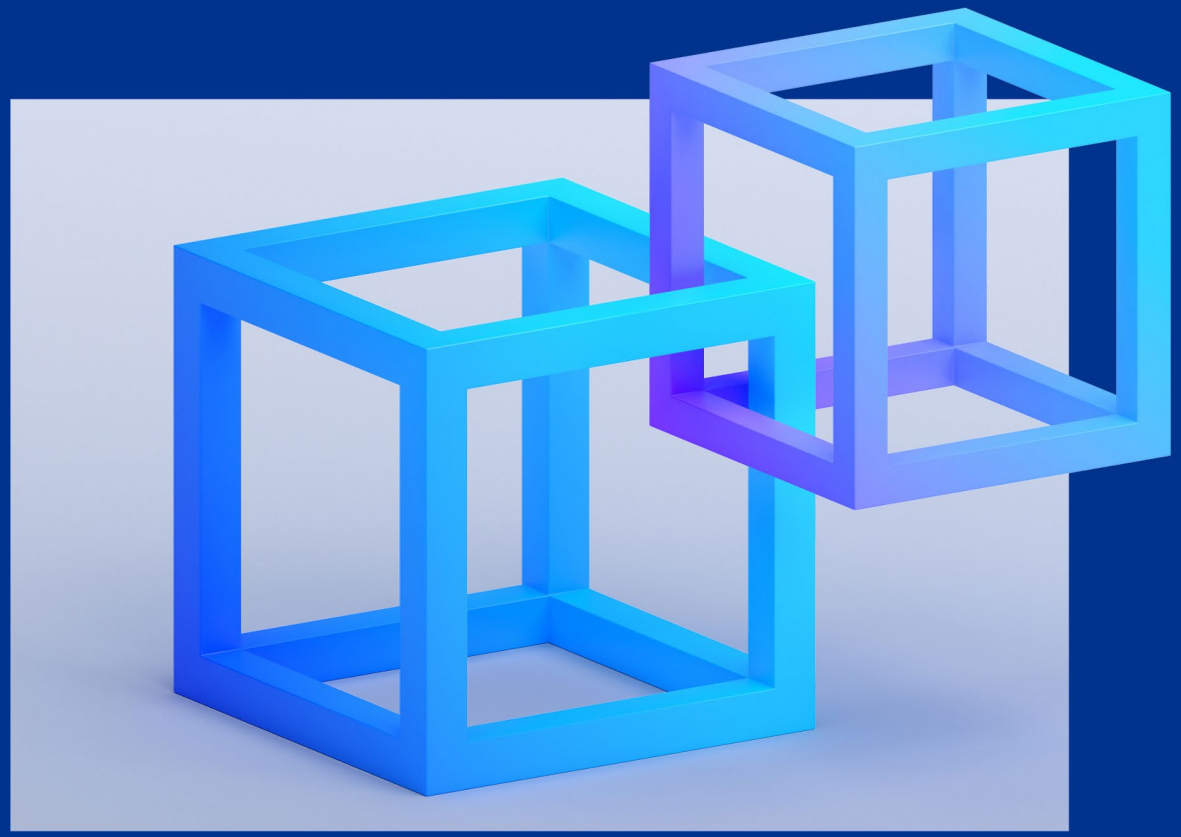
KPMG

Maldon District Council



Year End Audit ProgressReport to the Performance, Governance and Audit Committee

Year end report for the year ended 31 March 2026

12 November 2026

Introduction

To the Performance, Governance and Audit Committee of Maldon District Council

We are pleased to have the opportunity to meet with you 12 November to discuss the status of our audit of the financial statements of Maldon District Council (the '**Council**') as at and for the year ended 31 March 2026.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented in June 2026. We will be pleased to elaborate on the matters covered in this report when we meet.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and,
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We are committed to providing you with a high- quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Emma Larcombe (Emma.Larcombe@KPMG.co.uk) the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler (tim.culter@kpmg.co.uk). . After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: Complaints.

The engagement team

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit opinion on the financial statements and auditor's representation letter before 31 January 2027, provided that the outstanding matters noted on page 4 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan and strategy.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,

Emma Larcombe
Key audit partner

Contents **Page**

Introduction	2
Important notice	3
Our audit findings	4
Significant risks	5
Audit risks and our audit approach	6
Key accounting estimates and management judgements– Overview	12
Other matters	13
Value of money	14
Appendix	19

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Maldon District Council (the 'Council') prepared in accordance with [International Financial Reporting Standards ('IFRSs') /*other accounting framework such as FRS 102*], as at and for the year ended 31 March 2026.

This Report has been prepared for the Council's Performance. Governance and Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication in April 2026.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 7 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit Committee of the Council that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

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Our audit findings

Significant audit risks		Page 6-11
Significant audit risks	**Risk change**	**Our findings**
Valuation of land and buildings inc. Investment properties	No Change	Our work on valuation testing is in progress. We will provide a verbal update to the committee on progress.
Management override of controls	No Change	Our work on valuation testing is in progress. We will provide a verbal update to the committee on progress.
Valuation of post retirement benefit obligations	No Change	The pension valuation was considered reasonable, with actuarial assumptions broadly balanced and no evidence of management bias; however, the management review control over key assumptions was assessed as ineffective due to insufficient precision and documentation. We identified one corrected and uncorrected misstatement. Refer to page 25 and 26 for more details.

