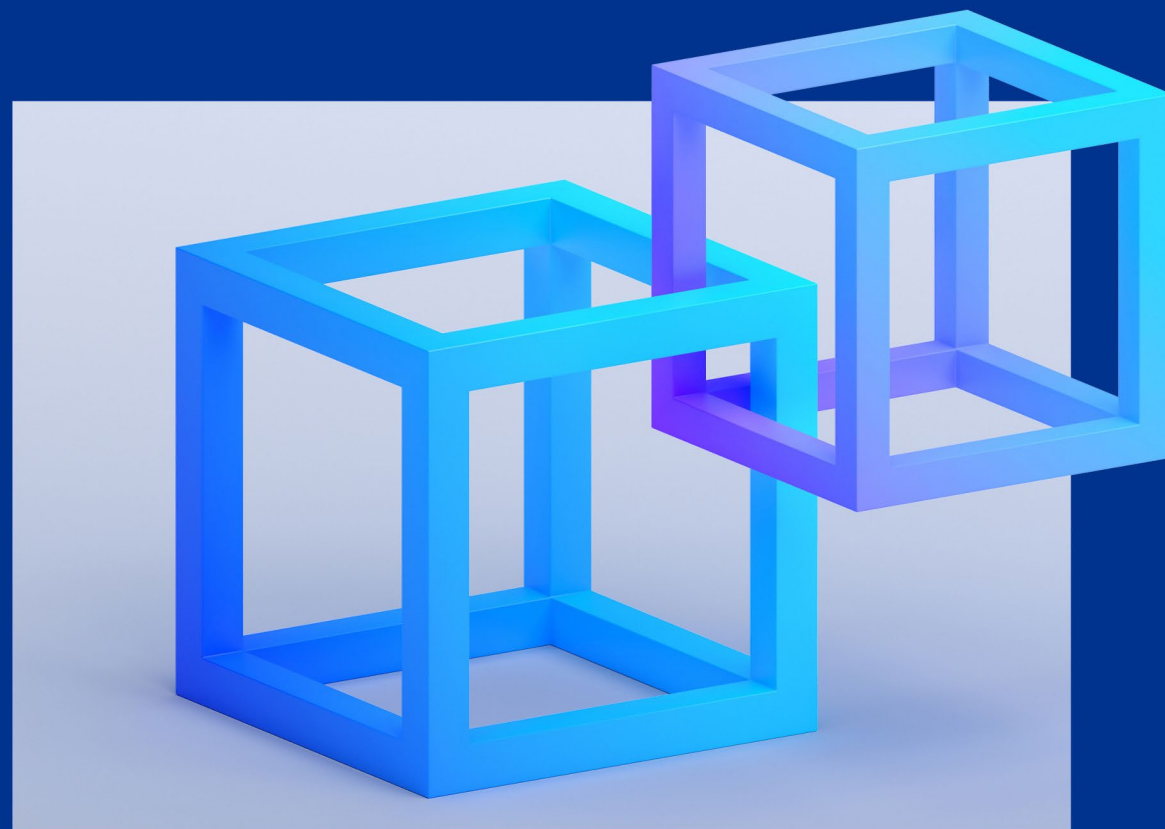




Maldon District Council

Draft audit progress report to the Performance,
Governance and Audit Committee

Year end report for the year ended 31 March 2025



Important notice

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

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

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Maldon District Council (the 'Council') prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, as at and for the year ended 31 March 2025.

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

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

Limitations on work performed

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

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

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete, and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 4 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Performance, Governance and Audit Committee of the Council; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



Audit Progress report

Our audit findings



| Significant audit risks | Page 6-12 |
|--|--|
| Significant audit risks | Our findings |
| Valuation of land and buildings | We challenged the management expert assumptions, tested the data provided to the Specialist and performed independent calculation of the valuation on which the carrying value of building is based. We have identified an audit misstatement in valuation of two properties which is detailed under audit misstatements section of this report. |
| Management override of controls | Our work on journals is completed. We have not found any issues from our substantive work performed. We have found one control deficiency related to review of journals which is consistent with previous years. |
| Valuation of post retirement benefit obligations | The results of our testing were satisfactory. We have not identified any issues in relation to the significant assumptions used within the valuation of the LGPS gross pension liability. |

