



Maldon District Council

**Report to the Performance, Governance and Audit Committee on the 2021/22 and 2022/23 audits
5 December 2024**

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Executive summary

The key messages in this report:

In this report, we present the results of the work we have performed as appointed auditor to Maldon District Council ('the Council') for the years ended 31 March 2022 and 2023.

Statement of Accounts

Local authorities are required by the Accounts and Audit (Amendment) Regulations 2024 to publish their financial statements and audit reports by a legislative 'backstop' date. This is 13 December 2024 for financial years up to 31 March 2023. The introduction of the backstop has limited our ability to complete our financial statement audit work, as detailed in our Planning Report to the Committee dated 13 November 2024.

The issues leading to delays in the 2020/21 audit were included in our report dated 27 November 2023, and the limited time now available prevents us from being able to obtain sufficient, appropriate audit evidence to form an opinion before the backstop date for the financial years 2021/22 and 2022/23.

These limitations are significant and pervasive in extent, and auditing standards therefore require us to issue a disclaimer of opinion in our audit reports for the financial years 2021/22 and 2022/23.

The Financial Reporting Council has published an accessible guide to the overall programme of work to recover the local authority accounts backlog, [Local Audit Backlog - Rebuilding Assurance](#), and the implications of disclaimers of opinion for future years.

We have performed the procedures outlined in our planning report (see pages 10 to 13), reflecting the Local Audit Reset and Recovery Implementation Guidance. Our key findings include:

- **Misstatement and disclosure deficiencies:** Our procedures identified material misstatements and disclosure deficiencies in the financial statements. Management has updated the financial statements to reflect these findings. We have listed the remaining uncorrected misstatements on page 36 and the principal corrected misstatements on page 37.
- **Unresolved audit queries:** Our procedures highlighted potential issues in the draft financial statements that would typically require further investigation before completing the audit. Due to time constraints, management has not been able to fully investigate all of our queries. As a result, we have not quantified these as misstatements. We have summarised these open queries on pages 39 to 43 for the Performance, Governance and Audit Committee's consideration when approving the financial statements.

Executive summary

The key messages in this report (continued):

Statement of Accounts (continued)	<ul style="list-style-type: none">• Implementation of control recommendations: Our 27 November 2023 report on the 2020/21 audit highlighted a number of deficiencies in internal control and included recommendations for improvement. Although we have not completed our usual procedures upon internal controls and have not performed procedures to evaluate the extent to which management has implemented responses to the recommendations, from the procedures performed and discussion with management, we understand that a number of the control recommendations have not yet been implemented. This has affected the quality of the draft financial statements, and is reflected in the control findings we have reported on page 22 to 31. <p>We note that our audit report will explain that the disclaimer of opinion is necessary due to the backstop provisions.</p>
Value for Money procedures	<p>Our Value for Money work is complete (see pages 20 & 21). Our Value for Money commentary is included in the accompanying draft Auditor’s Annual Report.</p> <p>We have not identified any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.</p> <p>We have no matters to report by exception in our financial statement audit report.</p>

Executive summary

The key messages in this report (continued):

Duties as public auditor

We did not receive any queries or objections from local electors regarding the financial years 2021/22 or 2022/23.

We have not identified any matters requiring us to issue a public interest report.

We have not exercised any other audit powers under the Local Audit and Accountability Act 2014.

Interaction with the incoming auditor

The Council has not yet published its draft 2023/24 statement of accounts, which was required to be published for inspection by the first working day of July 2024. The backstop date for the 2023/24 audit is 28 February 2025.

We will co-operate with KPMG, your appointed auditor for 2023/24 onwards, in the handover of the audit of the Council.

Why we cannot issue an audit opinion

Our audit report will include a disclaimer of opinion, as we have not been able to obtain sufficient, appropriate audit evidence on which to base an opinion

Explanation

The introduction of the 'backstop' date has limited the scope of our financial statement audit work. The time available prevents us from obtaining sufficient, appropriate audit evidence to form an opinion before the backstop date.

Due to the limited testing we have performed, the possible effect on the financial statements of undetected misstatements, if any, could be both material and pervasive.

Auditing standards require us to issue a 'disclaimer of opinion' in this situation. The disclaimer applies to the whole of the financial statements. It means that readers should not rely on our audit work when using the financial statements.

How the disclaimer affects our audit report

Our audit report is required to explain the reasons that gave rise to the disclaimer. The backstop is a limitation upon our audit due to legislative reasons, and we will explain this in our audit report.

Even with a disclaimer of opinion, we are still required to report any known, material issues in the financial statements. We have not identified any such matters to report.

While audit reports typically include commentary on the use of the going concern basis for preparing the financial statements, this commentary is not included when a disclaimer of opinion is issued.

Because of the timing of the statutory backstop, we have not planned or performed procedures to address the risk of fraud or non-compliance with laws and regulations. We will state this in our audit report. There are no matters that have come to our attention from our other work that we consider necessary to report upon in respect of fraud or non-compliance with laws and regulations.

ISA required reporting

ISA 260 requires us to communicate with those charged with governance:

- Significant difficulties, if any, encountered during the audit; and
- Any other significant matters arising during the audit that, in our professional judgement, are relevant to your oversight of the financial reporting process.

Our reporting in respect of the backstop fulfils this in respect of this significant matter.

We do not have any matters to report that represent significant difficulties (given the legislative nature of the backstop).

We have made a number of control recommendations in previous years and from our observations in respect of these accounts which reflect improvements needed in the financial reporting process. These recommendations will need to be addressed to ensure timely financial reporting and audit for future periods.