Misstatements in respect of Disclosures	Page 26
Misstatement in respect of Disclosures	**Our findings**
Pension Disclosure	We identified the presentational errors related to inflation assumption, Virgin media case, new triennial valuation and pension surplus restriction. Management have confirmed these will be corrected in the final version of accounts.
Remuneration of Senior staff	We found one rounding error in presentation of one senior member salary presentation in Note 23: Remuneration of Senior staff. This will be corrected in the final version of accounts.
Contingent liability	We identified that amount of contingent liability should be nil but was recorded as £35.6k. This will be corrected in the final version of accounts.

Uncorrected Audit Misstatements		Page 25
Understatement/ (overstatement)	**['£000]**	**%**
Income	-	-
Surplus/(deficit) for the Year	-	-
Total assets	406	0.6%
Total reserves	406	0.7%
Disclosure Note		

Number of Control deficiencies	Page 27-31
Significant control deficiencies	0
Other control deficiencies	1
Prior year control deficiencies remediated	0

Outstanding matters

At the time of drafting this report, we have completed our work on non-significant areas of testing i.e. income, expense, Cash and Cash equivalents, disclosures testing. Our work is on-going in relation to:

- Valuation testing- KPMG are waiting for the receipt of evidence requested in relation to floor areas and the response to queries
- Journals testing- KPMG is in the process of screening the journals listing to further select the samples for testing
- IFRS 16 leases- KPMG are waiting for the evidence requested for leases modified/updated in CY
- Minimum revenue provision- KPMG are waiting for the responses from management on queries sent in relation to the MRP calculation
- Finalising in year sample testing on Debtors and Creditors
- Completing the KPMG assessment of Going Concern
- Draft Management representation letter
- Draft annual report to KPMG
- Finalise audit report and sign

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Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which Maldon District Council operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

See the following slides for the cross-referenced risks identified on this slide.

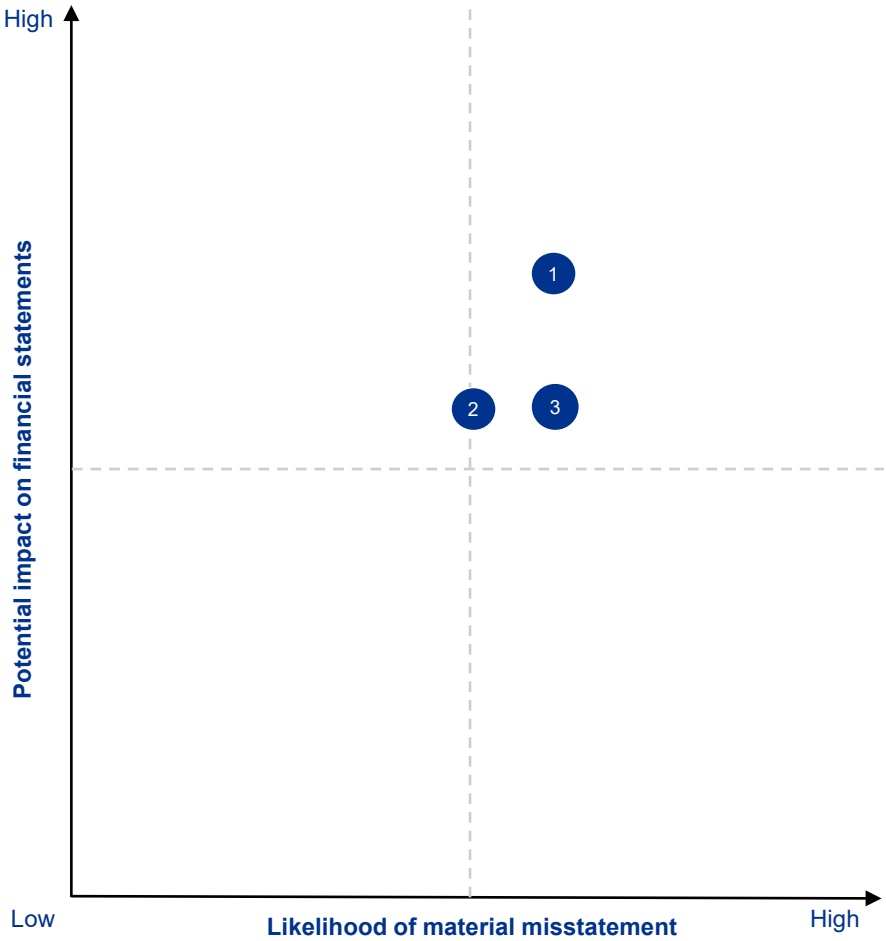
Significant risks	
1.	Valuation of land and buildings inc. Investment properties
2.	Valuation of post retirement benefit obligation
3.	Management override of controls [a]

Value for money

We were required to provide commentary on the arrangements in place for ensuring Value for Money was achieved at the Council and to report on this via our Auditor's Annual Report.

This will be provided in advance of the 30 November deadline for the body to publish on their website.

We outlined the results of our risk assessment procedures on page 15.



Key:

- Significant financial statement audit risks
- Key audit matter and significant financial statement audit risk
- Key audit matter
- Increasing or decreasing risk compared with planning
- Other audit risk
- New [key audit matter]/[significant audit risk]/[other audit risk]

[a] A significant risk that auditing standards require us to assess on all audit engagements. Not always included in the graph except where we have also identified an entity-specific risk of management override of controls

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Audit risks and our audit approach

1 Valuation of land and buildings including investment properties

The carrying amount of revalued Land & Buildings differs materially from the fair value

Cautious | Neutral | Optimistic

Significant audit risk

The Code of Practice on Local Authority Accounting in the UK 2025/26 ('the Code') has introduced changes to asset revaluation. The Code requires revaluations for each class of PPE are undertaken using one of the following:

- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle and indexation in the intervening years.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value as the indexation applied is not appropriate.

