Maldon District Council

Internal Audit Report - Final

Accounts Payable

June 2026

Design Opinion	Moderate
Effectiveness Opinion	Substantial

CONTENTS

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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 Emily White, Internal Auditor
Dates work performed:	February 2026 - May 2026
Draft report issued:	4 June 2026
Management responses received:	15 June 2026
Final report issued:	15 June 2026

Executive Summary

CRR REFERENCE: R15: FAILURE TO PLAN AND DELIVER BALANCED BUDGETS OVER THE MEDIUM TERM

Design Opinion	Moderate	Effectiveness Opinion	Substantial

Recommendations	0	1	0

SCOPE

Background

- Maldon District Council ("the Council") is tasked with ensuring robust controls are in place within its financial systems to prevent and detect errors and fraud. This responsibility is crucial for maintaining the integrity and reliability of the Council's financial operations. The finance team, under the leadership of the Director of Finance, is charged with overseeing the financial management controls and processes. This team plays a pivotal role in safeguarding the Council's financial interests by implementing and monitoring effective control measures.
- The Council's main financial system is Sage and this records accounts payable transactions. A purchase order is raised on the ordering system (a branch of Sage) and this is matched to received invoices. Before payment is made, confirmation the goods have been received is required.
- A new supplier can only be set up on Sage once a supplier form is completed. The form is then checked to ensure details are correct by searching the VAT number, companies house and bank wizard. If any discrepancies are found during these checks, they are addressed directly with the supplier using contact information sourced from the supplier's official website. This ensures that all supplier information is accurate and reliable, reducing the risk of errors or fraudulent activities.
- Payments runs are completed every Thursday. The BACs file is created and audited to ensure details are correct and then payment is approved by the Director of Finance.

Purpose

- The purpose of the audit was to provide assurance around the adequacy of the design and operational effectiveness of internal controls managing accounts payable processes.

Areas reviewed

- We sought to confirm the Council have policies and procedures in place for approving, processing, and recording accounts payable transactions, which provide staff with a clear view of roles and responsibilities within the team.
- We obtained a sample of staff who can make amendments to entries on the system to confirm their roles are appropriate and access had been granted by a senior member of the team.

- We confirmed, for a sample of new vendors, whether controls are in place to manage due diligence checks and relevant documentation is retained.
- We selected a sample of suppliers whose details have been amended to confirm adequate controls are in place throughout this process.
- We reviewed a sample of payments to confirm purchase orders are raised and approved prior to payment, with sufficient monitoring and documentation to support this.
- We sought to confirm timeliness of supplier payments, and for those which are not paid within 30 days are followed up on and reported to senior management.
- We reviewed direct payments to ensure there is suitable rationale and they are appropriately authorised with adequate segregation of duties.

AREAS OF STRENGTH

- We reviewed the finance system procedure notes and confirmed roles and responsibilities are clearly outlined. The procedure notes are easily accessible on the Council intranet, they have digital version control, and we confirmed they were last updated in January 2026. We have reviewed the Council's Constitution financial procedures to confirm expectations and responsibilities are aligned.
- Our testing of a sample of five members of staff confirmed they had appropriate finance-related roles to support their need for access onto the main financial system, SAGE.
- The Council has established a comprehensive and detailed process for adding new suppliers to the Sage system, ensuring accuracy and compliance with procurement guidelines. The procedure begins with the submission of a supplier registration form and involves multiple verification steps, including VAT number checks, Companies House searches, and bank detail confirmations.
- Sample testing of 15 new suppliers confirmed adherence to the documented procedures, with all suppliers undergoing necessary checks and receiving approval from designated Coordinators. This approach ensures that supplier information is accurate and up to date, safeguarding the Council's financial operations and supporting its commitment to transparency and accountability. Independent verification is carried out, to confirm accurate bank account details, address, telephone and email, prior to adding the supplier to the system.
- We were advised by the Finance Business Partner Manager that Finance Business Advisors (previously Resource Caseworkers) can make amendments to supplier accounts. From our sample of three supplier accounts amended since April 2025, we confirmed they had all been input by Finance Business Advisors and approved by a Finance Business Partner, as per the procedure documents. Account amendments are confirmed by contacting the supplier using existing details, and our samples show sufficient document requests and supporting evidence has been retained, to ensure accurate amendments.
- We traced the process for a sample of 15 supplier payments, from PO form to payment, to confirm appropriate supporting documentation has been retained on the system to confirm compliance with the WAP policies in place. We confirmed purchase orders were raised where

necessary, and for those above £5000, they were approved by the authoritative budget holder. The PO forms were also approved prior to goods receipt, as per the WAP policy, and evidence of approval was retained.