Impact on our audit report (A)

The relevant sections of our audit report for 2021/22 are set out below:

The relevant sections of our 2021/22 audit report are set out below. The 2022/23 audit report includes equivalent sections (with minor drafting differences to reflect that is a subsequent year of disclaimer) and is included as an Appendix (page 34).

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of Maldon District Council ('the Authority') for the year ended 31 March 2022. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, together with the audit report for the year ended 31 March 2022 by 13 December 2024.

Following the introduction of the Regulations, there was insufficient time to complete the necessary audit work to form an audit opinion.

As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items within the statement of accounts.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

Summary of work performed: audit procedures and findings

We have performed some of our originally planned audit procedures, but are not able to complete the audit due to the backstop

The table below shows the work performed and findings from our partially completed audit procedures.

Area of audit	Findings
<p>Cash & Bank (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p><i>We commenced our planned testing on the bank balances held by the Council as at 31 March 2022 including performing a review of the bank reconciliation statements provided by the Council. We have not completed all our work on this balance.</i></p>	<p><i>We noted from the partial testing we performed on the bank balances that there were various deficiencies in regard to the cash reconciliations:</i></p> <ul style="list-style-type: none"> <i>a) The preliminary bank reconciliation provided by the Council as at 31 March 2022 did not agree to the financial statements, with a variance of £115k being identified. This was discussed with management and a correcting adjustment has been posted for this difference, which is included in our schedule of corrected misstatements. Because we did not complete the work in this area, we cannot conclude whether there are other errors in the revised bank reconciliation prepared by management.</i> <i>b) We noted from our review of the preliminary bank reconciliation that there were various invalid reconciling items included in the reconciliation which could not be substantiated upon investigation with management. An audit adjustment has been posted by management to the GL which we however have not tested the revised reconciliation statement due to the implementation of the backstop.</i>

Summary of work performed: audit procedures and findings (continued)

Area of audit	Findings
<p>Marketable Security investments (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p>We sought independent confirmation of the short term & long-term investment balances held by the Council as at 31 March 2022, and to assess the fair value of the investments disclosed in the financial statements for accuracy. We have not completed all of our planned work on this balance.</p>	<p>We noted from the partial testing performed on the market security investments that the Council holds various managed funds within cash equivalents comprising short term investments (£8,000k) and long-term investments (£5,223k). The classification of these instruments is not straight forward; however, management has been unable to provide us with an accounting paper documenting the rationale for the classification of the investments as disclosed in the statement of accounts.</p>
<p>Short term debtors (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p>We commenced our planned test procedures on a number of elements of the short term debtors balance for the year ended 31 March 2022. We have not completed all of our planned work in these areas, and had a number of unresolved queries.</p>	<p>We noted from our partial testing that two invoices with a total value of £232k had been cancelled by the Council, however, the credit notes issued had not been captured within the debtors ledger in the correct period, thereby resulting in an overstatement of the receivable amount, which has not been corrected in the financial statements (see page 36).</p> <p>We further noted from our reconciliation of the debtor ledger to the financial statements a difference of £56k between the General ledger (£1,573k) and the account receivable schedule (£1,629k) which has not been investigated further due to the implementation of the backstop.</p> <p>We have not identified findings from the remainder of our partially completed work.</p>

Summary of work performed: audit procedures and findings (continued)

Area of audit	Findings
<p>Property, Plant & Equipment - Additions (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p><i>We commenced our planned procedures on the additions to fixed assets during the 2021/22 financial year. We have not completed all work in these areas and had a number of unresolved queries from our partially completed testing.</i></p>	<p><i>We have not identified findings from our partially completed work.</i></p>
<p>Property, Plant & Equipment – Valuation (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p><i>We engaged the Deloitte Real Asset Advisory (DRAA) team in the review of the valuation report provided by the Council. Based on the review performed, we have challenged management’s justification for the classification of some assets as operational rather than investment properties, resulting in the classification of these assets being corrected in the financial statements.</i></p> <p><i>We further obtained and reviewed obtained information supporting the gross internal area (GIA) dimensions for the revalued assets, and site plans for the revalued land properties.</i></p> <p><i>Our review of the PPE revaluation is however incomplete with outstanding procedures and queries relating to the componentization, review of the fire safety reports received from management, rent review assumptions, evidence for sales/income & expenditure data incorporated in the valuation, and independent verification of input data.</i></p>	<p><i>We noted from our partial testing performed that management had incorrectly classified some of its assets as operational rather than investments properties. These have been challenged and subsequently corrected by management in the financial statements.</i></p> <p><i>We have not identified findings from the remainder of our partially completed work.</i></p>
<p>Property, Plant & Equipment – Depreciation and amortization (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p><i>We commenced and performed our planned audit procedures on the depreciation and amortization balance, but have not finalized all our work on this balance.</i></p>	<p><i>We have not identified any findings from our partial testing performed with respect to this balance.</i></p>

Summary of work performed: audit procedures and findings (continued)