A further risk is presented for those assets that are revalued in year as valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.

Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of VoA, the valuers used in developing the valuation of the Council's properties at 31 March 2026;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised for properties valued on EUV and MR basis; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Key:
Prior year | Current year

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Audit risks and our audit approach

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This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value as the indexation applied is not appropriate.

A further risk is presented for those assets that are revalued in year as valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.

Our findings

- From our work performed, we found the valuer to be independent, objective and have sufficient expertise to carry out the valuation. We have challenged the management expert assumptions, tested the data provided to the expert and performed independent calculation of the valuation on which the carrying value of building is based. Our work on assumption testing is in progress. We will provide an update in next committee meeting upon completion of our work.
- From our control testing, we have raised a control recommendation on the review of management on valuation assumptions. Refer to page 29 for more details.
- Our REVCoE valuation specialists have substantially completed their review of the valuation methodology of EUV and Market rent properties and key assumptions applied by the Council's valuer, including the relevant valuation bases. At the time of drafting this report, our work is in progress..
- At the time of drafting this report, our substantive testing on the asset valued on Depreciated residual valued method is in progress on data and assumptions. We are awaiting the evidence on floor area from management. We will provide an update to the committee on progress .
- Review of the PPE valuation disclosures, including the key judgements and estimation uncertainty associated with the valuation is in progress. At the time of drafting this report, no issues noted.

Key:
Prior year | Current year

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Audit risks and our audit approach

2 Management override of controls[(a)]

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Our response

Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the below procedures to address our significant risk:

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes, compared to the prior year, to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business or are otherwise unusual.
- In line with our audit plan, tested the design and implementation of controls over journal entries and post closing adjustments.
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- Identified journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements (which we refer to as 'high-risk journals and other adjustments'), using KPMG Clara Journal Entry Analysis and perform procedures to test the appropriateness of these entries and adjustments.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Key:
Prior year | Current year

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Audit risks and our audit approach

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Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Our findings

- No issues noted related to significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- Our work on journals screening high-risk criteria samples is in progress. We will provide an update on this to the Committee.
- In Current year, we identified a control weaknesses over journal uploads and Sage configuration which resulted in inaccurate journal dates and narratives being recorded, although transactions were recorded in the correct accounting period. We have raised the control recommendation related to this on page 27.
- We have raised a control finding in respect to journal review control detailed on page 28.
- We evaluated accounting estimates, including the consideration of assumptions and did not identify any indicators of management bias. See slide 12 for further discussion.
- Our procedures did not identify any significant unusual transactions .
- No issues were identified from related party testing. Although, we identified one control finding related to maintenance of register of interest. Refer to 31 for more details.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Key:
Prior year Current year

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Audit risks and our audit approach

3 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The actuary will take account of the results of the new Triennial Valuation as at 31 March 2025 for accounting at 31 March 2026. This means re-basing their estimate models to allow for actual experience since 2022, which could result in corrections to the defined benefit obligation and asset valuations this year. It also updates the contributions payable, which could have an impact on the assessment of the asset ceiling applying to the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme. Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Key:
Prior year
Current year

Our response

We have performed the following procedures to address the significant risk:

- Understood the processes the Council has in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries and confirmed their qualifications and the basis for their calculations;
- Performed inquiries of the fund actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Considered the adequacy of the Council's disclosures in light of the updated information and change of contributions following the completion of the funding valuation, and assess the sensitivity of the deficit or surplus to the assumptions made; and
- Assessed the impact of a new triennial valuation model and/or any special events, where applicable.
- In addition to the procedures outlined above that were specifically designed to address the significant risk, we also performed the following procedures to support our conclusion on post-retirement benefit obligations.
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice; and
- We assessed the level of surplus that should be recognised by the entity under IFRIC 14. Refer next slide under "Our findings" section

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Audit risks and our audit approach

3 Valuation of post retirement benefit obligations (Cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The actuary will take account of the results of the new Triennial Valuation as at 31 March 2025 for accounting at 31 March 2026. This means re-basing their estimate models to allow for actual experience since 2022, which could result in corrections to the defined benefit obligation and asset valuations this year. It also updates the contributions payable, which could have an impact on the assessment of the asset ceiling applying to the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme. Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Key:
Prior year
Current year

Our findings

- We assessed the competency and objectivity of the Scheme actuaries and did not identify any reportable findings.
- We acknowledge that there is a review of key assumptions by management, but we do not place reliance on this control due to the lack of precision and documentation. Whilst this Management Review Control may be achieving the control objective set by management (we have not confirmed this), it does not meet the control requirements as defined by auditing standards and have therefore assessed the control to be ineffective.
- We have performed a reconciliation of the triennial funding valuation position as at 31 March 2025 to the corresponding IAS 19 figures as at 31 March 2026. Our checks are within acceptable tolerances.
- KPMG actuaries have performed inquiries of the Authority's actuaries and have reviewed the underlying assumptions behind the calculation of the estimate. We have concluded that the overall assumptions are balanced relative to our central rates, although we noted the CPI inflation rate to be optimistic against our centrally determined rates.
- During the year, the actuary revised the methodology for setting the inflation risk premium, reducing the Employer's CPI inflation assumption by 0.10% p.a. at 31 March 2026. The resulting estimated reduction in the Defined Benefit Obligation is £406k, exceeding our acceptable threshold. We assessed the rationale for the change, supporting actuarial evidence and the reasonableness of the revised assumption. No indicators of management bias were identified.

