responsibilities related to Asset Management as part of a broader review, following recent changes to its Senior Management Structure and the appointment of a new Chief Executive and Deputy Chief Executive. | <p><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit.</p>                                                 | Implemented<br>These will be considered as a part of our rebuild assurance work on opening balances. |

# Recommendations and Control Deficiencies – Prior Periods

| #  | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Management Response/Officer/Due Date                                                                                                                                                                                                                                             | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Update as of January'2026                                                                            |
|----|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| 19 | 3    | <b>Trade debtors (2022)</b><br>Based on the partial test performed on the trade debtors during the 2022 financial period, we noted that invoices of £232k had been cancelled, however, these had not been appropriately adjusted in the 2022 accounting records. We recommend that management revisits the controls process around the review of the period end adjustments to ensure the necessary adjustments are captured in the appropriate accounting period.                                                          | As part of the debtor reconciliation process and bad debts provision calculation, debts are periodically reviewed, and accruals are checked to ensure invoices are legitimately outstanding at the end of the year. The age of the debt also considered as part of this exercise | <b>Management Response:</b><br>Implemented.<br><br><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit.                                                                                                                                                                          | Implemented<br>These will be considered as a part of our rebuild assurance work on opening balances. |
| 20 | 3    | <b>Trade debtors (2021)</b><br>We noted that the entity does not have a formal written policy for determining provisions for doubtful debts against long outstanding accounts receivable. The establishment of an adequate policy will provide clear guidance to management and ensure consistency and ultimately comparability between year of profits and accounts receivable balances, we thus recommend that a written formal policy be established to recognize doubtful debts in each category of accounts receivable | The provision for doubtful debt is already considered for different areas based on the business needs and historic experience of recovery. E.g. parking debt is different from housing benefit overpayment. This is now in the process of being documented.                      | <b>Management Response:</b><br>Implemented, but will be documented as part of 2024-25 accounts closure.<br><br><b>Revised Due Date:</b> 31 May 2025<br><br><b>Responsible Individual:</b><br>Lead Finance Specialist<br><br><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit. | Implemented<br>These will be considered as a part of our rebuild assurance work on opening balances. |

# Recommendations and Control Deficiencies – Prior Periods



| #  | Risk | Issue, Impact and Recommendation                                                                                                                                                                                                                                                                                                                   | Management Response/Officer/Due Date                                                                                                                                                                | Current Status (January 2025)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Update as of January'2026                                                                            |
|----|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| 21 | 3    | <b>Operating expenditure (2022)</b><br><br>We noted from our review of the expenditure balance that the Council had not allocated operating expense to the relevant accounting period. We recommend management revisits the control process around the recognition of expenses to ensure appropriate cut-off at the end of each accounting period. | As per accounts closure timetable, there will be a specific task to conduct a cut off review to identify items that should fall under the correct accounting period e.g. March (P12) or April (P1). | <b>Management Response:</b> To be carried out during FY24- 25 Accounts closure.<br><br><b>Revised Due Date:</b> 31 May 2025<br><br><b>Responsible Individual:</b> Lead Finance Specialist<br><br><b>KPMG Response:</b> Due to minimal disclaimed audit procedures being performed as part of our 2023-24 financial statements audit, we are unable to confirm that we agree with management's assessment that this recommendation has been fully implemented. This will be considered further as part of our 2024-25 financial statements audit. | Implemented<br>These will be considered as a part of our rebuild assurance work on opening balances. |



# FRC's areas of focus

The FRC released their **Annual Review of Corporate Reporting 2023/24** ('the Review') in September 2024 having already issued three thematic reviews during the year.

The Review and thematic reviews identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.



## Key expectations for 2024/25 annual reports

### Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and Council/Authority-specific.

### Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

### Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continues to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

### Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the Council/Authority's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

# FRC's areas of focus (cont.)

## Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent Council/Authority investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

## Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the '[Offsetting in the financial statements](#)' thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

## Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a Council/Authority is also applying the CIPFA Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and Council/Authority specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

## Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Council/Authority should ensure sufficient explanation is provided of material financial instruments, including Council/Authority -specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

## Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the Council/Authority. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

# FRC's areas of focus (cont.)

## Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

## Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover Council/Authority - specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

## Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

## Strategic report

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

## Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the Council/Authority.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

## Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts –Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

### UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

### Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

## 2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

- |                                                                                                                    |                                                                                                                      |                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
|  Industrial metals and mining |  Construction and materials     |  Food producers     |
|  Retail                       |  Gas, water and multi-utilities |  Financial Services |

# KPMG's Audit quality framework

**Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.**

To ensure that every partner/director and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight (and Risk) Committee, and accountability is reinforced through the complete chain of command in all our teams.

## ■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

## ■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

## ■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



## ■ Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

## ■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

## ■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



[kpmg.com/uk](https://kpmg.com/uk)

(Letterhead of the Entity we audit)

KPMG LLP  
15 Canada Square  
London  
E14 5GL

[Date]

Dear Emma,

This representation letter is provided in connection with your audit of the Authority financial statements of Maldon District Council (“the Authority”), for the year ended 31 March 2025 for the purpose of expressing an opinion:

- i. as to whether these give a true and fair view of the financial position of the Authority as at year end and of the Authority’s income and expenditure for the year then ended;
- ii. whether the Authority’s financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (“CIPFA/LASAAC Code”).

These financial statements comprise the following: the Authority Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Statement of Cash Flows, Collection Fund and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2024, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority as at 31 March 2025 and of the Authority’s income and expenditure for the year then ended;
  - ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to

achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. There are no uncorrected misstatements identified in Current year.
5. Management identified one restatement in the prior year comparative Balance Sheet, £6m was presented as Short-term investments which is to be disclosed under Cash and Cash equivalents on the basis of nature of investments. The Authority confirms that the restatement is appropriate

### Information provided

6. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

7. All transactions have been recorded in the accounting records and are reflected in the financial statements.

8. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Authority has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
    - management;
    - members;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, members, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

12. The Authority confirms that:
  - a) The financial statements disclose all of the matters that are relevant to the Authority's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
  - b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Authority to continue as a going concern.
13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;

- funded or unfunded; and
  - approved or unapproved,
  - have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

14. We have disclosed to you all information regarding investigations into possible fraud and/or non-compliance or suspected non-compliance with laws and regulations, including illegal acts, that we have undertaken at our discretion and completed, including the results of such investigations, and the resolution of the matters, if any, identified in such investigations.

This letter was agreed at the meeting of the Performance, Governance and Audit Committee on [date].

Yours faithfully,

Ben Jay  
Chief Finance Officer (S151)  
Maldon District Council

**Appendix to the Authority Representation Letter of Maldon District Council:  
Definitions**

**Financial Statements**

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'. [Error! Reference source not found.](#)

**Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

### **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

### **Management**

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

### **Related Party and Related Party Transaction**

#### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- A person or a close member of that person’s family is related to a reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - The entity is controlled, or jointly controlled by a person identified in (a).
  - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and

- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

**Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.