Area of audit	Findings
<p>Property, Plant & Equipment - Infrastructure assets (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p>We commenced our planned procedures on the infrastructure assets within PPE but stopped due to the impact of the backstop implementation. We did not complete all the work in this area and had outstanding queries on our partially completed testing.</p>	<p>We noted from the partial testing performed on this balance that the Council did not have a documented process for the determination of the useful economic life (UEL) of its assets, with the process relying instead on the judgement of the asset & maintenance personnel. We noted further that the UEL of some of the Council's assets were revised during the year, with no supporting documentation evidencing the rationale for the revision to the assets UEL.</p>
<p>Short term creditors (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p>We commenced our planned testing on the DCLG Housing Grant Personal creditor balance (£892k) but did not complete the work due to the implementation of the backstop.</p> <p>Testing on the sundry creditors balance (£12m) has not commenced.</p> <p>With regards to our search for unrecorded liabilities, 12 samples were selected for review from payments recorded in the Council's bank statements subsequent to the year end, however, for 7 of the samples, we have not received the evidence required to verify if the associated liability had been captured in the appropriate period. We have not completed all of our planned work on this balance.</p>	<p>From the reconciliation performed, we noted a variance of £85K between the trial balance (£2,036k) and the amount disclosed in the draft financial statements (£2,122k) under Note 20 Other Local authorities Short term creditors. This has been subsequently adjusted by management.</p> <p>During our review of the short-term creditors, we noted the sum of £226k which may have been duplicated within the long-term creditors (as we noted the same amount included in the long-term creditors ledger), thereby requiring further investigation by management to determine the nature and the make-up of the balance within sundry creditors that is being reported as long-term creditors.</p>
<p>Provisions (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p>We commenced our planned audit procedures with respect to the provision balance which comprises business rate appeals (£1,959k), Tree root damage appeals (£47k), Planning Appeals (£49k) and insurance provision (£100k). We have not completed all our work on this balance.</p>	<p>We have not identified any findings with regards to the partially completed procedures performed on this balance.</p>

Summary of work performed: audit procedures and findings (continued)

Area of audit	Findings
<p><i>Future Employment benefits (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</i></p> <p><i>We performed preliminary reconciliation work on the future employment benefits balance but performed no further procedures due to the impact of the backstop date on the audit timetable. We have not completed all our work on this balance.</i></p>	<p><i>We have not identified findings from our partially completed work.</i></p>
<p><i>Capital Grants received in advance (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</i></p> <p><i>We commenced our testing on capital grants received in advance but stopped due to the impact of the backstop date on the audit timetable. We did not complete the work in this area owing to further sampling being required to achieve the planned level of assurance.</i></p>	<p><i>Based on our partial testing and review of the ‘capital grants received in advance’ schedule, we noted the Council recorded as a liability capital grants received which had no claw back clauses, resulting in a misstatement of the ‘capital grant receipt in advance’ balance by £305k, which has subsequently been corrected in the financial statements (see page 37).</i></p> <p><i>Similarly, from the partially completed testing performed, we identified that the clawback clause relating to the one of the selected samples (£83k) had not been activated prior to the expiry date of November 2021, and thus this grant should have been released into the CIES after the expiry of the relevant clawback clause. However, this was incorrectly recorded as a liability as at the end of the financial year under review and remain uncorrected in the financial statements (see page 36).</i></p>
<p><i>Useable and Unusable Reserves (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</i></p> <p><i>We have not completed our planned audit procedures with regards to the useable and unusable reserves due to the implementation of the backstop. We have however, performed a reconciliation of the reserves disclosed within the financial statements to the supporting schedules.</i></p>	<p><i>We have not identified findings from our partially completed work.</i></p>

Summary of work performed: audit procedures and findings (continued)

Area of audit	Findings
<p><i>Fees, charges, and Other Service Income (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</i></p>	<p><i>We have not identified findings from our partially completed work.</i></p>
<p><i>We had commenced our testing on Fees, charges, and Other Service Income but stopped due to the impact of the backstop date on the audit timetable.</i></p>	
<p><i>We did not complete all the work in this area because we had not received the invoices and other supporting documentation for the selected samples relating to rental income, Other income and waste & recycling income.</i></p>	
<p><i>Testing on the completeness of the income relating to this area has not commenced.</i></p>	
<p><i>Income from Council tax (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</i></p>	<p><i>We have not identified findings from our partially completed work.</i></p>
<p><i>We commenced our testing on the income from Council tax recorded by the Council during the period under review. We have not completed all our work on this balance.</i></p>	
<p><i>Income from Business rates (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</i></p>	<p><i>We have not identified findings from our partially completed work.</i></p>
<p><i>We commenced our planned audit procedures which involved developing an expectation and analytical review on the balance for the current year. We have not completed our work on the income from business rates as we have outstanding queries with regards to the changes in the composition of the balance.</i></p>	
<p><i>Interest and investment income (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</i></p>	<p><i>We have not identified findings from our partially completed work</i></p>
<p><i>We commenced our testing on the Interest and investment income recorded by the Council during the period under review. We have not completed all our work on this balance.</i></p>	

Summary of work performed: audit procedures and findings (continued)

Area of audit	Findings
<p>Government grants and contributions (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p><i>We executed our planned testing on the government grants and contribution income however, we have been unable to conclude as the completeness and accuracy of revenue recognised is dependent on the testing of the related expenditure, which is incomplete.</i></p> <p><i>We further have outstanding queries relating to the evidence received for our selected samples and other procedures performed but have not concluded on these queries due to the implementation of the backstop.</i></p> <p><i>We have not completed all our work on this balance.</i></p>	<p><i>We have not identified findings from our partially completed work.</i></p>
<p>Employee benefits expenses (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p><i>We commenced our planned testing by developing an expectation for a portion of the employee expense, however, due to the impact of the backstop, we have not completed our testing on the wages and salaries expense recorded during the year.</i></p> <p><i>Our testing on the employee benefit expense including IAS 19 expense further remains incomplete.</i></p>	<p><i>We have not identified findings from our partially completed work.</i></p>
<p>Housing benefit expenditure (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p><i>We commenced our planned testing on the housing benefit expenditure. We have not completed all our work on this balance.</i></p>	<p><i>We noted from our testing procedures performed an immaterial difference of £204 between the payment and claim for housing benefit allowance in November 2021.</i></p>
<p>Precepts and levies (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p><i>We commenced our planned testing in respect of the precepts and levies expenditure. We have not completed all our work on this balance.</i></p>	<p><i>We have not identified findings from our partially completed work</i></p>