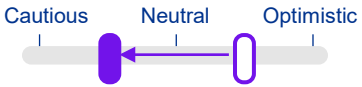
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Key accounting estimates and management judgements– Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Valuation of land and buildings including investment property	Cautious / Neutral / Optimistic	34.7	5.2	Needs improvement / Neutral / Best practice	Our work on valuation testing is in progress. We will provide an update on this upon completion of work.
Valuation of post retirement benefit		0.6	0.09		We are satisfied with the independence, objectivity and expertise of the scheme actuary. We considered that the assumptions used in valuing the defined benefit obligation and concluded it to be balanced as compared to our central actuarial benchmarks. Individually all assumptions are balanced except CPI rate, which is considered as Optimistic but within reasonable range. This is mainly because proposed CPI rate is 0.14 basis points lower than the KPMG's central benchmark. We have raised one control deficiency regarding the review of actuarial assumptions. Refer to page 28 for more details. We identified one corrected and uncorrected misstatement. Refer to page 25 and 26 for more details.

Prior year Current year

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Other matters

Narrative report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ('the Code'). Based on the work performed: We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.

- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council. As Performance, Governance and Audit Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Annual Governance Statement

We have reviewed the Council's 2025/26 Annual Governance Statement and confirmed that:

It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and

- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Due to the significance of the matters leading to our disclaimer of opinion, and the possible consequential effect on the related disclosures in the other information, whilst in our opinion the other information included in the Statement of Accounts is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information (Narrative Report and Annual Governance Statement).

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We are yet to receive instructions from NAO regarding WGA.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our scale fee for the 2025/26 audit, as set by PSAA is £163k plus VAT (£158k in 2024/25).

See page 22 for details and status of fee variations.

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Value for money

Value for Money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities, we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified no risks of a significant weakness in the Council's arrangements to secure value for money.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail will be set out in our Auditor's Annual Report.

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Value for Money: Performance improvement observations

The performance improvement observations raised as a result of our work in respect of identified or potential significant value for money risks in the current year are as follows:

Priority rating for observations		
1 **Priority one:** Observations linked to issues where, if not rectified, these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2 **Priority two:** Observations linked to issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.	3 **Priority three:** Observations linked to issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	**Tender waiver process** From our inquiries with management, we identified that the Council does not have a formal process in place to review, monitor, or approve tender waivers. As a result, there is limited oversight of procurement exceptions, increasing the risk that waivers are applied inconsistently, are not subject to appropriate challenge, or do not provide sufficient assurance that value for money considerations have been appropriately assessed. The absence of a formal approval and monitoring framework may reduce transparency and weaken governance over procurement decisions. We recommend the Council should implement a formal tender waiver process that requires documented justification, appropriate approval by designated officers, periodic monitoring of waivers granted, and regular reporting to senior management and/or members to provide effective oversight and ensure compliance with procurement and value for money requirements.	**Awaiting for the response from Ben**

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Value for money Performance improvement observation– Prior Period

Below we have set out our findings from following up performance improvement observations raised in prior periods:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of Oct'2026
Value for Money				
2	2	**Further insights into Corporate Risk Register** Our review of the Corporate Risk Register and related reporting to the Performance, Governance and Audit Committee identified the following: • Risks are not assigned a target risk score, meaning that there is a potential lack of clarity about the desired level of risk mitigation. This can lead to risks not being managed effectively, with the potential for resources being deployed to resolve risks which are acceptable to the Council and therefore resources being misallocated. • The Corporate Risk Register is available on the internal SharePoint to all colleagues, but Council members are unable to access and review this and are presented with a high-level overview only. Not all actions and control points are presented in this overview, and only the final risk score is presented, which could impact decision making. We recommend the Authority sets target risk scores in line with its risk appetite to better align risk management with strategic objectives and to provide a clear framework for evaluating the success of risk management and that reporting of the Corporate Risk Register to the Performance, Governance and Audit Committee is included in sufficient detail for decision making.	Accepted	**In progress**
3	2	**Policy Management** Our review of key relevant policies in place at the Council identified: • Many policies which had not been updated or reviewed in a number of years. We would expect all policies to be subject to review every 3 years. • No evidence or audit trail to indicate what changes had been made to policies reported as having been recently reviewed or the date of this review • The policies in place did not consistently identify when they would next be subject to review. We recommend the Authority sets out a standardised template for it policies to ensure that the Council can evidenced they have been reviewed every 3-5 years, logs of changes made to the policies are maintained and the date of next review is evident on the document itself. Alongside this, a register should be maintained and regularly monitored to support the Council in knowing what policies are in existence, and they remain in date.	Accepted	**In progress** From our review of policy, we still identified number of policies which has not been updated and reviewed on timely basis

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Value for money Recommendations and Control Deficiencies- – Prior Period

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of Oct'2026
Value for Money				
4	2	**Savings plans** Our review of the savings plans and our service line enquiries for 2023-24 identified the following: • Savings plans were primarily from reduction in services and were not always linked to the delivery of the Corporate Plan. • Savings are RAG rated, but there is no formal criteria for what constitutes a Red, Amber or Green Rating, although it is noted that the impact on likelihood and deliverability is considered. • Budgets are not formally signed off by service lines We recommend that further areas for growth are reviewed and included in the savings plans, and that a formal criteria for rating savings is developed for review by the Finance Member Group . We also recommend that budgets are formally signed off by service lines to ensure alignment between financial plans and service delivery.	Processes in budget setting have been enhanced by a detailed MTFS review during 2024-25. Responsible officer- CFO	**In progress** The Council has broadened the range of savings measures and continues to formally assess proposals through deliverability and impact ratings. However, the savings schedule still contains several proposals based on staffing reductions, budget reductions and service changes, and the evidence provided does not clearly demonstrate how individual savings proposals support delivery of Corporate Plan objectives. The Council has continued to apply RAG ratings to savings proposals and has enhanced the presentation of savings by categorising deliverability and impact. However, the evidence reviewed does not demonstrate that formal documented criteria have been established for determining Red, Amber or Green ratings. Consequently, there remains a risk that ratings are applied inconsistently and are subject to management judgement. Budgets are not formally signed off by service line managers.

