

Maldon District Council

Internal Audit Report - Final

MANAGEMENT OF PROPERTY
FEBRUARY 2026

Design Opinion	 Moderate
Effectiveness Opinion	 Moderate



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BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

REPORT STATUS

Auditors:	Aaron Winter, Partner Andrew Billingham, Internal Audit Manager Ryo Ishida, Internal Auditor
Dates work performed:	27 August 2025 - 30 October 2025 (closing meeting)
Draft report issued:	14 November 2025
Management Response Received:	2 February 2026
Final report issued:	3 February 2026

Executive Summary

Design Opinion	 Moderate	Effectiveness Opinion	 Moderate
Recommendations	  		



SCOPE

Background

- ▶ Maldon District Council (the “Council”) is responsible for managing a diverse portfolio of properties, including residential, commercial, and public buildings, which are detailed on the Council’s Fixed Asset Register.
- ▶ The Council owns c130 assets that are under lease or licence to commercial or community partners, and 70 moorings and berths throughout the Blackwater area.
- ▶ The Council has an Asset Management Strategy, which was examined during a recent Asset Management internal audit review, and sets out the Council’s strategic framework for the period 2024-2029.
- ▶ The core objectives of the Asset Management Strategy are to:
 - Optimise the contribution that property and land assets make to successfully realising the Council’s strategic priorities and service objectives by ensuring that its estate is fit for purpose, financially viable and operationally sustainable.
 - Reduce the environmental impact of Council owned assets to contribute to carbon neutrality.
 - Improve asset income by taking measured risks with regards to property repurposing, investment and disposal. This includes reducing running costs by improving building efficiency.
 - Act upon strategic acquisition opportunities where these are affordable and align with corporate objectives e.g. affordable housing.
 - Establish a robust asset appraisal system that will be undertaken throughout the life cycle of this Asset Management Strategy to aid strategic decision making.
- ▶ Property management is overseen by the Council’s Head of Assets, Coast and Countryside and is crucial for maintaining the value and functionality of property assets, supporting local services, and contributing to the Council’s financial health.
- ▶ We previously conducted an audit of Management of Property in 2021 which provided Moderate assurance over both the design and operational effectiveness of the control environment. We raised one high and three medium priority rated recommendations.

Purpose

- ▶ The purpose of the audit was to provide assurance around the Council’s arrangements for ensuring all its properties are managed effectively and efficiently. In particular the audit examined the collection of rent, and maintenance of properties.

Limitations of scope

- ▶ This audit did not examine the control environment relating to the Fixed Asset Register as this was covered in a recent, separate audit of Asset Management as part of the 2024/25 internal audit plan.

Areas reviewed

- ▶ We sought to review the Council's procedure documents to assess whether sufficient guidance on the roles and responsibilities regarding key property management processes were available for staff reference.
- ▶ We selected a sample of 15 properties from the Council's leases and licenses register and reviewed evidence to test the following:
 - Rental agreements are in place with clearly defined terms
 - Rent reviews have occurred in a timely manner, and outcomes were appropriate based on supporting evidence
 - Rental income amounts have been invoiced correctly and in line with agreements
 - Tenant invoice payments have been promptly allocated to the correct rental accounts
 - Statutory inspections for properties were being tracked and monitored
 - Properties are being managed in line with the maintenance and repairs arrangements within the lease agreement.

For one case, relating to an old way leave for an electricity substation, records of the agreement, invoice payments, and allocations were not available, therefore the above tests could not be completed which we have raised as an issue below.

- ▶ We reviewed the Council's arrangements for managing lease/rental agreement renewals to assess whether these are actively tracked and planned in advance.
- ▶ We selected a sample of three cases of outstanding invoice payments from the Council's aged debt report and assessed whether the debts were recovered in line with policies.
- ▶ We reviewed a sample of 36 statutory inspections from the Council's property tracking list to assess whether they had been completed within timescales and certificates were retained.



AREAS OF STRENGTH

- ▶ **Invoicing tenants:** Monthly meetings take place between the Resources Caseworker and Assets Support Officer, during which the accuracy and verification of lease invoices are reviewed. Invoices are produced and sent out to tenants/lessees at the end of each month of their respective payment plan (whether it be monthly, quarterly, or annual). For the sample of 15 properties reviewed, we received copies of the most recent invoices and confirmed that payment amounts were in line with the rental amounts outlined within the lease agreements and rental reviews.
- ▶ **Allocation of payments:** Payments are received and tracked through the Council's monthly bank statements. Tenants/lessees are instructed to use the reference numbers associated with the invoices when making their payments, which allows for the Finance Team to upload the bank statements onto the Sage Financial Management system for automated attribution to the correct rental accounts.

For the same sample of properties reviewed, we confirmed that invoiced payments had been allocated to the correct rental accounts.

- ▶ **Debt recovery:** Guidance outlined in the Council’s Sundry Debtors Policy & Procedures document is used to recover debt in the case of outstanding payments due from lessees. The policy was last updated in April 2023 and is next due for a review in April 2026.

In line with the policy, payments are considered outstanding if unpaid on the 31st day after the date of raising an invoice. Further actions are taken to recover the debts, escalating from reminder letters to eventual write-offs.

The Council has not had a recent new case in which a lessee needed to be chased for an outstanding debt amount, however, there are several ongoing cases within the aged debt report, where lessees were making additional payments to clear their debt with the Council. As of September 2025, the total balance of outstanding debt was £31,097, with the highest amount being £6,750 outstanding for an individual lessee (reference: JCS004).

