Maldon District Council

Internal Audit - Annual Report & Opinion

Draft

July 2026

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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.

Distribution list		
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	Performance, Governance and Audit Committee Members	

1.Executive summary
Introduction

Role of Internal Audit

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the Council board* and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The primary responsibility of the internal audit service is to provide the Board with assurance on the adequacy and effectiveness of risk management, control and governance arrangements.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide a reasonable level of assurance and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management improve risk management control and governance, so reducing the effects of any significant risks faced by the organisation.

The Council Board is ultimately responsible for the system of internal control and the management of risk, including reviewing the effectiveness of internal control. Management is responsible for implementing board policies on risk and control, achieved by designing, operating and monitoring a suitable system of internal control and risk management. All employees have some responsibility for internal control, in that they are all accountable for achieving objectives and should also understand the risk implications of the activities they perform.

**The Global Internal Audit Standards (GIAS) refer to the 'board' as 'the highest-level body charged with governance.' For Maldon District Council, 'the board' is the [Performance, Governance and Audit Committee (PGA)' acting on behalf of the Council Board*

Planned coverage

Our internal audit work for Maldon District Council covered the period April 2025 to March 2026 and was carried out in accordance with the Internal Audit Plan approved by the PGA and in line with the recognised Global Internal Audit Standards (GIAS) from the Institute of Internal Auditors.

The internal audit programme is risk-based and our work is designed to align to key risks over the life cycle of the internal audit plan. The approved internal audit annual plan for 2025/26 comprised the following assignments:

- Waste and Recycling
- Corporate Governance
- HR System Review
- Safeguarding
- Management of Property
- Food Safety
- IT Governance
- Medium Term Financial Strategy
- Main Financial Systems

Changes to the plan

The Local Government Review was deferred at the request of management and replaced with a review of the Medium Term Financial Strategy. This change was approved by the Performance , Governance and Audit Committee.

Audit outcomes

The conclusions from our reports are summarised on page 9. Key themes are summarised on page 7.

Background to the Annual Opinion

Internal Audit is required to provide an opinion to the Council and the Board, through the PGA, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by us as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

1. Executive summary
Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of Maldon District Council's risk management, control and governance processes.

Opinion

Our opinion is as follows:

- Good
- **Generally satisfactory with improvements required in some areas**
- Improvements required
- Significant improvements required

Overall, the controls in the areas we examined were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements and value for money. However, there are some areas where weaknesses and/or non-compliance were identified and, therefore, may put the achievement of objectives at risk. No audits received "no assurance" ratings although we would draw attention to the HR System Review which was the only limited Design assurance this year, however there were no Limited effectiveness assurance opinions. Where weaknesses have been identified, improvements are required to enhance the design and/or effectiveness of risk management, control and governance arrangements.

The number of limited assurance opinions issued in 2025/26 is less than 2024/25, where we issued one Limited design and one Limited operational effectiveness opinions.

High significance findings raised during the year were in relation to the HR System Review (1) where the service level agreement could not be located and Management of Property (1) where there were overdue or incomplete statutory inspections.

Basis of opinion

As the provider of internal audit services to Maldon District Council, we are required to provide the Performance, Governance and Audit Committee with an opinion on the adequacy and effectiveness of the risk management, control and governance processes.

In giving our opinion, it should be noted that the assurance can never be absolute. The most that Internal Audit can provide to the Board is reasonable assurance that there are no major weaknesses in Maldon District Council's risk management, control and governance processes.

In assessing the level of assurance to be given, we have considered:

- Our assessment of the design and operation of the underpinning risk management framework and supporting processes, including whether risk appetite has been established and embedded within the activities, limits and reporting of the organisation.
- The range of individual opinions arising from risk-based audit assignments that have been reported throughout the year; including the relative materiality of these areas
- Any significant recommendations not accepted by management and the consequent risks (if any) Management's progress in respect of addressing control weaknesses and implementing recommendations
- Any limitations which may have been placed on the scope of internal audit – there were no restrictions
- Reliance placed upon other assurance providers
- The effects of any significant changes in the organisational objectives or systems
- What proportion of Maldon District Council's audit need has been covered to date.

This opinion is based on information provided between April 2025 and March 2026, and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

1. Executive summary

Recommendation follow up

Management action on implementing recommendations

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner, weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Management has generally responded in a timely manner for requests to provide information to support the implementation of audit recommendations. Where initial implementation action dates were missed, revised dates were provided and generally appropriate action has been taken.

Internal Audit performed follow up reviews periodically throughout the year, aligned to the Performance, Governance and Audit Committee meeting dates, to verify the status of the open internal audit actions.