Summary of work performed: audit procedures and findings (continued)

Area of audit	Findings
<p><i>Interest payments (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</i></p>	
<p><i>We commenced our testing on the Interest payments expense. We have not completed all our work on this balance.</i></p>	<p><i>We have not identified findings from our partially completed work</i></p>
<p><i>Operating Expenditure (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</i></p>	
<p><i>We commenced our planned testing on the operating expenditure recorded by the Council during the period under review. We have however, not completed our testing procedures due to the impact of the backstop date on the audit timetable.</i></p>	<p><i>We have not identified findings from our partially completed work.</i></p>
<p><i>We performed an analytical review of the operating expense in the current year compared against the prior year, from which we noted a significant decrease in the volume of transactions while the Council recorded an increase in the operating expense amount. This suggests a major change in the underlying composition of the operating expense which required investigation.</i></p>	
<p><i>Furthermore, we required additional samples (3) to attain sufficient coverage in our testing of the operating expense balance.</i></p>	
<p><i>For the samples (17) selected for testing, supporting evidence was outstanding for two (2) samples. We have also performed no further review of the adjustment posted by management against the operating expense account, nor investigated further the variance of £36k noted from our reconciliation of the sub ledger to the trial balance.</i></p>	
<p><i>We have not completed all our work on this balance.</i></p>	

Summary of work performed: audit procedures and findings (continued)

Area of audit	Findings
<p data-bbox="79 282 871 351">Disclosure notes (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p data-bbox="79 365 653 398">We have not commenced our notes testing.</p> <p data-bbox="79 412 929 515">Testing of the majority of the notes remains incomplete as this is dependent upon the detailed testing of the underlying account areas as noted above.</p>	<p data-bbox="962 325 1831 358"><i>We have not identified findings from our partially completed work.</i></p>
<p data-bbox="79 539 855 608">Collection fund (Year ended 31 March 2022 only, no work completed on year ended 31 March 2023)</p> <p data-bbox="79 622 929 694">We did not complete the work in this area and only performed our review to the extent necessary to be able to issue an opinion.</p>	<p data-bbox="962 582 1831 615"><i>We have not identified findings from our partially completed work.</i></p>

Summary of work performed: audit procedures and findings (continued)

We have performed the limited procedures as set out in our planning report which sets out our planned work in the context of the backstop provisions

Overview of procedures performed

The table below shows our planned procedures (as per our planning report dated 12 November 2024) and our findings.

Financial statement procedures	Findings
We obtained an understanding of management's process for the preparation of the financial statements, including any updates to the originally published accounts necessary for findings from previous audits.	We noted several control observations related to the financial reporting and close process, in addition to those noted in previous years, as detailed on pages 22 to 31.
We reviewed the draft financial statements, including performing overall analytical procedures.	From our review of the draft financial statements, we noted a number of queries. Management has satisfactorily addressed these queries; however further review of the revised accounts would have been required.
We agreed the primary statements (comprehensive income and expenditure statement, balance sheet, statement of cashflows, and movement in reserves statement), and the Collection Fund to supporting accounting records.	Our procedures identified errors in the working papers in respect of 2021/22, which have been corrected.
We have discussed with management any apparent errors, omissions, or inconsistencies that were not clearly trivial, and requested correction of identified misstatements (including disclosure deficiencies).	We have listed uncorrected misstatements in our schedule of unadjusted misstatements on page 36.
We evaluated the misstatements and disclosure deficiencies identified, [and considered whether uncorrected items are individually or in aggregate material to the financial statements.	We have summarised the impact of the corrected misstatements in the appendix on pages 37.
	Uncorrected misstatements are immaterial to the financial statements for each financial year.

Summary of work performed: audit procedures and findings (continued)

Other planned procedures	Findings
<p>Fraud inquiries</p> <p>We inquired of the Section 151 Officer; Internal Audit; the Performance, Governance and Audit Committee Chair and others involved in the financial reporting process, as to their knowledge of any fraud or allegations thereof affecting the Council for the period. Due to the timing of the statutory backstop, we have not been able to perform the other fraud-related procedures required by auditing standards.</p>	<p>No matters were identified to us during our enquiries regarding any instances of fraud or allegations of fraud, other than matters already included in the reports to the Performance, Governance and Audit Committee.</p>
<p>Compliance with laws and regulation</p> <p>We inquired of the Section 151 Officer and the internal legal counsel as to their knowledge of any instances of non-compliance with laws or regulation for the period. Due to the timing of the statutory backstop, we have not been able to perform the other procedures related to non-compliance with laws and regulations required by auditing standards.</p>	<p>No matters were identified to us during our enquiries regarding any instances of non-compliance with laws and regulations.</p>
<p>Overall audit procedures that also impact upon our Value for Money procedures</p> <p>We reviewed the minutes of the Council and its principal committees for the period. We reviewed the Internal Audit reports for the period.</p>	<p>Our procedures did not identify any issues in respect of the financial statements requiring reporting.</p>
<p>Annual Governance Statement</p> <p>We reviewed the Council's Annual Governance Statement to determine whether it is misleading or inconsistent with other information known to us from our audit work (including from our Value for Money procedures).</p>	<p>We did not identify any inconsistencies with other information known to us from our procedures.</p>
<p>Subsequent events</p> <p>We inquired of management whether there are any subsequent events that affect the open years of account, and if so whether and how they have been reflected in the financial statements.</p>	<p>No matters were identified to us during our enquiries regarding any subsequent events which required disclosure or adjustment in the financial statements.</p>

Other matters for your consideration

Materiality

Although the extent of planned procedures does not include testing of balances, we are required to determine materiality to evaluate any identified misstatements (and so whether the financial statements are materially misstated).