- From our walkthrough of the WAP system and review of five direct payments, we confirm these are usually documented using Payment Certificates (known as 'Pink Slips'). In other instances, such as car park refunds, tickets are raised on Fresh Service Ticket. Once these have been raised, sufficient supplier/customer checks are carried out using details provided, which is then documented on the system for confirmation.
- From our review of 15 payments, we confirmed all samples had been paid within the period of 30 days, as per best payment practice. There is also ongoing internal monitoring of payments to ensure timeliness.

ADDED VALUE

Per the agreed audit terms of reference, we completed a series of data analytics tests to assess the effectiveness of the Accounts Payable arrangements at the Council. This included extracting:

1. Duplicate Payments
2. Vendors with same vendor name or address but different bank details indicating potential set up incorrectly and payments go to the wrong account
3. Duplicate vendor numbers or bank accounts, which would identify vendor set up issues and potentially leads to the wrong vendor receiving payment

We did not carry out data analytics on payments made over 30 days, as the Council can already extract this information.

Our key findings were as follows:

- From a list of payments dating from April 2025 to February 2026, we confirmed there are 79 payments which are duplicated across account number, account name, transaction number, date and net value. We were advised by the Finance Business Advisor that this is due to suppliers issuing more than one invoice for duplicate orders. The list of duplications has been issued to the client for further investigation.
- From a list of suppliers shared by the Finance Business Advisor, we confirmed there were 1,994 duplications of account names, with varying account names and payment references. We were advised this is due to suppliers being added for alternate payments, such as Covid 19 business relief grants or DFG. The list of duplicates has been shared with the Council, and it is recommended that suppliers accounts are cleared when they are no longer in use.

From the report of supplier accounts, we identified 23 duplications in supplier account names with different sort codes and account numbers. It is recommended that these are further investigated. (**See Finding 1, Medium**)

CONCLUSION

We have provided moderate assurance over control design of the Accounts Payable control framework and substantial assurance over its operational effectiveness.

Control Design:

- The control design has been assessed as moderate, due to the comprehensive Accounts Payable procedure notes, outlining clear requirements including access controls, supplier verification, and expenditure processes. However, there is a lack of control surrounding the review of the supplier master sheet to maintain an up-to-date record of active suppliers.

Control Effectiveness:

- The control effectiveness has been assessed as substantial, as we found no exceptions in our sample testing, confirming sound effectiveness of the Council's existing controls.

Detailed Findings

1	Data Analytics
TOR Risk	N/A
Significance	Medium

FINDING

We reviewed a list of 3,461 supplier payments dating from April 2025 to February 2026 to identify 79 payments with a combined value of £237,118.38 which are duplicated across account number, account name, transaction number, date and net value. We were advised by the Finance Business Advisor that this is due to suppliers issuing more than one invoice for duplicate orders, however we it is not possible for us to confirm that these are false positives. This list of payments should be reviewed by the Council for further investigation, to ensure these payments are appropriately separated.

We also reviewed a list of 10,480 suppliers taken from the Sage system to identify 70 accounts have the phrase 'Do Not Use' in the name and have not been removed from the system. Additionally, 1,924 suppliers were identified as duplications of account names corresponding to multiple payment references. We were advised possible reasonings for duplications could include previous Covid 19 Business Relief grants or Disabled Facility Grants. It is likely that these accounts are no longer in use and have also not been removed from the system.

Finally, there are 23 accounts which have a duplicated name with varying sort code and account numbers. These accounts must also be investigated to remove old bank details and avoid paying to the incorrect account.

Root cause

The Council are unsure whether it would be possible to delete duplications of old accounts off the Sage system.

Implication

If the Council do not delete unused and duplicate supplier accounts, there is a risk of confusion with information and inaccurate details and an inability to accurately identify duplicate payments.

RECOMMENDATION

2a. The Council should conduct periodic reviews of the supplier accounts and payments to remove inactive or duplicate entries from the system.

MANAGEMENT RESPONSE

2a. Management agrees with the recommendation. A review of the supplier master file will be undertaken to identify inactive, duplicate and obsolete supplier records, including accounts marked 'Do Not Use' and duplicate supplier names with differing bank details. Where appropriate, records will be removed, deactivated or otherwise clearly controlled to reduce the risk of confusion, duplicate payments and use of outdated bank

information. Management will also introduce a periodic housekeeping review of the supplier master file going forward.