We reviewed a sample of three cases in which lessees had an ongoing debt with the Council and confirmed for all samples that a payment plan was in place for the debts to be cleared.

- ▶ **Repairs and maintenance:** Requirements for cyclical and responsive repairs and maintenance are defined within the lease agreements with tenants. Most agreements state that the responsibility for internal repairs and maintenance lies with the tenants, while external works fall under the Council’s remit. These repair works (including those which the tenants are responsible for) are recorded on the Council’s Uniform Asset Management system. Conditional surveys are currently being undertaken by the Assets Support Officer to identify and complete repairs, and maintenance works that are required of the Council across the property portfolio.

- ▶ **Tracking of statutory inspections:** In October 2025, the Council completed a review of its leases and properties to identify the requirements for statutory inspection certificates, public liability and insurance documents. A tracker has been produced, listing tenants and the required statutory inspections for each property and will be reviewed on a regular basis.

A template letter to tenants/lessees to request documents has been drafted and will be adjusted according to the specific requirements for each property.



AREAS OF CONCERN

- ▶ **Overdue or incomplete statutory inspections:** From our sample of statutory inspections, evidence for the completion of three fire risk assessments (reference: 000486, 000094, 000060) had not been provided during the fieldwork phase of the audit in October 2025, and when subsequently provided in February 2026 were found to have been completed in an untimely manner. For one Central heating inspection, (reference: 000033), the certificate had not been received from tenants. For one play site safety inspection, (reference: 000068), four moderate risk findings were identified in the report. We were not provided with evidence of remedial works being undertaken against these risks but were subsequently informed in February 2026 that the findings were no longer applicable due to the playground being fully replaced during the summer of 2025. **(Finding 1, High)**

- ▶ **Delayed or overdue rental reviews:** From our sample of properties, we identified four cases, (lease reference: 000733, 000148, 000257,000834), in which rental reviews were overdue or had been completed late. Delays in the reviews ranged from one to up to four years. For one case, (lease reference: 000825), evidence of rent reviews was not provided, due to these being held by the Casework Manager who did not respond to requests for evidence. We estimate that the potential rental income lost due to these delays total £45,022. **(Finding 2, Medium)**
- ▶ **Records for old way leaves:** From our sample of properties, we identified that records pertaining to the way leave for an electricity substation were not retained. This was due to the age of the agreement, which had taken place in 1974. **(Finding 3, Low)**
- ▶ **Lack of formal policies and procedure documents:** Aside from the Council’s Asset Management Strategy and the Sundry Debtors Policy & Procedures, the Council does not currently have formal procedure document in place for the day-to-day management of properties. **(Finding 4, Low)**

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**ADDED
VALUE**

- ▶ We have provided a summarised table of the practices outlined in the Community Asset Transfer (CAT) policies for other Councils for the use of assets by community and voluntary organisations. These councils were selected for comparison based on the availability of their CAT policy and we have provided this information for the Council to consider. **(Appendix II)**
 - ▶ We have also performed a comparative analysis between the property management processes and controls observed at Maldon District Council, and practices observed by other Councils within our client portfolio. **(Appendix III)**

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CONCLUSION

- ▶ We have provided moderate assurance over the design and operational effectiveness of the Councils processes for managing its properties.

Control Design

 - ▶ Conditional surveys are being undertaken by the Council to ensure compliance with their maintenance and repair obligations as defined within their lease agreements. Policies are in place for the monitoring and recovery of aged debts.
 - ▶ The Council has begun to review its leases and properties for statutory inspection requirements, as well as public liability and insurance documents and a template letter to tenants/lessee is due to be sent out in early November.
 - ▶ However, two low priority recommendations were raised regarding the lack of review processes for old way leaves and the lack of formal policies and procedure documents.

Control Effectiveness

 - ▶ The Resources Caseworker and Assets Support Officer hold meetings to reconcile the Council’s leases and licenses records, and the established processes were confirmed to be operating effectively for invoicing tenants, allocating payments, and recovering debts.

- ▶ However, we raised one high and one medium priority recommendation for the backlog of overdue health and safety certification works and delayed rental reviews (respectively) to be cleared. And for the progress for these recommendations to be tracked and monitored by senior management. Due to actions being taken by management to improve the monitoring and compliance of statutory inspections through the newly implemented tracker, we have provided a moderate assurance over the effectiveness of controls in place.

Detailed Findings

1 Overdue or incomplete statutory inspections	
TOR Risk:	Without regular surveys of fire safety, electric, heating, and water systems, deterioration within these systems can go unnoticed. This can lead to property damage through fire or contaminated systems which may pose serious health risks to tenants. There is also the risk of regulatory action where statutory inspections are not completed leading to fines or reputational damage.
Significance	 High

🔍 **FINDING**

Issue

The completion of property statutory inspections falls under the responsibility of the tenants. Records of the inspection certificates are uploaded onto the Council’s Uniform Asset Management, which automatically flags when the inspections are next due to be requested.

From our sample of 36 statutory inspections outlined in Appendix I, we assessed whether they had been completed within timescales, and that certificates were retained by the Council.