We have set materiality based on gross expenditure per the draft financial statements, and the threshold above which we report misstatements to the you, as:

Financial year	Gross expenditure	Materiality	% of gross expenditure	Reporting threshold
2021/22	£33,914k	£678k	2%	£33.9k
2022/23	£33,709k	£674k	2%	£33.7k

Significant risks

We have not completed the risk assessment procedures required by ISAs to identify significant risks for all the financial years subject to audit, or performed procedures to respond to identified risks of material misstatement. The significant risks which we had identified in respect of the 2021/22 audit, and for which the Performance, Governance and Audit Committee may wish to consider the internal assurances in place in respect of for the open years of account, were:

- Management override of controls (a presumed risk for all audits); and
- Recognition of COVID-19 related income

These significant risks remain consistent with the risks included within our report in respect of the 2020/21 audit, however, no further updates have occurred since April 2024 with regards to the risks identified on the 2021/22 audit.

We had rebutted the presumed risk of fraud in revenue recognition for 2020/21, but have not determined whether this would be a risk for subsequent years.

Other areas of audit focus in the 2020/21 audit which we reported on to the Performance, Governance and Audit Committee, and which may remain relevant to subsequent years, (but which had not been identified as significant risks) include:

- Defined benefit pension scheme
- Valuation of property assets
- Infrastructure assets

Value for Money: procedures performed

Our Value for Money commentary will be included in our Auditor's Annual Report

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2024 and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against two reporting criteria (financial sustainability and governance, with improving economy, efficiency and effectiveness not a required criterion for audits up to 31 March 2023);
 - Perform a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
 - If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
 - Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
 - Where significant weaknesses are identified, report this by exception within our financial statement audit report.
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Status of our work

We have completed our Value for Money work. Our Value for Money commentary is included in the accompanying draft Auditor's Annual Report.

Value for Money: procedures performed (continued)

Our Value for Money commentary will be included in our Auditor's Annual Report

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we reviewed the summary of Value for Money arrangements prepared by the Council, reviewed supporting documentation on arrangements, and held follow-up interviews on areas where additional information was required.

Additionally, we have for each year:

- reviewed financial planning and monitoring documentation including budget setting reports, in year monitoring reports, and the Medium-Term Financial Strategy and Medium-Term Financial Plan
- reviewed the Council's draft Narrative Report, Annual Governance Statement, and relevant Council papers and minutes.
- reviewed internal audit reports through the year and the Head of Internal Audit Opinion
- considered issues identified through our other audit and assurance work; and
- considered the Council's financial performance and management through the period.

Consideration of financial reporting arrangements

We have considered whether the matters giving rise to delays in the financial reporting and audit process represent a risk of significant weakness in Value for Money arrangements. We have concluded, in the circumstances of the pandemic and post-pandemic period, findings from previous audits, wider sector issues, and the impact of challenges on audit delivery in the sector and considering the arrangements in place for other local authorities, that there is not a risk of significant weakness in arrangements in the period. However, we highlight the issues that we have reported in previous periods (including in our report of 27 November 2023 on the 2020/21 audit), control findings included in this report and the adjustments identified through the limited procedures we have performed for the current period, which indicate that improvement to the financial reporting and close process is required. Addressing the control recommendations we have made will be a necessary part of recovering timely financial reporting and audit going forward.

Findings of our work

We have not identified any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have no matters to report by exception in our financial statement audit opinion.

Internal control: control observations

Summary

In our 27 November 2023 report to the Performance, Governance and Audit Committee on the 2020/21 audit, we reported a number of deficiencies in internal control and made recommendations to address them were included in our planning report. While we have not finalized our usual procedures on internal controls, and have not performed procedures to evaluate the extent to which management has implemented our recommendations, our partially completed procedures and discussions with management on the 2021/22 accounts indicate that some of our control recommendations have not yet been implemented.

We highlight the importance of the control environment over the preparation and review of the financial statements for the recovery of timely financial reporting for the Council in future years.

From the procedures performed, we have identified the following additional control observations:

Area	Year first communicated, severity	Observation	Management Response
Preparation of Draft Financial Statements	2021, high	<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"> a) Several inconsistencies in the accounting policies disclosed within the financial statements; b) Some inconsistencies between the notes and the Primary Statements; c) Differences noted during our "call and cast" process and various notes not casting appropriately. <p>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.</p>	TBC

Internal control: control observations (continued)

Summary

Area	Year first communicated, severity	Observation	Management Response
Journals	2020, high	<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>	TBC
Housing benefit expenditure	2022, medium	<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. We recommend that management revisits the control relating to the housing benefit payment process to ensure adequate checks are in place.</p>	TBC

Internal control: control observations (continued)

