Maldon District Council

Internal Audit Report - Final

MEDIUM TERM FINANCIAL STRATEGY

MAY 2026

Design Opinion	Moderate
Effectiveness Opinion	Substantial

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CONTENTS

DISTRIBUTION	
Ben Jay	Director of Finance (Section 151)
Victoria Lian	Deputy Section 151 Officer

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:	12 January 2026 - 20 April 2026 (closing meeting)
Draft report issued:	28 April 2026
Management Response Received:	30 April 2026
Final report issued:	1 May 2026

Executive Summary

Design Opinion	Moderate	Effectiveness Opinion	Substantial

Recommendations	0	1	0

SCOPE

Background

- Medium-term financial planning in the public sector faces challenges due to political, economic, and resource uncertainties. Despite this, strategic planning is crucial for future policy and development, providing a framework for budgets and early issue identification.
- A Medium-Term Financial Strategy (MTFS) consolidates factors affecting financial sustainability, and balancing objectives with resource constraints. It should be a dynamic document guiding fiscal strategy.
- Effective MTFS development requires understanding the financial position through accruals-based budgeting. Success depends on inclusive ownership, especially by decision-makers. CIPFA advocates strategic financial planning for its benefits, engaging the workforce and encouraging long-term scenario planning by financial leaders.
- Maldon District Council's (the "Council") has decided on a 3-year strategy for 2025/26 to 2028/29 with the latest iteration presented to the Strategy and Resources (S&R) Committee on 23 January 2025.
- Planning for the next MTFS began in December 2025 and the Council hopes to use the outcome of this audit to provide assurance to Members that the process is robust.

Purpose

- The purpose of the audit was to provide assurance around the processes to prepare, monitor and report a robust MTFS. We also confirmed whether it is in line with CIPFA guidance.

Areas reviewed

- We reviewed the MTFS and confirmed whether it is clearly defined, approved, and communicated to key stakeholders. We ascertained how the strategy is reviewed and updated, and whether roles and responsibilities to prepare, monitor and amend it are clearly defined.
- We confirmed how the MTFS aligned with the Council's corporate objectives.
- We reviewed the methodology used to prepare the MTFS to confirm whether it is consistent with the Councils objectives, and that standard templates are used.
- We confirmed how departmental budgets feed into the MTFS, and whether these have been approved. We verified whether the income and expenditure were clearly documented, along with supporting

rationale and assumptions, and assessed whether forecasts were based on reliable data and considered the Local Government Reform.

- We reviewed the three most recent monitoring reports brought to the Financial Working group, and two most recent minutes from the S&R Committee to confirm whether there are adequate monitoring mechanisms in place to inform the MTFS and supporting estimates. We confirmed whether regular monitoring of financial performance is completed by these governance forums to support decision making.
- We verified whether the Council has regularly completed gap analysis or self-assessments against CIPFA guidance. We also considered whether the Council's processes to prepare a robust MTFS align with CIPFA guidance and best practice, as outlined within the CIPFA Financial Management Code 2019.

AREAS OF STRENGTH

- **MTFS approval and content:** The Council's Medium Term Financial Strategy, covering 2025/26 to 2028/29, was prepared by the Interim Chief Financial Officer and presented to the S&R Committee on 23 January 2025. The report outlines the key risks and factors that may impact the delivery of the MTFS, such as economic factors and demographic changes. The MTFS and its most recent updates are publicly available on the Council's website.

  The MTFS has since been updated in November 2025 to cover 2026/27 to 2028/29, taking into consideration the following:

  - The Local Government Reorganisation (LGR) planned for April 2028. Budgets have been prepared on the basis that services to residents will be maintained without significant change in day-to-day services in the period before the LGR
  - Growth in reserves
  - Pay and non-pay pressures, along with growth bids.

  The strategy was further updated in February 2026, considering:

  - Four key strategic issues were outlined: the impact of the LGR, geopolitical events affecting national inflation or bank interest rates, digital challenges such as cybersecurity risks and the ineffective use of AI, local factors like the low investment in local assets in recent years, and a decrease in real terms funding in 2028/29
  - Additional updates were made to budgeted funding, spending, capital investments, and forecasts up to 2028/29.
- **Alignment with corporate objectives**: The strategic priorities for the financial management of the Council were agreed with councillors in the Finance Working Group (FWG) and are set out in the 2026/27 MTFS update to the Strategy and Resources (S&R) Committee. These priorities include:

  - Sufficient preparation for the LGR
  - Ensuring delivery and efficiency
  - Funding
  - Use of reserves
  - Budgetary transparency.