The following exceptions were identified:

- In one case, (reference: 000033), certificates to confirm the statutory inspection of a property’s Central Heating had not been received from tenants. As a result of this audit, these have now been requested.
- For three cases relating to fire risk assessments, (ref: 000486, 000094, 000060), we were not provided with evidence of the assessment reports during the fieldwork for this audit in October 2025. For two of the three cases, (ref: 000094, 000060), we were subsequently provided with the fire risk assessment reports but have identified that the assessments were completed in an untimely manner, with delays of up to two years since the date outlined as when the review should have taken place.
For one case, (ref: 000486), we were informed by the Asset Building Services Manager in February 2026 that following a discussion with a specialist independent FRA assessor, it was advised that a fire risk assessment was not required for the property.
- For one case regarding a play site (000068), four moderate risks findings were identified in the annual inspection report. We were not provided with evidence of remedial works being undertaken to action these risks during the fieldwork of this audit. We were subsequently informed by the Assets Support Officer in February 2026 that these findings were no longer applicable due to the playground being entirely replaced in 2025. However, we were not provided with evidence to verify the replacement of the playground.

Root cause

The root causes for the above findings can be attributed to the following:

- The formal process for requesting statutory inspection certificates from tenants had not been in place during the time of our testing, with no mechanism to follow up on outstanding certificates.

- There was a lack of budget for the arrangement of fire risk assessments.
- Documentation of remedial works following inspections are not centralised. These sit with the Asset & Maintenance Team Leader and are not accessible to the Assets Support Officer.

Implication

If statutory inspections and their subsequent remedial works are not completed in a timely manner, there is a risk of property damage or harm to tenants.



RECOMMENDATION

1a. The Council should continue with the plans to clear the backlog of overdue fire risk assessments. The Council now has a tracker in place to identify and monitor the statutory inspection certificates required for each property, therefore oversight of the completion of inspections/checks should be enhanced and RAG rated, with regular reporting to senior management.

1b. An arrangement to share or upload records of remedial works to a centralised location should be discussed between the Assets Support Officer and the Asset & Maintenance Team Leader.



MANAGEMENT RESPONSE

1a. Management agrees with and supports the continued delivery of the programme of Fire Risk Assessments. Two of the mentioned FRA's (000060 & 000094) were carried out in February 2025 and copies of these reports have been forwarded. The remaining report (000486) was deemed by our independent FRA assessor as not required as it did not meet the criteria under 'THE REGULATORY REFORM (FIRE SAFETY) ORDER 2005' so was not carried out at that time. We will however revisit this and undertake the FRA if required.

A statutory inspection tracker report has now been implemented to identify and monitor all required inspection certificates for each property (if required). This will strengthen oversight of upcoming inspection and check completion, supported by RAG-rated monitoring and regular reporting to senior management to ensure ongoing compliance and effective governance.

Budget capacity has been made for 2026/27

1b. The Assets Support Officer has already put in place an Asset SharePoint site, providing a single centralised location to support improved record-keeping, transparency, and accessibility of information across the service.

Responsible Officer:

1a. Assets Building Services Manager / Asset Support Officer

1b. Asset Support Officer

Implementation Date:

1a. 28.2.26

1b. Completed

2 Delayed or overdue rental reviews

TOR Risk:

Lease/rental agreements renewal dates are not monitored and rent reviews are not conducted in a timely manner, leading to rent increases not being collected in a timely manner

Significance



Medium



FINDING

Issue

The Council has a Leases and License tracker in place, which lists all managed properties, lease renewal dates, and dates for the next rent review.

From our sample of 15 properties from the leases and licenses register, we assessed whether rent reviews had occurred in a timely manner and informed with an appropriate outcome. The following exceptions were identified:

- For three cases, (reference: 000733, 000148, 000257), rental reviews were overdue or had been completed late. These delays ranged from one to four years past the original review date.

We were advised by the Assets Support Officer that, to clear the backlog of rent reviews, the Council plans to shift from requesting/arranging manual rent reviews to applying annual increases based on Consumer Price Index (CPI).

- For one case, (reference: 000834), the property’s rent should have been increased based on the CPI by Finance in May 2022. However, this was not completed at the time of our audit fieldwork (October 2025).
- For one case, (reference: 000825), we were not provided with evidence of rent reviews taking place since the original rental agreement was made in September 2023.

We have estimated a total potential loss of £45,022 in rental income from the exceptions above.

Root cause

Delays in rental reviews were attributed to inadequate resources to perform/request the reviews and the lack of a formal process to inform Finance of the scheduled RPI rent increases.

Evidence of rent reviews of *Council office spaces* could not be provided due to these documents lying with the Resources Casework Manager, who failed to provide evidence, and not being saved in a location accessible by the Assets Support Officer.

Implication

If rent reviews are not completed in a timely manner, there is a risk of rent increases not being applied and collected in a timely manner, which may result in financial loss for the Council.



RECOMMENDATION

1a. The Council should perform a reconciliation exercise to identify the rent reviews which remain outstanding and clear this backlog as soon as possible. The issue of backlogs in rent reviews should be reported to and overseen by senior management on a regular basis until cleared.

1b. The Resources Caseworker and Assets Support Officer should liaise with each other and to refresh Finance’s schedule for upcoming or overdue rent increases in line with CPI.

1c. An arrangement to share or upload records of rent reviews to a centralised location should be discussed between the Assets Support Officer and the Casework Manager.