Area	Year first communicated, severity	Observation	Management Response
Property, Plant and Equipment	2019, medium	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. 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.	TBC
Property, Plant and Equipment	2021, low	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 & Maintenance personnel with minimal documentation being captured as to how the assets UEL have been determined. We therefore recommend that management ensures it incorporates a clearly documented process for the determination of the Useful Economic Lives of its fixed assets.	TBC

Internal control: control observations (continued)

Area	Year first communicated, severity	Observation	Management Response
<p>Property, Plant and Equipment</p>	<p>2022, medium</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"> 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. 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 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. 	<p>TBC</p>

Internal control: control observations (continued)

Area	Year first communicated, severity	Observation	Management Response
Property, Plant and Equipment	2022, medium	<ul style="list-style-type: none"> 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. 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. 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. 	TBC

Internal control: control observations (continued)

Area	Year first communicated, severity	Observation	Management Response
Property, Plant and Equipment	2022, medium	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.	TBC

Internal control: control observations (continued)

Area	Year first communicated, severity	Observation	Management Response
Property, Plant and Equipment	2022, low	<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.</p> <p>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>	TBC
Trade Debtors	2022, low	<p>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.</p>	TBC
Trade Debtors	2021, low	<p>We noted that the entity does not have a formal written policy for determining provisions for doubtful debts against long outstanding accounts receivable.</p> <p>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.</p>	TBC

Internal control: control observations (continued)

Area	Year first communicated, severity	Observation	Management Response
Cash & Cash equivalent	2021, high	<p>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:</p> <ul style="list-style-type: none"> 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. <p>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.</p>	TBC
Revenue and Income Grants	2021, medium	<p>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</p>	TBC

Internal control: control observations (continued)

Area	Year first communicated, severity	Observation	Management Response
Revenue and Income Grants	2022, medium	<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.</p> <p>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.</p> <p>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>	TBC
Operating expenditure	2022, low	<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>	TBC

Internal control: control observations (continued)

Area	Year first communicated, severity	Observation	Management Response
Capital Grants Received in Advance	2021, medium	Per the Guidance to the Code, grants or donated assets which have been received by an authority should be credited as income to the CIES at the point that the authority’s relationship with the donor ceases to have the formal status of a liability. From the review of the capital grant recorded by the Council as at the year end, we noted that the Council included grants received which had no clawback clause and for which the authority had satisfied all the conditions which could have resulted directly in repayment of these specific grants. We recommend that management continually assesses the S106 grants received and recorded in its books to ensure these are appropriately classified to the capital grants unapplied reserve if all conditions which could have directly resulted in repayment has been met.	TBC
Operating expenditure	2022, low	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.	TBC
General IT Control	2022, high	<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), howbeit unsuccessful, we recommend that management revisits the relevant IT controls and ensure appropriate cybersecurity trainings are provided to employees.</p>	TBC

Purpose of our report and responsibility statement

Our report sets out the work we have performed and the impact of the backstop provisions upon our audit.

This report has been prepared for the Performance, Governance and Audit Committee and the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.



Appendices



Impact on our audit report (B)

The relevant sections of our audit report for 2022/23 are set out below:

The relevant sections of our 2022/23 audit report are set out below.

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of Maldon District Council ('the Authority') for the year ended 31 March 2023. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statement.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, together with the audit report for the year ended 31 March 2023 by 13 December 2024.

Following the introduction of the Regulations, there was insufficient time to complete the necessary audit work to form an audit opinion on the statements of accounts for the years ended 31 March 2023 and 2022.

As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items within the statement of accounts for both the years ended 31 March 2023 and 2022.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

Because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements, including in respect of detection of any non-compliance with laws and regulations, including fraud.

Audit Adjustments

Uncorrected Misstatements were reported in respect of the Statement of Accounts for the year ended 31 March 2021.

The following uncorrected misstatements were identified in relation to the 2020/21 audit:

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Debit/ (credit) usable reserves £m
Misstatements identified in current year					
Recognition as liability of S106 grants which have no possibility of repayment	[1]		0.265	(0.265)	
Incorrect classification of PPE as infrastructure assets	[2]	0.305	(0.305)		
Capitalisation rate adopted by DVS in the valuation of the Springfield Industrial Estate exceeds expected range for an industrial asset with reversionary potential	[3]		(0.310)		0.310
NNDR Payable balance not linked to a specific individual NNDR creditor	[4]	0.057	(0.057)		
Total		0.342	(0.407)	(0.265)	0.310

- 1) Per the Guidance to the Code, grants or donated assets which have been received by an authority should be credit as income to the CIES at the point that the authority's relationship with the donor ceases to have the formal status of a liability. From the review of the capital grant recorded by the Council as at the year end, we noted that the Council included grants received which had no clawback clause and for which the authority had satisfied all the conditions which could have resulted directly in repayment of these specific grants
- 2) As part of our audit procedures to evaluate the impact of the identified issues and the related documentation released by the CIPFA & DLUHC on the Property, Plant and Equipment (PPE) balance for the current year audit (YE 31 March 2021), we have reviewed the componentization and nature of all the assets which were classified as infrastructure assets by the Maldon District Council and noted some assets which were wrongly classified as infrastructure assets in the prior year.
- 3) Based on the calculation reperformed by the DRAA to confirm the mathematical accuracy of the methodology as applied by the DVS, it was noted that the capitalisation rate adopted is considered above an expected range for an industrial asset with reversionary potential.
- 4) The NNDR Payable balance includes £57k that is not linked to a specific individual NNDR creditor. This was due to timing differences between Academy (system that captures NNDR and Council Tax balances for the Council) and the entity's Trial Balance as at 31 March 2021

Audit adjustments (continued)

Unadjusted misstatements - 2021/22

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements increase profit by £227k, decrease net assets by £149k and decrease retained earnings by £78k.

	Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m	If applicable, control deficiency identified
Misstatements identified in current year					
Recognition as liability of S106 grants which have no possibility of repayment		0.083	(0.083)		Slide 31
Overstatement of trade debtors	0.232	(0.232)			Slide 28
Overstatement of operating expenses	(0.005)		0.005		Slide 31
Total	0.227	(0.149)	(0.078)		

Audit Adjustments (continued)

The following misstatements have been corrected in the 2021/22 Statements of account

The tables below show the impact of the adjustments made to the published draft financial statements, affecting the Comprehensive Income and Expenditure Statement and the Statement of Financial Position. The table shows the adjustments made in the updated financial statements provided by the Council for us to perform procedures upon and the adjustments made to the final financial statements. While management has corrected the related misstatements, we are communicating them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the internal control system.

		Debit/ (credit) CIES £k	Debit/ (credit) in net assets £k	Debit/ (credit) prior year reserves £k	Debit/ (credit) usable reserves £k
2021/22					
Misstatements identified in current year				-	-
Recognition as liability of S106 grants which have no possibility of repayment	[1]	-	0.305	(0.305)	-
Reclassification of revalued assets from operational to investment assets category	[2]	-	(0.636)	0.636	-
Total		-	(0.941)	0.941	-

- (1) Per the Guidance to the Code, grants or donated assets which have been received by an authority should be credit as income to the CIES at the point that the authority's relationship with the donor ceases to have the formal status of a liability. From the review of the capital grant recorded by the Council as at the year end, we noted that the Council included grants received which had no clawback clause and for which the authority had satisfied all the conditions which could have resulted directly in repayment of these specific grants
- (2) As part of our audit procedures on the revalued assets, we noted some assets which had been incorrectly classified as operational assets as opposed to investment properties.

Audit adjustments

Unadjusted disclosure misstatements

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Financial year	Disclosure	Summary of disclosure requirement
2022	Disclosure of nature and amount of a change in accounting estimates	Per the CIPFA code, an authority shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods. We noted that although the Council incorporated a change in the useful economic lives (UEL) of some of its assets, which impacted the depreciation estimate, the change in estimate has not been disclosed within the financial statements.

Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

Disclosure	Summary of disclosure requirement
Discrepancy in Short-Term Creditor Disclosure	A variance of £85k exists between the trial balance (£2,036k) and the disclosed amount (£2,122k) for "Other Local Authorities Short Term Creditors" in Note 20. While potentially immaterial, this discrepancy warrants investigation and correction for accuracy.

Audit adjustments

Unresolved audit queries

Our procedures identified several potential issues with the draft financial statements, which would ordinarily need to be concluded upon prior to completion of an audit. Due to the time constraints of the backstop, management has not been able to fully investigate all of these queries. As the potential issues have not been concluded upon, we have not identified them as quantified misstatements. We have summarised the open queries below, for the Performance, Governance and Audit Committee's consideration when approving the financial statements.

Financial year	Area of the financial statements	Audit query	Quantitative or qualitative consideration
2021/22	Cash and cash equivalent	We noted unsupported reconciling items within bank reconciliation statements. Management confirmed that an adjustment for £115k was posted in the GL to rectify these, however, we have performed no further review to verify the accuracy of the adjustment posted.	We could not reach a conclusion on the cash and cash equivalent balance.
2021/22	Short-Term Investments	Internal control reports & third-party confirmations from investment custodians are outstanding for some of the Council's short-term investments (£24,500k), which represent a significant portion of the balance.	We could not reach a conclusion on the short-term investment balance.
2021/22	Long-Term Investments	Internal control reports & third-party confirmations have not been received in respect of some of the investments (£5,223k) held by the Council, with these representing a significant portion of the balance.	We could not reach a conclusion on the long-term investment balance.
2021/22	Short-term debtors	<ul style="list-style-type: none"> For the 10 samples selected to test the short-term debtors (aggregated service debtors, other debtors and central government bodies), further evidence (bank statements and invoices) were required from management to verify the subsequent receipt of the selected sample amounts. 	We could not reach a conclusion on the short-term debtors balance.

Audit adjustments

Unresolved audit queries

Financial year	Area of the financial statements	Audit query	Quantitative or qualitative consideration
2021/22	Short-term debtors (continued)	<ul style="list-style-type: none"> The VAT return for the Quarter ended 31 March 2022 was outstanding for the verification of the amount due from Central government bodies. Queries remain on factors and rational applied in the determine impairment allowance by management. Reconciliation to the debtors schedule is outstanding for the NNDR and council tax arrears which have been used in the computation of the NNDR and Council tax provisions. The schedule which provides a breakdown of the Debtors for local taxation is outstanding from management. 	We could not reach a conclusion on the short-term debtors balance.
2021/22	Property, Plant & Equipment – Additions	<ul style="list-style-type: none"> Evidence of when the selected addition sample (Burnham on crouch Houseboats berth) was put into use. Evidence of existence, subsequent to the year end, of the sampled asset. 	We could not reach a conclusion on the existence and accuracy of additions to fixed asset.
2021/22	Property, Plant & Equipment – Infrastructure Assets	<ul style="list-style-type: none"> We have not received supporting evidence for the adjustment of £155k posted by management with respect to the infrastructure assets within the fixed asset register. We have no received evidence supporting the UELs determined for 2 new infrastructure assets (Oldmeadow and removal of old slipway). 	We could not reach a conclusion on the fixed asset balance.

