REPORT of
DIRECTOR OF FINANCE

to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
12 NOVEMBER 2026

REPORTS FROM THE EXTERNAL AUDITOR

1. PURPOSE OF THE REPORT

1.1 The latest reports from the External Auditor (KPMG) provide an update on the audit review of the year ended 31 March 2026. The updates include three reports.

2. RECOMMENDATIONS

That the Committee:

(i) considers the initial findings of the Year End Audit Progress Report – at 7a;

(ii) discusses the initial findings of the Interim Auditor's Annual Report – at 7b;

(iii) accepts the final version of the External Audit Plan and Strategy for the year ending 31 March 2026 – at 7c.

3. SUMMARY OF KEY ISSUES

3.1 The Committee received the draft Annual Audit Plan for the year ended 31 March 2026 at a previous meeting. That Plan is now being followed, and a number of initial reports have been received from the External Auditor.

3.2 The Council has now received an initial draft of the Audit Progress Report (the ISA-260) setting out the audit findings to date as well as a draft of the Annual Audit Report. A final version of the audit plan has also been received. These three reports are the subject of this agenda item.

3.3 Overall, the results of the external audit review are a fundamental aspect of assurance for Councillors and residents of the effectiveness of governance and financial record keeping at the Council. These reports, while still interim, present a strong set of results and have not (to date) identified substantive areas of concern.

3.4 **Year End Audit Progress Report (7a)**

3.4.1 This is a detailed report focused on the report of the External Auditor to the Committee. The key points contained in the Year End Audit Progress Report are summarised below.

page	Finding	Maldon District Council (MDC) comment
4 (also 6-11)	Main audit risks: - Valuation of land and buildings assets - Management override of controls - Pension fund valuation	 Valuation of land and buildings is being reviewed. Details (e.g. of internal areas) are held, but there are no records of the previous property surveys that those records are based upon. The Council is updating those measurements. This work is ongoing and is a standard area of audit review. To date no substantive issues have been identified. The share of the Essex Local Government Pensions Scheme (LGPS) relating to MDC is invested in a range of products and managed by the Essex LGPS under separate governance. KPMG are obliged to request an up-to-date valuation of the investments held. The previous values date to April 2026 and are being updated to September 2026.
4 (also 26)	A number of presentational issues identified	These will be amended to create the final version of the accounts.
4 (also 27-31)	Control deficiencies – one identified	This is a good result and demonstrates ongoing improvement. The finding relates to the review by MDC finance staff of the actuarial valuation of the pensions fund (assets and liabilities) and documentation of this review.
15	Value for Money (VFM) conclusion (“no significant weaknesses”)	This is assessed against three domains, being Financial sustainability, Governance, and Improvement of VFM. The auditor has not found any issues to report against these domains,
20	Rebuilding assurance	A summary of the steps KPMG are intending to take in this regard.
22	Audit fees	These are reported as - £163k scale fee (standard charge based on authority size, type, and complexity) - £36k build-back risk assessment fee (for the work planning for rebuilding assurance) - To be confirmed (TBC): rebuilding assurance – actual work in line with the plan and risk assessment; fee variations in respect of assessing the LGPS triennial valuation and any delays in the audit process.

3.5 **Interim Auditor's Annual Report (7b)**

3.5.1 This report covers similar ground to the progress report (above) but once finalised it will be a public-facing document. The key points are summarised below.

page	Finding	MDC comment
4	Summary of all audit findings - Statements conclusion - VFM conclusion (p7) - Whole of Government Accounts (WGA) review	The conclusion on the statements is not yet determined as the audit review is not yet complete. However, we are expecting a 'qualified' opinion for the year 2025/26 based on feedback so far. This is an improvement on the previous 'disclaimed' opinions received for prior years. VFM shows (p7) no significant weaknesses identified. WGA – not yet concluded.
7	VFM conclusion	A good result – no significant weaknesses identified in the audit review of the Council's arrangements for securing economy, efficiency and effectiveness.

3.6 **External Audit Plan and Strategy for the Year Ending March 2026 (7c)**

3.6.1 This report provides the final version of the audit plan previously reported to the Committee.

4. CONCLUSION

4.1 The audit review of the accounts for the year 2025/26 is progressing well. To date, no substantive issues have been raised by the auditor which are of concern. Where issues have been raised, they have been accepted by the Council finance team and will be corrected.

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

5.1 **Supporting our communities**

5.1.1 Proper accounting ensures transparency over how taxpayer money is applied to local priorities in a way comparable with other councils. Proper accounting also supports the process of allocating resources to operational areas and activities. Securing Value for Money in this area, as judged by an independent external expert, is an important part of providing wider assurance.

5.2 **Investing in our District**

5.2.1 The taxpayer funds received by the council are all used, directly or indirectly, to invest in the district.

5.3 **Growing our economy**

5.3.1 Some taxpayer funds are applied to the objective of growing the local economy.

5.4 **Protecting our environment**

5.4.1 Some taxpayer funds are applied to the objective of protecting the local environment.

5.5 **Delivering good quality services**

5.5.1 Proper accounting is vital to ensuring effective budgeting for council services.

6. IMPLICATIONS

(i) **Impact on Customers** – None directly.

(ii) **Impact on Equalities** – None directly.

(iii) **Impact on Risk (including Fraud implications)** – Proper accounting, with assurance of that provided by independent external experts, provides greater confidence in the ability of the council to plan for and manage risks including the risk of fraud.

(iv) **Impact on Resources (financial)** – None directly.

(v) **Impact on Resources (human)** – The audit process is time-consuming and requires a substantial commitment from the finance team.

(vi) **Impact on Devolution / Local Government Reorganisation (LGR)** – Proper accounting is vital to support effective planned for LGR.

Background Papers: None.

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