The impact of the MTFS on the priorities set out in the Council's Corporate Plan 2025-28 were also considered in the February 2026 MTFS update, where it was acknowledged that the strategy would support the alignment of resources in key areas, such as supporting the local communities and businesses, investing in necessary repairs and renewals projects, and protecting the environment.

- **Monitoring and oversight:** Budget monitoring reports are produced monthly and are presented to the Senior Leadership Team, these are brought up to the Finance Working Group (FWG) and the Strategy and Resources (S&R) Committee on a quarterly basis.

  We received the FWG reports and meeting notes from August, December 2025, and January 2026 and observed the following:

  - Year-end forecasted revenues, capital programme, capital funding, and reserve positions are compared against the original and revised budgets for each period. These are accompanied by commentaries on the significant variances
  - Leading up to the February MTFS update for 2026/27, discussions were held in the FWG regarding asset management plans, strategies for the use of reserves
  - During the meeting on 15 December 2025, members of the FWG received and reviewed information on the 2026/27 Capital, repair, and renewal bids for endorsement.

  We received the S&R Committee meeting minutes for the periods ended September and November 2025, for which the meetings were held in November 2025 and January 2026 respectively, and observed the following:

  - The budget information reported for the period ended November 2025 was used to determine the MTFS for 2026/27
  - Budget and capital programme delivery positions are reported to the Committee and are accompanied by narratives explaining any significant variances against the expected positions
  - Virements, budget amendments, and movements in reserves are approved by the Committee.

- **Following recognised good practices:** The Council has a subscription to a third-party training provider, LG Futures, from which a Medium-Term Revenue Resources planner is available, providing the Director of Finance with a detailed estimate of the resourcing/funding. This planner was used as an independent external check against the Council's own estimates in resourcing.

- **Alignment with CIPFA Financial Management Code 2019:** The CIPFA Financial Management Code 2019 outlines the following best practice requirements:

  - The Medium Term Financial Plan (MTFP) is the mechanism or framework by which the annual budget process relates directly to the long-term strategy establishing the financial sustainability of the authority. While not prescriptive about time frame, the MTFP should support financially sustainable decision making

- Performance against the plan will enable recent success and/or failures in delivering financial objectives to be considered in the annual budget process
- The MTFP needs to be rolled forward annually to ensure that it reflects the latest detailed information. By taking this approach to medium-term financial planning the annual budget is aligned to longer-term goals
- Importantly, financial and operational plans must be demonstratively aligned to the strategy at all levels. Without clear service plans it is impossible to place the forecast within the context of currently agreed policies and their implications for future demand and resources.

We confirmed that the Council's practice of updating the MTFS, and therefore the MTFP, on at least an annual basis was in line with the guidance and requirements above.

- **Self-assessments and benchmarking:** We were advised by the Director of Finance (s151) that the Council have tried to self-assess against the CIPFA resilience index, however, due to the large amount of usable reserves, the advice provided was not applicable. In place of this, the Council used the comparisons of core spending power and usable reserves per person between Essex Councils to demonstrate the Council's strong position and convince Councillors to approve the release of reserve funds ahead of the LGR.

The Ministry of Housing, Communities, and Local Government (MHCLG) have also published metrics on the core spending power and funding for Councils on a per-person basis. We were advised by the Director of Finance that these metrics will be compared and brought to the next Performance, Governance, & Audit Committee, and used to define 'excess' reserves.

