



# Maldon District Council

Auditor's Annual Report for the years 2021/22 and 2022/23

Issue Date: 5 December 2024

# Contents

## Auditor's Annual Report

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Key messages	4
Explanation of the 'backstop' arrangements	5
Auditor's work on VfM arrangements	6
VfM commentary:	
• Financial sustainability	7
• Governance	9
Purpose of our report and responsibility statement	11

## Appendices

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Recommendations and insights	12
Council's responsibilities	13
Auditor's responsibilities	14

# Key Messages

## Audit report on the financial statements

2021/22 and 2022/23	<p>We expect to issue audit reports with a disclaimer of opinion on the 2021/22 and 2022/23 financial statements on or shortly after 5 December 2024, in accordance with the national ‘backstop’ provisions established by the Accounts and Audit (Amendment) Regulations 2024, and National Audit Office’s Code of Audit Practice.</p> <p>This was because it was not possible to complete the financial statement audits for these years by the statutory “backstop” date of 13 December 2024.</p>
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## The Council’s arrangements to secure Value for Money in the use of resources

Financial year	Risk assessment	Conclusion	Page reference
2021/22	No risk of significant weakness	No significant weaknesses identified; however, we have raised Deloitte insights in relation to arrangements	Page 11
2022/23	No risk of significant weakness	No significant weaknesses identified; however, we have raised Deloitte insights in relation to arrangements	Page 11

# Purpose of this report

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Our Auditor's Annual Report presents our commentary on Maldon District Council ('the Council') arrangements to secure economy, efficiency and effectiveness in the use of resources ('Value for Money', 'VfM'), for the years ended 31 March 2022 and 31 March 2023.

We prepared this report in accordance with the National Audit Office's ("NAO") 2024 Code of Audit Practice, and its supporting Local Audit Reset and Recovery Implementation Guidance, and Auditor Guidance Notes ('AGNs'). These are available from the NAO website. This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

Our VfM commentary is based on our assessment of the adequacy of the arrangements the Council has put in place. The extent of our work is determined by our risk assessment, and whether we have identified any risks of significant weakness in arrangements. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering, or its services represent, value for money.

Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Council's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03: Value for Money, where we identify a significant weakness, or
- Other recommendations, which we have indicate as "Deloitte insights" (and which are summarised in Appendix 1).

We have not identified any significant weaknesses in the Council's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

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## Explanation of the backstop arrangements and disclaimers of opinion

There is a significant backlog in the publication of audited accounts of local authorities in England. National bodies have been working together to address the backlog, as summarised in the Financial Reporting Council's accessible guide to the overall programme of work, [Local Audit Backlog - Rebuilding Assurance](#).

The government has introduced a legislative backstop date by which local authorities must publish their final accounts, including the audit report, even if the financial statement audit is not yet complete. For financial years up to 2022/23, the backstop date is 13 December 2024. The Financial Reporting Council has published an accessible guide to the overall programme of work to recover the backlog of local authority audits.

The backstop date limited the time available to complete our financial statement audit, and obtain sufficient, appropriate audit evidence to form an opinion 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. Our audit reports explains that our disclaimer of opinion is due to the backstop. We reported the extent of work performed, and findings, to the Performance, Governance and Audit Committee on 5 December 2024.

# Auditor's work on Value for Money arrangements

The Section 151 Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Council is required to annually review the effectiveness of the system of internal control, including VfM arrangements, and report upon this as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. The National Audit Office's Code of Audit Practice sets out three reporting criteria for the auditor to consider. Under the backstop provisions, the areas to consider in respect of these criteria have been amended, and we are not required to report against 'improving economy, efficiency and effectiveness'.

<b>Financial Sustainability</b>	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
<b>Governance</b>	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
<b>Improving economy, efficiency and effectiveness</b>	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we make recommendations so that the Council can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the COVID-19 pandemic, there have been changes in nationally led processes, changes in expectations around Council's arrangements, and events occurring outside of the Council's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2021/22.

**We performed a range of procedures to inform our VfM commentary, including:**



Interviews with key stakeholders, including S151 officer, Senior Legal Specialist and the finance team.



Review of Council and committee reports.



Reviewing reports from third parties including internal audit.



Review of the Council's Annual Governance Statement.

# VfM arrangements: Financial Sustainability

## Approach and considerations

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

## Commentary

The table below shows the Council’s financial performance each year.