MANAGEMENT RESPONSE

2a. Management acknowledges the audit recommendation regarding outstanding rent reviews. We agree and continue to identify all pending rent reviews. The Council will undertake this exercise and address the backlog as a priority. Additional resources for the Asset Management team are planned as part of the organisational restructure, which has a target implementation date of 1 Apr 2026. The propose new structure would also bring all Asset Management under a single team. Additional budget capacity from 2026/27 has also been made to support future rent reviews

2b. Management acknowledges the recommendation regarding the coordination of rent increase schedules. The Resources Caseworker and Assets Support Officer will liaise regularly to review and update Finance’s schedule of upcoming or overdue rent increases in line with CPI.

This refreshed schedule will be maintained and monitored to ensure rent increases are applied accurately and on time, supporting effective financial management.

As set out at 2a above the proposed new structure would also bring all asset management into a single team which will streamline the management of the Councils assets.

2c. Management acknowledges the recommendation to ensure effective circulation of the lease’s tracker. The tracker, which records the rent review schedule, will be distributed to the Casework Manager, and access will be provided to the centralised leases file.

This will ensure that relevant staff have up-to-date information on rent reviews, supporting accurate monitoring and timely action.

As set out at 2a above the proposed new structure would also bring all asset management into a single team which will streamline the management of the Councils assets.

Responsible Officer:	2a. Assets Building Services Manager / Asset Support Officer / Legal Support Officer 2b. Asset Support Officer / Finance Caseworker 2c. Asset Support Officer
Implementation Date:	2a. 31 May 2026 2b. 31 May 2026 2c. 31 May 2026

3 Records for old way leaves

TOR Risk:	Commercial property lease/rental agreements are not in place and/or do not define suitable terms and conditions, leading to misunderstandings, disputes or financial losses.
Significance	 Low

 **FINDING**

Issue

Commercial Property Lease agreements are to be retained for all properties, and the terms and conditions for these agreements should include key details such as payment deadlines, responsibilities for repairs and maintenance, and debt recovery processes. The records for commercial properties are detailed on Uniform, with documents such as the Lease agreements, rental reviews, and maintenance/survey reports retained in the Council's SharePoint folders. Dates for rental reviews, lease renewals, statutory surveys, and maintenance works are tracked by the Assets Support Officer.

From our sample of 15 rental properties we assessed whether lease/rental agreements were in place with clearly defined terms. However, we identified one exception:

- For one case relating to the way leave for an electricity substation, (reference: 000181), records of the original agreement were not found. We were informed by the Assets support Officer that this was likely due to the age of the agreement, which had taken place in 1974. Further work will be undertaken to review similarly old way leaves and renew them if necessary.

This was not considered a high or medium risk finding as the way leave does not generate income for the Council, reducing the impact of this finding.

Root cause

The root cause for this issue can be attributed to a lack of review/reconciliation exercises performed on old way leave agreements. These documents were meant to be held by the Legal team but may be difficult to find due to their age.

Implication

If records are not retained for properties by the Council, there is a risk of misunderstandings between the Council and its lessees, which may result in an increased risk of disputes or financial loss.

 **RECOMMENDATION**

3a. The Council should perform a reconciliation over all old leases to confirm which ones are still applicable and proceed with the plan to review and renew the old way leaves agreement.

 **MANAGEMENT RESPONSE**

3a. We support the recommendation that the Council continues to undertake a reconciliation of all historic wayleaves to confirm their ongoing applicability and proceed with the review and renewal of the old wayleave's agreement.

Responsible Officer:	3a. Assets Building Services Manager / Asset Support Officer / Legal Support Officer
Implementation Date:	3a. 30 June 2026

4 Lack of formal policies and procedure documents

TOR Risk:	Property management procedures are not in place and/or do not clearly outline the Council’s approach to managing property, leading to unclear roles and responsibilities and inefficient processes.
Significance	 Low

 **FINDING**

Issue
 We were informed by the Asset & Building Services Manager that the Asset Management Strategy is the only formal policy or procedure that the Council has in place at present. It is intended for the Council to develop more detailed underlying procedures for the day-to-day management of properties, however at the time of the audit, work on this had not yet started to formally document what happens in practice.

Root cause
 The root cause for this can be attributed to the current processes having been established recently, and management prioritising other key tasks such as setting up the transfer of records to the Uniform Asset Management system and the drafting of statutory inspection certificate requests to tenants.

Implication
 If formal policies or procedure documents are not in place, there is a risk of staff following inconsistent or inappropriate processes in the management of the Council's properties.

 **RECOMMENDATION**

4a. The Council should produce supporting procedure documents outlining key processes such as:

- Monitoring and Performing Rent Reviews
- Finance-related processes (invoicing tenants/lessees and allocating payments)
- Conditional Surveys (frequency, what needs to be looked at)
- Identifying the Statutory surveys required for a property (current and newly acquired)

These documents should be presented and approved by senior management, with the frequency of review and updates agreed.

 **MANAGEMENT RESPONSE**

4a. Management acknowledge and support the recommendations listed above. To enable this the matter will be brought before the Member led Strategic Assets Working Group to

oversee the process and to identify all the required Policies & Procedures, to identify resources required and timescales for the works. There will need to be input from not only the Assets Management team but also other departments with MDC such as Finance and Legal, and some will also need to be considered by the Strategic Assets Working Group (SAWG) Once all of the new Policies and Procedures have been drawn up to the satisfaction of SAWG then they will need to be approved by Senior Management/Members as required.