AREAS OF CONCERN

- **Lack of documentation for the methodology to develop the MTFS:** We identified that the methodology followed when preparing the MTFS, which includes the gathering of departmental budget information, applying adjustments and accounting for repairs, renewals and other capital expenditures, and forecasting for future years, has not been formally documented. **(Finding 1, Medium)**

ADDED VALUE

- We have provided a comparative analysis of the practices observed in our audits completed with two other Councils to identify any instances of good practice which the Council may wish to consider. **(Appendix I)**
- Practices observed in other Councils were largely similar, with the lack of documentation for the MTFS development methodology outlined in Finding 1 being a consistent issue across all the audits we have completed.
- The main difference observed between the Council and the other two Councils was the approach to performing self-assessment exercises. The other Councils mention identifying areas of improvement and developing risk-rated action plans for areas needing further development. While the CIPFA resiliency index may not be applicable to the Council due to the high amount of reserves, the practice of

identifying and risk-rating improvement actions should be regularly considered.

CONCLUSION

- We have provided moderate assurance over the design and substantial assurance over the operational effectiveness of the Council's processes for preparing, monitoring and reporting a robust MTFS in line with CIPFA guidance.

Control Design

- The MTFS and its subsequent updates for 2026/27 were appropriately reviewed and approved at the S&R Committee. The strategic priorities for the financial management of the Council directly referenced the priorities set out in the Council's Corporate Plan 2025-28. The Council's subscription to LG Futures is used as an independent external check against the Finance Director's (s151) resourcing estimates.
- However, one medium priority recommendation was raised regarding the lack of documented guidance or procedure notes for the methodology for preparing the MTFS.

Control Effectiveness

- We confirmed that the FWG and S&R Committee meet on a regular basis, and variances in forecasted or expected positions are adequately explained. The Council's practice of updating the MTFS on at least an annual basis was in line with the guidance and requirements set out by the CIPFA Financial Management Code 2019.

Detailed Findings

1	Lack of documentation for the methodology to develop the MTFS
TOR Risk:	Without a clear, standardised documented methodology, different assumptions or approaches may be used each year, resulting in inaccurate projections or unexpected outcomes.
Significance	Medium

FINDING

Issue

The process for the review and update of the MTFS involved:

- Working through key priorities and identifying the headline strategy with Councillors in the Finance Member Working Group (FWG)
- Gathering budget information from the Finance team, collaborating with officers across the organisation. This involved discussions between the Finance team and department heads to make line-by-line adjustments to the budgets for the 2026/27 year and compiling the information into a single corporate summary document
- Factoring in the changes in fees and charges, savings, and funding resources for the Council
- Forecasting to later years by applying the Council Tax charge figures and the increase in the Council Tax base.

We received an example of the workbook containing the workings and tables used in the MTFS report and an example of the standardised templates brought up by the Service Delivery Directorate and a capital proposal/bid for investments into the Council's Dengie100 facility. We performed a walkthrough to demonstrate how these elements were used to update the MTFS to confirm the operation of above process.

However, through discussion with the Director of Finance (s151), we identified that the methodology to be followed when producing the MTFS, and the roles and responsibilities of key officers involved in the process have not been formally documented in a guidance document or Standard Operating Procedure (SOP).

Root cause

Knowledge regarding the development of the MTFS is maintained by the officers involved in its annual and in-year preparation and review so it has not been a priority to formally document and capture these processes.

Implication

Without a clear, standardised and documented methodology, different assumptions or approaches may be used each year, resulting in inaccurate projections or unexpected outcomes. With an increased risk during a transition phase, that will occur under Local Government Reorganisation.

RECOMMENDATION

1a. The Council should define and agree the methodology for developing the MTFS. The steps followed for each annual, and in-year, MTFS should be documented in a procedure note. This could include:

- Which supporting documents or approved sources to use/include
- Requirements for individual service submissions
- Who to interview and how to document interview outputs
- Requirements for documenting forecast models.

MANAGEMENT RESPONSE

1a. Accepted. It is recognised that the MTFS is often developed over a long period of time (June-Feb) with final adjustments being applied late on in the process. To have a method statement set out would help officers understand the required inputs and overall objective. This will also facilitate discussion with Mid-Essex LGR partners.

Responsible Officer:	1a. Director of Finance (s151)/ Head of Finance (dep 151)
Implementation Date:	1a. 31 March 2027, with actions applied progressively through 2026/27 financial year.

Appendix I - Comparative Analysis with other Councils

As part of this audit, we have performed a comparative analysis of the practices observed in Maldon District Council (MDC) against the audits performed with our network of similar Councils to identify any further instances of best practice on the MTFS.