	2021/22	2022/23
Deficit on provision of services	£1,087k	£1,276k
Net expenditure chargeable to the General Fund	£883k	(£2,947k)

At 31 March 2023, the Council had net assets of £60,738k (2022: £33,712k), net current assets of £12,843k (2022: £9,851k), including cash and cash equivalents of £15,595k (2022: £22,536k). At 31 March 2023, the Council had total reserves of £60,738k (2022: £33,712k), which included a general fund balance and earmarked reserves of £16,223k (2022: £13,276k) with the increase being mainly to general fund reserves.

The Council has implemented a process for identifying and incorporating significant financial pressures into its short and medium-term plans. This process includes a structured budget setting process involving a pressures template circulated to budget holders, which is then reviewed and sense-checked by the Corporate Leadership Team (CLT) and Finance Member Group (FMG). The FMG actively engages in detailed discussions and analysis of the Council's financial position, as evidenced by their meeting minutes, which demonstrate a thorough consideration of potential pressures, budget gaps, and mitigating actions.

The inflationary pressures and increased service demands following the COVID pandemic affected the Council in 2021/22 and 2022/23. We saw evidence that the Council continued to adapt its arrangements to respond to these increased service demands, and they were in line with our expectation in the current operating environment.

# VfM arrangements: Financial Sustainability (continued)

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## Commentary

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The Council demonstrates a structured approach to identifying and implementing savings to address its financial challenges. A "Savings Proposals Control Sheet" is utilized to provide a detailed breakdown of proposed savings, including their impact on staffing, deliverability, and services. The RAG rating system aids in prioritization and feasibility assessment. The FMG plays a crucial role in scrutinizing and challenging these savings proposals, ensuring their achievability and understanding their implications.

While the Council has a clear understanding of its strategic objectives and considers them when evaluating savings proposals, there is a lack of explicit explanation regarding how the prioritised savings will ensure the sustainable delivery of services in the long term. A clear articulation of how these savings will enable the Council to meet its statutory obligations and deliver essential services would enhance transparency and provide greater assurance. Additionally, a more explicit link between the identified savings and the financial planning within the MTFS would strengthen the Council's overall approach to financial sustainability.

Despite this, the Council demonstrates a commitment to aligning its financial plans with other strategies and plans. The MTFS is regularly reviewed and updated, and the Council actively engages in finance peer reviews and benchmarking exercises to identify areas for improvement. The establishment of a corporate financial board further strengthens the alignment between the corporate plan, financial plan, and the Council's strategies.

Overall, the Council has a robust process for identifying and incorporating financial pressures into its plans and demonstrates a structured approach to identifying and implementing savings. However, enhancing transparency regarding the long-term sustainability of services and strengthening the link between savings and MTFS projections would further bolster the Council's approach to financial sustainability.

# VfM arrangements: Governance

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## Approach and considerations

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships; and
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee.

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## Commentary

The Council continues to monitor and assess risks in line with its risk management policy which mandates quarterly reviews of the Corporate Risk Register by the Performance, Governance and Audit (PGA) committee. This quarterly assessment of the risk register, evidenced through meeting held by the PGA committee, ensures that the impact of the identified risks are considered and actions taken by the Council to mitigate these risks. The Strategy & Resource committee within the council also review regularly the risks and opportunities impacting the Council in the medium term, including those related to funding gaps, which are considered in the development of the Council's medium to long term financial plans.

The financial pressures on the Council are reflected through some of the risks identified within the Council's risk register which include "Failure to plan and deliver balanced budgets over the medium term (R15)" and "Failure to have a coordinated approach to support inward investment and maximise business rate growth (R9)". We have noted from our review of the Council's arrangements that measures have been incorporated to mitigate these risks.

The Council's commitment to addressing these risks is evident in its commissioning of peer reviews, development of savings plans, and ongoing monitoring of progress against these plans. The Council also has a series of policies covering internal controls, including a whistleblowing policy.

The Council's Performance, Governance & Audit Committee approves the Internal Audit plan and receives updates at committee meetings through the year.

The overall head of internal audit opinion was consistent for 2021/22 and 2022/23 financial years being "Reasonable Assurance with no Limited Improvements Identified".

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# VfM arrangements: Governance (continued)

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## Commentary

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The Council has implemented budgetary control systems, as demonstrated by its structured budget setting process, comprehensive budgetary control system, and emphasis on effective communication of management information. The use of a pressures template, regular budget monitoring meetings, and the Pinnacle Budgetary Control Report ensures that budgets are closely monitored, potential variances are identified promptly, and corrective actions are taken when necessary. The Council's commitment to meeting its statutory financial reporting requirements, despite facing challenges, further highlights its focus on financial accountability and transparency.