Responsible Officer:	4a. Assets Building Services Manager / Legal Team
Implementation Date:	4a. 30 Sept 2026



Appendix I - Samples tested

Property samples

Sample No.	Reference	Address
1	000228	Area B Adjacent Cooks Boatyard, The Hythe, Maldon, Essex
2	000733	Kiosk 5, The Promenade Park, Park Drive, Maldon, Essex CM9 5JQ
3	000148	Kiosk 8, The Promenade Park, Park Drive, Maldon, Essex
4	000181	Electricity Sub Station, Millfields, Burnham-On-Crouch, Essex
5	000844	Oyster Kiosk, Shop Site Near Kiosk 1, The Promenade Park, Park Drive, Maldon, Essex
6	000834	Kiosk 4, The Promenade Park, Park Drive, Maldon, Essex
7	000840	Goal Posts At St Georges Meadow, St Georges Close, Heybridge Basin, Essex
8	000825	Blackwater Medical Centre Office, Council Offices, Princes Road, Maldon, Essex
9	000826	Kiosk 3, The Promenade Park, Park Drive, Maldon, Essex CM9 5JQ

10	000831	Homestart, Council Offices, Princes Road, Maldon, Essex CM9 5DL
11	000689	Police Station, Council Offices, Princes Road, Maldon, Essex CM9 5DL
12	000065	Unit 10, Springfield Industrial Estate, Springfield Road Burnham-On-Crouch, Essex CM0 8UA
13	000257	Stebbens Boatyard, Pontoon Landing Stage, Basin Road, Heybridge, Essex
14	000842	Mrs Salisburys, Shelter Kiosk, The Promenade Park, Park Drive, Maldon, Essex
15	000845	Maldon Yacht Club, Park Drive, Maldon, Essex

Statutory Inspection Samples

Reference	Address	Inspection Type
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Air conditioning
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Automatic Doors
000035	Office The Depot The Promenade Park Park Drive Maldon Essex	Boilers
000033	Building B Brickhouse Farm Community Centre Poulton Close Maldon Essex CM9 6NG	Central Heating
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Condition Survey
000096	Depot Princes Road Maldon Essex CM9 5DJ	Electrical Installations
000445	Public Convenience Butt Lane Maldon Essex	Electrical Installations
000269	Public Conveniences White Horse Lane Maldon	Electrical Installations

	Essex CM9 5QP	
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Emergency Lighting
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Energy Performance Certificate
000034	The Depot The Promenade Park Park Drive Maldon Essex	Fire Alarm system
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Fire Alarm system
000074	Changing Room Sports Pavilion The Promenade Park Park Drive Maldon Essex	Fire extinguishers
000037	Nursery The Depot The Promenade Park Park Drive Maldon Essex	Fire extinguishers
000035	Office The Depot The Promenade Park Park Drive Maldon Essex	Fire extinguishers
000094	Council Offices Princes Road	Fire Risk Assessment

	Maldon Essex CM9 5DJ	
000486	Amphitheatre Promenade Lake Plant Room The Promenade Park Park Drive Maldon Essex	Fire Risk Assessment
000060	Maldon Saints Clubhouse The Promenade Park Park Drive Maldon Essex	Fire Risk Assessment
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Gas
000034	The Depot The Promenade Park Park Drive Maldon Essex	Gates
000009	Kiosk 5 The Promenade Park Park Drive Maldon Essex CM9 5JQ	Legionella
000032	Brickhouse Farm Community Centre Poulton Close Maldon Essex	Legionella
000479	Mortuary Building at Maldon Cemetery London Road Maldon Essex	Legionella

000445	Public Convenience Butt Lane Maldon Essex	Legionella
000269	Public Conveniences White Horse Lane Maldon Essex CM9 5QP	Legionella
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Lifts
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Lighting
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Portable Appliance Test
000031	Brickhouse Farm Public Open Space Poulton Close Maldon Essex CM9 6NG	Play Sites
000670	Galleon Play Site The Promenade Park Park Drive Maldon Essex	Play Sites
000068	Sensory Playsite Near Front Gates The Promenade Park	Play Sites

	Park Drive Maldon Essex	
000747	Amphitheatre 2 Sided Feeder Pillar The Promenade Park Park Drive Maldon Essex	Power Outlets
000691	Pump At Drapers Sports Club Drapers Chase Heybridge Maldon Essex CM9 4QT	Pumps
000695	Pump At Promenade Lake Plant Room The Promenade Park Park Drive Maldon Essex	Pumps
000094	Council Offices Princes Road Maldon Essex CM9 5DJ	Security systems
000053	Tractor Shed The Promenade Park Park Drive Maldon Essex	Shutters

Appendix II - Community Asset Transfers/Lettings

Community Asset Transfers are an established mechanism used to enable the community ownership and management of publicly owned land and buildings. It allows for councils to transfer the ownership and management of land and buildings they own to local communities at less than full market value. The following councils were selected for the public availability of their Community Asset Transfer policies and have summarised the contents in the table below, for the Council to compare, identify, and potentially adopt any differences in practice observed:

- Portsmouth City Council
- Croydon Council
- Manchester City Council

Areas reviewed	Portsmouth City Council Asset Transfer Policy	Manchester City Council Community Asset Transfer Policy - January 2023	Croydon London Borough Council Community Asset Transfer Policy for Premises related to supporting the Voluntary, Community, and Faith Sectors - Updated April 2024
Criteria	<p>The Council should be seeking the following benefits from asset transfers:</p> <ul style="list-style-type: none"> • Community empowerment • Area-wide benefits for the citizens of Portsmouth • A sustainable third sector • Economic development and social enterprise • Improvements to local services • Value for money • Delivery of Corporate Objectives 	<p>Groups wishing to undertake a CAT will need to demonstrate:</p> <ul style="list-style-type: none"> • How the community and local people will benefit from the transfer. • That there is community support for the transfer, and • That they can access sufficient funds to cover repairs, maintenance and on-going operational costs. <p>Land or buildings that are held by the 'Council in trust' will not be considered for a Community Asset Transfer unless the Council's Trustees are prepared to approve of the disposal.</p>	<p>To be eligible, organisations should satisfy and be able to demonstrate the following criteria:</p> <ul style="list-style-type: none"> • Properly constituted with good governance • Capable of sustainably, legally, and safely managing an asset and delivering services • Compliant with the Equality Act 2010 • Willing to offer space (if available) and support to smaller groups • More than 75% of beneficiaries from the services provided by the

	<p>The policy outlines the criteria for:</p> <ul style="list-style-type: none"> • Applicants to meet and demonstrate when applying for a CAT. • Assets to be eligible for the transfer • The proposed use of the asset • Business plans and financial viability 	<p>Property assets usually considered suitable for CAT are:</p> <ul style="list-style-type: none"> • Assets that the Council has identified as suitable for CAT through its Strategic Asset Management Plan (SAMP) - where a community organisation enquires about a specific asset which has yet to be assessed as part of the SAMP, it will be assessed at the soonest available opportunity • Assets must be in the ownership of the Council and not subject to any existing agreements for occupation of the whole asset by third parties • Underutilised parts of premises maybe considered for CAT <p>The Council will not consider applications for CAT in the following circumstances:</p> <ul style="list-style-type: none"> • Assets which are identified for a different purpose or disposal under the SAMP • Assets that are part of the Operational Estate and that are required for delivery of Council Services (save where part of the asset maybe deemed suitable) • Surplus assets where the Council is exploring an operational use for Council or partner services • Assets which are held in the investment portfolio • Transfers to organisations to be used purely as a vehicle for commercial ventures. This does not include, for example, charitable organisations with trading arms, where profits are reinvested in communities • Transfers to individuals 	<p>organisation must be for Croydon residents.</p> <p>To determine the priority of eligible Voluntary, Community and Faith Sector (VCFS) organisations, the following criteria will be considered:</p> <ul style="list-style-type: none"> • The soundness of the business case for why the building or land is needed • The robustness of the planned income stream for the organisation • The community benefit offered by the organisation • Local need for the service • Financial management and viability. (This will be checked through the organisations' most recent audited/checked accounts, a business plan or budget, and sources of funding.) • Ability for the organisation to manage the asset and comply with the lease obligations.
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		<ul style="list-style-type: none"> • Transfers that contravene Subsidy or Procurement or any other statutory provisions or regulations or rules • Assets which may be used solely for religious or political purposes/activities <p>Before entering into any CAT the Council will need to satisfy itself that the financial standing of the organisation is satisfactory, this will include (but is not limited to) a review of financial statements, review of owned assets and bank accounts, audited accounts, review of current and intended business activities, review of the VCS proposals / offers to secure sufficient funds to cover repairs, maintenance and on-going operational costs and the review of any other CATs acquired by the organisation including linked organisations or its group.</p>	
<p>Process</p>	<p>Under the General Disposals Consent 2003, the Council has the opportunity to sell or lease general fund assets at ‘less than best consideration’ in cases where it can demonstrate and attribute value to the wellbeing benefits that would arise.</p> <p>Any disposal for less than best consideration would need to be transparent, justifiable, and have the appropriate Cabinet approval.</p> <p>The Council takes a strategic approach to Corporate Asset Management Planning by reviewing its portfolio and undertaking option appraisals, which includes examining the transfer potential of its assets.</p>	<p>Decisions regarding which assets are available for CAT will be made in line with the arrangements set out in the Council’s SAMP.</p> <p>The Council will need to assess the full market value of the asset being transferred, which may involve taking independent advice so that any decision about transfer at ‘less than Best Consideration’ for the asset is transparent and issues such as government consents and subsidy can be considered.</p> <p>Applications are opened for new CATs and each organisation will be considered for eligible transfer on a case-by-case basis against the criteria outlined in the CAT policy.</p> <p>Any disposal of a property asset will be made in line with the constitution of the Council and relevant</p>	<p>There will be two steps to any CAT application:</p> <p>Step 1: Cat Application Part 1 covers the initial application submission for consideration on any named sites</p> <p>Step 2: CAT application Part 2 covers the applicants who have met the base criteria for consideration, but in order to progress to the next step of evaluation they are required to provide more information on their financial proposals and assumptions. The Council provides guidance notes to assist applicants for this part of the process.</p>