| Misstatements in respect of Disclosures | Description |
|--|---|
| Misstatement in respect of Disclosures | Our findings |
| Senior officer's salary banding | We identified that banding were not correctly disclosed for a few officers. This is updated in the final version of the accounts. |
| Termination benefits | We identified that a few members were not included in the disclosure. This is updated in the final version of the accounts |
| Other presentational disclosure in the Senior staff's disclosure | We found some presentational errors in the disclosures which is corrected in the final version of the accounts. |

| Number of Control deficiencies | | Page 15-19 |
|---------------------------------------|------|------------|
| Significant control deficiencies | | 0 |
| Other control deficiencies in 2024/25 | | 6 |
| Uncorrected Audit Misstatements* | | |
| Understatement/ (overstatement) | [£m] | % |
| Revenues | - | |
| [Surplus/(deficit)] for the year | - | |
| Total assets | - | |
| Total taxpayers' equity | - | |
| Disclosure Note | - | |

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

Our audit findings

Outstanding matters

Our audit is substantially complete except for the following outstanding matters:

- Finalisation of testing of valuation of land and building;
- Finalisation of testing over the disclosure of valuation of post retirement benefit obligations
- Finalisation of other service expenses testing
- Finalisation of short and long- term investments testing.
- Management representation letter
- Finalise audit report and sign



Significant risks and Other audit risks

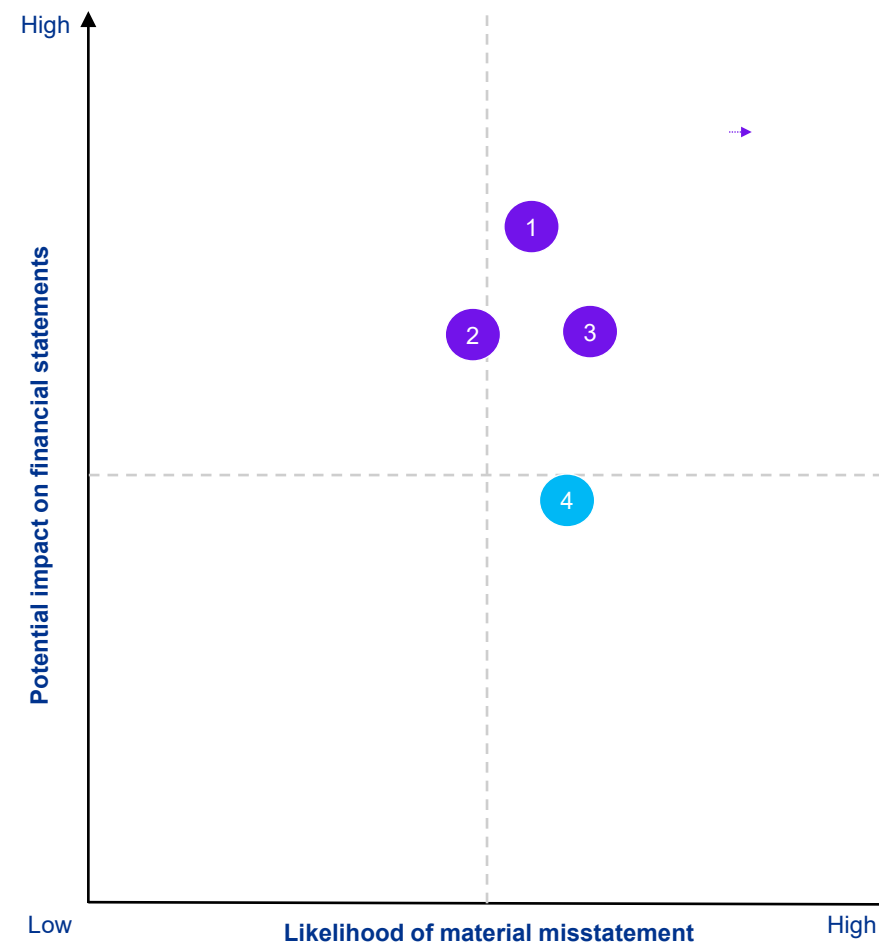
We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

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

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

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

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



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

Audit risks and our audit approach



1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

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

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

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



Our response

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

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

Key:
■ Prior year
 ■ Current year

Audit risks and our audit approach (cont.)