We have reported to the Performance, Governance and Audit Committee a number of weaknesses in the financial reporting and close process impacting the Council's statutory financial reporting requirements, the timeliness and accuracy of information provided during the audit process, and hence the level of misstatements identified during completed audits. We have made recommendations to the Performance, Governance and Audit Committee in our report of 5 December 2024 in respect of this, and recommend the Council review the resourcing and process for the statutory financial reporting process to avoid delays in future periods.

Decision-making within the Council is robust and transparent, with clear processes for challenge and scrutiny. The involvement of various teams, including the Finance Working Group and the Council Leadership Team, ensures that decisions are made collectively and with appropriate consideration of financial implications. The Council's Constitution, along with clearly defined terms of reference for committees and strategy documents, provides a framework for informed decision-making, transparency, and accountability.

The Council actively promotes appropriate standards of conduct through its Local Code of Conduct, training for councillors, and a formal complaints process. The Council's adherence to the required frameworks and its commitment to reviewing and strengthening its processes demonstrate its dedication to maintaining high ethical standards and addressing challenges related to councillor conduct.

Overall, the Council demonstrates a commitment to risk management, budgetary control, and informed decision-making. Its proactive approach to identifying and mitigating risks, coupled with its processes and systems, provides a strong foundation for financial sustainability and effective governance.

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# Purpose of our report and responsibility statement

### What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor’s Annual Report that includes our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council’s arrangements.

### What we don’t report

Our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed under the Code of Audit Practice.

### The scope of our work

Our observations are developed in the context of our audit work.

We described the scope of our work in our reports to the Performance, Governance and Audit Committee.

### Use of this report

This report has been prepared for 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.

**Deloitte LLP**  
Newcastle | 5 December 2024

# Appendix 1: Recommendations and insights

We have summarised below Deloitte insights where there are opportunities to strengthen arrangements to secure economy, efficiency and effectiveness in the use of resources.

## **Financial sustainability: Correlation of financial plan with other business plans**

**Observation** – While the Council has a robust process for identifying and actioning savings, we identified a lack of clarity on how these savings will enable the Council to deliver its statutory services sustainably in the long term. This disconnect between the savings plan and the MTFS projections may hinder transparency and stakeholders' ability to assess the long-term financial sustainability of the Council's service delivery model.

**Recommendation** – We recommend the Council clearly articulate how prioritised savings will support the long-term delivery of statutory services and explicitly link these savings to the financial projections within the MTFS. This will provide greater transparency and assurance to stakeholders regarding the financial sustainability of the Council's operations. We encourage the Council to embed this approach within its planning processes to ensure ongoing alignment between financial plans and service delivery.

# Appendix 2: Council's responsibilities

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**Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.**

**Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.**

**All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.**

The Chief Financial Officer, as Section 151 Officer of the Council, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting. In preparing the Statement of Accounts the Chief Financial Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The Chief Financial Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for tax payers, regulators and stakeholders to assess the Council's performance, business model and strategy.

The Chief Financial Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Chief Financial Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The Chief Financial Officer and Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Council's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is legally required to publish its draft Statement of Accounts and the Annual Governance Statement by 30 September each year (31 July for 2020/21), even if the audit of the preceding year has not been completed.

The Accounts and Audit (Amendment) Regulations 2024 establish a backstop date by which the Council is required to publish its Statement of Accounts (other than in specific circumstances). The Council has met its responsibilities to publish its Statement of Accounts for years up to 2022/23 by 13 December 2024. The next statutory backstop date is 27 February 2025 for the 2023/24 Statement of Accounts.

## **Auditor's responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in October 2024, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the 2024 Code of Audit Practice, our work for 2021/22 and 2022/23 has only considered arrangements in respect of two reporting criteria (financial sustainability and governance), in line with the national requirements for audits affected by the backstop arrangements.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year. Other findings from our work, including our commentary on the Council's arrangements, are reported in our Auditor's Annual Report.

## **Auditor's responsibilities for the audit of the financial statements**

Where it is not possible to complete the audit of the financial statements by the relevant "backstop" date established by the Accounts and Audit (Amendment) Regulations 2024, the auditor is required to issue an audit opinion with a limitation of scope or with a disclaimer of opinion (depending on the extent of assurance it is possible to obtain by that date).

A description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **Auditor's other responsibilities**

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is: about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- issue a report in the public interest.

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