Overall, out of 13 Medium and High actions, which have been raised in 2025/26 Maldon District Council had:

- Implemented seven
- Partially implemented one
- Not implemented five as they were not yet due to be followed up.

2. Thematic reporting

Throughout the 2025/26 internal audit plan, we have considered key findings against six core themes. Broadly, these themes were considering the following key questions:

Area	Principle
Strategic Alignment and Reporting	▶ Is the area under review coherent with the overall strategic objectives, and is reporting sufficient and appropriate to enable effective oversight at a strategic level?
Controls & Assurance	▶ What first/second line controls are in place, and are these offering adequate comfort? Does the business obtain assurance from other sources? ▶ Is the overall control framework fit for purpose?
Documentation	▶ What is the quality of the documentation? Is it user friendly, accessible, and easily understood? ▶ Where are documents stored? Are policies up to date?
Systems & Data Quality	▶ Is there good quality of data and a 'single version of the truth'? Which systems are used to maintain data integrity? Do the right people have access? ▶ Have relevant performance metrics been calculated and can these be accurately compared to source data and in line with regulatory guidance?
Resources	▶ Where does responsibility sit? Do they have sufficient capacity? ▶ Are people appropriately skilled and trained? Are there any cultural issues to note? ▶ Are controls in place to reduce the risk of fraud, or to highlight instances where there may be higher risk of fraud within processes?
Innovation and Efficiency	▶ How is Maldon District Council continually developing and are lessons learned exercises undertaken and acted upon? ▶ Are there future looking strategies and improvement plans?

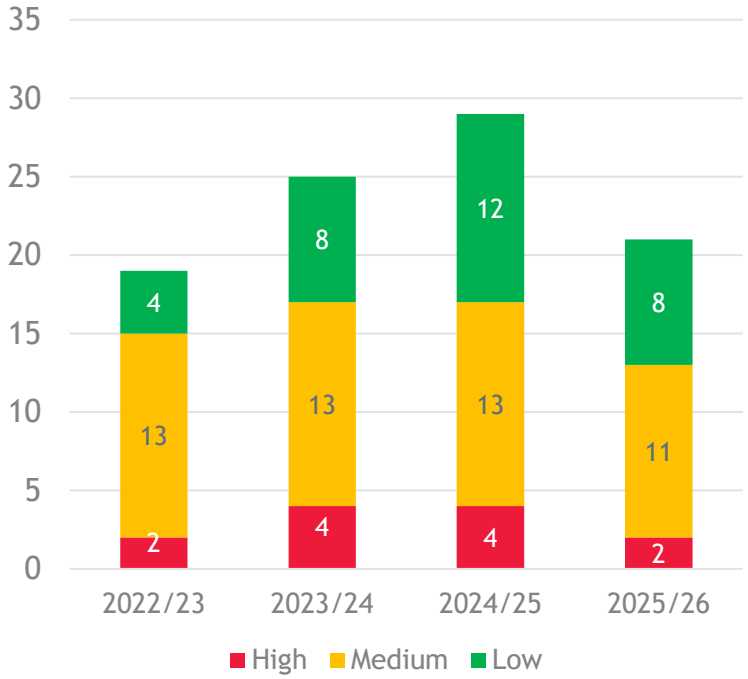
2. Thematic reporting

Looking across the work we have completed, the themes across the Council where more recommendations have focused include on Documentation and Controls & Assurance. There is opportunity to develop processes and controls in these areas which is reflective of the recommendations and actions raised in each internal audit report.