Area of Risk	Council A - MTFS audit performed in 2025/26	Council B - MTFS Audit performed in 2025/26	Comparison with Maldon's current practices
MTFS development and review	The 2026-29 MTFS was formally reviewed and approved by the Strategy, Finance & Policy Committee and Full Council in February 2026, as recorded by the relevant group minutes. A review of the Guidelines for Budget Setting 2026/27 document, which was shared throughout the Council in September 2025, found that this included a formal timetable to review expenditure for both the prior and current financial years with each directorate, supported by clear communications issued to Directors and Corporate Managers which set out the process with key dates. Departmental budgets are consolidated into a standardised working paper which is reviewed by Directors and Corporate Managers for accuracy, with all significant pressures or savings subject to further review by the Strategic Director of Finance and established governance forums.	The MTFS is clearly defined for the period 2026-30, acknowledging the severity of the challenges faced. It includes a clear audit trail documenting consultation/review from key individuals, such as the Interim and Corporate Directors of Finance and Leader of the Council. The MTFS is regularly reviewed and updated to reflect changes in organisational priorities or external conditions. Reviews are completed in February, July and December of each year and presented to Cabinet for discussion and approval.	MDC sits between Councils A and B in terms of the bi-annual frequency of MTFS reviews performed. Similar processes are observed for the review and approval of the MTFS at established governance forums.

Methodology, and roles and responsibilities	The Council did not have a formally documented methodology or Standard Operating Procedure (SOP) for setting out the processes to develop the MTFS. This included the absence of documented evidence detailing the source documents, meetings with key personnel, information inputs, risk assessments, and the independent management review required to produce the MTFS. The process is currently reliant on organisation knowledge held by officers at the Council to carry out these duties in an effective manner. The evaluation of budgets and the MTFS takes place through established governance arrangements, such as Finance team Catch Ups, Member Finance Updates and CLT meetings, however, these arrangements are not currently outlined within a single documented methodology that clearly sets out the roles, responsibilities and escalation routes available.	The published MTFS is produced on a standard Council template and the main document which outlines the content and workings/figures behind the MTFS is an Excel working paper. However, through discussion with the Group Manager Strategic Finance, it was determined that the methodology to be followed when creating the MTFS had not been documented in a guidance document or Standard Operating Procedure (SOP). Furthermore, whilst the Strategy has been aligned to the overall vision for the Council B, this requirement for alignment with the Council's objectives is also not documented within any guidance document or SOP for creating the MTFS.	Like Councils A and B, MDC does not have a formally documented methodology or SOP for preparing the MTFS. As outlined in Finding 1, a document should be produced to address the risk of inappropriate assumptions or approaches used to prepare the MTFS.
Alignment with corporate objectives	The 2026-29 MTFS was presented to the Council alongside the Council's Corporate Plan in February 2026. This demonstrated clear alignment between financial planning and the Council's agreed corporate objectives. The MTFS reflects the Council's strategic priorities for ensuring that	Risk area not covered in this audit.	MDC has followed similar practices to Council A regarding the alignment with the Corporate Plan.

	resource allocation supports the delivery of key commitments and ambitions. The Corporate Plan is subject to annual review alongside the annual budget setting process, further supporting ongoing alignment between strategic objectives and financial planning.		
Monitoring and oversight	Regular budget meetings were held, including monthly finance reviews and quarterly sessions involving Directors and HR, provide detailed oversight of budget monitoring, forecasts and staffing impacts, with outputs informing quarterly reports and monthly Corporate Leadership Team (CLT) dashboards. Budget updates are also routinely presented through Finance Update meetings and reported to the CLT and Council Members, supporting visibility and challenge of the Council's financial position. Budgetary updates are used to monitor progress against the approved MTFS and assess whether its assumptions remain appropriate. The updates review current financial performance against the MTFS and provide revised projections for future years, reflecting emerging pressures, potential savings and growth items.	Whilst each service area regularly completes budget monitoring, different templates are used in each of the three sample directorates reviewed. This means that alignment to, and documentation of actions regarding the required MTFS Savings is inconsistent.	MDC follows similar monitoring and oversight practices to Council A, with routine budget updates and discussions held in multiple governance forums. Council B mentions a difference in budget monitoring templates used by directorates; however, this issue is not observed in MDC as standardised templates are used, and the information is compiled into the single corporate summary document.
Following recognised good practice	The Council conducted a self-assessment exercise in January 2026	The Council most recently completed a self-assessment against the CIPFA	Both Councils mention the annual completion of a self-assessment and