Responsible Officer:	2a. Simon Walker, Finance Business Partner Manager
Implementation Date:	2a. 31 October 2026

OBSERVATIONS

ACCESS REQUEST FORMS

Through our review of user access on the main finance system, we confirmed that all five staff members in our sample had job roles that matched their level of access. Access is requested via email, where staff inform the Finance Business Partner Manager of their role and access needs. The Manager then decides if the access is suitable. To enhance the existing process and ensure requests are consistent, access requests could be formally documented on a request form.

Appendix I - 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 II - 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), are:

- Risk 1: There are insufficient policies and procedures to provide guidance to staff in recording, approving, and processing accounts payable transactions, meaning no clear direction, a lack of accountability regarding roles and responsibilities and potentially inconsistent practices.
- Risk 2: Access to accounts payable systems and data is not effectively controlled and managed, extending the risk that data may be amended or deleted without appropriate approval.
- Risk 3: Adequate due diligence is not carried out when dealing with new vendors to assess their credibility and legitimacy, leading to payments being made to fraudulent suppliers.
- Risk 4: Vendor change controls are inadequate to safeguard against bank mandate fraud.
- Risk 5: Purchase orders are not raised and approved prior to the commitment of expenditure or receipt of the invoice. Where there are occurrences of this, adequate monitoring has not been undertaken and the invoices paid are not supported by sufficient documents. This may lead to unnecessary payments being made for goods which or services which are not required.
- Risk 6: Supplier invoices are not paid within 30 days, in line with best practice. Where there are delays, reasons are not determined, recorded, and reported to senior management. Late payments may lead to additional charges accruing in interest and termination of services. In such an instance the Council may struggle to replace suppliers to fulfil its needs and deliver its own services.
- Risk 7: Direct payments (non-purchase orders) are not appropriately authorised with adequate segregation of duties leading to inappropriate purchases being made and financial loss for the Council.

SCOPE & APPROACH

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

- Review the policies and procedures in place for approving, processing, and recording accounts payable transactions, to assess whether they provide sufficient guidance to staff, including roles and responsibilities. We will also determine whether they are up-to-date and record the current processes in place.
- Obtain a list of staff who can raise, change and/or authorise entries on the accounts payable system and select a sample of users to assess whether an access request form is in place and their access rights are appropriate to their role. (Risk 2)
- Review a sample of new vendors set up since 1 April 2025 to assess whether controls in place were operating as expected, adequate due diligence checks were completed and relevant documentation has been retained. (Risk 3)
- Obtain a list of vendors whose bank account details have been amended since 1 April 2025 and select a sample to assess whether appropriate evidence has been retained around relevant checks that have been made with the vendor using the contact

details held by the Council confirming the legitimacy of the requested changes. (Risk 4)

- Obtain a list of all vendor payment transactions, since 1 April 2025 and select a sample of payments to assess whether a purchase order was raised, approved appropriately, raised before the receipt of an invoice and the payment made was accurate. We will also assess whether reporting and monitoring is being undertaken of instances where retrospective purchase orders have been raised. (Risk 5)
- For the same sample selected in (4) above, we will assess whether the supplier invoices have been paid within 30 days, in line with best practice. For the invoices that have not been paid within 30 days, we will assess whether the reason for a delay has been determined and recorded. We will review the monitoring, communications and escalation processes and controls in respect of the timeliness of payments. (Risk 6)
- Select a sample of direct payments (which do not involve a purchase order) and assess whether these have been appropriately authorised and are for a clear business reason. (Risk 7)

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.

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 Performance, Governance and 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.

ADDED VALUE

We have considered the use of data analytics as part of this audit and the following tests will be performed. This work will be reliant upon management providing the data to allow these data sets to be extracted. Where anomalies are identified, these will be reported to management to resolve and provide a response as part of the finalisation of the audit.

- Duplicate Payments
- Vendors with same vendor name or address but different bank details indicating potential set up incorrectly and payments go to the wrong account
- Duplicate vendor numbers or bank accounts, which would identify vendor set up issues and potentially leads to the wrong vendor receiving payment
- Payments are not made to vendors within 30 days of the invoice date.

In respect of the data analytics work, we will discuss the reports available from the system to ensure that all required fields are extracted.

Appendix III - 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 PGAC is also 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 cover the whole system of controls, financial and otherwise, established by the Council 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 AC 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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