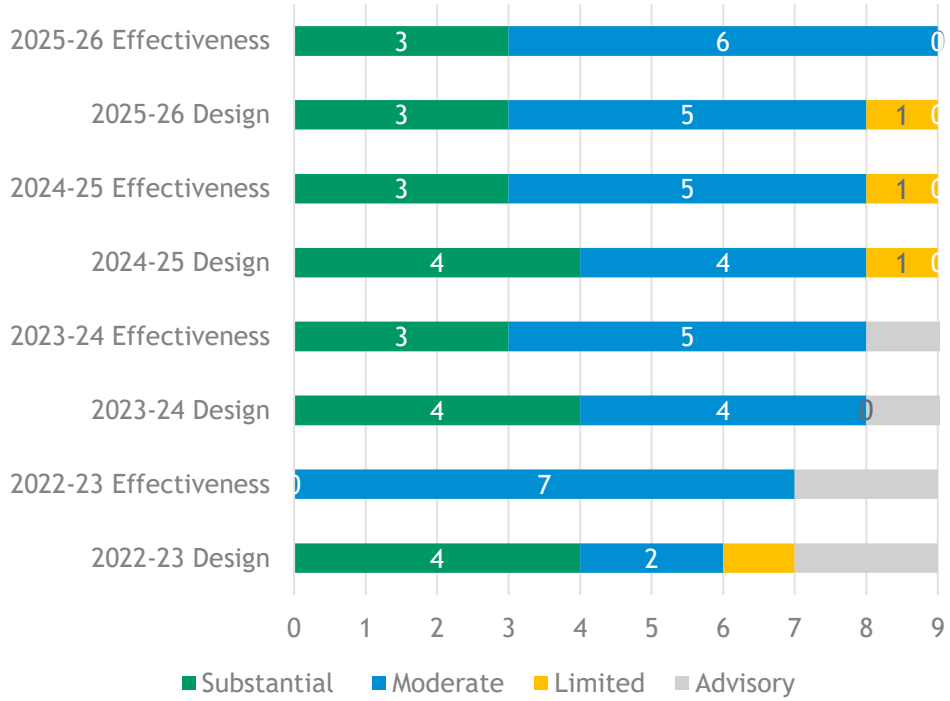
Area	Principle
Strategic Alignment and Reporting	▶ Generally, there are appropriate levels of reporting at operational and strategic levels across the areas audited. For example, our Food Safety review confirmed that Central Government returns were regularly completed on a timely basis. ▶ Reporting includes performance against defined KPIs alongside other pertinent information to allow management to discharge their responsibilities. This was clearly evidenced in the Food Safety and Medium Term Financial Strategy reviews.
Controls & Assurance	▶ First line controls were identified across the organisation in all reviews undertaken, including preventative and detective controls, although these could be developed further in places. ▶ Management routines are in place to confirm compliance with approved procedures and the accuracy of data; although in some instances, such as the Management of Property audit, we identified that control improvements were required as statutory compliance inspections and rent reviews were overdue.
Documentation	▶ Relevant systems were used wherever possible to maintain centralised and contemporaneous records. ▶ Relevant policies and procedures were in place for the areas reviewed and these were accessible to relevant personnel as needed however the Safeguarding Policy required updating as it was last reviewed in 2020. The Council was also unable to initially locate the Service Level Agreement it had with its HR Service provider at the time of the audit, and some Working Group terms of reference were identified as out of date in the Corporate Governance audit.
Systems & Data Quality	▶ The Council make use of several systems for the management of key processes and functions and no material issues were identified during our reviews.
Resources	▶ Across all areas reviewed, resources appear to be generally well structured. Evidence of training and communication routines were available for all areas reviewed apart from Corporate Governance, where mandatory training completion for Members was not 100%. ▶ Resource allocation was adequate to enable segregation of duties, as appropriate.
Innovation and Efficiency	▶ Examples of improvements to efficiency were noted in most of areas reviewed. ▶ These initiatives aim to streamline operations, reduce manual processes, and enhance overall efficiency.

3. Summary of results

Recommendations by significance



Assurance opinions



Year	2022/23	2023/24	2024/25	2025/26
Audits completed	9	11	9	9
Recommendations raised	19	25	29	21
Average per audit	2.1	2.3	3.2	2.3

Comparison to prior year

- The total number of recommendations raised has decreased from 29 in 2024/25 to 21 in 2025/26. The average number of recommendations per audit has also decreased from 3.2 in 2024/25 to 2.3 in 2025/26.
- The total proportion of positive design (substantial and moderate) opinions provided in 2025/25 has remained consistent with the previous year.
- The proportion of positive operational effectiveness opinions rose from eight in 2024/25 to nine in 2025/26.

3. Summary of results

Within the year, we produced nine audit reports. We set out below our summary of the audits completed, the significance of recommendations raised, our opinions on control design and operational effectiveness, a comparison against the original IA plan and the link to the relevant strategic risk/objective.

The definitions of recommendation significance and report conclusions are set out in the tables in Appendix I. The Audit Plan is mapped to the strategic objectives in Appendix II.