1

Valuation of land and buildings (cont.)

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

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

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

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



Our findings

- From our work performed, we found the valuer to be independent, objective and have sufficient expertise to carry out the valuation. We have challenged the management expert assumptions, tested the data provided to the expert and performed independent calculation of the valuation on which the carrying value of building is based.
- From our control testing, we have found a control recommendation on the review of management on valuation assumptions. Refer to page 17 for more details.
- From our substantive work performed, we have found an audit misstatement in the valuation of our two properties. Refer to page 15 for more details.
- Our work is in progress on the finalisation of substantive testing. No other issues noted from our work performed. We will report to next committee when the work is concluded.

Key:
 Prior year  Current year



Audit risks and our audit approach



2 Management override of controls^(a)

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



Significant audit risk

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



Our response

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

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

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

Key:

0 Prior year 1 Current year



Audit risks and our audit approach (cont.)



2

Management override of controls(cont.)^(a)

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



Significant audit risk

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



Our findings

- Communicated our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- We evaluated accounting estimates, including the consideration and did not identify any indicators of management bias.
- Our procedures did not identify any significant unusual journal transactions.
- No issues were identified from related party testing. Our work on journals high-risk criteria samples is completed. We have not identified any audit misstatements. However, we have raised a control finding in respect to journal review control detailed on page 16.

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

Audit risks and our audit approach



3

Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

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



Our response

We have performed the following procedures:

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

Key:

 Prior year  Current year

Audit risks and our audit approach (cont.)



3

Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

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

Key:

0 Prior year 1 Current year

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



Our findings

- From our control testing, we have found that the review of valuation assumptions were not formalised/document properly. Therefore, we were not able to perform the testing of controls. Refer to page 17 where we have raised a control recommendation on this matter.
- Actuarial assumptions are assessed by management for appropriateness. However, the review was not performed on a sufficiently detailed or documented basis to allow us to rely on the control. Consequently, we concluded that controls in place to review the valuation were ineffective as the review of control was not documented which is consistent with the prior period findings. We note the review is considered adequate by management for their own purposes.
- We were satisfied with the independence, objectivity and expertise of the scheme actuary.
- We considered that the assumptions used in valuing the defined benefit obligation and concluded overall to be balanced compared to our central actuarial benchmarks.
- Individually all assumptions are balanced except CPI rate, which is considered as cautious but within reasonable range. This is mainly because proposed CPI rate is 0.16 basis points higher than the KPMG's central benchmark.
- The net pension surplus has been restricted to £nil on the basis of estimated future service costs less the estimated minimum funding contributions meaning the surplus is not recoverable. Additionally, a minimum funding liability of £709k is applied. We agree with the basis for restricting the surplus and recording additional liability.
- Our work in respect of valuation of assets and disclosures is underway, and we will report verbally on our findings.

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

Audit risks and our audit approach



4

Adoption of IFRS 16

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



Other audit risk

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

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

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



Our response

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

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



Our findings

From our above procedures performed, we noted that there is no risk of material misstatement associated with the adoption of IFRS 16 as the closing lease amount for 2024/25 as a lessee are not material. No issues were noted from our work performed.

Appendix

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| Control Deficiencies | 16 |

Corrected audit misstatements



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

| Corrected audit misstatements (£'000s) | | | | |
|--|------------------------|--------------|--------------|---|
| No. | Detail | SOCI Dr/(cr) | SOFP Dr/(cr) | Comments |
| 1 | Dr Revaluation reserve | | £165,000 | From our work performed, we have identified a misstatement in the valuation of two investment properties i.e. Land at Park Drive and Burnham Golf Club. We consider Land Park drive to be overstated by £335,000 and Burnham Gold club to be understated by £170,000. Hence, the net impact of misstatement will be £165,000 overstatement. |
| | Cr Investment property | | £165,000 | |
| Total | | | £165,000 | |

Control Deficiencies

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

Priority rating for recommendations

1

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

2

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

3

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

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

Control Deficiencies

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

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



Control Deficiencies

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

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

Value for Money: Recommendations



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

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



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