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Appendix

Contents

	Page
Rebuilding assurance	20
Required Communications with the Audit Committee	21
Fees	22
Confirmation of Independence	23
Uncorrected audit misstatement	25
Corrected audit misstatement	26
Control Deficiencies	27
FRC's areas of focus	32
KPMG's Audit quality framework	35

DRAFT

Rebuilding assurance - update

The table below sets out the work we identified in our risk assessment for rebuilding assurance and the results / timetable

#	Risk of material misstatement identified	Procedures to address the risk of material misstatement	Results or which audit year we plan to undertake the work
1	Revaluation of Land and Building	Council is planning to conduct the revaluation of 70-80% of asset portfolio and apply indexation on remaining assets.	At the time of drafting this report, our work on testing of asset valued in year by the valuer i.e. VoA and remaining indexation asset is in progress.
2	Accuracy of opening balance of provision, debtors and creditors	Sample testing of opening balances of provision, debtors and creditors carrying forward from disclaimed audit period which were not reversed in 2024/25	We are co-ordinating with management on obtained the listing of all opening debtors and creditors for sample testing. At the time of drafting this report, this is in progress.
3	Accuracy of Capital Grants Unapplied Accounts	Sample test the Capital Grants received during the disclaimed period and confirm the consistency of the use of the capital grants to finance Capital Expenditure.	As communicated with management, this will be completed in Nov/Dec
4	Accuracy of General Funds	Perform consistency test & perform required procedures on transfers to & from earmarked reserves.	As communicated with management, this will be completed in Nov/Dec
5	Accuracy of Unusable Reserves	Perform consistency test & perform required procedures on adjustments made to & from unusable reserves	As communicated with management, this will be completed in Nov/Dec

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Required communications

Type	Response
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2026.
Adjusted audit differences	There were the presentation misstatement on Pension and Senior member pay disclosure. See page 26 for more details.
Unadjusted audit differences	At the time of drafting this report, we identified one uncorrected misstatement i.e. the aggregated surplus impact of unadjusted audit differences would be £406k. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 25 for more details.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	Our audit is in progress. We will provide an update on audit opinion in next committee.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	No matters to report. The engagement have complied with relevant ethical requirements regarding independence.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	The significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. We will issue our certificate once we have received confirmation from the National Audit Office that all assurances required for their opinion on Whole of Government Accounts have been received.

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Fees

Audit fee

Our fees for the year ending 31 March 2026 are set out in the PSAA Scale Fees communication and are shown below. We have also identified our fee variations below.

Entity	2025/26 (£'000)	2024/25(£'000)
Scale fee as set by PSAA	163	158
Fee variation approved by PSAA	-	18
Fee variations agreed with management but subject to PSAA approval: - Impact of the Local Government Triennal Valuation -Delays/quality issue in receiving the information related to journal transaction listing, PPE valuation, Leases, bank reconciliation etc.	*TBC	-
- Build back risk assessment** - Build back substantive fees - Disclaimer / modified opinion	36 *TBC *TBC	- - *6*
TOTAL	**199**	**182**

- **Work is in progress. Fee will be confirmed on the basis of work completed in year.*
- *** the Council has received additional grant funding from MHCLG in relation to this work*

Build Back substantive fees

We estimated the fees for the Build Back substantive phase were in a range of £40-60k as reported in our Rebuilding assurance update report.

Our work on Build Back substantive phase in 2025/26 is in progress. The fee variation for this will be confirmed upon completion of work. We will provide an update on this in next Committee.

Billing arrangements

Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

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Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Performance, Governance and Audit Committee members

Assessment of our objectivity and independence as auditor of Maldon District Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

There are no non-audit services applicable.

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Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.0: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2025/26
	£'000
Scale fee	163
Other Assurance Services	-
Total Fees	**163**

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

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Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Performance, Governance and Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Performance, Governance and Audit Committee, details of all adjustments greater than £33.2K are shown below:

Uncorrected audit misstatements (£'000s)				
No.	**Detail**	**SOCI Dr/(cr)**	**SOFP Dr/(cr)**	**Comments**
1	Dr Gross defined benefit asset		£406	As part of our audit procedures over pension scheme assets, we independently reconciled the asset value from the latest triennial valuation at 31 March 2025 to the IAS 19 asset value reported at 31 March 2026. Our calculation incorporated contributions, benefits paid, other asset movements and the actual return on assets received from Administrator. Our independently calculated expected closing asset value was £87,276k, compared with £86,870k reported in the IAS 19 valuation, resulting in a £406k difference. The difference falls outside our acceptable range , hence , therefore been raised as an uncorrected misstatement.
	Cr OCI - Re-measurement of net defined liability	£406		
Total		**£406**	**£406**	

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Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Performance, Governance and Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

1. We identified some presentational errors in staff salary in senior officers pay, Pension disclosure and Contingent liability which will be corrected in the final version of the accounts. Refer to page 4 for more details.