	<p>A step-by-step description of the Asset Transfer Process, along with the key responsible officers and forums, are outlined in the Council’s policy.</p>	<p>statutory provisions and regulations applying from time to time.</p>	
<p>Rental Amounts</p>	<p>The decision on the rent payable under leases will be determined on a case-by-case basis. Factors influencing the decision will include:</p> <ul style="list-style-type: none"> • Proposed uses • The extent of revenue-producing opportunities • Benefits to the community <p>In all cases involving transfer of ownership/occupation of an asset, appropriate legal mechanisms will be put in place to protect the Councils financial position.</p>	<p>The amount of rent payable under leases granted through the CAT process will be assessed on the business case. Criterial used will include:</p> <ul style="list-style-type: none"> • Any rent payable by the Council under an existing lease of leasehold premises - only in exceptional circumstances will the rent payable under the CAT be less than the current rental payable or a pro rata proportion thereof in the case of a CAT of part of an asset. • Any capital or revenue investment the VCSO is making into the asset • The extent / level of services provided and the social, economic or environmental benefit of the same. • The extent to which the transfer supports the Our Manchester strategy and the Council’s corporate objectives • The extent to which the use of the asset benefits the wider community. • The extent to which the asset is made available for other groups to use. • How well the asset is managed and maintained. • If the use of the asset varies, with the Council’s prior approval and in which respect the Council will have an absolute discretion whether to give that approval or not, from the original business case to include commercial uses (other than commercial uses 	<p>The Council operates a flexible rent charging framework to set the rents for Council community properties. Rents for each CAT will be individually assessed, taking into account the following:</p> <ul style="list-style-type: none"> • The geographical location of the property • The current and proposed use of the property and its ability to support the Council’s core policies in line with the Mayor’s Business Plan • The physical condition of the property • The tenant’s ability to be fully responsible for all property repair and maintenance • The business case submission and funding proposal from successful applicants. (Rent for buildings that offer more potential for third-party or commercial lettings are likely to require higher rents by the Council.)

		<p>which are strictly ancillary to the main CAT use) and where any profit is reinvested in community uses, the Council shall have the discretion to review the rent up to the market rental asset depending upon the degree of commerciality.</p> <p>Rent amounts will be subject to 5 yearly reviews.</p>	
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Appendix III - Comparative Analysis with other Councils

Area of Risk	Council 1 - London based Audit performed in 2023/24	Council 2 - Audit performed in 2022/23	Council 3 - Audit performed in 2022/23	Comparison with Maldon's current practices
Policies and Procedures on the management of property	The Council's Property Procedures for Disposals and Lettings, last updated in September 2019, does not outline the key processes for the management of properties once let out to tenants.	Area not tested.	The Council had a Property Asset Management Plan in place from 2018/19 - 2021/22. The plan included a high-level overview of the operational procedures in place for the management of property.	Maldon District Council (MDC) intends to develop more detailed underlying procedures for the day-to-day management of properties, however, as of the time of this audit, work on this has not yet started.
Retention/storage of lease documentation	Original copies of leases are kept by the legal team and lease records are also held on the Asset Management team's shared drive. Details of the lease agreements are also held on the TF Cloud system. Details of leases all agreed to those listed in the spreadsheet extracted from the TF cloud system.	The Council did not have sufficient lease documentation available for 9 out of 13 cases tested.	The Council holds three lease/rental agreements on the online ELF database. Agreements are cross-referenced against the asset register to ensure all new entries are correct. The ELF system contains a reminder tool which will flag notices for lease renewals, rent reviews, etc.	MDC have similar controls to Council 1, with the lease copies held by the legal team, saved on the shared drive, and also recorded on the Uniform system. However, the completion of records on the Uniform system remains a work-in-progress. In particular, with Finding 3 of this audit being raised regarding the lack of review of old way leave agreements.

<p>Statutory inspections of properties.</p>	<p>A planned programme of maintenance is planned between January and March on a yearly basis for the statutory health and compliance inspections. The work is carried out between April and March by contractors and monitored through the TF Cloud system.</p>	<p>Due to the Council not having an asset management system in place, a tracker was used to monitor properties where works were ongoing. The tracker alone does not offer a way to view the inspection/works order history for all properties.</p>	<p>Assets are organised by type and over the course of a five-year period, every asset is re-valued. Assets within the asset register are subject to external audit. Maintenance and revaluations are conducted in accordance with CIPFA regulations.</p>	<p>MDC have completed a yearly review of the Council's properties and letters to be sent out to lessees requesting evidence of completed statutory inspections, and a tracker is now in place for the statutory inspection requirements of all properties.</p>
<p>Monitoring of lease agreement obligations being met</p>	<p>An estate officer visits all of the properties within the Council's portfolio approximately once a month. When visiting sites, the officer uses a reporting sheet and reports anything of note to the asset management team. Markers in the database are used to denote whether health and safety monitoring is the responsibility of the Council or the tenant.</p>	<p>As above.</p>	<p>As above.</p>	<p>MDC are currently implementing conditional surveys across the Council's properties to ensure that the maintenance and repair obligations are being met.</p>
<p>Updates to the Asset Management system/database</p>	<p>Records are updated manually as and when required.</p>	<p>Information could not be provided by the Council's commercial property team.</p>	<p>Records are updated manually, as and when required.</p>	<p>Similar to Council 1, records in the Uniform system are updated manually on a monthly basis.</p>

Appendix IV - Definitions

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

Appendix V - Terms of Reference



KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the potential key risks associated with the area under review (including those relevant to the IIA's [name] Topical Requirement), are:

- ▶ Risk 1: Property management procedures are not in place and/or do not clearly outline the Council's approach to managing property, leading to unclear roles and responsibilities and inefficient processes.
- ▶ Risk 2: Commercial property lease/rental agreements are not in place and/or do not define suitable terms and conditions, leading to misunderstandings, disputes or financial losses.
- ▶ Risk 3: Lease/rental agreements renewal dates are not monitored and rent reviews are not conducted in a timely manner, leading to rent increases not being collected in a timely manner
- ▶ Risk 4: Tenants are not invoiced correctly nor in a timely manner, potentially resulting in payment delays, financial discrepancies, or strained relationships.
- ▶ Risk 5: Income is not allocated to rent accounts correctly and is not reconciled to income systems and the ledger, causing financial inaccuracies and reporting issues.
- ▶ Risk 6: Debt recovery processes may be ineffective or inconsistent, potentially leading to increased arrears and financial losses.
- ▶ Risk 7: Without regular surveys of fire safety, electric, heating, and water systems, deterioration within these systems can go unnoticed. This can lead to property damage through fire or contaminated systems which may pose serious health risks to tenants. There is also the risk of regulatory action where statutory inspections are not completed leading to fines or reputational damage.
- ▶ Risk 8: Requirements for cyclical and responsive repairs and maintenance are not defined or not adhered to resulting in property deterioration and increased repair costs.