Audit	Type of review	Recommendations and significance			Overall report opinion		Link to internal audit plan
		High	Medium	Low	Control design	Operational effectiveness	
Waste and Recycling	Assurance	0	2	2	Substantial	Moderate	Y
Corporate Governance	Assurance	0	2	2	Substantial	Moderate	Y
HR Systems Review	Assurance	1	1	1	Limited	Moderate	Y
Safeguarding	Assurance	0	1	1	Moderate	Moderate	Y
Management of Property	Assurance	1	1	2	Moderate	Moderate	Y
Food Safety	Assurance	0	0	0	Substantial	Substantial	Y
IT Governance	Assurance	0	2	0	Moderate	Moderate	Y
Medium Term Financial Strategy	Assurance	0	1	0	Moderate	Substantial	Additional review - replaced Local Government Review which was deferred to 2027
Main Financial Systems	Assurance	0	1	0	Moderate	Substantial	Y

4. Quality assurance

As a firm we are committed to continual improvement. To achieve this, we apply the latest internal quality standards, which are designed to ensure that the work we perform meets the requirements of the regulatory environment within which each of our clients operates. The provision of Internal Audit services rests with a team of dedicated internal audit professionals who form part of a national Risk and Advisory Services (RAS) team.

Qualifications, Training And Development

It is our policy that staff engaged in the provision of a specialist service be qualified in the relevant professional discipline. In Internal Audit, staff are qualified or are studying for the exams by the Chartered Institute of Internal Auditors, or for a professional accountancy body.

Qualified staff are required to retain commitment to their professional body after their qualification and the firm is committed to continuing professional education and provide staff access to quality training programmes.

Quality assurance processes

We adopt the following processes in order to ensure that the internal audit work we perform meets our required quality standards:

- **Documented standards** - the fundamentals of our auditing standards are set out within our audit manual and related documentation. Our audit methodology complies with current best practice, Global Internal Audit Standards
- **Annual plan -** A risk-based approach is taken to determine the annual plan.
- **Planning** - each assignment is planned based upon a thorough understanding of the business area being audited and the risks that are associated with that area. All assignments are supported by briefing documents agreed in advance with the client.
- **Quality assurance** - the work conducted to meet the requirements of each assignment brief is subject to a full client debrief and to manager review within the audit team before a final draft report is issued. All finalised reports are approved and signed off by a licence holder (Partner or Director).
- **Cold reviews - w**e also adopt a cold review process where samples of the work performed by the internal audit team are reviewed to ensure that they meet our own internal standards. These reviews are conducted by professionals outside of the team which conducted the work. The work of cold review is subject to our National Quality Review processes, aimed at ensuring consistency of standards adopted within the firm.

Continuous Improvement

The results of the various review processes that are outlined opposite are used to inform the development needs of staff through our appraisal process and by the development of relevant training courses for the staff involved in internal audit work. The appraisal process adds to the structured training that each member of our RAS team receives on a firm wide basis. At the moment each of our team members is required to attend at least two RAS training days annually with additional training being provided in response to changes in the environment in which we operate.

Compliance with the Global Internal Audit Standards (GIAS)

Based on the results of our internal assessments, we can confirm that our Internal Audit services are aligned and have been delivered in accordance with the Global Internal Audit Standards during the year. It should be noted that as the GIAS became effective on 9 January 2025 [and GIAS in the UK public sector] on 1 April 2025), there has been a transition period during the year.

We confirm there have been no deviations from the GIAS during the year.

External Quality Assessment

The Global Internal Audit Standards of the Institute of Internal Auditors (IIA) requires every internal audit function that aims to comply with its standards to be reviewed, externally, every five years. At BDO we recognise the importance of independent quality assurance and so submit our RAS team to an External Quality Assurance (EQA) review every five years, most recently in April 2021. We engaged the Chartered Institute of Internal Auditors (CIIA) to carry out the EQA and, in summary, their conclusion was that BDO generally conforms to the International Professional Practices Framework (IPPF). This is the highest of the three gradings awarded by the CIIA.

RAS is committed to continuous improvement and has agreed a Quality Assurance Improvement Programme with the CIIA to respond to the recommendations and suggestions raised through the EQA exercise. A copy of the EQA report is available to our clients in order they may obtain comfort regarding our working practices.

Our next EQA is due in late 2026.

5. Quality assurance improvement programme

An update on our specific improvement actions included as part of our Quality Assurance Improvement Programme is below:

Initiative	Benefit	Due date	Status
Align Internal Audit's focus to the strategic objectives of the organisation	Until now, IA's focus has been on a balance between strategic and operational areas. We will place greater emphasis on strategic priorities, outlined in the updated IA Strategy.	Ongoing throughout delivery of the remaining 2025/26 IA plan and as we move into the delivery of the 2026/27 plan	Complete for 2025/26
Building on the feedback we have received from clients where we have used data analytics effectively to gain insights and drive improvements, enhance the use of data analytics in all audits where relevant	Allow the analysis of 100% of the population and provide meaningful insights to the business	Ongoing throughout delivery of the remaining 2025/26 IA plan and as we move into the delivery of the 2026/27 plan	Complete for 2025/26
As Audit Committees have indicated that they find the benchmarking that we carry out in our audits insightful, ensure that we include benchmarking results in each Internal Audit report (where relevant).	Allows management to gain insights into what other similar organisations are doing	Ongoing throughout delivery of the remaining 2025/26 IA plan and as we move into the delivery of the 2026/27 plan	Complete for 2025/26
Implement any actions arising from stakeholder feedback surveys	Meet stakeholder's expectations	Ongoing throughout delivery of the remaining 2025/26 IA plan and as we move into the delivery of the 2026/27 plan	Complete for 2025/26
Continue to proactively seek a thorough understanding of the root causes of identified control failures or gaps and ensure that recommendations raised include actions to address these underlying causes	Recommendations that address the root causes of control weaknesses are more likely to lead to and embed improvements in overall control environments	Ongoing throughout delivery of the remaining 2025/26 IA plan and as we move into the delivery of the 2026/27 plan (where applicable)	Complete for 2025/26
As we are doing for the IIA's Topical Requirements on Cyber-Security and Third Parties, ensure that the Topical Requirements on Organisational Behaviour and Organisation Resilience (when published) are fully considered when scoping individual audits, where applicable	Internal audits that fully consider the risks relating to organisational behaviour and resilience, to ensure that the risks are adequately managed	Ongoing throughout delivery of the remaining 2025/26 IA plan and as we move into the delivery of the 2026/27 plan	Complete for 2025/26

6. Annual attestation of independence

Independence

The Internal Audit function is independent and objective and we undertake our work with an impartial, unbiased attitude, avoid conflicts of interest and perform engagements in such a manner that there are no quality compromises.

During the year we have not acted in any management capacity, taken on any responsibility for the operations of your organisation or provided any services that would compromise our independence.

In the year BDO was engaged by management to carry out the following additional services outside of the Internal Audit contract:

- Housing Benefit Claim – this was conducted by a separate BDO team and engaged separately. This does not create any independence concerns.

If the independence or objectivity of the Internal Audit service is ever impaired, details of the impairment will be disclosed to either the CE/their delegate, or the Chair of the Performance, Governance and Audit Committee, dependent upon the nature of the impairment.

Relationship with external audit

All of our final reports are available to the external auditors through the Performance, Governance and Audit Committee papers and are available on request.

Appendix I: Definitions

Annual Opinion Definitions

Opinion		Definition
	**Good**	The controls in the areas which we examined were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements.
	**Generally satisfactory with improvements required in some areas**	The controls in the areas which we examined were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements. However, there are some areas where weaknesses and/or non-compliance were identified and therefore may put the achievement of objectives at risk.. Where weaknesses have been identified, improvements are required to enhance the design and/or effectiveness of risk management, control and governance arrangements arrangements.
	**Improvements required**	Significant weaknesses were identified in [both the design and/or operational effectiveness] of the controls in [all/the majority] of the areas which we examined and weaken the risk management, governance and control arrangements.. Significant improvements are required to enhance the design and/or effectiveness of risk management, control and governance arrangements and value for money arrangements.
	**Unsatisfactory**	The framework of governance, risk management and control arrangements is poor. Immediate action is required to improve the design and/or operational effectiveness]of the governance, risk management and control arrangements.

Appendix I: Definitions

Audit Report 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: Link to strategic objectives

We have mapped the Internal Audit Plan to the organisation's strategic objectives to show coverage across the year.

Audit	Type of review	Link to risk strategic priorities				
		Supporting our communities	Investing in our district	Growing our economy	Protecting our environment	Delivering good quality services
Waste and Recycling	Assurance	✓	✓	✓	✓	✓
Corporate Governance	Assurance	✓	-	-	-	✓
HR System Review	Assurance	-	-	-	-	✓
Safeguarding	Assurance	✓	✓	-	✓	✓
Management of Property	Assurance	✓	✓	-	-	✓

Appendix II: Link to strategic objectives

We have mapped the Internal Audit Plan to the organisation's strategic priorities to show coverage across the year.

Audit	Type of review	Link to risk strategic objectives				
		Supporting our communities	Investing in our district	Growing our economy	Protecting our environment	Delivering good quality services
Food Safety	Assurance	✓	✓	-	✓	✓
IT Governance	Assurance	✓	-	-	-	✓
Medium Term Financial Strategy	Assurance	✓	-	✓	-	✓
Main Financial Systems	Assurance	✓	-	✓	-	✓

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