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Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations		
1 **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2 **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3 **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	**Journal Entry Processing and Ledger Narrative Control** During our audit testing of year-end journals, we identified instances where creditor accrual journals processed through the bulk upload template contained an incorrect transaction date of 31 March 2025. We also noted a small number of journals displaying the generic narrative "Batch Total" rather than an appropriate description due to the associated journal code not being configured correctly within Sage. Whilst the journals contained incorrect dates and narratives, the transactions were posted to the correct accounting period and financial year and therefore did not result in a financial misstatement. The issue arose due to manual data entry within the bulk upload process and the absence of adequate checks over the configuration of new journal codes. Inaccurate journal dates and narratives reduce the transparency and auditability of financial records and may hinder the effective review and investigation of journal entries. Therefore, we recommend that the management should enhance controls over bulk journal uploads by formalising review procedures, strengthening governance over Sage code creation and amendments, and implementing periodic monitoring to ensure journal dates and narratives are accurate and complete.	**Management response:** **Officer responsible:** **Due date:** **Waiting for the response from Ben**

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Recommendations and Control Deficiencies- – Prior Period 2024/25

We have also follow up the recommendations from the previous years audit, in summary :

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
6	0	6

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of Oct'2026
1	2	**Automated review of journal entries posted to GL** We noted that the standard journals process is that journals are reviewed by someone in a more senior position. There is a manual segregation of duties control operated before the journal is posted, However, there is no automatic segregation of duties enforced by the system and the system does not prevent the unapproved journals being posted. From our review of transactions listing we identified following classification issues which were posted in incorrect accounting codes: -Other fee and service charge income transaction listing we identified that there were two entries amounting £77k which were incorrectly posted under income which relates to expenditure accruals reversals. - In payroll expense listing- there was £102k salary cost which incorrectly coded to Other Service expenses. On the basis of above findings, it is noted that journals should be reviewed by senior team members so that these are posted to correct GL code.	**Management response:** To address this, the mapping exercise will be reviewed in detail to ensure correct classification between income and expenditure for the disclosure note. **Officer responsible:** Senior Technical Accountant **Due date:** FY25/26 Accounts closure	**In Progress** From our review of journals listing, we identified following classification issues which were posted in incorrect accounting codes: 1) There were mispostings dated 31st March 2025 in the income and expense transaction listing that actually relate to Fy 2025/26. 2) Several corrections were made to employee benefit expense code 0010. Previously, there was a variance of 107k for cost centre 750, as DFG salary was not treated as salary and was charged to code 134 4020 as recharge expenditure. 3) Code 0090 had a variance of 2,658, which was misposted to the code and subsequently amended to resolve the variance. On the basis of above findings, the control recommendation is still not resolved in 2025/26.
2	2	**Preparation and Review of bank reconciliation** From the review of bank reconciliations, we noted that the method used to prepare the reconciliation is not correct as it had carrying balances from March'24 and the reconciling items which were not cleared until March'25. Also, the amount per general ledger balances were taken incorrectly which resulted in bank reconciliation being incorrectly prepared. Therefore, we recommend management to review the method of reconciliation to be prepared and the reconciliation should be reviewed monthly by senior team members.	**Management response:** Bank reconciliations have always been completed on a monthly basis but we accept the need to make it clearer where the amounts come from. As a result, we are streamlining the overall process to make it easier to review. **Officer responsible:** Senior Technical Accountant **Due date:** November 2025	**In Progress** From our review of March'26 bank reconciliation, we noted the findings related to the method or preparing and review timelines is not resolved.

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Recommendations and Control Deficiencies- – Prior Period 2024/25

The recommendations raised as a result of our work in the prior year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of Oct'2026
3	2	**Management review of actuarial assumption** We inquired with the audited entity to understand the pension process. We understood that the Interim Lead Finance Specialist reviews the assumptions and methodologies used in the calculation of the IAS19 Report. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances. The documentation is not formalised and may consist of email or corresponding and verbal confirmations. However, the audited entity was not able to provide the evidence of performing the control.	**Management response:** Historically, we have always reviewed the assumptions used but fully accept the point on having the review formally documented. **Officer responsible:** Lead Finance Specialist **Due date:** To be carried out for FY25/26 year end accounts closure.	**In Progress** From our review of control, we could not corroborate the detailed or enhanced documentation of review control.
4	2	**Management review of PPE valuation assumption** Management reviews the assumptions and methodologies used in the calculation of the valuation. This includes inputs to testing such as square foot data and consideration of specialist/non-specialist classification. This is based on their understanding of the assets, the accounting standard and the business process and circumstances. As part of our risk assessment procedures, we carried out a walkthrough to obtain an understanding of the valuation review process. Via this walkthrough, we identified that there is no criteria or threshold developed for investigation/identification of outliers for valuation assumptions. Furthermore, there was insufficient evidence available to demonstrate the review and challenge of these reports. Therefore, it does not allow for an objective criteria to perform their review on and therefore it is ineffective. Management see this process as an annual occurrence and although they do review the output of the valuation specialist, there is no evidence of the review. Thus, there is not sufficiently well-defined process in place for it to meet the criteria of an effective review control. However, the audited entity was not able to provide the evidence of performing the control.	**Management response:** Reviews of assumptions used have been carried out in the past but these tended to be light touch. There is a collective agreement that the control needs to be enhanced by having a formal, and documented control of checks and follow up queries. These will be implemented, ready for next year's accounts closure. **Officer responsible:** Lead Finance Specialist **Due date:** To be carried out for FY25/26 year end accounts closure.	**In Progress** From our review of control, we could not corroborate the detailed or enhanced documentation of review control.

