

# REPLACEMENT REPORT



## REPORT of DIRECTOR OF FINANCE

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to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
4 JUNE 2026

### PLAN FOR THE AUDIT OF THE ACCOUNTS FOR FINANCIAL YEAR 2025/26

#### 1. PURPOSE OF THE REPORT

- 1.1 This report presents the draft plan provided by the appointed external auditor (KPMG) for their review of the Maldon District Council (MDC) accounts for the year 2025/26 (**APPENDIX 1 - DRAFT – KPMG External Audit Plan & Strategy** for the year ended 31 March 2026).
- 1.2 The findings and recommendations from the audit will be presented by the auditor to the Committee later in the year before issuing their opinion on the Statement of Accounts ahead of the backstop date, which is 31 January 2027. The estimated fee for the audit work is £219,000.

#### 2. RECOMMENDATION

That Members consider the DRAFT – KPMG External Audit Plan & Strategy for the year ended 31 March 2026 (**APPENDIX 1**) and provide comments on it.

#### 3. SUMMARY OF KEY ISSUES

##### 3.1 Local Government External Audit

- 3.1.1 Audit changes since 2014 - External audit functions for local councils were performed by the Audit Commission until they were replaced by commercial audit firms (from 2018/19). Fees charged for audit services have risen substantially since then. In Greater Essex, external audit fees in 2018/19 amounted to £1.2m. Seven years later (2024/25) they totalled £4.3m. In terms of results, across Greater Essex 14 of 15 councils had a favourable ('unmodified') audit opinions in 2018/19 but this fell to just 1 in 2024/25 (14 councils received 'disclaimed' opinions).
- 3.1.2 Contract management - Contracts for external audit work are managed by 'Public Sector Audit Appointments' (PSAA) who are wholly owned through the Local Government Association and funded by Government. Councils are not significantly engaged in management of audit contracts.
- 3.1.3 Accounting framework - The external audit regime applies the requirements of International Financial Reporting Standards (IFRS). This framework enables actual or potential investors to compare the financial performance of different companies. However, councils do not have shareholders and investors in the same way as commercial companies. To navigate the differences between commercial companies (funded by investors) and public agencies (funded through taxation), IFRS requirements are amended where necessary through the 'Code of Practice for Local

Government Accounting' (the 'Code') prepared annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). For example, under IFRS a company must charge any deficit on pension scheme liabilities or reduction in the value of assets to expenditure, reducing net worth and shareholder value, whereas a council will adjust the same transactions through 'unusable reserves' to reflect the funding basis.

3.1.4 **Future changes** - The current PSAA-led approach is due to be replaced by a revised approach led by a new 'Local Audit Office' from 2028/29. Provisions for these changes are included in the same parliamentary bill as provisions for local government reorganisation. These changes are expected to retain the IFRS framework but will provide for greater engagement with councils regarding audit delivery.

### 3.2 MDC accounts 2025/26: audit review timeline and fee

3.2.1 The draft audit plan provided to MDC by KPMG includes the proposed timetable for the audit of the 2025/26 accounts, reproduced below. This indicates that the audit opinion will not be signed off until the backstop date in January 2027 although the audit fieldwork is expected to be complete by mid-November 2026.

## Audit timeline

We have developed our audit timeline based on management's financial reporting timetable. If we need to make significant changes to the audit timeline below, then we will communicate the reasons to you on a timely basis.

Activity	2026												2027
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan
Risk assessment and planning			█	█									
Interim audit				█	█								
Year-end audit fieldwork including Value for Money							█	█	█	█	█		
Rebuilding assurance substantive testing			█	█						█	█		
Procedures on financial statements/annual report													█

\* Dates for issuing deliverables are preliminary and based on information available at planning. They are therefore subject to change.



3.2.2 The proposed fees for the audit are set out at page 22 of **APPENDIX 1** and reproduced below.

<b>Audit fee</b>		
The audit fees for the year ended 31 March 2026 are set out below.		
<b>Maldon District Council</b>	<b>2025/26 (£'000)</b>	<b>2024/25 (£'000)</b>
Scale fee set by PSAA	163	158
Fee variations***	TBC	18
LGPS Triennial valuation**	TBC	-
Disclaimed opinion fee subject to PSAA approval	6	6
Build back fee variation subject to PSAA approval*	50	-
<b>TOTAL</b>	<b>219</b>	<b>182</b>

#### 4. CONCLUSION

4.1 The attached report from KPMG (**APPENDIX 1**) sets out their plan for the audit of the Maldon Council 2025/26 accounts, including likely finalisation of the audit in January 2027 and likely fees of £219,000.

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

##### 5.1 Delivering good quality services

5.1.1 A key objective of the Council's Corporate Plan is to continue to have good governance arrangements in place. The external audit opinion is one of the main sources of assurance of the achievement of this objective for the Performance, Governance and Audit Committee.

#### 6. IMPLICATIONS

- (i) **Impact on Customers** – None directly.
- (ii) **Impact on Equalities** – None directly.
- (iii) **Impact on Risk (including Fraud implications)** – None directly.
- (iv) **Impact on Resources (financial)** – the expected costs of the audit are set out in the report and are provided for in the budget.
- (v) **Impact on Resources (human)** – None directly.
- (vi) **Impact on Devolution / Local Government Reorganisation (LGR)** – No direct impact on devolution preparation.

Background papers: None.

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