Audit adjustments

Unresolved audit queries

Financial year	Area of the financial statements	Audit query	Quantitative or qualitative consideration
2021/22	Property, Plant & Equipment – Valuation	<ul style="list-style-type: none"> • Evidence of the impact of the Council’s failure to componentise the value of its revalued buildings (Butt Lane Toilet Buildings = £261,000, Burnham Quay = £200,000 Store, London Road Cemetery = £57,000) into Structure, Roof, Heating & associated systems, Electrical and External works and the likelihood of this to impact the depreciation expense as not been obtained. • An update on the impact of Reinforced autoclaved aerated concrete (RAAC) on the Council’s properties has not been received from management. • Evidence of rent review settlement and rent receipt evidence for rental properties have not been received from management. • We have not been provided with supporting evidence for the sales data incorporated in the White Horse Lane valuation. • We have not obtained further clarification from management regarding the classification of some of the sampled property as PPE, while these appear to be held for rental yield. • Although management updated the classification for assets which were incorrectly revalued as operational assets, we have not reassessed the updated valuation methodology for these assets. 	We could not reach a conclusion on the valuation of the fixed assets.
2021/22	Property, Plant & Equipment – General	<ul style="list-style-type: none"> • Explanations required from management with respect to the adjustment posted against the operational assets balance of £207k (management adjustment 1- £79k and Management adjustment 2- £127K). • An assessment required to be performed on expenditure posted through the Comprehensive Income & Expenditure Statement (CIES) to evaluate the impact of the Council’s policy not to capitalize assets below £10k. 	We could not reach a conclusion on the fixed asset balance.

Audit adjustments

Unresolved audit queries

Financial year	Area of the financial statements	Audit query	Quantitative or qualitative consideration
2021/22	Short term creditors	<ul style="list-style-type: none"> • Queries were raised to management to determine the nature and the make-up of the balance of £226k which has been included within the short-term creditors cost centre 942 and likewise in the long-term creditors cost centre 947. • Evidence for 7 samples selected for our test of unrecorded liabilities are outstanding. 	We could not reach a conclusion on the short-term creditors balance.
2021/22	Long-Term Creditors	<ul style="list-style-type: none"> • Clarification regarding the classification of £226k as short-term creditors within Sundry Creditors (cost centre 942) while also appearing as a duplicate amount under long-term creditors in cost centre 947. 	We could not reach a conclusion on the long-term creditors balance
2021/22	Capital Grants received in advance	<ul style="list-style-type: none"> • Supporting evidence (grant agreements) with respect to further samples required to be selected by the audit team and requested from management 	We could not reach a conclusion on the capital grant RIA balance.
2021/22	Fees, charges, and Other Service Income	<ul style="list-style-type: none"> • Evidence in respect of rental income samples (3 items) • Explanation on why one sample item was been paid over 10 instalments and how this reconciles to the ledger. • Evidence in respect of other income samples (10 items sampled 2 items with open queries) • Evidence in respect of waste & recycling income samples (12 items sampled , two with open queries) 	We could not reach a conclusion on the Fees, charges, and Other Service Income balance
2021/22	Income from Business rates	<ul style="list-style-type: none"> • Explanation for changes noted (compared to the prior year) in the factors impacting the valuation of the business rate income. • Evidence for the business rate multiplier received from the central government. 	We could not income from business rates balance

Audit adjustments

Unresolved audit queries

Financial year	Area of the financial statements	Audit query	Quantitative or qualitative consideration
2021/22	Government grants and contributions	<ul style="list-style-type: none"> • Clarification required from management regarding the basis for recognizing only a portion of the Covid Fees and Charges grant received during the year. • Further sampling required In respect of other tested grants. • Explanation required regarding the classification of the LA Test & Trace Support Payment, Restart Grant, COVID ECC BAG Income, and Covid LRSG (closed) 2 as principal grants as opposed to agency grants. 	We could not reach a conclusion on the Government grants and contributions balance.
2021/22	Employee benefits expenses	<ul style="list-style-type: none"> • Bank statements which validate the IAS 19 employer contributions made during the year would be needed to complete our testing on the IAS 19 costs. • Further sampling required to address untested balances and to assure management's adjustments • Further review of the payroll balance would be needed to complete the substantive analytical procedures. 	We could not reach a conclusion on the salary and wages balance.
2021/22	Operating Expenditure	<ul style="list-style-type: none"> • Further enquiries in respect of reasons underpinning the movements observed in the operating expense balance would be needed to complete the substantive analytical procedures. • Further information will be required for the remaining sample items (2) which have not yet been concluded. • Further reconciliations and supporting documentation would be required to verify the appropriateness of the adjustment posted by management against the OPEX accounts. 	We could not reach a conclusion on the operating expenses balance.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and our objectivity is not compromised.
Audit fees	Public Sector Audit Appointments Ltd (PSAA) set the scale fee for the audit of the Council for 2021/22 and 2022/23 at £37.9k. The scale fee is based on assumptions about the scope and required time to complete our work. It does not reflect changes in the scope of work (including from the introduction of new Value for Money requirements in 2020/21). These are subject to separate agreement with the Council and PSAA. PSAA has not yet confirmed its approach for the determination of fees for audits affected by the backstop. Based upon time incurred to date for the audit, the costs and relevant fees would be reviewed and approved by the PSAA at appropriate rates.
Non-audit services	There are no non-audit services we have provided in respect of the financial years 2021/22 or 2022/23.
Relationships	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

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