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Recommendations and Control Deficiencies- – Prior Period 2024/25

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of Oct'2026
5	2	**Review of Minimum revenue provision (MRP) policy** From our review of FY 24/25 MRP policy, we noted that is not detailed enough with all the facts and circumstances of MRP requirements. We also noted that there is internal borrowings which is utilised for purchase of capital assets and council has plans to invest in Leisure Centre in FY 25/26 thus increasing internal borrowings. Therefore, the MRP policy needs revisiting to consider the above facts. Therefore, we recommend the Council to revisit their policy to make it more details inline with MRP Statutory guidance to include the above facts.	**Management response:** We accepts the recommendation and will review our policy for internal borrowings as there were no internal borrowings in past where MRP needs calculating. **Responsible officer:** Interim Lead Finance Specialist **Due date:** FY 2025/26	**In progress** At the time of drafting this report, our work on Minimum revenue provision is in progress.

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Recommendations and Control Deficiencies– Prior Periods 2023/24

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the prior year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of Oct'2026
Financial Statements				
6	2	**Maintenance of a related party register (2023/24)** Our risk assessment procedures indicated that the Council does not hold a register of related parties. This is not in line with good governance practices. Furthermore, it could lead to the council unknowingly transacting with a related party as well as potential incorrect disclosures in the financial statements. We recommend the Authority holds a uses the annual declaration of interests process to create a related party register that holds counterparties that meet the criteria for related parties under accounting standards and performs a review of transactions with these parties to ensure that transactions with related parties can be clearly identified.	The Council already maintains a list of members declaring interests during committee meetings. However, the Finance Team will look into enhancing the process by maintaining a register and carry out a check against company house for potential related parties. **Lead Finance Specialist, May 2025**	**In progress** **Awaiting for the evidence from Victoria if this can be resolved this year**

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KPMG required communications for all entities

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FRC's areas of focus

The FRC released their Annual Review of Corporate Reporting 2024/25 (the 'Review') in September 2025 which also incorporated the outcomes of two limited scope thematics (the 'thematics').

The Review and thematics identify where the FRC believes companies can improve their reporting. These slides give a high-level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.

Key expectations for 2025/26 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained however, there remains a quality gap between FTSE 350 and other companies.. The FRC continue to focus on proportionality and materiality in their work and fewer substantive queries and restatements have been identified in the current year.

For the 2025/26 reporting season, the reporting areas the FRC believe companies should focus on remain consistent with recent years, given stable reporting requirements and recurring themes.

The FRC's top three focus areas remain consistent with the previous period including 'Impairment of assets', 'Cash Flow Statements' and 'Financial Instruments'. The FRC also note that the lack of internal consistency within the annual report and accounts continues to be a key driver of queries.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. Fewer queries would also be raised if there were clear, company-specific accounting policies for these key accounting matters.

The reviewer should take a step back and consider whether the annual report tells a consistent and coherent story throughout the narrative reporting and financial statements.

Risks and uncertainties

Geopolitical and economic risks remain high and, in this context, the FRC continue to push for clear and consistent disclosures about judgements, risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Narrative reporting

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented, particularly in relation to narrative reporting. Companies should focus on the requirement for a true and fair view, along with a fair, balanced, and comprehensive review of the company's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, however, they should ensure that they carefully comply with all applicable requirements, including climate-related reporting requirements.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

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KPMG required communications for all entities

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FRC's areas of focus (cont.)

Impairment of assets

Impairment remains a key topic for the FRC. There have been no restatements in the current year, but many disclosures have been identified as requiring improvement.

Disclosures should provide adequate information about key inputs and assumptions, and these should be consistent with events, operations and risks noted elsewhere in the annual report and accounts (the 'ARA'). These should be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and forecasts should not extend beyond five years without explanation.

Preparers should also ensure that goodwill is allocated to a monitored CGU or group of CGUs that is no larger than an operating segment.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements, and this was highlighted in the previous 'Offsetting in the financial statements' thematic. Further, materially dissimilar classes of cash flows (e.g. purchases of tangible vs. intangible assets) should be presented separately.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

Financial instruments

The number of queries on this topic remains high, with inappropriate application of offsetting requirements resulting in all identified restatements.

Companies are reminded that cash and overdraft balances should only be offset when they meet the qualifying criteria, including the intention to settle net or realise assets and liabilities simultaneously.

Companies should ensure sufficient explanation is provided of material financial instruments, including company-specific accounting policies.

Disclosures on risks should show the nature and extent of material risks, including credit risk, arising from financial instruments and the related risk management.

Expected credit loss provisions should explain the significant assumptions applied, including concentrations of risk where material.

Presentation

Companies should provide clear, company-specific material accounting policy information so users can understand unusual or complex transactions. Information on these transactions should be consistent with information elsewhere in the ARA.

Common restatement areas such as the classification of receivables as current or non-current, or the presentation of material financial asset impairment losses on the face of the income statement, should be identified by a thorough self-review.

Revenue

Questions raised in this area focussed on the clarity of the accounting policy and significant judgement disclosures.

For each material revenue stream, the accounting policy should cover the timing of revenue recognition, the basis for recognising revenue over time and the methodology. If the application of the accounting standards required significant judgement, this should also be disclosed.

Strategic report and Companies Act

The Strategic report must provide an unbiased discussion of all aspects of a company's development, position, performance and future prospects. In the case of a quoted company there should also be a clear description of it's strategy and business model.