SCOPE & APPROACH

The following areas will be covered as part of this review:

- ▶ Review property management procedures to ensure they adequately define roles and responsibilities for managing property including rentals, health and safety compliance checks and maintenance. We will also confirm they are up to date and accessible by all applicable officers. (Test 1)
- ▶ Test a sample of properties to confirm rental agreements are in place with clearly defined terms. (Test 2)
- ▶ Review the Council's arrangements for managing lease/rental agreement renewals to assess whether these are planned in advance. We will also test a sample of properties to confirm rent reviews have occurred in a timely manner and informed an appropriate outcome, ie rent increases in line with defined criteria. (Test 3)
- ▶ Test a sample of properties to determine if rental income is being invoiced correctly and in line with agreements. (Risk 4)
- ▶ Test a sample of invoices to ensure prompt and accurate allocation of tenant payments to rent accounts. (Risk 5)
- ▶ Confirm there is a documented debt recovery process. Test a sample of accounts with rent arrears and verify compliance with the process. (Risk 6)

- ▶ Review a sample of properties to determine whether statutory health and safety compliance checks have been completed within timescales, evidence of completion (such as certificates) has been retained, and remedial works completed promptly where required. This will cover fire safety, electric, heating and water systems. Where checks are the responsibility of tenants we will confirm how the council seeks assurance that they are completed. (Risk 7)
- ▶ We will review a sample of properties to determine if the property is being managed in line with its lease agreement (maintenance and repairs responsibilities including reactive repairs) (Risk 8)

Sample sizes will be determined following the completion of our walkthroughs using our Internal Audit Methodology; for example, if a control is performed daily, we may select a sample of fifteen and if monthly a sample of two to three. Where possible, full population testing will be conducted utilising data analytics.

The scope of the review is limited to the areas documented under the scope and approach. All other areas are considered outside of the scope of this review. However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit.

A closing meeting will be held to discuss findings emerging from the review prior to issue of the draft report. Once the report and recommendations have been agreed following discussions with management, a summary of the findings will be presented to the Audit Committee]at its next meeting. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

In delivering this review BDO may need to observe and test confidential or personal identifiable data to ascertain the effective operation of controls in place. The organisation shall only provide the Shared Personal Data to BDO using secure methods as agreed between the parties. BDO will utilise the data in line with the Data Protection Act 2018 (DPA 2018), and the UK General Data Protection Regulation (UK GDPR) and shall only share Personal Data on an anonymised basis and only where necessary.



ADDED VALUE

In addition to the above areas, we will also:

- ▶ Benchmark the Council's approach to the use of assets by community and voluntary organisations to confirm if it is in line with other Councils.

Appendix VI - Responsibilities and conformance

Management responsibilities

The Global Internal Audit Standards (GIAS) refer to the ‘board’ as ‘the highest-level body charged with governance, such as a board of directors, an Audit Committee, a board of governors or trustees, or a group of elected officials or political appointees.’ For the Council, ‘the board’ is the Performance, Governance and Audit Committee (PGAC) acting on behalf of the Council.

The PGAC is responsible for determining the scope of internal audit work, and for deciding the action to be taken on the outcome of our findings from our work.

The PGAC is responsible for ensuring the internal audit function has:

- The support of the Council’s management team.
- Direct access and freedom to report to senior management, including the Chair of the PGAC.
- The AC is responsible for the establishment and proper operation of a system of internal control, including proper accounting records and other management information suitable for running the Council.

Internal controls covers the whole system of controls, financial and otherwise, established by the Council in order to carry on the business of the Council in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records. The individual components of an internal control system are known as ‘controls’ or ‘internal controls’.

The PGAC is responsible for risk management in the organisation, and for deciding the action to be taken on the outcome of any findings from our work. The identification of risks and the strategies put in place to deal with identified risks remain the sole responsibility of the Council.

Limitations

The scope of the review is limited to the areas documented under Appendix V - Terms of reference. All other areas are considered outside of the scope of this review.

Our work is inherently limited by the honest representation of those interviewed as part of the review. Our work and conclusion is subject to sampling risk, which means that our work may not be representative of the full population.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that: the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or the degree of compliance with policies and procedures may deteriorate.

Conformance with the Global Internal Audit Standards in the UK Public Sector

This engagement has been conducted in accordance with Global Internal Audit Standards in the UK Public Sector, which encompass:

- ▶ The global Institute of Internal Auditors (IIA) *Global Internal Audit Standards* effective from January 2025
- ▶ The Internal Audit Standards Advisory Board (IASAB) *Application Note Global Internal Audit Standards in the UK Public Sector* effective from 1 April 2025.

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The matters raised in this report are only those which came to our attention during our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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