	and found that the preparation of the 2026/27 Budget and MTFS complies with relevant CIPFA guidance and good practice. The assessment results were delivered to the Council in February 2026 and highlights suitable management overestimates, ongoing monitoring and alignment with strategic priorities. However, this is not an exercise that has been conducted regularly as part of the budget setting process. Hence, there is less documented assurance available to demonstrate, on an ongoing basis, that the Council's MTFS processes remain aligned with recognised good practice, such as the CIPFA Financial Management Code. Additionally, the most recent assessment was only presented as a high level summary, limiting the level of detail and evidence available to demonstrate compliance with the requirements of the CIPFA Financial Management Code. Benchmarking against another local authority found that that the organisation completed a self-assessment of compliance with the CIPFA Financial Management Code as part of the annual budget setting process and had plans to develop a risk-rated action plan for areas needing further development.	Financial Management Code in September 2024, which was presented to the Corporate Committee. There were three criteria (A, K1 and S1) where areas of improvement were identified related to the MTFS and it was found that all three had been acted on during 2025/26. Evidencing regular and ongoing review of the Code, a project has been commissioned to re-complete the assessment independently in January 2026.	identifying areas of improvement to action for further development. While, as mentioned above, the CIFPA resiliency index may not be applicable to MDC due to the high amount of reserves, the practice of identifying areas of improvement and monitoring the completion of development actions should be considered.

Appendix II - 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 III – 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: Without a robust financial strategy, the Council may fail to identify future funding gaps or pressures, leading to unplanned deficits or emergency cuts. Without a clear MTFS, decisions on service delivery, investments or savings may be short-term, reactive, or misaligned with strategic goals impacting the Council's delivery of services to its residents. • Risk 2: The financial strategy may not align with organisational objectives, which could lead to ineffective resource allocation and missed opportunities. • Risk 3: Without a clear, standardised documented methodology, different assumptions or approaches may be used each year, resulting in inaccurate projections or unexpected outcomes. • Risk 4: Without clear budgeting guidelines, there is a risk of inconsistent budget preparation and the impact it has on the MTFS, which could result in financial discrepancies and resource misallocation. • Risk 5: Without adequate monitoring mechanisms, financial forecasts may be based on outdated or inaccurate data, leading to unrealistic or unachievable MTFS assumptions. • Risk 6: Without following recognised good practice, the Council's MTFS may fail to anticipate and mitigate future financial pressures, exposing the Council to financial instability.
SCOPE & APPROACH	The following areas will be covered as part of this review: • Review the financial strategy and confirm whether this is clearly defined, approved and communicated to key stakeholders. We will ascertain how the strategy is reviewed and updated, and whether roles and responsibilities to prepare, monitor and amend it are clearly defined. We will also confirm how the strategy aligns with the corporate objectives. (Risks 1 and 2) • Review the methodology used to prepare the MTFS and confirm that it is consistent with the Council's objectives, and that standardised templates are used. (Risk 3) • Confirm how departmental budgets feed into the MTFS, and whether these have been approved. We will verify that income and expenditure are clearly documented, along with supporting rationale and assumptions, and assess whether forecasts are based on reliable data and consider Local Government Reform. (Risk 4) • Review whether there are adequate monitoring mechanisms in place to inform the MTFS and supporting estimates, and that regular monitoring of financial performance is completed via appropriate governance forums to support decision making. (Risk 5) • Verify whether the Council has regularly completed gap analysis or self-assessment against CIPFA guidance. (Risk 6) • Consider whether the Council's processes to prepare a robust MTFS align with CIPFA guidance/best practice, as documented within CIPFA Financial Management Code 2019. (Risk 6) 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 against our network of similar Councils to establish whether we can provide best practice on the Medium-Term Financial Strategy.

Appendix IV - 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 III - 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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