Companies should ensure they comply with all the statutory requirements for making distributions.

Judgements and estimates

Disclosures over judgements and estimates are particularly important during periods of economic and geopolitical uncertainty. Disclosures should include sufficient, appropriate detail and be written in simple language. Sensitivities or ranges of possible outcomes should be provided to allow users to understand these judgement and estimates.

Areas of estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

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KPMG required communications for all entities

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FRC's areas of focus (cont.)

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the ARA.

Where applicable, the effect of Pillar Two income taxes should be disclosed.

Consolidated financial statements

Disclosures of the factors affecting control judgements should be consistent with other disclosures in the ARA. The disclosure must meet the requirements of IFRS 10.

Climate

Compliance with Taskforce for Climate-related Financial Disclosures (TCFD) has improved. The FRC reviewed compliance with Companies Act 2006 Climate-related Financial Disclosures (UK-CFD) for the first time this period. As a result, companies are reminded that UK-CFD disclosures are mandatory and cannot be 'explained' or included in another document.

Disclosures should focus only on material climate-related information and should be concise and company specific. The impact of material climate factors should also be addressed within the financial statements.

Thematic reviews

The FRC has issued five thematic reviews this year. 'Climate-related Financial Disclosures by AIM and Large Private Companies' was issued in January 2025 and is considered further on slide [X]. The key findings of the other thematics are outlined below. The FRC expect to issue a further thematic on 'Reporting by the UK's smaller listed companies' before the end of 2025.

Supplier finance arrangement disclosures

The key recommendations from this limited-scope review are:

- Provide high quality disclosures on the use of supply-chain financing (SCF) proportionate to the risks faced.
- Explain how SCF impacts liabilities and cash flows disclosing any judgements if relevant.
- Describe how SCF impacts liquidity risk and how liquidity risk is managed.

Review of disclosures of a pension accounting surplus

Pension surplus disclosures may be of heightened interest if proposed changes to employer's access to surpluses go ahead.

This review identified divergent practice in whether to recognise an asset when pension scheme trustees have the right to enhance benefits or wind up the scheme without the company's consent. Companies should:

- Clearly describe the basis on which the surplus is recognised (or restricted) including the impact of any trustees power.
- Consider whether disclosures around the technical funding position would be helpful to users' understanding of the amounts recognised in the financial statements and future contributions.
- Describe the nature and scale of bulk annuity policies or insurance transactions and the accounting treatment applied.

Share-based payments

This thematic focussed on listed companies with significant share-based payment (SBP) arrangements. Companies are encouraged to:

- Clearly explain the valuation technique used and assumptions made, in determining the fair value of instruments granted.
- Disclose the accounting policy and judgements regarding the choice of settlement, including the implications of any cash-settlement.
- Provide material disclosures which are clear and concise, cross-referencing and aggregating to avoid duplication.
- Assess if excess tax deductions have been recognised directly in equity.
- Consider the effect of group arrangements on individual companies and distributable reserves.

Investment trusts, venture capital trusts and similar closed-ended entities

The accounting for these entities is typically straightforward, however this thematic asks these entities to:

- Explain valuation techniques and provide sufficient meaningful disclosures on unobservable inputs to level 3 measurements e.g. weighted averages when the range of inputs is wide.
- Disclose sensitivities for level 3 measurements, when required.
- Ensure that APMs are appropriately used, reconciled to the nearest GAAP measure or otherwise explained.
- Clearly explain the basis for significant judgements on whether the IFRS 10 investment entity definition is met.

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KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

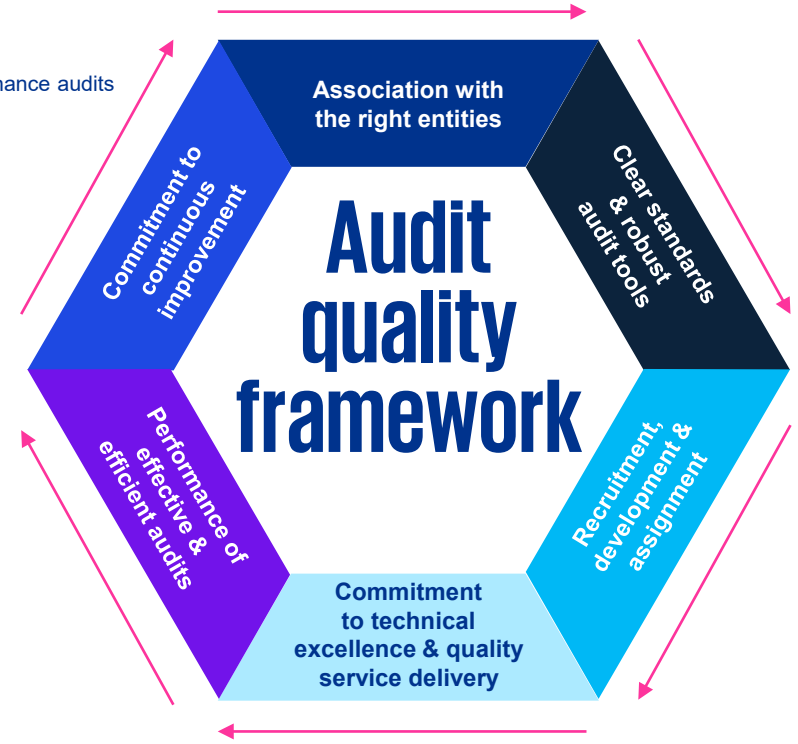
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members

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